FORM 10-K

Annual report pursuant to section 13 and 15(d)

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POPULAR INC

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required)

For the Fiscal Year Ended December 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

Commission File No. 0-13818

POPULAR, INC.

Incorporated in the Commonwealth of Puerto Rico

IRS Employer Identification No. 66-0416582

Principal Executive Offices:

209 Munoz Rivera Avenue
Hato Rey, Puerto Rico 00918
Telephone Number: (809) 765-9800

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock ($6.00 par value)

8.35% Non-Cumulative Monthly Income Preferred Stock,
1994 Series A (Liquidation Preference $25.00 Per Share)

Series A Participating Cumulative Preferred Stock Purchase Rights

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of February 26, 1999 the Corporation had 135,709,287 shares of common stock outstanding. The aggregate market value of the common stock held by non-affiliates of the Corporation was $4,503,852,000 based upon the reported closing price of $33.1875 on the NASDAQ National Market System on that date.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Corporation's Annual Report to Shareholders for the fiscal year ended December 31, 1998 are incorporated herein by reference in response to Item 1 of Part I, Items 5 through 8 of Part II and Item 14 of Part IV.

(2) Portions of the Corporation's Proxy Statement relating to the 1999 Annual Meeting of Stockholders of the Corporation are incorporated herein by

reference to Items 10 through 13 of Part III.

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PART I
POPULAR, INC.

ITEM 1. BUSINESS

Popular, Inc. (the "Corporation") is a diversified, publicly owned bank holding company, registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act") and, accordingly, subject to the supervision and regulation of the Board of Governors of the Federal Reserve System ("the Federal Reserve Board"). The Corporation was incorporated in 1984 under the laws of the Commonwealth of Puerto Rico and is the largest financial institution in Puerto Rico, with consolidated assets of $23.2 billion, total deposits of $13.7 billion and stockholders' equity of $1.7 billion at December 31, 1998. Based on total assets at December 31, 1998, the Corporation was the 36th largest bank holding company in the United States.

The Corporation's principal subsidiary, Banco Popular de Puerto Rico ("Banco Popular" or the "Bank"), was incorporated over 100 years ago in 1893 and is Puerto Rico's largest bank with total assets of $18.5 billion, deposits of $11.7 billion and stockholders' equity of $1.4 billion at December 31, 1998. The Bank, accounted for 80% of the total consolidated assets of the Corporation at December 31, 1998. A consumer-oriented bank, Banco Popular has the largest retail franchise in Puerto Rico, operating 194 branches and 421 automated teller machines. The Bank also has the largest trust operation in Puerto Rico. In addition, as of December 31, 1998, it operated the largest Hispanic bank branch network in the mainland United States with 32 branches in New York and an agency in Chicago. As of December 31, 1998, these branches had a total of approximately $1.6 billion in deposits. The Bank also operates seven branches in the U.S. Virgin Islands and one branch in the British Virgin Islands. Banco Popular's deposits are insured under the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Corporation (the "FDIC"). Banco Popular has three subsidiaries, Popular Leasing & Rental, Inc., Puerto Rico's largest vehicle leasing and daily rental company, Popular Finance, Inc., a small-loan and second mortgage company with 48 offices in Puerto Rico, and Popular Mortgage, Inc., a mortgage loan company with eleven offices in Puerto Rico.

The Corporation has two other principal subsidiaries: Popular Securities Incorporated, a securities broker-dealer in Puerto Rico with brokerage, financial advisory, investment and security brokerage operations for institutional and retail customers and Popular International Bank, Inc. ("PIB"). PIB owns all of the outstanding stock of Popular North America, Inc. ("PNA") and ATH Costa Rica, which provides ATM switching and driving services in San Jose, Costa Rica. In addition, PIB has an investment in 45% of the outstanding stock of Banco Gerencial & Fiduciario S.A. (BGF), a commercial bank in the Dominican Republic.

PIB is a wholly-owned subsidiary of the Corporation organized in 1992 under the laws of the Commonwealth of Puerto Rico that operates as an "international banking entity" under the International Banking Center Regulatory Act of Puerto Rico (the "IBC Act"). PIB is principally engaged in providing managerial services to its subsidiaries.

PNA, a wholly-owned subsidiary of PIB and an indirectly wholly-owned subsidiary of the Corporation, was organized in 1991 under the laws of the State of Delaware. As of December 31, 1998, PNA had ten subsidiaries, all of which were wholly-owned: Banco Popular North America, Inc., ("BPNAI"), Banco Popular, N.A. Florida ("Banco Popular (Florida)"), Banco Popular, N.A. (Texas) ("Banco Popular (Texas)"), Banco Popular, N.A. (California) ("Banco Popular (California)"), Banco Popular, FSB, First State Bank of Southern California ("First State") and Bronson-Gore Bank of Prospect Heights, The Irving Bank, Water Tower Bank (collectively, "Gore-Bronson Banks") and Popular Cash Express, Inc. ("PCE"). PNA does not engage directly in any activities other than providing managerial services to its subsidiaries and raising funds for those subsidiaries. BPNAI is the holding company of Banco Popular, Illinois.

PIB, PNA and BPNAI, respectively as indirect and direct owners of Banco Popular, Illinois, Banco Popular (Florida), Banco Popular (Texas), Banco Popular (California), Banco Popular, FSB, First State and Gore-Bronson Banks, are registered bank holding companies under the BHC Act.

Banco Popular, Illinois operated 19 branches in the State of Illinois. The deposits of Banco Popular, Illinois were insured under BIF by the FDIC, which was also its primary federal regulator. As of December 31, 1998, the assets of Banco Popular, Illinois were $1.0 billion and its deposits were $795.7 million. In addition, Banco Popular, Illinois owned all of the outstanding stock of Popular Leasing, USA, a non-banking subsidiary that offers small ticket equipment leasing in seven states, with total assets of $36.8 million as of December 31, 1998.

As of December 31, 1998, the assets of Banco Popular (Florida) were $214.4 million and its deposits were $133.3 million, operating ten branches in Florida. Banco Popular (Florida) was a national bank and its deposits were insured under BIF by the FDIC.

Banco Popular (Texas) is also a national bank. As of December 31, 1998, the assets of Banco Popular (Texas) were $90.5 million and its deposits were $51.2 million, with four branches operating in Houston, Texas. The deposits of Banco Popular (Texas) were also insured under BIF by the FDIC and was subject to supervision by the Office of the Comptroller of the Currency ("OCC").

Banco Popular (California), was a national bank and operated 14 branches in California with total assets of $221 million and deposits of $162.6 million as of December 31, 1998. The deposits of Banco Popular (California) were also insured by the FDIC and was subject to supervision by the OCC.

Banco Popular, FSB, was a federal savings bank with total assets of $375 million and deposits of $310 million. The deposits of Banco Popular, FSB were insured under the Saving Association Insurance Fund ("SAIF") by the FDIC. Banco Popular, FSB was subject to the supervision of the Office Thrift Supervision. Banco Popular, FSB owned Equity One, Inc., a Delaware corporation ("Equity One"). Equity One is a diversified consumer finance company engaged in the business of making personal and mortgage loans and providing dealer financing through 128 offices in 36 states with total assets of $1.4 billion as of December 31, 1998.

Acquisitions

On September 30, 1998, the Corporation through its wholly-owned subsidiary PIB, acquired 45% of the outstanding stock of BGF. BGF is the fourth largest bank in the Dominican Republic, with 26 branches throughout the Dominican Republic, $496 million in total assets and $320 million in total deposits as of September 30, 1998. The deposits of BGF are not insured by the FDIC and it is subject to the supervision of the Monetary Board of the Central Bank of the Dominican Republic.

On October 31, 1998, PNA acquired 100% of the voting shares of First State with $194 million in assets and deposits of $157 million at October 31, 1998. First State operates five branches in California and its deposits are insured by the FDIC. On the same day, PNA acquired 100% of the voting shares of Gore-Bronson Bancorp, Inc., and its banks subsidiaries: Bronson-Gore Bank in Prospect Heights, the Irving Bank and Water Tower Bank (Gore-Bronson Banks) with assets of $281 million and deposits of $217 million at the acquisition date. The deposits of Gore-Bronson Banks are insured by the FDIC. The Gore-Bronson Banks specialize in asset-based lending and operates five branches in Chicago Metropolitan Area. On December 1, 1998 Gore-Bronson Bancorp, Inc. was merged with and into PNA.

In April 1998, PNA through its nonbank subsidiary PCE, completed the acquisition of 15 check cashing outlets in Florida. These outlets offer services such as check cashing, money transfers to other countries, money order sales and processing of payments. In October 1998, PCE acquired Inglewood Quik Check, Inc. ("Inglewood") a corporation with eight check cashing locations and 28 mobile check-cashing units in California. As of December 31, 1998, PCE and its subsidiary Inglewood are operating 23 outlets and 28 mobile check-cashing units, with consolidated assets of $19.4 million.

Reorganization

During 1998, the Corporation actively worked in an internal reorganization of its direct and indirect subsidiaries that was completed on January 1, 1999 (the "Reorganization"). In order to take advantage of recent changes in federal laws involving branch banking across state lines, the Corporation undertook the Reorganization to streamline its operations in the United States and simplify the regulatory environment in which its multiple banking subsidiaries in the United States were operating.

In general terms, the mechanics of the Reorganization were as follows: The Corporation organized a new Puerto Rico-chartered bank that acquired all of the assets and liabilities of Banco Popular, except those connected with the Bank's branches in New York. As a result, the new Puerto Rico-chartered bank became the owner of all of the assets of the Bank in Puerto Rico, the United States Virgin Islands, the British Virgin Islands, one branch in New York and the agency in Illinois. As was the case with the old Banco Popular, the new Puerto Rico-chartered bank became a wholly-owned subsidiary of the Corporation. Following the completion of the Reorganization, the new Puerto Rico-chartered bank changed its corporate name to "Banco Popular de Puerto Rico".

The old Banco Popular owning only the New York branches, merged with and into Banco Popular, New York, a new New York-chartered bank, into which Banco Popular, Illinois, Banco Popular (Florida), Banco Popular (California) and Banco Popular, FSB were also merged. The resulting institution was named Banco Popular, New York ("BPNY") and became a direct subsidiary of BPNAI. Also, as part of the reorganization PNA contributed all of the issued and outstanding shares of Banco Popular (Texas) to BPNAI. The new structure resulted in PNA as the parent company of BPNAI and BPNAI became the holding company of BPNY, Banco Popular (Texas), First State and Gore-Bronson Banks. Following the completion of the reorganization, BPNY changed its corporate name to Banco Popular North America ("BPNA"). Furthermore, BPNAI changed its corporate name to Popular Holdings USA, Inc. ("PHUSA"). As part also of the Reorganization, on January 23, 1999, First State merged with and into BPNA and during 1999 is expected that Gore-Bronson Banks and Banco Popular (Texas) will be merge with and into BPNA.

The Reorganization did not cause any disruption or interruption in the delivery of services and products offered by the Corporation's banking and non-banking subsidiaries to existing and potential customers in each of the markets served.

Competition

The business of banking is highly competitive. In addition to competition from other commercial banks, banks face significant competition from nonbank financial institutions. Savings associations compete aggressively with commercial banks for deposits and loans. Credit unions and finance companies are significant factors in the consumer loan market. Investment firms and retailers are significant competitors for some types of business. Banks compete for deposits with a broad spectrum of other types of investments such as mutual funds, debt securities of corporations, and debt securities of the federal government, state governments and their respective agencies. The principal methods of competition for financial services are price (interest rates paid on deposits, interest rates charged on borrowings, and fees charged for services) and service (convenience and quality of services rendered to customers).

Forward-Looking Statements

This report contains certain forward looking statements with respect to the adequacy of the allowance for loan losses, the Corporation's market risk, the effect of legal proceedings on the Corporation's financial condition and results of operations and the Year 2000 issue. These forward looking statements involve certain risks, uncertainties, estimates and assumptions by management.

Various factors could cause actual results to differ from those contemplated by such forward-looking statements. With respect to the adequacy of the allowance for loan losses and market risk, these factors include, among others; the rate of growth in the economy, the relative strength and weakness in the consumer and commercial credit sectors and in the real estate markets, the performance of the stock and bond markets, the magnitude of interest rate changes and the potential effects of the Year 2000 issue. Moreover, the outcome of litigation, as discussed in "Part I, Item 3. Legal Proceedings," is inherently uncertain and depends on judicial interpretations of law and the findings of judges and juries. The information regarding Year 2000 compliance is based on management's current assessment. However, this is an ongoing process involving continual evaluation, and unanticipated problems could develop that could cause compliance to be more difficult or costly than currently anticipated.

Recent Developments

On March 2, 1999, the Corporation acquired 9.99% of the outstanding stock of Telecomunicaciones de Puerto Rico, Inc. ("Telpri"), the successor to the Puerto Rico Telephone Company, from the Puerto Rican Telephone Authority, a political subdivision of the Government of Puerto Rico (the "PRTA"), for $90.2 million. The Corporation made this investment in conjunction with the simultaneous acquisition by GTE Telecommunications Incorporated ("GTE"), indirectly through a wholly-owned subsidiary, of 40.01% plus one share of the outstanding stock of Telpri that resulted in GTE's control and operation of Telpri. After these acquisitions closed, the government of Puerto Rico retained ownership of 43% of the outstanding stock of Telpri. The remaining 7% was acquired by the Employee Stock Ownership Plan Trust of Telpri.

The Corporation's business is described on pages 1 through 17 of the Business Review Section of the Annual Report to Shareholders for the year ended December 31, 1998, which is incorporated herein by reference.

REGULATION AND SUPERVISION

General

Each of the Corporation, PIB, PNA and PHUSA is a bank holding company subject to supervision and regulation by the Federal Reserve Board under the BHC Act. As a bank holding company, the Corporation's, PIB's, PNA's and PHUSA's activities and those of their banking and non-banking subsidiaries are limited to the business of banking and activities closely related to banking, and none of the Corporation, PIB, PNA or PHUSA may directly or indirectly acquire the ownership or control of more than 5% of any class of voting shares or substantially all of the assets of any company in the United States, including a bank, without the prior approval of the Federal Reserve Board. In addition, bank holding companies are generally prohibited under the BHC Act from engaging in non-banking activities, subject to certain exceptions.

Banco Popular is considered a foreign bank for purposes of the International Banking Act of 1978 (the "IBA"). Under the IBA Banco Popular is not permitted to operate a branch or agency, that is located outside of its "home state", except to the extent that a national bank with the same home state is permitted to do so as described under "Interstate Banking and Legislation" below. Puerto Rico is not considered a state for purposes of these geographic limitations. Banco Popular has designated the state of New York as its home state.

Banco Popular, BPNA, Gore-Bronson Banks and Banco Popular (Texas) are subject to supervision and examination by applicable federal and state banking agencies including, in the case of Banco Popular, the Federal Reserve Board and the Office of the Commissioner of Financial Institutions of Puerto Rico, in the case of BPNA, the Federal Reserve Board and the New York State Banking Department; in the case of Gore-Bronson Banks, the FDIC and the Illinois Commissioner of Banks and Trust Companies; and in the case of Banco Popular (Texas), the OCC. Banco Popular, BPNA, Gore-Bronson Banks and Banco Popular (Texas) are subject to requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, and limitations on the types of other investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of Banco Popular, BPNA, Gore-Bronson Banks and Banco Popular (Texas). In addition to the impact of regulations, commercial banks are significantly affected by the actions of the Federal Reserve Board as it attempts to control the money supply and credit availability in order to influence the economy.

F D I C I A

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") the federal banking regulators must take prompt corrective action in respect of depository institutions that do not meet minimum capital requirements. FDICIA and regulations thereunder established five capital tiers: "well capitalized", "adequately capitalized," "undercapitalized", "significantly under- capitalized", and "critically undercapitalized". A depository institution is deemed well capitalized if it maintains a leverage ratio of at least 5%, a risk-based Tier 1 capital ratio of at least 6% and a risk-based total capital ratio of at least 10% and is not subject to any written agreement or directive to meet a specific capital level. A depository institution is deemed adequately capitalized if it is not well capitalized but maintains a leverage ratio of at least 4% (or at least 3% if given the highest regulatory rating and not experiencing or anticipating significant growth), a risk-based Tier 1 capital ratio of at least 4% and a risk-based total capital ratio of at least 8%. A depository institution is deemed undercapitalized if it fails to meet the standards for adequately capitalized institutions (unless it is deemed significantly or critically undercapitalized). An institution is deemed significantly undercapitalized if it has a leverage ratio of less than 3%, a risk-based Tier 1 capital ratio of less than 3% or a risk-based total capital ratio of less than 6%. An institution is deemed critically undercapitalized if it has tangible equity equal to 2% or less of total assets. A depository institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives a less than satisfactory examination rating in any one of four categories.

At December 31, 1998, each of Banco Popular, BPNA, Gore-Bronson Banks, First State and Banco Popular (Texas) was well capitalized. An institution's capital category, as determined by applying the prompt corrective action provisions of law, may not constitute an accurate representation of the overall financial condition or prospects of the Corporation or its banking subsidiaries, and should be considered in conjunction with other available information regarding the Corporation's financial condition and results of operations.

FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition, undercapitalized depository institutions are subject to growth limitations and are required to submit capital restoration plans. A depository institution's holding company must guarantee the capital plan, up to an amount equal to the lesser of 5% of the depository institution's assets at the time it becomes undercapitalized or the amount of the capital deficiency when the institution fails to comply with the plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions are subject to appointment of a receiver or conservator.

The capital-based prompt corrective action provisions of FDICIA and their implementing regulations apply to FDIC-insured depository institutions such as the subsidiaries of the Corporation, PIB, PNA and PHUSA, but they are not directly applicable to holding companies, such as the Corporation, PIB, PNA and PHUSA which control such institutions. However, federal banking agencies have indicated that, in regulating holding companies, they may take appropriate action at the holding company level based on their assessment of the effectiveness of supervisory actions imposed upon subsidiary insured depository institutions pursuant to such provisions and regulations.

Holding Company Structure

Banco Popular, BPNA, Gore-Bronson Banks and Banco Popular (Texas) are subject to restrictions under federal law that limit the transfer of funds among any of them, any of the Corporation, PIB, PNA or PHUSA and any of the Corporation's other non-banking subsidiaries, whether in the form of loans, other extensions of credit, investments or asset purchases. Such a transfer by any of Banco Popular, BPNA, Gore-Bronson Banks or Banco Popular (Texas), to any of the Corporation, PIB, PNA or PHUSA or to any of the non-banking subsidiaries, is limited in amount to 10% of the transferring institution's capital stock and surplus and, with respect to the Corporation and any of its non-banking subsidiaries, to an aggregate of 20% of the transferring institution's capital stock and surplus. For these purposes, capital stock and surplus includes the institution's total risk-based capital plus the balance of its allowance for loan losses not included therein. Furthermore, such loans and extensions of credit are required to be secured in specified amounts.

Under the Federal Reserve Board policy, a bank holding company such as the Corporation, PIB, PNA or PHUSA is expected to act as a source of financial strength to each of its subsidiary banks and to commit resources to support each subsidiary bank. This support may be required at times when, absent such policy, the bank holding company might not otherwise provide such support. In addition, any capital loans by a bank holding company to any of its subsidiary depository institutions are subordinated in right of payment to deposits and to certain other indebtedness of such subsidiary depository institution. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary depository institution will be assumed by the bankruptcy trustee and entitled to a priority of payment. Banco Popular, BPNA, Gore- Bronson Banks and Banco Popular (Texas) are currently the only depository institutions of the Corporation, PNA and PHUSA.

Because the Corporation, PIB, PNA and PHUSA are holding companies, their right to participate in the assets of any subsidiary upon the latter's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors (including depositors in the case of subsidiary depository institutions) except to the extent that the Corporation, PIB, PNA or PHUSA as the case may be, may itself be a creditor with recognized claims against the subsidiary.

Under the Federal Deposit Insurance Act (the "FDIA"), a depository institution, the deposits of which are insured by the FDIC, can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with (i) the default of a commonly controlled FDIC-insured depository institution or (ii) any assistance provided by the FDIC to any commonly controlled FDIC-insured depository institution "in danger of default". "Default" is defined generally as the appointment of a conservator or a receiver and "in danger of default" is defined generally as the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance. Banco Popular, BPNA, Gore-Bronson Banks and Banco Popular (Texas) are all currently FDIC-insured depository institutions of the Corporation. In some circumstances (depending upon the amount of the loss or anticipated

loss suffered by the FDIC), cross-guarantee liability may result in the ultimate failure or insolvency of one or more insured depository institutions in a holding company structure. Any obligation or liability owed by a subsidiary depository institution to its parent company is subordinated to the subsidiary bank's cross-guarantee liability with respect to commonly controlled insured depository institutions.

Dividend Restrictions

The principal regular source of cash flow for the Corporation is dividends from Banco Popular. Various statutory provisions limit the amount of dividends Banco Popular can pay to the Corporation without regulatory approval. As a member bank subject to the regulation of the Federal Reserve Board, Banco Popular must obtain the approval of the Federal Reserve Board for any dividend if the total of all dividends declared by the member bank in any calendar year would exceed the total of its net profits, as defined by the Federal Reserve Board, for that year, combined with its retained net profits for the preceding two years. In addition, a member bank may not pay a dividend in an amount greater than its undivided profits then on hand after deducting its losses and bad debts. For this purpose, bad debts are generally defined to include the principal amount of loans that are in arrears with respect to interest by six months or more unless such loans are fully secured and in the process of collection. Moreover, for purposes of this limitation, a member bank is not permitted to add the balance in its allowance for loan losses account to its undivided profits then on hand. A member bank may, however, net the sum of its bad debts as so defined against the balance in its allowance for loan losses account and deduct from undivided profits only bad debts as so defined in excess of that account. At December 31, 1998, Banco Popular could have declared a dividend of approximately $361 million without the approval of the Federal Reserve Board. On January 14, 1999, the Board of Directors of Banco Popular approved a dividend of $230 million payable on January 15, 1999. The proceeds from this dividend were used by the Corporation to repay outstanding debts at the Holding Company level. New York law and the National Bank Act contains similar limitation on the amount of dividends that a bank subsidiary can pay to its holding company.

The payment of dividends by Banco Popular, BPNA, Gore-Bronson Banks and Banco Popular (Texas) may also be affected by other regulatory requirements and policies, such as the maintenance of adequate capital. If, in the opinion of the applicable regulatory authority, a depository institution under its jurisdiction is engaged in, or is about to engage in, an unsafe or unsound practice (that, depending on the financial condition of the depository institution, could include the payment of dividends), such authority may require, after notice and hearing, that such depository institution cease and desist from such practice. The Federal Reserve Board has issued a policy statement that provides that insured banks and bank holding companies should generally pay dividends only out of current operating earnings. In addition, all insured depository institutions are subject to the capital-based limitations required by the FDICIA. See "FDICIA".

See" Puerto Rico Regulation" for a description of certain restrictions on Banco Popular's ability to pay dividends under Puerto Rico law.

FDIC Insurance Assessments

Banco Popular, BPNA, Gore-Bronson Banks and Banco Popular (Texas) are subject to FDIC deposit insurance assessments.

Pursuant to the FDICIA, the FDIC has adopted a risk-based assessment system, under which the assessment rate for an insured depository institution varies according to the level of risk incurred in its activities. An institution's risk category is based partly upon whether the institution is well capitalized, adequately capitalized or less than adequately capitalized. Each insured depository institution is also assigned to one of the following "supervisory subgroups": "A", "B" or "C". Group "A" institutions are financially sound institutions with only a few minor weaknesses; Group "B" institutions are institutions that demonstrate weaknesses that, if not corrected, could result in significant deterioration; and Group "C" institutions are institutions for which there is a substantial probability that the FDIC will suffer a loss in connection with the institution unless effective action is taken to correct the areas of weakness.

The FDIC reduced the insurance premiums it charges on bank deposits insured by the BIF to the statutory minimum of $2,000.00 for "well capitalized" banks, effective January 1, 1996. On September 30, 1996, the Deposit Insurance Funds Act of 1996 ("DIFA") was enacted and signed into law. DIFA repealed the statutory minimum premium, and currently premiums related to deposits assessed by both the BIF and the Savings Association Insurance Fund ("SAIF") are to be assessed at a annual rate of between 0 cents and 27 cents per $100.00 of deposits. DIFA also provided for a special one-time assessment imposed on deposits insured by the SAIF to recapitalize the SAIF to bring the SAIF up to statutorily required levels.

DIFA also separated the Financing Corporation ("FICO") assessment to service the interest on its bond obligations from the BIF and SAIF assessments. The amount assessed on individual institutions by the FICO is in addition to the amount, if any, paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. By law, the FICO rate on BIF-assessable deposits must be one-fifth the rate on SAIF-assessable deposits until the insurance funds are merged or until January 1, 2000 (whichever occurs first). As of December 31, 1998, the Corporation had a BIF deposit assessment base of approximately $12.8 billion.

Brokered Deposits

FDIC regulations adopted under the FDICIA govern the receipt of brokered deposits. Under these regulations, a bank cannot accept, roll over or renew brokered deposits (which term is defined also to include any deposit with an interest rate more than 75 basis points above prevailing rates) unless (i) it is well capitalized or (ii) it is adequately capitalized and receives a waiver from the FDIC. A bank that is adequately capitalized may not pay an interest rate on any deposits in excess of 75 basis points over certain prevailing market rates specified by regulation. There are no such restrictions on a bank that is well capitalized. The Corporation does not believe the brokered deposits regulation has had or will have a material effect on the funding or liquidity of Banco Popular, BPNA, Gore-Bronson Banks and Banco Popular (Texas).

Capital Adequacy

Information about the capital composition of the Corporation as of December 31, 1998 and for the four previous years is presented in Table H "Capital Adequacy Data", on page F-14 in the "Management Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) and is incorporated herein by reference.

Under the Federal Reserve Board's risk-based capital guidelines for bank holding companies and member banks, the minimum guidelines for the ratio of qualifying total capital ("Total Capital") to risk-weighted assets (including certain off-balance sheet items, such as standby letters of credit) is 8%. At least half of the Total Capital is to be comprised of common equity, retained earnings, minority interest in unconsolidated subsidiaries, non-cumulative perpetual preferred stock and a limited amount of cumulative perpetual preferred stock, less goodwill, and certain other intangible assets ("Tier 1 Capital"). The remainder may consist of a limited amount of subordinated debt, other preferred stock, certain other instruments and a limited amount of loan and lease loss reserves ("Tier 2 Capital").

In addition, the Federal Reserve Board has established minimum leverage ratio guidelines for bank holding companies and member banks. These guidelines provide for a minimum ratio of Tier 1 Capital to total assets, less goodwill and certain other intangible assets discussed below (the "leverage ratio") of 3% for bank holding companies and member banks that meet certain specified criteria, including that they have the highest regulatory rating. All other bank holding companies and member banks will be required to maintain a leverage ratio of 4%. The guidelines also provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. Furthermore, the guidelines indicate that the Federal Reserve Board will continue to consider a "tangible Tier 1 leverage ratio" and other indicia of capital strength in evaluating proposals for expansion or new activities. The tangible Tier 1 leverage ratio is the ratio of a banking organization's Tier 1 Capital less all intangibles, to total assets less all intangibles.

Banco Popular and BPNA are subject to the risk-based and leverage capital requirements adopted by the Federal Reserve Board. See Consolidated Financial Statements, Note 18 "Regulatory Capital Requirements" on page F-47 , for the capital ratios of the Corporation and of Banco Popular.

Gore-Bronson Banks and Banco Popular (Texas) are subject to similar capital requirements adopted by the FDIC and OCC. Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC and to certain restrictions on its business. See "FDICIA".

Interstate Banking Legislation

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 permits bank holding companies, with Federal Reserve Board approval, to acquire banks located in states other than the holding company's home state without regard to whether the transaction is prohibited under state law. In addition, national and state banks with different home states are permitted to merge across

state lines, with approval of the appropriate federal banking agency, unless the home state of a participating bank passed legislation prior to May 31, 1997 expressly prohibiting interstate mergers. States were allowed to "opt in" to permit interstate branching by merger prior to June 1, 1997 and to permit de novo interstate branching. Once a bank has established branches in a state through an interstate merger transaction, the bank may establish and acquire additional branches at any location in the state where any bank involved in the interstate merger transaction could have established or acquired branches under applicable federal or state law. A bank that has established a branch in a state through de novo branching may establish and acquire additional branches in such state in the same manner and to the same extent as a bank having a branch in such state as a result of an interstate merger. If a state opts out of interstate branching within the specified time period, no bank in any other state may establish a branch in the state which has opted out, whether through an acquisition or de novo. A foreign bank, like Banco Popular, may branch interstate by merger or de novo to the same extent as domestic banks in the foreign bank's home state, which, in the case of Banco Popular, is New York.

Various other legislation, including proposals to overhaul the bank regulatory system, expand bank and bank holding company powers and limit the investments that a depository institution may make with insured funds, is from time to time introduced in Congress. The Corporation, PIB, PNA and PHUSA cannot determine the ultimate effect that such potential legislation, if enacted, or implementing regulations, would have upon their financial condition or results of operations.

Puerto Rico Regulation

General

As a commercial bank organized under the laws of Puerto Rico, Banco Popular is subject to the supervision, examination and regulation by the Office of the Commissioner of Financial Institutions of Puerto Rico (the "Office of the Commissioner"), pursuant to the Puerto Rico Banking Act of 1933, as amended (the "Banking Law").

Section 27 of the Banking Law requires that at least 10% of the yearly net income of Banco Popular be credited annually to a reserve fund. This apportionment shall be done every year until the reserve fund shall be equal to the total of paid-in capital on common and preferred stock. At the end of its most recent fiscal year, Banco Popular had a fund established in compliance with these requirements.

Section 27 of the Banking Law also provides that when the expenditures of a bank are greater than the receipts, the excess of the former over the latter shall be charged against the undistributed profits of the bank, and the balance, if any, shall be charged against the reserve fund, as a reduction thereof. If there is no reserve fund sufficient to cover such balance in whole or in part, the outstanding amount shall be charged against the capital account and no dividend shall be declared until said capital has been restored to its original amount and the reserve fund to 20% of the original capital.

Section 16 of the Banking Law requires every bank to maintain a legal reserve that, except as otherwise provided by the Office of the Commissioner, shall not be less than 20% of its demand liabilities, excluding government deposits (federal, state and municipal) which are secured by actual collateral. Furthermore, if a bank is authorized to establish one or more bank branches in a State of the United States or in a foreign country, where such branches are subject to the reserve requirements of that state or country, the Office of the Commissioner may exempt said branch or branches of the reserve requirements of Section 16. However, Banco Popular has been exempted from such requirements, with respect to deposits payable in Puerto Rico, pursuant to an order of the Board of Governors of the Federal Reserve System dated November 24, 1982. The reserve requirements of Section 16 apply to those deposits.

Section 17 of the Banking Law permits Banco Popular to make loans to any one person, firm, partnership or corporation, up to an aggregate amount of 15% of the paid-in capital and reserve fund of the Bank. As of December 31, 1998, the legal lending limit for the Bank under this provision was approximately $109 million and after the Reorganization approximately $90 million. The above limitations do not apply to loans which are secured by collateral worth at least 25% more than the amount of the loan, up to an aggregate maximum amount of one third of the paid-in capital of the Bank, plus its reserve fund. If the institution is well capitalized and had been rated 1 in the last examination performed by the Office of the Commissioner or any regulatory agency its legal lending limit shall also include 15% of 50% of its undivided profits. Institutions rated 2 in their last regulatory examination may include this additional component in their legal lending limit only with the previous authorization of the Office of the Commissioner. There are no restrictions under Section 17 on the amount of loans that are wholly secured by bonds, securities and other evidence of indebtedness of the Government of the United States or Puerto Rico, or by current debt bonds, not in default, of municipalities or instrumentalities of Puerto Rico.

Section 14 of the Banking Law authorizes Banco Popular to conduct certain financial and related activities directly or through subsidiaries, including finance leasing of personal property, originating and servicing mortgage loans and operating a small loan company. Banco Popular engages in these activities through its wholly-owned subsidiaries, Popular Leasing & Rental, Inc., Popular Mortgage, Inc. and Popular Finance Inc., respectively, all of which are organized and operate in Puerto Rico.

The Finance Board, which is a part of the Office of the Commissioner, but also includes as its members the Secretary of the Treasury, the Secretary of Commerce, the Secretary of Consumer Affairs, the President of the Planning

Board, and the President of the Government Development Bank for Puerto Rico, has the authority to regulate the maximum interest rates and finance charges that may be charged on loans to individuals and unincorporated businesses in Puerto Rico. The current regulations of the Finance Board provide that the applicable interest rate on loans to individuals and unincorporated businesses (including real estate development loans but excluding certain other personal and commercial loans secured by mortgages on real estate properties) is to be determined by free competition. The Finance Board also has authority to regulate the maximum finance charges on retail installment sales contracts, which are currently set at 21%, and for credit card purchases, which are currently set at 26%. There is no maximum rate set for installment sales contracts involving motor vehicles, commercial, agricultural and industrial equipment, commercial electric appliances and insurance premiums.

IBC Act

Under the IBC Act, without the prior approval of the Office of the Commissioner, PIB may not amend its articles of incorporation or issue additional shares of capital stock or other securities convertible into additional shares of capital stock unless such shares are issued directly to the shareholders of PIB previously identified in the application to organize the international banking entity, in which case notification to the Office of the Commissioner must be given within ten business days following the date of the issue. Pursuant to the IBC Act, without the prior approval of the Office of the Commissioner, PIB may not initiate the sale, encumbrance, assignment, merger or other transfer of shares if by such transaction a person or persons acting in concert could acquire direct or indirect control of 10% or more of any class of the Company's stock. Such authorization must be requested at least 30 days prior to the transaction.

PIB must submit to the Office of the Commissioner a report of its condition and results of operation on a quarterly basis and its annual audited financial statement at the close of its fiscal year. Under the IBC Act, PIB may not deal with "domestic persons" as such term is defined in the IBC Act. Also, it may only engage in those activities authorized in the IBC Act, the regulations adopted thereunder and its license.

The IBC Act empowers the Office of the Commissioner to revoke or suspend, after a hearing, the license of an international banking entity if, among other things, it fails to comply with the IBC Act, regulations issued by the Office of the Commissioner or the terms of its license or if the Office of the Commissioner finds that the business of the international banking entity is conducted in a manner not consistent with the public interest.

Employees

At December 31, 1998, the Corporation employed 10,549 persons. None of its employees are represented by a collective bargaining group.

Segment Disclosure

Note 27 to the Financial Statements, "Segment Reporting" on page F-58 and F-59 is herein incorporated by reference.

ITEM 2. PROPERTIES

As of December 31, 1998, Banco Popular owned (and wholly or partially occupied) approximately 71 branch premises and other facilities throughout the Commonwealth and branch premises in New York. In addition, as of such date, Banco Popular leased properties for branch operations in approximately 126 locations in Puerto Rico, 16 locations in New York and 7 locations in the U.S.

Virgin Islands. The Corporation's management believes that each of its facilities is well-maintained and suitable for its purpose. The principal properties owned by the Corporation for banking operations and other services are described below:

Popular Center, the San Juan metropolitan area headquarters, located at 209 Munoz Rivera Avenue, Hato Rey, Puerto Rico, a 20 story office building.

Approximately 50% of the office space is leased to outside tenants.

Cupey Center Complex, three buildings, one of three stories, and two of two stories each, located in Cupey, Rio Piedras, Puerto Rico. The computer center, operational and support services, and a recreational center for employees are some of the main activities conducted at these facilities. The facilities are fully occupied by Banco Popular's personnel.

Stop 22 - Santurce building, a twelve story structure located in Santurce, Puerto Rico. A branch, the accounting department, the human resources division and the auditing department are the main activities conducted at this facility, which is fully occupied by Banco Popular personnel.

Old San Juan building, a twelve story structure located in Old San Juan, Puerto Rico. Banco Popular occupies approximately 33% of the building for a branch operation, a regional office, an exhibit room and other facilities. The rest of the building is rented to outside tenants.

Mortgage Loan Center, a six story building, a four story building, and a one story building, located at 153, 167 and 157 Ponce de Leon Avenue, Hato Rey, Puerto Rico, respectively, are fully occupied by Popular Mortgage, Inc. and Banco Popular's mortgage servicing departments.

New York building, a nine story structure with two underground levels located at 7 West 51st. Street, New York City. BPNA occupies approximately 92% of the office space is used for banking operations. The remaining space is rented or available for rent to outside tenants.

Chicago building, a three story building located at 4000-4008 West North Avenue, Chicago, Illinois. BPNA's full service branch, the executive offices, the human resources division and the bank's operation department, are the main activities conducted at this facility.

Orlando building, a two story building located at 5551 Vanguard Street, Orlando, Florida. Credit cards operations, finance and accounting department and the BPNA's operation services are the main activities conducted at this facility.

Houston building, a one story building located at 1615 Little York Road, Houston, Texas. BPNA's full service branch and the administrative offices are located at this facility.

ITEM 3. LEGAL PROCEEDINGS

The Corporation and its subsidiaries are defendants in various lawsuits arising in the ordinary course of business. Management believes, based on the opinion of legal counsel, that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the financial position of the Corporation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Corporation's common stock (the "Common Stock") is traded on the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market System under the symbol BPOP. Information concerning the range of high and low sales prices for

the Corporation's common shares for each quarterly period during 1998 and the previous four years, as well as cash dividends declared is contained under Table I, "Common Stock Performance", on page F-15 and under the caption "Stockholders' Equity" on page F-14 in the MD&A, and is incorporated herein by reference.

Information concerning legal or regulatory restrictions on the payment of dividends by the Corporation and Banco Popular is contained under the caption "Regulation and Supervision" in Item 1 herein.

As of February 26, 1999, the Corporation had 10,454 stockholders of record of its Common Stock, not including beneficial owners whose shares are held in record names of brokers or other nominees. The last sales price for the Corporation's Common Stock on such date, as quoted on the NASDAQ, was $33.1875 per share.

The Corporation currently has outstanding $125 million subordinated notes due December 15, 2005 with interest payable semi-annually at 6.75%. These notes are unsecured subordinated obligations which are subordinated in right of payment in full to all present and future senior indebtedness of the Corporation. These notes do not provide for any sinking fund.

On February 5, 1997, BanPonce Trust I, a statutory business trust created under the laws of the State of Delaware that is wholly-owned by PNA and indirectly wholly-owned by the Corporation, sold to institutional investors $150,000,000 of its 8.32% Capital Securities Series A (liquidation amount $1,000 per Capital Security) through certain underwriters. The proceeds of the issuance, together with the proceeds of the purchase by PNA of $4,640,000 of its 8.327% common securities (liquidation amount $1,000 per common security) were used to purchase $154,640,000 aggregate principal amount of PNA 8.327% Junior Subordinated Deferrable Interest Debentures, Series A (the "Junior Subordinated Debentures"). These capital securities qualify as Tier I capital, are fully and unconditionally guaranteed by the Corporation, and are presented in the Consolidated Statements of Condition as "Guaranteed Preferred Beneficial Interest in Popular North America's Subordinated Debentures." The obligations of PNA under the Junior Subordinated Debentures and its guarantees of the obligations of BanPonce Trust I are fully and unconditionally guaranteed by the Corporation. The assets of BanPonce Trust I consisted of $154, 640,000 of Junior Subordinated Debentures and a related accrued interest receivable of $4,292,000. The Junior Subordinated Debentures mature on February 1, 2027; however, under certain circumstances, the maturity of the Junior Subordinated Debentures (which shortening would result in a mandatory redemption of the Capital Securities) may be shortened.

The Puerto Rico Internal Revenue Code of 1994, as amended, generally imposes a withholding tax on the amount of any dividends paid by corporations to individuals, whether residents of Puerto Rico or not, trusts, estates and special partnerships at a special 10% withholding tax rate. If the recipient is a foreign corporation or partnership not engaged in trade or business within Puerto Rico the withholding tax is also 10%.

Prior to the first dividend distribution for the taxable year, individuals who are residents of Puerto Rico may elect to be taxed on the dividends at the regular rates, in which case the special 10% tax will not be withheld from such year's distributions.

United States citizens who are non-residents of Puerto Rico will not be subject to Puerto Rico tax on dividends if said individual's gross income from sources within Puerto Rico during the taxable year does not exceed $1,300 if single, or $3,000 if married, and form AS 2732 of the Puerto Rico Treasury Department "Withholding Tax Exemption Certificate for the Purpose of Section 1147", is filed with the withholding agent.

U.S. income tax law permits a credit against U.S. income tax liability, subject to certain limitations, for certain foreign income taxes paid or deemed paid with respect to such dividends.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item appears in Table C, "Selected Financial Data" on pages F-4 and F-5 and the text under the caption "Earnings Analysis", on page F-6 in the MD & A, and is incorporated herein by reference.

The Corporation's ratio of earnings to fixed charges on a consolidated basis for each of the last five years is as follows:

Ratio of Earnings to Fixed Charges:	1998	1997	1996	1995	1994
Excluding Interest on Deposits	1.8	1.8	2.0	2.0	2.6
Including Interest on Deposits	1.4	1.4	1.4	1.4	1.5
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends:					
Excluding Interest on Deposits	1.8	1.8	2.0	2.0	2.5
Including Interest on Deposits	1.4	1.4	1.4	1.4	1.5

(Year ended December 31)

For purposes of computing these consolidated ratios, earnings represent income before income taxes, plus fixed charges. Fixed charges represent all interest expense (ratios are presented both excluding and including interest on deposits), the portion of net rental expense which is deemed representative of the interest factor and the amortization of debt issuance expense.

The Corporation's long-term senior debt and preferred stock on a consolidated basis for each of the last five years ended December 31, is as follows:

(In thousands)	1998	1997	1996	1995	1994
Long-term obligations	$1,582,160	$1,678,696	$1,111,713	$885,428	$489,524
Non-Cumulative preferred stock of the Corporation	100,000	100,000	100,000	100,000	100,000

(Year ended December 31)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item appears on page F-2 through F-28 under the caption "MD&A", and is incorporated herein by reference.

Table K, "Maturity Distribution of Earning Assets", on page F-18 in the MD&A, has been prepared on the basis of expected maturities. The Corporation does not have a policy with respect to rolling over maturing loans, but rolls over loans only on a case-by-case basis after review of such loans in accordance with the Corporation's lending criteria.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information regarding the market risk of the Corporation's Investments, appears on page F-16 through F-18 under the caption "MD&A", and is incorporated herein by reference.

The Corporation uses different techniques to measure its exposure to future changes in interest rates or interest rate risk ("IRR"). The Corporation uses simulation analysis and static gap estimates for measuring short-term IRR. Duration analysis is used to quantify the level of long-term IRR assumed, and focuses on the estimated economic value of portfolio equity, also referred to as market value of portfolio equity ("MVPE") of the Corporation; i.e., the difference between the estimated market value of financial assets less the estimated value of financial liabilities.

Static gap analysis measures the value of asset maturing or repricing within a particular time period, and the amount of liabilities maturing or repricing in the same period. The repricing volumes typically include adjustments for anticipated future asset prepayments and for differences in sensitivity to market rates. The volume of net assets or liabilities repricing during future periods is used as one short-term indicator of IRR.

Simulation analysis is another measurement used by the Corporation for short-term IRR and it addresses some of the deficiencies of gap analysis. It involves estimating the effect on net interest income ("NII") of one or more future interest rate scenarios as applied to the repricing of the Corporation's current assets and liabilities and the assumption of new balances. The simulation analyses are performed using a computer-based earnings simulation model and are based on various interest rate scenarios.

Longer-term IRR is measured using duration analysis, in particular the duration of MVPE. It expresses in general terms, the sensitivity of the MVPE to changes in interest rates. The estimated MVPE is obtained from the market values of the cash flows from the Corporation's financial assets and liabilities, which are primarily payments of interest and repayments of principal. In turn, the duration of the MVPE in derived from the estimated duration of the Corporation's assets and liabilities. The sensitivity of the MVPE thus incorporates all future cash flows from NII, whereas other measures of IRR focus primarily on short-term net interest income.

Duration measures the "average length" of a financial asset. In particular it equals the weighted average maturity of all the cash flows of a security, loan, deposit, etc., where the weights are equal to the present value of each cash flow. The present value of a cash flow occurring in the future, is its estimated market value as of a certain date. The sensitivity of the market value of an asset or liability to changes in interest rates is primarily a function of its duration. In general terms, the longer the duration of an asset or liability is, the greater is the sensitivity of its market value to interest rate changes. Since duration measures the "length" of a financial asset, it is usually expressed in terms of years or months.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item appears on pages F-29 through F-65, and on page F-28 under the caption "Statistical Summary - Quarterly Financial Data", in the MD&A and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained under the captions "Shares Beneficially Owned by Directors, Nominees and Executive Officers of the Corporation", "Beneficial Ownership Reporting Compliance" and "Board of Directors and Committees" including the "Nominees for Election as Directors", "Executive Officers", "Family Relationships" and "Other Relationships, Transactions and Events" of the Corporation's definitive proxy statement filed with the Securities and Exchange Commission on or about March 23, 1999 (the "Proxy Statement"), is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the caption "Executive Compensation Program", and under the caption "Popular, Inc. Performance Graph" of the Proxy Statement, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the captions "Principal Stockholders" and under

"Shares Beneficially Owned by Directors, Nominees and Executive Officers of the Corporation" of the Proxy Statement, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the caption "Family Relationships" and "Other Relationships, Transactions and Events" of the Proxy Statement, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

A. The following financial statements and reports included on pages F-29 thru F-65 of the financial review section of the Corporation's Annual Report to Shareholders, have been incorporated herein by reference:

(1) Financial Statements:

Report of Independent Accountants
Consolidated Statements of Condition as of December 31, 1998 and 1997
Consolidated Statements of Income for each of the years in the three-year period ended December 31, 1998
Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 1998
Consolidated Statements of Changes in Stockholders' Equity for each of the years in the three-year period ended December 31, 1998
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules: No schedules are presented because the information is not applicable or is included in the Consolidated Financial Statements described in A.1 above or in the notes thereto.

(3) Exhibits

The exhibits listed on the Exhibits Index on page 19 of this report are filed herewith or are incorporated herein by reference.

B. The Corporation filed one report on Form 8-K during the quarter ended December 31, 1998.

Dated: October 7, 1998

Items reported: Item 5 - Other Events

Item 7 - Financial Statements and Exhibits

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POPULAR, INC.

(Registrant)

By: S\RICHARD L. CARRION

Richard L. Carrion
Chairman of the Board, President
and Chief Executive Officer
(Principal Executive Officer)

Dated: 02-11-99

By: S\JORGE A. JUNQUERA

Jorge A. Junquera
Senior Executive Vice President
(Principal Financial Officer)

Dated: 02-11-99

By: S\AMILCAR L. JORDAN

Amilcar L. Jordan
Senior Vice President
(Principal Accounting Officer)

Dated: 02-11-99

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

S\RICHARD L. CARRION Richard L. Carrion	Chairman of the Board, President and Chief Executive Officer	02-11-99
S\ALFONSO F. BALLESTER Alfonso F. Ballester	Vice Chairman of the Board	02-11-99
S\ANTONIO LUIS FERRE Antonio Luis Ferre	Vice Chairman of the Board	02-11-99
S\JUAN J. BERMUDEZ Juan J. Bermudez	Director	02-11-99
S\FRANCISCO J. CARRERAS Francisco J. Carreras	Director	02-11-99
S\DAVID H. CHAFEY, JR. David H. Chafey, Jr.	Director	02-11-99
S\LUIS E. DUBON, JR. Luis E. Dubon, Jr.	Director	02-11-99

S\HECTOR R. GONZALEZ Hector R. Gonzalez	Director	02-11-99
S\JORGE A. JUNQUERA Jorge A. Junquera	Director	02-11-99
Manuel Morales, Jr.	Director	
S\ALBERTO M. PARACCHINI Alberto M. Paracchini	Director	02-11-99
S\FRANCISCO M. REXACH, JR.	Director	02-11-99

Francisco M. Rexach, Jr.

S\J. ADALBERTO ROIG, JR. ----------------------------- J. Adalberto Roig, Jr.	Director	02-11-99
----------------------------- Felix J. Serralles, Jr.	Director	
----------------------------- Julio E. Vizcarrondo, Jr.	Director	

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Description	Footnote
<S>	<C>	<C>
3.1	Restated Articles of Incorporation of Popular, Inc.	(1)
3.2	By laws of Popular, Inc.	
4.1	Form of certificate for common stock.	
4.3	Rights Agreement.	(2)
4.4	Indenture dated as of October 1, 1991, as supplemented by the First Supplemental Indenture thereto, dated February 28, 1995 and by the Second Supplemental Indenture thereto, dated as of May 8, 1997, each among Popular North America, Inc., Popular, Inc,. as Guarantor, and The First National Bank of Chicago, as Trustee.	(3)
4.7	Form of Certificate of 8.35% non-cumulative monthly Income Preferred Stock, 1994 Series A (Liquidation Preference $25.00 per share).	(4)
4.9	Subordinated Indenture dated as of November 30, 1995, between Popular, Inc. and First National Bank of Chicago, as trustee.	(5)
4.10	Form of Subordinated Note of Popular, Inc.	(6)
4.11	Indenture dated as of February 15, 1995, as supplemented by the First Supplemental Indenture thereto, dated as of May 8, 1997, between Popular, Inc. and First National Bank of Chicago, as Trustee.	(7)
4.14	Form of Fixed Rate Medium-Term Note of Popular, Inc.	(8)
4.15	Form of Floating Rate Medium-Term Note of Popular, Inc.	(8a)
4.16	Form of Fixed Rate Medium-Term Note, Series D, of Popular North America, Inc., endorsed with the guarantee of Popular, Inc.	(8b)
4.17	Form of Floating Rate Medium-Term Note, Series D, of Popular North America, Inc., endorsed with the guarantee of Popular, Inc.	(8c)
10.8	Annual Management Incentive Compensation Plan for certain Division Supervisors approved in January, 1987.	
10.8.1	Popular, Inc. Senior Executive Long-Term Incentive Plan dated October 6, 1994.	(9)
10.8.2	Amendment to Popular, Inc. Senior Executive Long-Term Incentive Plan dated April 23, 1998.	
10.9	Stock Deferment Plan for outside directors effective on August 15, 1996.	(10)

</TABLE>

<TABLE>

<S>	<C>	<C>
10.12.2	Credit Agreement dated as of October 29, 1998 among Popular, Inc. and Popular North America, Inc., and the lenders named therein. For an aggregate principal amount of $320,000,000. The Chase Manhattan Bank as Administrative agent and Chase Securities, Inc. as advisor, as manager and book manager.	
12.0	Computation of Ratio of Earnings to Fixed Charges	
13.1	Registrants Annual Report to Shareholders for the year ended December	

	31, 1998
21.1	Schedule of Subsidiaries
23.1	Consent of Independent Auditors
27.0	Financial Data Schedule (for SEC use only)
99.1	Registrant's Proxy Statement for the April 27, 1999 Annual Meeting of Stockholders

</TABLE>

Popular, Inc. hereby agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of Popular, Inc. or of any of its consolidated subsidiaries.

----

(1) Incorporated by reference to Exhibit 3.1 of the 1997 Form 10-K.

(2) Incorporated by reference to Exhibit 1 of Registration Statement on Form 8-A, filed on August 28, 1998.

(3) Incorporated by reference to Exhibit 4 (f) of Registration Statement No. 333-26941.

(4) Incorporated by reference to Exhibit 4.7 of the 1994 Form 10-k.

(5) Incorporated by reference to Exhibit 4(e) of Registration Statement No. 333-26941

(6) Incorporated by reference to Exhibit 4(p) on Form 8-K filed on December 13, 1995.

(7) Incorporated by reference to Exhibit 4(d) of Registration Statement No. 333-26941.

(8) Incorporated by reference to Exhibit 4(1) of Form 8-K filed on June 11, 1997.

(8a) Incorporated by reference to Exhibit 4(m) of Form 8-K filed on June 11, 1997.

(8b) Incorporated by reference to Exhibit 4(n) of Form 8-K on June 11, 1997.

(8c) Incorporated by reference to Exhibit 4(o) of Form 8-K filed on June 11, 1997.

(9) Incorporated by reference to Exhibit 10.8.1 of the 1994 Form 10-K.

(10) Incorporated by reference to Exhibit 10.9 of the 1996 Form 10-K.

EXHIBIT 3.2

BY LAWS OF
POPULAR, INC.

ARTICLE 1: BOARD OF DIRECTORS

1.1 The business and affairs of the Corporation shall be conducted under the authority of its Board of Directors. The directors shall be elected in the manner set forth in the Certificate of Incorporation of the Corporation.

1.2 If for any reason or cause an election of directors is not held on the Annual Meeting of Stockholders, or at any adjournment thereof, such election may be held on any subsequent date at a special meeting of stockholders duly called for such purpose.

1.3 Directors shall receive such reasonable compensation as may be established from time to time by the Board of Directors by resolution approved by an absolute majority thereof.

1.4 The Board may hold such regular meetings as may be established from time to time by resolution approved by an absolute majority of the Board. Once regular meetings are convened as established herein, notice thereof need not be given. The Board may hold such extraordinary meetings as may be convened by the Chairman of the Board, by the President or which may be required by at least three (3) directors. Such regular or extraordinary meetings may be held at the Corporation's principal office, at any other place or places within or without Puerto Rico, or by such other means as permitted by law.

1.5 The quorum at any meeting of the Board of Directors shall consist of a majority of the total number of directors. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the Certificate of Incorporation or these By-Laws shall require a vote of a greater number.

ARTICLE 2: MEETINGS OF STOCKHOLDERS

2.1. An Annual Meeting of Stockholders shall be held not later that the fifth month following the end of the fiscal year of the Corporation at a place, date and time fixed by the Board of Directors.

2.2 Special meetings of stockholders may be called by the Board of Directors, the Chairman of the Board of Directors or the President of the Corporation. The notice of such special meetings shall specify the purpose or purposes for which the meeting is called.

2.3 All meeting of stockholders shall be convened by delivering a notice to each holder or shares entitled to vote, not less than thirty (30) days before the date of the meeting, either

personally or by mail. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his or her address as it appears on the Stock Book of the Corporation, with postage thereon prepaid.

2.4 A majority of the outstanding shares of the Corporation entitled to vote represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. If no quorum is present, the meeting shall be adjourned from time to time without further notice until a date not less than eight (8) days after the date for which the first meeting was called. Such adjourned meeting shall be held and shall be lawfully organized whatever the number of shares entitled to vote may be represented therein, and any business may be transacted which might have been transacted at the meeting as originally noticed.

2.5 Unless otherwise provided in the Certificate of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for him as proxy, the following shall constitute valid means by which a stockholder may grant such authority:

i. A stockholder may execute a writing authorizing another person or persons to act for him as proxy. Execution may be accomplished by the stockholder or his authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

ii. A stockholder may authorize another person or persons to act for him as proxy by transmitting or authorizing the transmission of a telegram, cablegram, Internet or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram, Internet or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram, Internet or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams, Internet or other electronic transmissions are valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information upon which they relied.

2.6 The Chairman of the Board of Directors shall preside at any meeting of stockholders and shall conduct such proceedings as are customary in this kind of meeting, procuring at all times order and impartiality in the debates.

2.7 During the Annual Meeting of Stockholders, the financial statements of the Corporation shall be presented to the stockholders for their approval, and the directors shall provide such explanations as may be reasonably requested by the stockholders regarding such statements as well as the operations of the Corporation during the year.

ARTICLE 3: OFFICERS AND EMPLOYEES

3.1 The Board shall appoint one of its members to be the Chairman of the Board, to serve at the pleasure of the Board. He shall preside at all meetings of the Board and of the stockholders. He shall also have and may exercise such executive powers and duties as pertain to the office of Chairman of the Board, or as from time to time may be conferred upon, or assigned to, him by the Board.

3.2 The Board shall appoint one of its members to be the President of the Corporation, to serve at the pleasure of the Board. In the absence of the Chairman, the President shall preside at any meetings of the Board and of the stockholders. He shall also have and may exercise such further powers and duties as pertain to the office of President of the Corporation, or as from time to time may be conferred upon, or assigned to, him by the Board.

3.3 The Board of Directors may appoint from among its members one or more Vice Chairmen to serve at the pleasure of the Board. Each Vice Chairman shall have such powers and duties as may be assigned to him by the

Board.

3.4 The Board shall appoint a Secretary. The Secretary shall keep the minutes of the meetings of the Board and of the stockholders. He or one of the Assistant Secretaries shall see that proper notices are given of all meetings of which notice is required. The Secretary shall have custody of the seal and when necessary shall attest to the same when affixed to written instruments properly executed on behalf of the Corporation; and generally, shall perform such other duties as may be prescribed from time to time by the Board, the Chairman or the President.

3.5 The Board shall appoint one or more Assistant Secretaries. The Assistant Secretaries shall perform such duties as shall be prescribed by the Board, The Chairman, the President or the Secretary.

3.6 The Board may appoint such other officers (who need not be directors) and attorneys-in-fact as from time to time may appear to the Board to be required or desirable to transact the business of the Corporation. Such officers shall respectively exercise such powers and perform such duties as pertain to their several offices, or as may be conferred upon, or assigned to, them by the Board or the President.

ARTICLE 4: CERTIFICATES AND TRANSFERS OF STOCK

4.1 Certificates for Shares. Subject to the second paragraph of this Section 4.1, every holder of shares of stock of the Corporation shall be entitled to have a certificate representing all shares to which he is entitled. The certificates shall be signed by the President or any Vice President and by the Treasurer or an Assistant Treasurer, or by the Secretary or an Assistant Secretary. Such signatures may be facsimiles if the certificate is manually signed on behalf of a transfer agent or registrar other than the Corporation itself or an employee of the Corporation. In case any officer who signed, or whose facsimile signature has been placed upon, such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issuance. The certificates representing the stock of the Corporation shall be in such form as shall be approved by the Board of Directors.

4.2 Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate in the case of uncertificated securities, or by attorney lawfully constituted in writing, and, in the case of certificated securities, upon surrender and cancellation of a certificate or certificates for a like number of shares of the same class of stock, with duly executed assignment and power of transfer endorsed thereon or attached thereto, and with such proof of the authenticity of the signatures as the Corporation or its agents may reasonably require. No transfer of stock other than on the records of the Corporation shall affect the right of the

Corporation to pay any dividend upon the stock to the holder of record thereof or to treat the holder of record as the holder in fact thereof for all purposes, and no transfer shall be valid, except between the parties thereto, until such transfers shall have been made upon the records of the Corporation.

4.3 With respect to voting rights, the shares of stock shall be considered indivisible. In the case of shares belonging to several persons collectively, the co-owners shall appoint a representative to act on behalf of the group.

4.4 If the loss, theft or destruction of a Certificate is reasonably established before the Board of Directors, the latter may authorize the issuance of a duplicate, provided the concerned stockholder presents before the Board of Directors a sworn statement in which the stockholder described circumstances surrounding the loss, theft or destruction of said Certificate, and if the Board of Directors so require give the Corporation a bond of indemnify, in form and with one or more sureties satisfactory to the Board, in such sum as it may direct as indemnify against any claim which may be made against the Corporation with respect to the Certificate alleged to have been lost, stolen or destroyed.

4.5 The Board of Directors may, in its discretion, appoint one or more banks or trust companies in any such city or cities as the Board of Directors may deem advisable, including any banking subsidiaries of the Corporation, from time to time, to act as Transfer Agents and Registrars of the stock or other securities of the Corporation; and upon such appointments being made, no stock certificate shall be valid until countersigned by one of

such Agents and registered by one of such Registrars.

4.6 The Board of Directors may close the Stock Book in their discretion for a period not exceeding fifty (50) days preceding any meeting of the Stockholders, or the day appointed for the payment of dividends.

ARTICLE 5: WAIVER OF NOTICE

5.1 Any stockholder, director or officer may waive, in writing, any notice required to be given under these By-Laws.

ARTICLE 6: FISCAL YEAR

6.1 The fiscal year of the Corporation shall commence on the first day of January and shall end on the thirty-first day of December of each year.

ARTICLE 7: PROFITS AND DIVIDENDS

7.1 Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock.

7.2 Before payment of any dividend or making any distribution of profits, there may be set aside out of any funds of the Corporation available for dividends as the Board of Directors form time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and, the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE 8: SEAL

8.1 The corporate seal shall have inscribed thereon the name of the Corporation and the words "Commonwealth of Puerto Rico". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

EXHIBIT 4.1

<TABLE>
<S> <C> <C>

Numero [SEAL] Number	POPULAR, INC. San Juan, Puerto Rico	Acciones Comunes [SEAL] Common Shares
Num. del Accionista [SEAL]	Incorporado bajo las leyes del Estado Libre Asociado de Puerto Rico Incorporated under the laws of the Commonwealth of Puerto Rico	
Stockholder No.	ESTE CERTIFICADO ES TRANSFERIBLE EN SAN JUAN, PUERTO RICO THIS CERTIFICATE IS TRANSFERABLE IN SAN JUAN, PUERTO RICO	----------------- CUSIP 733174 10 6 -----------------

Certificamos que la(s) persona(s) o entidad(es) que se indica(n) a continuacion, a saber:
This is to certify that the person(s) or entity(ies) who is (are) mentioned below, to wit:

es (son) dueno(s) de
is (are) the owner(s) of

accion(es) comun(es), de un valor par de $ cada una, del capital social de POPULAR, INC.
common shares, of a par value of $ each, of the capital stock of POPULAR, INC.

Transferibles solamente en los libros de la Corporacion personalmente por el poseedor o por su apoderado Legalmente autorizado, mediante la entrega de este Certificado debidamente endosado.

Transferable only on the books of the Corporation personally by the holder hereof or by his duly authorized attorney upon surrender of this Certificate properly endorsed.

EN TESTIMONIO DE LO CUAL aparecen el facsimile del sello de la Corporacion y el facsimile de las firmas de sus oficiales autorizados.
IN WITNESS WHEREOF, the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

Countersigned and Registered:
BANCO POPULAR DE PUERTO RICO
TRANSFER AGENT AND REGISTRAR

(Signature)

President/Presidente

By [SEAL]

(Signature)

Authorized Signature Secretary/Secretario
</TABLE>

<TABLE>
<S> <C>
Hasta el Momento de Separacion (segun se define en el Acuerdo de Derechos al que nos referimos mas adelante), este certificado tambien evidencia y concede al tenedor ciertos Derechos que se establecen en un Acuerdo de Derechos fechado el 13 de agosto de 1998 (el cual puede ser enmendado, en adelante el "Acuerdo") entre Popular, Inc., (en adelante la "Compania") y Banco Popular de Puerto Rico, como Agente de Derechos, los terminos de los cuales se incorporan aqui por referencia y copia del cual se guarda en archivo en las oficinas ejecutivas de la Compania. Bajo ciertas circunstancias, segun establece el Acuerdo, estos Derechos pueden redimirse, pueden intercambiarse por valores o activos de la Compania o valores de otra entidad, pueden intercambiarse por acciones comunes u otros valores o activos de la Compania, pueden expirar, pueden advenir nulos (si son "Propiedad para el Beneficio" de un "Adquirente" o un afiliado o asociado de este, segun se definen estos terminos en el Acuerdo, o por cualquier cesionario de cualquiera de los anteriores) o puede ser evidenciado por certificados separados y dejar de serlo ya por este certificado. La Compania enviara por correo o facilitara el envio por correo, sin cargo alguno, de una copia del Acuerdo al tenedor de este certificado a solicitud por escrito de este.

Until the Separation Time (as defined in the Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement, dated as of August 13, 1998 (as such may be amended from time to time, the "Rights Agreement"), between Popular, Inc. (the "Company") and Banco Popular de Puerto Rico, as Rights Agent, the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may become exercisable for securities or assets of the Company or securities of another entity, may be exchanged for shares of Common Stock or other securities or assets of the Company, may expire, may become void (if they are "Beneficially Owned" by an "Acquiring Person" or an Affiliate or Associate thereof, as such terms are defined in the Rights Agreement, or by any transferee of any of the foregoing) or may be evidenced by separate certificates and may no longer be evidenced by this certificate. The Company will mail or arrange for the mailing of a copy of the Rights Agreement to the holder of this certificate without charge after the receipt of a written request thereof.

The Corporation will furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -as tenants in common	UNIF GIFT MIN ACT- ------------ Custodian ------------
TEN ENT -as tenants by the entireties	(Cust) (Minor)
JT TEN -as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act ----------- (State)

Additional abbreviations may also be used though not in the above list.

For Value Received, ---------------------------- hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

--Shares
of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

--Attorney
to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.
</TABLE>

EXHIBIT 10.8

BANCO POPULAR

ANNUAL INCENTIVE PLAN
PRESIDENT & CEO

In line with the Strategic Plan, the Board of Directors of Banco Popular approved an Annual Incentive Plan for the President and CEO, as follows:

Annual Incentive Plan

Incentive Bonus will be granted based on the financial results of Popular, Inc. according to the following table:

- Net Income After Tax	% of Salary Bonus Awarded (Pro-rated)
Budget	15%
105% of Budget	20%
Over 105% of Budget	25%

- ROE Incentive	
15.00%	10%
15.50%	15%
16.00%	20%
16.50%	25%
17.00%+	30%

- In addition, the Incentive Bonus may be increased by 25% when shareholder returns exceed 20% annually on a rolling three-year basis. Total Shareholder Returns represents the compounded annual yield of the stock, considering the market appreciation, dividends received and dividend reinvested.

If no less than 95% of the Budget is achieved, the Human Resources and Compensation Committees shall consider the President and CEO's personal efforts, outside factors, economic situation and unanticipated conditions and may recommend awarding a percentage of the Incentive that shall not be less than 5.00% nor more than 15.00% of salary.

BANCO POPULAR
ANNUAL COMPENSATION PLAN

SENIOR MANAGEMENT COUNCIL

In line with the Strategic Plan, the Board of Directors of Banco Popular has to approve a Senior Management Council Salary and Annual Incentive Program as follows:

PARTICIPANTS:

Senior Executive Vice President and Executive Vice President reports directly to the President subject to annual confirmation by the Board of Directors. The participants are:

SALARY INCREASES:

Salary increases will be based on two components: Team Performance and Individual Review. The parameter for Team Performance is based on the financial results of Popular, Inc.

NET INCOME AFTER TAX	TEAM INCREASE	INDIVIDUAL REVIEW	TOTAL POTENTIAL INCREASE
Under Budget	0%	0-4%	0-4%
Budget	4%	0-8%	4-12%
105% of budget	5%	0-10%	5-15%
110% of budget	6%	0-12%	6-18%
Over 100% of budget	7%	0-14%	7-21%

ANNUAL INCENTIVE PLAN:

Incentive Bonus will be granted based on the financial results of Popular, Inc. according to the following table:

NET INCOME AFTER TAX	% OF SALARY BONUS AWARDED (PRO-RATED)
Budget	15%
105% of Budget	20%
Over 105% of Budget	25%
ROE INCENTIVE	
15.00%	10%
15.50%	15%
16.00%	20%
16.50%	25%
17.00%+	30%

In addition, the Incentive Bonus may be increased by 25% when shareholder returns exceed 20% annually on a rolling three-year basis. Total Shareholder Returns represents the compounded annual yield of the stock, considering the market appreciation, dividends received and dividend reinvested.

If no less than 95% of the Budget is achieved, the Human Resources and compensation Committees shall meet with the Corporation's President and CEO to consider the SMC's personal efforts, outside factors, economic situation and unanticipated conditions and may recommend awarding a percentage of the Incentive that shall not be less than 5.00% nor more than 15.00% of salary.

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Banco Popular de Puerto Rico
(The "Bank")
Administrative Committee

MANAGEMENT INCENTIVE

The incentive bonus will be granted based on the achievement of individuals and financial goals, established in the following components:

I. FINANCIAL GOALS

BASED ON NET INCOME BUDGETED FOR THE BANK

	% OF ANNUAL SALARY
100% of Budget	5.0%
105% of Budget	7.5%
over 105%	10.0%

RETURN ON EQUITY OF POPULAR, INC.

15.00%	1.0%
15.50%	2.0%
16.00%	3.0%
16.50%	4.0%
17.00%	5.0%

RETURN OF POPULAR, INC.'S SHAREHOLDERS

The incentive achieved with the first two components may be increased by 25% when shareholders returns exceed 20% annually on a rolling three-year basis. Total Shareholders Returns represents the compounded annual yield of the stock, considering the market appreciation, dividends received and dividend reinvested.

MAXIMUM OF THE INCENTIVE BY FINANCIAL GOALS

The incentive achieved with the first three components should not exceed 15% of the basic salary.

II. INDIVIDUALS GOALS

The incentive for the achievement of individuals goals will be from 0 up to 15% of the annual basic salary. Nevertheless, to participate in this annual incentive, the Bank should achieve the budgeted financial goals and the participant should achieve 75% of the individuals goals.

5

Banco Popular de Puerto Rico
(The "Bank")
Human Resources Division

Managers of Departments and Branches

Management Incentive

The incentive bonus will be granted based on individuals and financials goals, established in the following components:

I. FINANCIAL GOALS

BASED ON NET INCOME BUDGETED FOR THE BANK

<TABLE>
<CAPTION>

	% OF ANNUAL BASIC SALARY
<S>	<C>
100% of Budget	2%
105% of Budget	4%
over 105%	6%

</TABLE>

II. INDIVIDUALS GOALS

The incentive for the achievement of the individuals goals will be from 0 up to 15% of the annual basic salary. Nevertheless, to participate in this annual incentive, the Bank should achieve its budgeted financial goals and the participant should achieve not less than 75% of the individuals goals.

1

EXHIBIT 10.8.2

POPULAR, INC.

SENIOR EXECUTIVE

LONG TERM INCENTIVE PLAN

DOCUMENT

2

ARTICLE 1

PURPOSE

1.1 Popular, Inc. has adopted the Senior Executive Long Term Incentive Plan to provide incentive compensation to selected Employees.

1.2 The purpose of the Plan is to promote the success of the Corporation by:

(a) attracting and retaining as Senior Executives of the Corporation competent and experienced individuals;

(b) offering a long term incentive opportunity to Senior Executives, that, together with other forms of remuneration, is comparable to that of the Peer Group;

(c) motivating Senior Executives by rewarding good performance and encouraging greater focus on the Corporation's long term objectives; and

(d) providing Senior Executives with the opportunity to obtain an additional interest in the Corporation through stock ownership.

3

ARTICLE 2

DEFINITIONS

2.1 "Average Closing Price" means the average of the closing price, as reported on the national market where the Stock is traded or as reported by a nationally recognized stock quotation service, on each Friday of the months of November and December preceding the beginning of the Plan Year, and January and February following the beginning of the Plan Year.

2.2 "Beneficiary" means the beneficiary or beneficiaries designated by the Participant to receive the amount, if any, payable under the Plan upon the death of a Participant.

2.3 "Board of Directors" means the Board of Directors of Popular, Inc.

2.4 "Change in Control" refers to change in ownership, control, or power to vote 25 percent or more of the outstanding shares of any class of voting securities of the Corporation, or the direct or indirect acquisition of all or substantially all of the assets of the Corporation, by an individual (or group of individuals acting in concert), a partnership, corporation or any other business entity not directly or indirectly controlled by the Corporation. A Change of Control will not be deemed to have occurred solely because of the acquisition of shares of stock of the Corporation by any employee benefit plan maintained by the Corporation or other entity controlled by the Corporation.

2.5 "Corporation" means Popular, Inc. and its divisions or wholly-owned subsidiaries which adopt this Plan, and any successor to Popular, Inc. by merger, purchase, reorganization, or otherwise.

2.6 "Disability" means the total and permanent inability to perform services for the Corporation as determined under the Long Term Disability (LTD) plan which the Corporation sponsors, and the receipt of benefits under that LTD plan.

2.7 "Discharge for Cause" means discharge from the Corporation because of a conviction for a felony, embezzlement of Corporate funds, fraud, or repeated acts of willful dishonesty which have a material adverse effect on the Corporation.

2.8 "Employee" means an employee of the Corporation.

2.9 "Human Resources and Compensation Committee" or "Committee" means the committee appointed by the Board of Directors to determine and administer various human resource and compensation matters and plans for Employees of the Corporation.

2.10 "Incentive Payment" means the award paid to the Participant at the conclusion of a Plan Year as determined pursuant to the terms of Article 4.

2.11 "Measurement" means the definition of the full amount or multiple of the Incentive Payment that may be paid if the Target is attained or is exceeded pursuant to the terms of Article 4.

2.12 "Participant" means the President and CEO of the Corporation and any other Employee of the Corporation designated as a participant in the Plan pursuant to the terms of Article 3.

2.13 "Peer Group" means the group of institutions of similar characteristics, such as size, scope or business orientation, selected by the Committee for purposes of performance comparison.

2.14 "Plan Year" means a three year period beginning on January 1st of the first year and ending on December 31st of the third year. The first Plan Year is January 1, 1994 through December 31, 1996.

2.15 "President and CEO" means the President and CEO of Popular, Inc.

2.16 "Plan" means the Popular, Inc. Senior Executive Long Term Incentive Plan.

2.17 "Retirement" means separation from service as a retiree eligible to immediately receive benefits under a qualified defined benefit retirement plan (retirement benefits may be postponed without affecting this definition of retirement) sponsored by the Corporation. If no such plan exists, separation from service as a retiree after age 55 shall constitute a retirement under the Plan.

2.18 "Rules" refers to the rules that will direct the Plan Year as described in Article 4.

2.19 "Senior Executive" refers to an Employee that reports to the President and CEO, that participates or has authority to participate in major policy making functions of the Corporation and whose decisions help determine the long-term performance of the Corporation.

2.20 "Stock" means Popular, Inc.'s common stock.

2.21 "Target" means the goal that triggers 100% of the Incentive Payment under the Plan as determined pursuant to Article 4.

ARTICLE 3

PARTICIPATION

3.1 Prior to the beginning of a Plan Year, or within three months thereafter, the President and CEO shall recommend for approval by the Committee, Senior Executives as Participants (excluding the position of President and CEO). The President and CEO may recommend for approval by the Committee, additional Senior Executives as Participants, provided, however, that such participation in the Plan shall be prospective from the date the person becomes a Participant.

Prior to the beginning of a Plan Year, or within three months thereafter, the Committee shall decide the eligibility of the President and CEO.

3.2 The Committee shall issue a notification in writing to each person selected as a Participant.

3.3 Once approved for participation in the Plan, the Participant shall continue as such during:

(a) the Plan Year for which the Participant was originally selected; and

(b) future Plan Years.

3.4 Participation in the Plan will cease if:

(a) the Participant changes position and is no longer a Senior Executive at the beginning of a new Plan Year, or

(b) a specific recommendation is made by the President and CEO to remove the Senior Executive as Participant in future Plan Years and the recommendation is approved

by the Committee; or in regard to the position of President and CEO, the Committee decides to remove the President and CEO as Participant in future Plan Years.

The Committee shall notify the affected Senior Executive in writing that participation in future Plan Years has ceased.

ARTICLE 4

LONG TERM INCENTIVES

4.1 Prior to the beginning of each fiscal year, or within three months thereafter, the President and CEO shall recommend the Rules that shall apply to the Plan Year commencing at such time, for approval by the Committee.

4.2 The Rules shall provide for the Plan to make Incentive Payments to the Participants based on the principles described hereunder.

(a) At the beginning of a Plan Year, the Rules shall ascertain the percentage of the base salary in effect at the beginning of the year or three months thereafter that will constitute the basis for the determination of the Incentive Payment for the Plan Year.

(b) The Committee shall calculate the Incentive Payment to be made to each Participant based on achievement of the Target and the Measurement. The Incentive Payment shall equal: the dollar amount calculated in 4.2(a) divided by the Average Closing Price to determine the number of shares of Stock to be acquired at the beginning of the Plan Year, that after adding reinvested dividends, will be multiplied by the Measurement to determine the Incentive Payment for the Plan Year. Fractional shares will be permitted.

(c) The Rules shall define and set the Target to be used for the Plan Year. The Target shall be financial, developmental, quantitative, qualitative, or a combination of such factors, which, if attained, shall promote the long term success of the Corporation.

(d) The Rules shall define the Measurement to be used in relation to the Target for each Plan Year. The Measurement may include a leverage factor which shall be a factor or formula by which the Incentive Payment is multiplied if the Target is exceeded or

a threshold factor which shall be a factor or formula by which the Incentive Payment is multiplied if the Target is not met.

(e) The President and CEO may make a recommendation, for all positions except that of President and CEO, for approval by the Committee, to change the Target or Measurement at any time. Such change would only provide increased potential for an Incentive Payment, to reflect special opportunities and/or circumstances that were unknown at the beginning of the Plan Year which would otherwise limit or prohibit an Incentive Payment. The Committee may make a similar decision with respect to the President and CEO.

(f) Dividends payable on the shares of Stock acquired pursuant to the Plan, will be reinvested in shares of Stock through such reinvestment vehicle as shall be determined in the Rules. Fractional shares are permitted.

(g) The President and CEO may recommend, for all positions except that of President and CEO, a discretionary Incentive Payment, to reflect special opportunities and/or circumstances that were unknown at the beginning of the Plan Year. The Committee shall have the ability to make a similar decision with regard to the President and CEO.

4.3 The Incentive Payment shall be made within 60 days after publication of the financial results for Popular, and the Peer Group for the last fiscal year that makes up the Plan Year.

4.4 The Incentive Payment shall be made in Stock. The Committee shall provide for the withholding of any income taxes as prescribed by law or regulation, or as requested by the Participant.

ARTICLE 5

SEPARATION FROM SERVICE

5.1 If a Participant separates from service due to Retirement, Disability or death, the Participant or Beneficiary shall receive that portion of the Incentive Payment which corresponded to the time elapsed from the beginning of the Plan Year to the time of separation of the Participant. Incentive Payments shall be disbursed to the Participant or Beneficiary at the end of the Plan Year pursuant to the terms hereof. However, the Committee may, at its option, make the corresponding payment prior to the termination of the Plan Year if as of the time of separation the Target has been achieved or if a determination is made that special circumstances merit such payment prior to termination

5.2 If a Participant separates from service from the corporation through resignation from employment or is subject to Discharge for Cause, no

Incentive Payments shall be made.

ARTICLE 6

GENERAL MATTERS

6.1 The Committee shall be the administrator of the Plan. As the administrator, the Committee shall be vested with the general administration of the Plan including the exclusive right to interpret the Plan. The decisions, actions, and records of the Committee shall be conclusive and binding upon the Corporation and all persons having or claiming to have an interest in or under the Plan provided, however, that any such interpretation, decision, action or record, shall be subject to revision by the Board of Directors of the Corporation.

6.2 The Committee shall appoint the officers of the Corporation, that shall attend to the day-to-day administration of the Plan.

6.3 All expenses of the Plan will be paid by the Corporation.

6.4 The Corporation will purchase the Stock to act as the basis for the Incentive Payments within three months of the date the Plan Year commences. Participants shall have no right, title, or interest in such Stock purchased hereunder, or dividends paid, until the Participant acquires a right to receive an Incentive Payment under the Plan. In the event a Participant does not acquire the right to receive the Incentive Payment for a Plan Year, the Corporation may roll-over to the Plan Year commencing immediately after the end of the Plan Year for which no Incentive Payment is made, the total amount of Shares acquired by the Corporation for the payment of the Incentive Payment for the Plan Year for which no payment is made.

6.5 The Corporation may establish a trust to hold the assets of the Plan, if any. The terms and conditions of such trust shall govern the rights of Participants to any funds or assets. Provided, however, that any trust established by the Corporation pursuant hereto shall not contravene the objectives of the Plan.

6.6 The Plan may be amended or terminated at any time by the Board of Directors of the Corporation provided, however, that no amendment or termination may have an adverse impact upon the vested rights of any Participant to any Incentive Payment.

6.7 In the event of a Change in Control, the Participant shall have the right to the Incentive Payment, if any, for the current Plan Year pursuant to the terms of the Plan. The Committee in place prior to the Change in Control or such other persons designated by the Committee, will continue to administer the Plan until the Incentive Payment, if any, is calculated and disbursed to the Participant. The Plan shall be binding on any successor or assign of the Corporation in the event of, Change in Control of the Corporation.

6.8 The Plan will not affect the Participant's rights to participate in any other plan or program sponsored by the Corporation.

6.9 The Plan gives no employment rights to the Participant.

6.10 To the extent that a Participant acquires a right to receive an Incentive Payment under the Plan, such right shall be no greater than that of an unsecured creditor of the Corporation.

6.11 The Plan will be governed by and construed in accordance with the Laws of the Commonwealth of Puerto Rico.

6.12 The Plan is not designed to fall under the law or regulations issued pursuant to the Employee Retirement Income Security Act of 1974 (ERISA) as amended from time to time.

Exhibit 10.12.2

AGREEMENT, ACKNOWLEDGMENT AND CONSENT

AGREEMENT, ACKNOWLEDGMENT AND CONSENT dated as of December 31, 1998 (this "Agreement"), by and among CREDIT SUISSE FIRST BOSTON ("CSFB"), POPULAR, INC., POPULAR NORTH AMERICA, INC. (together with Popular, Inc., the "Borrowers") and THE CHASE MANHATTAN BANK ("Chase"), as administrative agent (in such capacity, the "Administrative Agent").

A. Reference is made to the Credit Agreement dated as of October 29, 1998 (the "Credit Agreement"), among the Borrowers, the financial institutions from time to time party thereto, initially consisting of those listed on Schedule 2.01 (the "Lenders") and the Administrative Agent. Capitalized terms used but not otherwise defined herein have the meaning assigned to them in the Credit Agreement.

B. The Lenders have agreed to extend credit to the Borrowers in the form of Revolving Loans in an aggregate principal amount of $320,000,000 on the terms and subject to the conditions set forth in the Credit Agreement.

C. The Borrowers have requested that the Lenders increase their individual commitments in an aggregate amount of $50,000,000 effective December 31, 1998.

D. Each Lender has declined or is deemed to have declined to increase its Commitment pursuant to Section 2.22 of the Credit Agreement.

E. The Borrowers have arranged for CSFB to become a party to the Credit Agreement and to extend a Commitment of $25,000,000.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Borrowers, CSFB and the Administrative Agent agree, acknowledge and consent as follows:

SECTION 1. Borrowers' Acknowledgements. The Borrowers acknowledge that, pursuant to Section 2.22 of the Credit Agreement, they have requested that (i) the aggregate amount of the Commitments be increased to $345,000,000, (ii) CSFB become a Lender under the Credit Agreement and (iii) CSFB extend credit under the Credit Agreement in the amount of $25,000,000.

SECTION 2. Extension of Credit and Commitment of CSFB. CSFB agrees to become a Lender under the Credit Agreement and to extend credit to the Borrowers on the terms and subject to the conditions set forth in the Credit

Agreement. CSFB further agrees that its Revolving Credit Commitment under the Credit Agreement shall be $25,000,000.

SECTION 3. Consent of the Administrative Agent. The Administrative Agent consents to the addition of CSFB as a Lender under the Credit Agreement.

SECTION 4. Certification of the Borrowers. Pursuant to Section 2.22 of the Credit Agreement, the Borrowers hereby certify that as of the date hereof:

(a) No Default or Event of Default has occurred and is continuing.

(b) The representations and warranties set forth in Article III of the Credit Agreement are true and correct in all material respects on and as of the date hereof with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) The Borrowers are in compliance with all the terms and provisions set forth in the Credit Agreement and in each other Loan Document on its part to be observed or performed as of the date hereof.

SECTION 5. Effectiveness. This Agreement shall effective upon the satisfaction in full of the following conditions precedent:

(a) The Administrative Agent shall have received counterparts hereof, duly executed and delivered by the Borrowers, CSFB and the Administrative Agent; and

(b) The Borrowers shall have delivered to the Administrative Agent documents consistent with those delivered under clauses (a) and (c) of Section 4.02 as to the corporate power and authority of the Borrowers to borrow under the Credit Agreement after giving effect to the $25,000,000 increase of the aggregate commitments pursuant to Section 2.22.

SECTION 6. Applicable Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF NEW YORK.

SECTION 7. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract. This Agreement may be delivered by facsimile transmission of the relevant signature pages hereof.

SECTION 8. Headings. Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

POPULAR, INC.,

by

Name:
Title:

POPULAR NORTH AMERICA, INC.,

by

Name:
Title:

CREDIT SUISSE FIRST BOSTON,

by

Name:
Title:

THE CHASE MANHATTAN BANK,
as Administrative Agent,

by

Name:
Title:

Exhibit 10.12.2 (2)

AMENDMENT dated as of February 12, 1999, to the Credit Agreement dated as of October 29, 1998, among POPULAR, INC., POPULAR NORTH AMERICA INC., the Lenders party thereto and THE CHASE MANHATTAN BANK, as Administrative Agent.

WHEREAS, the Borrowers (such term and each other capitalized term used but not defined herein having the meaning assigned to it in the Credit Agreement), have requested that the Lenders approve an amendment to a certain provision of the Credit Agreement; and

WHEREAS, the undersigned Lenders are willing, on the terms and subject to the conditions set forth herein, to approve such amendment;

NOW, THEREFORE, in consideration of these premises, the Borrowers and the undersigned Lenders hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment Effective Date (as defined in Section 2 hereof), Section 6.08 of the Credit Agreement is hereby amended to increase the maximum double leverage ratio by replacing the "125%" at the end of Section 6.08 with "130%".

SECTION 2. Effectiveness. This Amendment shall become effective as of the date (the "Amendment Effective Date") when the Administrative Agent (or its counsel) shall have received copies hereof that, when taken together, bear the signatures of the Borrowers and the Required Lenders.

SECTION 3. Applicable Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

SECTION 4. No Other Amendments. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any party under, the Credit Agreement, nor alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. This Amendment shall apply and be effective only with respect to the provisions of the Credit Agreement specifically referred to herein.

SECTION 5. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together

shall constitute but one contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

SECTION 7. Expenses. The Borrowers shall reimburse the Administrative Agent for its reasonable out-of-pocket expenses incurred in connection with this Amendment, including the reasonable fees and expenses of Cravath, Swaine & Moore, counsel for the Administrative Agent.

IN WITNESS WHEREOF, the Borrowers and the undersigned Lenders have caused this Amendment to be duly executed by their duly authorized officers, all as of the date first above written.

POPULAR, INC.,

by

Name:
Title:

by

Name:
Title:

POPULAR NORTH AMERICA, INC.,

by

Name:
Title:

by

Name:
Title:

THE CHASE MANHATTAN BANK,

by

Name:
Title:

BARCLAYS BANK PLC

by

Name:
Title:

CARIPLO-CASSA DI RISPARMIO DELLE
PROVINCIE LOMBARDE S.P.A.

by

Name:
Title:

by

Name:
Title:

CITIBANK, N.A.

by

Name:
Title:

COMERICA BANK

by

Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO

by

Name:
Title:

LASALLE NATIONAL BANK

by

Name:
Title:

NORDDEUTSCHE LANDESBANK
GIROZENTRALE NEW YORK BRANCH
AND/OR CAYMAN ISLANDS BRANCH

by

Name:
Title:

by

Name:
Title:

BANCO BILBAO VIZCAYA S.A.

by

Name:
Title:

BANCA MONTE DEI PASCHI DI SIENA
S.P.A. NEW YORK BRANCH

by

Name:
Title:

by

Name:
Title:

MELLON BANK

by

Name:
Title:

BANCA CRT SPA

by

Name:
Title:

by

Name:
Title:

Exhibit 10.12.2 (3)

==

CREDIT AGREEMENT

Dated as of October 29, 1998

among

POPULAR, INC.,

POPULAR NORTH AMERICA, INC.,

THE LENDERS NAMED HEREIN

and

THE CHASE MANHATTAN BANK,

as Administrative Agent

CHASE SECURITIES, INC.

as advisor, arranger and book manger

==

[CS&M Ref. No. 6700-751]

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EXHIBITS AND SCHEDULES

Exhibit A	Form of Assignment and Acceptance
Exhibit B	Form of Opinion of Borrowers' Counsel
EXHIBIT C	Form of Request for Extension of Maturity Date

CREDIT AGREEMENT dated as of October 29, 1998, among POPULAR, INC., a Puerto Rico corporation ("Popular"), Popular North America, Inc., a Delaware corporation ("Popular North America"), and together with Popular, the "Borrowers"), the financial institutions from time to time party hereto, initially consisting of those listed on Schedule 2.01 (the "Lenders"), and The Chase Manhattan Bank, a New York banking corporation, as agent (in such capacity, the "Administrative Agent") for the Lenders.

The Borrowers have requested the Lenders to extend credit in the form of Revolving Loans (such term and each other capitalized term used but not defined herein having the meaning given it in Article I) at any time and from time to time prior to the Revolving Credit Maturity Date, in an aggregate principal amount at any time outstanding not in excess of $320,000,000. The Borrowers have requested the Lenders to provide a procedure pursuant to which a Borrower may invite the Lenders to bid on an uncommitted basis on short-term borrowings by such Borrower. The proceeds of the Loans are to be used for general corporate purposes, including commercial paper back-up.

The Lenders are willing to extend such credit to the Borrowers on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I. DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Loan bearing interest at the Alternate Base Rate in accordance with the provisions of Article II.

"Administrative Agent Fees" shall have the meaning assigned to such term in Section 2.06(c).

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"Administrative Questionnaire" shall mean an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Aggregate Revolving Credit Exposure" shall mean the aggregate amount of the Lenders' Revolving Credit Exposures.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the preceding sentence, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment.

"Applicable Rate" shall mean, with respect to any Eurodollar Loan (other than any Eurodollar Competitive Loan), or with respect to the Facility Fees, as the case may be, the Applicable Rate set forth below in the row across from the caption "Eurodollar Spread" or "Facility Fee", as the case may be, based

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upon the ratings by S&P and Moody's, respectively, applicable on such date to the Index Debt:

	Category 1 A/A2 or Higher	Category 2 A-/A3	Category 3 BBB+/Baa1	Category 4 BBB/Baa2	Category 5 BBB-/Baa3/ or Lower
Eurodollar Spread (bp)	25.00	30.00	35.00	42.50	50.00
Facility Fee (bp)	10.00	12.50	15.00	20.00	25.00

For purposes of the foregoing, (i) if S&P or Moody's shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by S&P and Moody's for the Index Debt shall fall within different Categories, the Applicable Rate shall be based on (A) if the ratings are in adjacent categories, the higher of the two ratings and (B) if the ratings are in non-adjacent categories, the rating immediately below the higher of the two ratings; and (iii) if the ratings established or deemed to have been established by S&P and Moody's for the Index Debt shall be changed (other than as a result of a change in the rating system of such rating agency), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of S&P or Moody's shall change, or if any such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrowers and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the non-availability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined using the rating of such rating agency most recently in effect prior to such change or cessation.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit B or such other form as shall be approved by the Administrative Agent.

"Banco Popular" shall mean the Banco Popular de Puerto Rico, a Puerto Rico bank.

"Bank Regulatory Authority" shall mean the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and all other relevant bank regulatory authorities (including relevant state bank regulatory authorities).

"Bank Subsidiary" shall mean any Subsidiary that is a commercial bank, banking corporation, savings and loan association, savings bank, trust company or Edge Act corporation.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive Borrowing, by the Lender or Lenders whose Competitive Bids have been accepted pursuant to Section 2.03) on a single date and as to which a single Interest Period is in effect.

"Borrowing Request" shall mean a request by a Borrower in accordance with the terms of Section 2.04.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close; provided, however, that (i) when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market and (ii) when used in Sections 2.03 and 2.04, the Term "Business Day" shall also exclude any day on which banks in Puerto Rico are authorized or required by law to close.

"Capital Commitment" shall mean any commitment to the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the Director of the Office of Thrift Supervision, the Comptroller of the Currency, or the Board, or their predecessors or successors, to maintain the capital of an insured depository institution.

"Capital Lease Obligations" of any person shall mean the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934 as in effect on the date hereof) shall own directly or indirectly, beneficially or of record, shares representing more than 25% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of Popular; (b) a majority of the seats (other than vacant seats) on the board of directors of a Borrower shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of a Borrower, nor (ii) appointed by directors so nominated; (c) Popular shall cease to own, directly or indirectly, all of the outstanding and issued voting stock of Popular North America; (d) Popular shall cease to own, directly or indirectly, all of the outstanding and issued capital stock of Banco Popular (other than directors' qualifying shares); or (e) any person or group shall otherwise directly or indirectly control Popular.

"Closing Date" shall mean the date of execution of this Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Commitment" shall mean, with respect to any Lender, such Lender's Revolving Credit Commitment.

"Competitive Bid" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by a Borrower pursuant to Section 2.03(d) in a form approved by the Administrative Agent.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a Lender pursuant to Section 2.03(b), (i) in the case of a Eurodollar Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to Section 2.03 in a form approved by the Administrative Agent.

"Competitive Borrowing" shall mean a Borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by a Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a Loan from a Lender to a Borrower pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"Consolidated Net Worth" shall mean at any date the Net Worth of Popular and its consolidated Subsidiaries on such date, determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Net Worth" shall mean, at any date, (a) Consolidated Net Worth at such date minus (b) with respect to Popular and its Subsidiaries (determined on a consolidated basis in accordance with GAAP), the book value of all Intangibles reflected in clause (a) above.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Credit Event" shall have the meaning assigned to such term in Section 4.01.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Dollars" or "$" shall mean lawful money of the United States of America.

"Equity Investments in Subsidiaries" shall mean, at any date, Popular's aggregate equity investments in the Subsidiaries, determined in accordance with GAAP.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with a Borrower, is treated as a single employer under Section 414 of the Code.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Competitive Borrowing" shall mean a Borrowing comprised of Eurodollar Competitive Loans.

"Eurodollar Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Eurodollar Loan" shall mean any Eurodollar Revolving Loan or Eurodollar Competitive Loan.

"Eurodollar Revolving Credit Borrowing" shall mean a Borrowing comprised of Eurodollar Revolving Loans.

"Eurodollar Revolving Loan" shall mean any Revolving Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Existing Credit Agreement" shall mean the Credit Agreement dated as of November 3, 1995, among Popular, Popular North America, the financial institutions from time to time party thereto and The Chase Manhattan Bank, as administrative agent.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" shall mean the Fee Letter dated September 25, 1998, among the Borrowers, the Administrative Agent and Chase Securities Inc.

"Fees" shall mean the Facility Fees, the Utilization Fees and the Administrative Agent Fees.

"Financial Officer" of any corporation shall mean the chief financial officer, principal accounting officer, Treasurer or Controller of such corporation.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed as a number of basis points to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided, however, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantors" shall mean the Borrowers, in their capacity as guarantors under Section 2.20.

"Indebtedness" of any person shall mean, without duplication, (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such person upon which interest charges are customarily paid, (d) all obligations of such person under conditional sale or other title retention agreements relating to property or assets purchased by such person, (e) all obligations of such person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable and accrued obligations incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed, (g) all Guarantees by such person of Indebtedness of

others, (h) all Capital Lease Obligations of such person and (i) all obligations of such person as an account party in respect of letters of credit and bankers' acceptances, excluding (in all cases) (x) liabilities of any Bank Subsidiary that constitute "deposits" within the meaning of Section 3(i) of the Federal Deposit Insurance Act, as amended, and (y) repurchase agreements entered into in the ordinary course of business with a maturity of less than one year. The Indebtedness of any person shall include the Indebtedness of any partnership in which such person is a general partner.

"Index Debt" shall mean the senior, unsecured, non-credit enhanced, long-term indebtedness for borrowed money of Popular.

"Intangibles" shall mean with respect to any person at any date the amount of all assets of such person that would be classified as intangible assets in accordance with GAAP, but in any event including unamortized debt discount and expense, unamortized organization and reorganization expense, costs in excess of the net asset value of acquired companies, patents, copyrights, trade or service marks, franchises, trade names, goodwill and the amount of any write-up in the book value of any assets resulting from any revaluation thereof (other than (a) revaluations of tangible assets arising out of purchase accounting adjustments, (b) revaluations arising out of foreign currency valuations in accordance with GAAP, and (c) revaluations pursuant to the Statement of Financial Accounting Standards No. 115).

"Interest Payment Date" shall mean, with respect to any Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and, in addition, the date of any refinancing of such Borrowing with a Borrowing of a different Type.

"Interest Period" shall mean (a) as to any Eurodollar Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the earliest of (i) the next succeeding March 31, June 30, September 30 or December 31, (ii) the Revolving Credit Maturity Date and (iii) the date such

Borrowing is prepaid in accordance with Section 2.11 and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing, the rate (rounded upwards, if necessary, to the next 1/16 of 1%) at which Dollar deposits approximately equal in principal amount to (i) in the case of a Revolving Credit Borrowing, the Administrative Agent's portion of such Eurodollar Borrowing and (ii) in the case of a Competitive Borrowing, a principal amount that would have been the Administrative Agent's portion of such Competitive Borrowing had such Competitive Borrowing been a Revolving Credit Borrowing, and for a maturity comparable to such Interest Period are offered to the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" shall mean this Agreement and the Fee Letter.

"Loans" shall mean the Revolving Loans and the Competitive Loans.

"Long-Term Indebtedness" shall mean, at any date, all Indebtedness of Popular and the consolidated Subsidiaries outstanding as of such date that does not mature or that is treated

on the consolidated financial statements of Popular as not maturing, or otherwise come due and payable, within one year of such date.

"Margin" shall mean, as to any Eurodollar Competitive Loan, the margin (expressed as a number of basis points per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Margin Stock" shall have the meaning assigned to such term in Regulation U.

"Material Adverse Effect" shall mean (a) a materially adverse effect on the business, assets, operations, prospects or condition, financial or otherwise, of the Borrowers and the Subsidiaries taken as a whole, (b) material impairment of the ability of any Borrower to perform any of its obligations under any Loan Document to which it is or will be a party or (c) material impairment of the rights of or benefits available to the Lenders under any Loan Document.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which a Borrower or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Net Worth" with respect to any person at any date shall mean (i) all amounts which would be included under shareholders' equity on a balance sheet of such person, as of such date, determined in accordance with GAAP, less (ii) such person's treasury stock (to the extent included in clause (i) above).

"Nonperforming Assets" shall mean, at any date, the sum, for Popular and its Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) of the following: (a) loans that are at least 90 days past-due as to principal or interest; (b) loans that are required to have been placed on nonaccrual status by the relevant Bank Regulatory Authority for Popular or its Subsidiaries; (c) loans that bear a rate of interest that has been reduced below market rates due to the deteriorating financial condition of a borrower; and (d) assets that have been acquired in satisfaction of indebtedness or have been classified as "in-substance foreclosures".

"Note" shall mean a promissory note delivered pursuant to Section 9.04(h).

"Obligations" shall have the meaning assigned to such term in the first paragraph of Section 2.20.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"person" shall mean any natural person, corporation, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code that is maintained for current or former employees, or any beneficiary thereof, of a Borrower or any ERISA Affiliate.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"Register" shall have the meaning given such term in Section 9.04(d).

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation Y" shall mean Regulation Y of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Reportable Event" shall mean any reportable event as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414).

"Required Lenders" shall mean, at any time, Lenders having Revolving Credit Commitments representing greater than 50% of

the sum of all Revolving Credit Commitments at such time or, for purposes of acceleration pursuant to clause (ii) of Article VII, Lenders having Loans and unused Revolving Credit Commitments representing greater than 50% of the sum of all Loans outstanding and unused Revolving Credit Commitments.

"Responsible Officer" of any corporation shall mean any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"Revolving Credit Borrowing" shall mean a Borrowing comprised of Revolving Loans.

"Revolving Credit Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder as set forth in Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender assumed its Revolving Credit Commitment, as applicable, as the same (a) may be reduced from time to time pursuant to Section 2.10, and (b) may be reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04.

"Revolving Credit Exposure" shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Credit Loans of such Lender.

"Revolving Credit Lender" shall mean a Lender with a Revolving Credit Commitment.

"Revolving Credit Maturity Date" shall mean October 28, 1999, as such date may be extended pursuant to Section 2.21.

"Revolving Loans" shall mean the revolving loans made by the Lenders to a Borrower pursuant to Section 2.01. Each Revolving Loan shall be a Eurodollar Revolving Loan or an ABR Revolving Loan.

"Significant Subsidiary" shall mean any Subsidiary which, at the time any determination is being made, constitutes a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X of the Securities and Exchange Commission, 17 C.F.R. ss. 210.1-02, as in effect on the date hereof.

"S&P" shall mean Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc.

"Subsidiary" shall mean any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of

the general partnership interests are, at the time any determination is being made, owned, controlled or held by either Borrower, or (b) which is, at the time any determination is made, otherwise Controlled, by either Borrower or one or more Subsidiaries of either Borrower or by either Borrower and one or more Subsidiaries of either Borrower.

"Total Assets" shall mean, at any date, the total assets that would be included on a balance sheet of Popular and its Subsidiaries (determined on a consolidated basis in accordance with GAAP) as of such date.

"Total Capitalization" shall mean, at any date, the sum of Consolidated Net Worth and Long-Term Indebtedness, each determined as of such date.

"Total Revolving Credit Commitment" shall mean, at any time, the aggregate amount of the Revolving Credit Commitments, as in effect at such time.

"Transactions" shall have the meaning assigned to such term in Section 3.02.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, "Rate" shall include the LIBO Rate and the Alternate Base Rate.

"Utilization Fee" shall have the meaning assigned to such term in Section 2.06(b).

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, (a) any reference in this Agreement to any Loan Document shall mean such document as amended, restated, supplemented or otherwise modified from time to time and (b) all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from

time to time; provided, however, that for purposes of determining compliance with the covenants contained in Article VI, all accounting terms herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP as in effect on the date of this Agreement and applied on a basis consistent with the application used in the financial statements referred to in Section 3.05.

ARTICLE II. THE CREDITS

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Loans to the Borrowers, at any time and from time to time on or after the date hereof, and until the earlier of the Revolving Credit Maturity Date and the termination of the Revolving Credit Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Revolving Credit Commitment (minus the amount by which the Competitive Loans outstanding at such time shall be deemed to have used such Commitment pursuant to Section 2.15), subject, however, to the conditions that (i) at no time shall (A) the sum of (x) the outstanding aggregate principal amount of all Revolving Credit Loans made by all Lenders plus (y) the outstanding aggregate principal amount of all Competitive Loans made by all Lenders exceed (B) the Total Revolving Credit Commitment and (ii) at all times, the outstanding aggregate principal amount of all Revolving Loans made by each Lender shall equal the product of (A) the percentage which its Revolving Credit Commitment represents of the Total Revolving Credit Commitment times (B) the outstanding aggregate principal amount of all Revolving Loans.

Within the foregoing limits, a Borrower may borrow, pay or prepay and reborrow Revolving Loans on or after the Closing Date and prior to the Revolving Credit Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their applicable Revolving Credit Commitments; provided, however, that the failure of any Lender to make any Revolving Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. The Loans comprising any Borrowing shall be in an aggregate principal amount which is (i) an integral multiple of $1,000,000 and not less than

$5,000,000 or (ii) equal to the remaining available balance of the applicable Commitments.

(b) Subject to Sections 2.09 and 2.13, each Competitive Borrowing shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans, and each other Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of a Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that a Borrower shall not be entitled to request any Borrowing which, if made, would result in more than five Eurodollar Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Subject to paragraph (f) below, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer to such account as the Administrative Agent may designate in federal funds not later than 11:00 a.m., New York City time, and the Administrative Agent shall by 12:00 (noon), New York City time, credit the amounts so received to an account with the Administrative Agent designated by the applicable Borrower in the applicable Borrowing Request or Competitive Bid Request, which account must be in the name of the Borrower or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the applicable Borrower severally agree to repay to the Administrative Agent, in the case of such Lender, forthwith on demand and, in the case of the applicable Borrower, within two Business Days of demand, such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of such

Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(e) Notwithstanding any other provision of this Agreement, a Borrower shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Credit Maturity Date.

(f) A Borrower may refinance all or any part of a Borrowing with another Borrowing, subject to the conditions and limitations set forth in this Agreement (including the condition that the Aggregate Revolving Credit Exposure after giving effect thereto will not exceed the Total Revolving Credit Commitment). Any Borrowing or part thereof so refinanced shall be deemed to be repaid or prepaid in accordance with the applicable provisions of this Agreement with the proceeds of the new Borrowing, and the proceeds of such new Borrowing, to the extent they do not exceed the principal amount of the Borrowing being refinanced, shall not be paid by the Lenders to the Administrative Agent or by the Administrative Agent to such Borrower pursuant to paragraph (c) above.

SECTION 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, a Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:00 a.m., New York City time, four Business Days before the proposed date of such Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the proposed date of such Borrowing. A Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform to a form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Borrower of such rejection as promptly as practicable. Each Competitive Bid Request shall refer to this Agreement and specify (i) whether the Borrowing being requested is to be a Eurodollar Borrowing or a Fixed Rate Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and the location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the aggregate principal amount of such Borrowing, which shall be a minimum of $5,000,000 and an integral

multiple of $1,000,000; and (v) the Interest Period with respect thereto (which may not end after the Revolving Credit Maturity Date). Promptly after its receipt of a Competitive Bid Request that is not rejected, the Administrative Agent shall by telecopy in a form Approved by the Administrative Agent invite the Revolving Credit Lenders to bid to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Revolving Credit Lender may make one or more

Competitive Bids to the applicable Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Revolving Credit Lender must be received by the Administrative Agent by telecopy in a form approved by the Administrative Agent, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform to the form of approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be a minimum of $5,000,000 and an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Revolving Credit Lender is willing to make, (y) the Competitive Bid Rate or Rates at which the Revolving Credit Lender is prepared to make such Loan or Loans and (z) the Interest Period applicable to such Loan or Loans and the last day thereof.

(c) The Administrative Agent shall promptly notify the applicable Borrower by telecopy of the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid shall have been made and the identity of the Revolving Credit Lender that shall have made each bid.

(d) The applicable Borrower may, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid. Such Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject each Competitive Bid, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided, however, that (i) the failure of such Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) such Borrower shall not accept a Competitive Bid made at a particular Competitive Bid

Rate if such Borrower has decided to reject a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by such Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (iv) if such Borrower shall accept a Competitive Bid or Bids made at a particular Competitive Bid Rate but the amount of such Competitive Bid or Bids would cause the total amount to be accepted by such Borrower to exceed the amount specified in the Competitive Bid Request, then such Borrower shall accept a portion of such Competitive Bid or Bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids so accepted, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of $5,000,000 and an integral multiple of $1,000,000; provided further, however, that if a Competitive Loan must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of $1,000,000 in a manner determined by such Borrower. A notice given by any Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Revolving Credit Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, in what amount and at what Competitive Bid Rate), and each successful bidder will thereupon become bound, upon the terms and subject to the conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) No Competitive Borrowing shall be requested or made hereunder if after giving effect thereto any of the conditions set forth in clause (i) of Section 2.01 would not be met.

(g) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Revolving Credit Lender, it shall submit such Competitive Bid directly to the applicable Borrower at least one quarter of an hour earlier than the time by which the other Revolving Credit Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) above.

SECTION 2.04. Borrowing Procedure. (a) In order to request a Borrowing (other than a Competitive Loan, as to which this Section 2.04 shall not apply), the applicable Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed

Borrowing Request in a form approved by the Administrative Agent (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before a proposed Borrowing, and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the day of such Borrowing; provided, however, that Borrowing Requests with respect to Borrowings to be made on the Closing Date may, at the discretion of the Administrative Agent, be delivered later than the times specified above. Each Borrowing Request shall be irrevocable, signed by or on behalf of the applicable Borrower and shall specify the following information: (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day), (iii) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the amount of such Borrowing; and (v) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto; provided, however, that, notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly (and in any event on the same day that the Administrative Agent receives such notice, if received by 1:00 p.m., New York City time, on such day) advise the applicable Lenders of any notice given pursuant to this Section 2.04 (and the contents thereof), of each Lender's portion of the requested Borrowing.

(b) If the applicable Borrower shall not have delivered a Borrowing Request in accordance with this Section 2.04 prior to the end of the Interest Period then in effect for any Revolving Credit Borrowing and requesting that such Borrowing be refinanced, then such Borrower shall (unless such Borrower has notified the Administrative Agent, not less than three Business Days prior to the end of such Interest Period, that such Borrowing is to be repaid at the end of such Interest Period) be deemed to have delivered a Borrowing Request requesting that such Borrowing be refinanced with a new

Borrowing of equivalent amount, and such new Borrowing shall be an ABR Borrowing.

SECTION 2.05. Evidence of Debt; Repayment of Loans. (a) The outstanding principal balance of each Loan shall be payable on the earlier of the last day of the Interest Period applicable to such Loan and the Revolving Credit Maturity Date. Each Loan shall bear interest from the date of the first Borrowing hereunder on the outstanding principal balance thereof as set forth in Section 2.07.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type of each Loan made and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.05 shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(e) Notwithstanding any other provision of this Agreement, in the event any Lender shall request and receive a Note payable to such Lender and its registered assigns (which Note shall be consistent in all respects with this Agreement), the interests represented by that Note shall at all times (including after any assignment of all or part of such interests pursuant to Section 9.04) be represented by one or more Notes payable to the payee named therein or its registered assigns.

SECTION 2.06. Fees. (a) The Borrowers agree to pay to each Lender, through the Administrative Agent, on the last Business Day of March, June, September and December in each year, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "Facility Fee") equal to the Applicable Rate per annum on the average daily amount of the Revolving Credit Commitment of such Lender (whether used or unused) during the preceding quarter (or shorter period commencing with the date hereof or ending with the Revolving Credit Maturity Date or the date on which the Revolving Credit Commitment of such Lender shall be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the date of this Agreement and shall cease to accrue on the date on which the Revolving Credit Commitment of such Lender shall be terminated as provided herein.

(b) Each Borrower agrees to pay to each Lender, through the Administrative Agent, on the last Business Day of March, June, September and December in each year, and on the date on which all the Loans shall have been paid in full and all the Commitments shall be terminated as provided herein, a utilization fee (a "Utilization Fee") equal to 0.0625% per annum on the average daily amount of Loans made to such Borrower and outstanding during the preceding quarter (or shorter period commencing with the date hereof or ending with the date on which all the Loans shall have been paid in full and all the Commitments shall be terminated), if during such preceding quarter (or such shorter period), the average daily amount of all Loans outstanding exceeded 50% of the average amount of the Total Revolving Credit Commitment in effect during such period. All Utilization Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(c) The Borrowers agree to pay to the Administrative Agent, for its own account, the fees set forth in the Fee Letter at the times specified therein (the "Administrative Agent Fees").

(d) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.07. Interest on Loans. (a) Subject to the provisions of Section 2.08, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate.

(b) Subject to the provisions of Section 2.08, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each Eurodollar Revolving Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, and (ii) in the case of each Eurodollar Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the applicable Borrower pursuant to Section 2.03.

(c) Subject to the provisions of Section 2.08, Fixed Rate Loans shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the applicable Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. The applicable Alternate Base Rate or

LIBO Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.08. Default Interest. If a Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, such Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the sum of the Alternate Base Rate, plus the margin from time to time applicable for purposes of determining the interest rate on Revolving Credit Borrowings comprised of ABR Loans under Section 2.07 plus 2.00%.

SECTION 2.09. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined that Dollar deposits in the principal amount of the Loans comprising such Borrowing are not generally available in the London interbank market, or that the rates at which such Dollar deposits are being offered will not adequately and fairly reflect the cost to any Lender of making or maintaining its Eurodollar Loan during such Interest Period, or that reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy notice of such determination to the Borrowers and the Lenders. In the event of any such determination, until the Administrative Agent shall have advised the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request by a Borrower for a Eurodollar Revolving Credit Borrowing pursuant to Section 2.04 shall be deemed to be a request for an ABR Borrowing and (ii) any request by a Borrower for a Eurodollar Competitive Borrowing pursuant to Section 2.03 shall be of no force and effect and shall be denied by the Administrative Agent. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.10. Termination and Reduction of Commitments. (a) The Revolving Credit Commitments shall be automatically terminated on the Revolving Credit Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent, the Borrowers may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Revolving Credit Commitments; provided, however, that (i) each partial reduction of the Revolving Credit Commitments shall be in an integral multiple of $1,000,000 and in a minimum principal amount of $5,000,000 and

(ii) the Total Revolving Credit Commitment shall not be reduced to an amount that is less than the sum of the Aggregate Revolving Credit Exposure and the aggregate outstanding amount of the Competitive Loans at the time.

(c) Each reduction in the Revolving Credit Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrowers shall pay to the Administrative Agent for the account of the Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to the date of such termination or reduction.

SECTION 2.11. Prepayment. (a) Each Borrower shall have the right at any time and from time to time to prepay any Borrowing (other than a Competitive Borrowing) consisting of Loans made to such Borrower, in whole or in part, upon at least three Business Days' prior written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Administrative Agent before 11:00 a.m., New York City time; provided, however, that each partial prepayment shall be in an amount which is an integral multiple of $1,000,000 and not less than $5,000,000. The Borrowers shall not have the right to prepay any Competitive Borrowing.

(b) In the event of any termination of the Revolving Credit Commitments, each Borrower shall repay or prepay all its outstanding Revolving

Credit Borrowings on the date of such termination. In the event of any partial reduction of the Revolving Credit Commitments, then (i) at or prior to the effective date of such reduction, the Administrative Agent shall notify the Borrowers and the Revolving Credit Lenders of the Aggregate Revolving Credit Exposure and (ii) if the Aggregate Revolving Credit Exposure would exceed the Total Revolving Credit Commitment after giving effect to such reduction, then the Borrowers shall, on the date of such reduction, repay or prepay Revolving Credit Borrowings in an amount sufficient to eliminate such excess.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the applicable Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section 2.11 shall be subject to Section 2.14 but otherwise without premium or penalty. All prepayments under this Section 2.11 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.12. Reserve Requirements; Change in Circumstances. (a) If after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with

the interpretation or administration thereof (whether or not having the force of law) shall change the basis of taxation of payments to any Lender of the principal of or interest on any Eurodollar Loan or Fixed Rate Loan made by such Lender or any Fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or by any political subdivision or taxing authority therein), or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by such Lender, or shall impose on such Lender or the London interbank market (or other relevant interbank market) any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan, or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then each Borrower will pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy, or any change after the date hereof in any such law, rule, regulation, agreement or guideline (whether such law, rule, regulation, agreement or guideline has been adopted) or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time each Borrower shall pay to such Lender such additional amount or amounts as will compensate such

Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company as specified in paragraph (a) or (b) above shall be delivered to the Borrowers and shall be conclusive absent manifest error. Each Borrower shall pay each Lender the amount shown as due

from such Borrower on any such certificate delivered by it within 10 days after its receipt of the same.

(d) Failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's right to demand such compensation. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, agreement, guideline or other change or condition which shall have occurred or been imposed. Notwithstanding any other provision of this Section, no Lender shall be entitled to demand compensation hereunder in respect of any Competitive Loan if it shall have been aware of the event or circumstance giving rise to such demand at the time it submitted the Competitive Bid pursuant to which such Loan was made.

SECTION 2.13. Change in Legality. (a) Notwithstanding any other provision herein, if, after the date hereof, any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrowers and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness or impracticability) be made by such Lender hereunder, whereupon such Lender shall not submit a Competitive Bid in response to a request for a Eurodollar Competitive Loan and any request for a Eurodollar Borrowing, shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn (or, if a Loan to a Borrower cannot be made for the reasons specified above, such request shall be deemed to have been withdrawn); and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal which would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.13, a notice to a Borrower by any Lender shall be effective as to each Eurodollar Loan, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by such Borrower.

SECTION 2.14. Indemnity. The Borrowers shall indemnify each Lender against any loss or expense which such Lender may sustain or incur as a consequence of (a) any event, other than a default by such Lender in the performance of its obligations hereunder, which results in (i) such Lender receiving or being deemed to receive any amount on account of the principal of any Loan prior to the end of the Interest Period in effect therefor or (ii) any Loan to be made by such Lender not being made after notice of such Loan shall have been given by a Borrower hereunder (any of the events referred to in this clause (a) being called a "Breakage Event") or (b) any default in the making of any payment or prepayment required to be made hereunder; provided, however, that any Breakage Event caused by the prepayment by a Borrower of an ABR Loan shall not result in such Borrower becoming liable to such Lender pursuant to this Section 2.14. In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Loan which is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or which would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section shall be delivered to the applicable Borrower and shall be conclusive absent manifest error.

SECTION 2.15. Pro Rata Treatment. Except as provided in the succeeding sentence with respect to Competitive Borrowings and as required under Section 2.13, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Facility Fees, each reduction of the Revolving Credit Commitments and each refinancing of any Borrowing with a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective applicable Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective

amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Revolving Credit Commitment of each Lender at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Revolving Credit Commitments of the Lenders (including those Lenders which shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Revolving Credit Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing, computed in accordance with Section 2.01, to the next higher or lower whole Dollar amount.

SECTION 2.16. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against a Borrower, or pursuant to a secured claim under Section

506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Loan or Loans as a result of which the unpaid principal portion of its Loans shall be proportionately less than the unpaid principal portion of the Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Loans of such other Lender, so that the aggregate unpaid principal amount of the Loans and participations in Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Loans then outstanding as the principal amount of its Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrowers expressly consent to the foregoing arrangements and agree that any Lender holding a participation in a Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by a Borrower to such Lender by reason thereof as fully as if such Lender had made a Loan directly to such Borrower in the amount of such participation.

SECTION 2.17. Payments. (a) The Borrowers shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder and under any other Loan Document not later than 12:00 (noon), New York City time, on the

date when due in immediately available funds by wire transfer to such account as the Administrative Agent may designate. Each such payment shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York. Each such payment shall be made in Dollars.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.18. Taxes. (a) Any and all payments by a Borrower hereunder and under any other Loan Document shall be made, in accordance with Section 2.17, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) income taxes imposed on the net income of the Administrative Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and (ii) franchise taxes imposed on the net income of the Administrative Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which the Administrative Agent or such Lender (or Transferee) is organized or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, being called "Taxes"). If a Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to the Administrative Agent or any Lender (or any Transferee), (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.18) the Administrative Agent or such Lender (or Transferee), as the case may be, shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, each Borrower agrees to bear and to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any other Loan Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document ("Other Taxes").

(c) Each Borrower will indemnify the Administrative Agent and each Lender (or Transferee) for the full amount of Taxes and Other Taxes paid by the Administrative Agent or such Lender (or Transferee), as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by the Administrative Agent or a Lender (or Transferee), or the Administrative Agent on its behalf, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the Administrative Agent or any Lender (or Transferee), as the case may be, makes written demand therefor.

(d) If the Administrative Agent or a Lender (or Transferee) shall become aware that it is entitled to claim a refund from a Governmental Authority in respect of Taxes or Other Taxes as to which it has been indemnified by the Borrowers, or with respect to which a Borrower has paid additional amounts, pursuant to this Section 2.18, it shall promptly notify such Borrower of the availability of such refund claim and shall, within 30 days after receipt of a request by such Borrower, make a claim to such Governmental Authority for such refund at such Borrower's expense. If the Administrative Agent or a Lender (or Transferee) receives a refund (including pursuant to a claim for refund made pursuant to the preceding sentence) in respect of any Taxes or Other Taxes as to which it determines in its sole discretion that it has been indemnified by the Borrowers or with respect to which a Borrower has paid additional amounts pursuant to this Section 2.18, it shall within 30 days from the date of such receipt pay over such refund to such Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.18 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender (or Transferee) and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that such Borrower, upon the request of the Administrative Agent or such Lender (or Transferee), agrees to repay the amount paid over to such Borrower (plus penalties, interest or other charges) to the Administrative Agent or such Lender (or Transferee) in the event the Administrative Agent or such Lender (or Transferee) is required to repay such refund to such Governmental Authority.

(e) As soon as practicable after the date of any payment of Taxes or Other Taxes by a Borrower to the relevant Governmental Authority, such Borrower will deliver to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.18 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to the Borrowers and the Administrative Agent two copies of either United States Internal Revenue Service Form 1001 or Form 4224, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of a Borrower and is not a controlled foreign corporation related to a Borrower (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by a Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.18(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.18(g) that such Non-U.S. Lender is not legally able to deliver.

(h) The Borrowers shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this

paragraph (h) shall not apply (x) to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of a Borrower and (y) to the extent the indemnity payment or additional amounts any Transferee, or any Lender (or Transferee), acting through a New Lending Office, would be entitled to receive (without regard to this paragraph (h)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (g) above.

(i) Any Lender (or Transferee) claiming any indemnity payment or additional amounts payable pursuant to this Section 2.18 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by a Borrower or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or additional amounts that may thereafter accrue and would not, in the sole determination of such Lender (or Transferee), be otherwise disadvantageous to such Lender (or Transferee).

(j) Nothing contained in this Section 2.18 shall require any Lender (or any Transferee) or the Administrative Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

SECTION 2.19. Assignment of Commitments Under Certain Circumstances. (a) In the event (i) any Lender delivers a certificate requesting compensation pursuant to Section 2.12, (ii) any Lender delivers a notice described in Section 2.13 or (iii) a Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.18, such Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all of its interests, rights and obligations under this Agreement to an assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) such Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be

withheld, and (z) such Borrower or such assignee shall have paid to the affected Lender in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans of such Lender plus all Fees and other amounts accrued for the account of such Lender hereunder (including any amounts under Section 2.12 and Section 2.14); provided further that if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's claim for compensation under Section 2.12 or notice under Section 2.13 or the amounts paid pursuant to Section 2.18, as the case may be, cease to cause such Lender to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.13, or cease to result in amounts being payable under Section 2.18, as the case may be (including as a result of any action taken by such Lender pursuant to paragraph (b) below), or if such Lender shall waive its right to claim further compensation under Section 2.12 in respect of such circumstances or event or shall withdraw its notice under Section 2.13 or shall waive its right to further payments under Section 2.18 in respect of such circumstances or event, as the case may be, then such Lender shall not thereafter be required to make any such transfer and assignment hereunder.

(b) If (i) any Lender shall request compensation under Section 2.12, (ii) any Lender delivers a notice described in Section 2.13 or (iii) a

Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender, pursuant to Section 2.18, then, such Lender shall exercise reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or suffer any disadvantage or burden deemed by it to be significant) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such assignment would reduce its claims for compensation under Section 2.12 or enable it to withdraw its notice pursuant to Section 2.13 or would reduce amounts payable pursuant to Section 2.18, as the case may be, in the future. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such assignment, delegation and transfer.

SECTION 2.20. Cross Guaranty. Each Guarantor unconditionally guarantees, as a primary obligor and not merely as a surety, jointly and severally with the other Guarantor, (a) the due and punctual payment of (i) the principal of and premium, if any, and interest on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (ii) all other monetary obligations (other than those referred to in the preceding clause (i)) of the Borrowers under the Loan Documents and (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrowers

under or pursuant to the Loan Documents (collectively, the "Obligations"). Each Guarantor further agrees that the Obligations may be extended and renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation.

Each Guarantor waives presentment to, demand of payment from and protest to the Borrowers of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. The obligations of a Guarantor hereunder shall not be affected by (a) the failure of any Lender or the Administrative Agent to assert any claim or demand or to enforce any right or remedy against the Borrowers or the other Guarantor under the provisions of this Agreement or any of the other Loan Documents or otherwise; (b) any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement any of the other Loan Documents, any guarantee or any other agreement; or (c) the failure of any Lender to exercise any right or remedy against any other guarantor of the Obligations.

Each Guarantor further agrees that its guarantee constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor or any Borrower or any other person.

The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including, without limitation, compromise, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement or under any other Loan Document, any guarantee or any other agreement, by any waiver or modification in respect of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of such Guarantor or otherwise operate as a discharge of such Guarantor as a matter of law or equity.

Each Guarantor further agrees that its guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Obligation is rescinded or must otherwise be restored by the Administrative Agent or any Lender upon the bankruptcy or reorganization of any of the Borrowers or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent or any Lender may have at law or in equity against any Guarantor by virtue hereof, upon the failure of a Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will, upon receipt of written demand by the Administrative Agent, forthwith pay, or cause to be paid, in cash the amount of such unpaid Obligations, and thereupon each Lender shall, in a reasonable manner, assign the amount of the Obligations owed to it and paid by such Guarantor pursuant to this guarantee to such Guarantor, such assignment to be pro tanto to the extent to which the Obligations in question were discharged by such Guarantor, or make such disposition thereof as such Guarantor shall direct (all without recourse to any Lender and without any representation or warranty by any Lender).

Upon payment by a Guarantor of any sums as provided above, all rights of such Guarantor against a Borrower, as the case may be, arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations to the Lenders.

SECTION 2.21. Extension of Revolving Credit Maturity Date. (a) The Borrower may, by notice to the Administrative Agent in a the form of Exhibit C hereto (which shall promptly deliver a copy to each of the Lenders) not less than 45 days and not more than 60 days prior to the Revolving Credit Maturity Date at any time in effect (the "Existing Revolving Credit Maturity Date"), request that the Lenders extend the Revolving Credit Maturity Date for an additional 364 days from the Existing Revolving Credit Maturity Date. Each Lender shall, by notice to the Borrower and the Administrative Agent given not less than 20 and not more than 30 days prior to the Existing Revolving Credit Maturity Date, advise the Borrower whether or not such Lender agrees to such extension (and any Lender that does not advise the Borrower on or before the later of such days shall be deemed to have advised the Borrower that it will not agree to such extension).

(b) The Borrower shall have the right, on or before the Existing Revolving Credit Maturity Date, to require any Lender which shall have advised or been deemed to advise the Borrower that it will not agree to an extension of the Revolving Credit Maturity Date (each a "Non-Extending Lender") to transfer without recourse (in accordance with and subject to the restrictions contained in Section 9.04) all its interests, rights and obligations under this Agreement to one or more other banks or other financial institutions (any such bank or other financial institution being called a "Substitute Lender"), which may include any Lender; provided that (i) such Substitute Lender, if not already a Lender hereunder, shall have been approved by the Administrative Agent (which approval shall not be unreasonably withheld) and shall execute all such documentation as the Administrative Agent shall specify to evidence its status as a Lender hereunder, (ii) such assignment shall become effective as of the Existing Revolving Credit Maturity Date and (iii) the Borrower or such Substitute Lender shall pay to such Non-Extending Lender in immediately available funds on the effective date of such assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

(c) If (and only if) Lenders (including Substitute Lenders) holding Commitments that represent at least 66 2/3% of the Total Commitment on the 60th day prior to the Existing Revolving Credit Maturity Date shall have agreed to extend the Existing Revolving Credit Maturity Date (the "Continuing Lenders"), then the Revolving Credit Maturity Date shall be extended to the date 364 days after the Existing Revolving Credit Maturity Date (provided, that if such date is not a Business Day, then the Maturity Date shall be extended to the next preceding Business Day). The decision to agree or withhold agreement to any extension of the Revolving Credit Maturity Date hereunder shall be at the sole discretion of each Lender. The Commitment of each Non-Extending Lender (after giving effect to each transfer and assignment pursuant to paragraph (b) above) shall terminate, and all Loans of such Non-Extending Lender shall become due and payable, together with all interest accrued thereon and all other amounts owed to such Lender hereunder, on the Existing Revolving Credit Maturity Date.

Notwithstanding the foregoing, no extension of the Revolving Credit Maturity Date shall be effective with respect to any Lender unless, on and as of the Existing Revolving Credit Maturity Date, the conditions set forth in paragraphs (b) and (c) of Section 4.01 shall be satisfied (with all references in such paragraphs to a Credit Event being deemed to be references to such extension) and the Agent shall have received a certificate to that effect, dated the Existing Revolving Credit Maturity Date and executed by a Responsible Officer of the Borrower.

SECTION 2.22. Increase in Commitments. (a) The Borrower may, by written notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders), request that the total Commitments be increased by an amount not less than 50,000,000 for any such increase provided that the total Commitments shall not exceed $500,000,000. Such notice shall set forth the amount of the requested increase in the total Commitments and the date on which such increase is requested to become effective (which shall be not less than 30 days or more than 60 days after the date of such notice), and shall offer each Lender the opportunity to increase its Commitment by its Applicable Percentage of the proposed increased amount. Each Lender shall, by notice to the Borrower and the Administrative Agent given not more than 20 days after the date of the Borrower's notice, either agree to increase its Commitment by

all or a portion of the offered amount (each Lender so agreeing being an "Increasing Lender") or decline to increase its Commitment (and any Lender that does not deliver such a notice within such period of 20 days shall be deemed to have declined to increase its Commitment) (each Lender so declining or deemed to have declined being a "Non-Increasing Lender"). In the event that, on the 20th day after the Borrower shall have delivered a notice pursuant to the first sentence of this paragraph, the Lenders shall have agreed pursuant to the preceding sentence to increase their Commitments by an aggregate amount less than the increase in the total Commitments requested by the Borrower, the

Borrower may arrange for one or more banks or other financial institutions (any such bank or other financial institution referred to in this clause (a) being called an "Augmenting Lender"), which may include any Lender, to extend Commitments or increase their existing Commitments in an aggregate amount equal to the unsubscribed amount; provided that each Augmenting Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and each Augmenting Lender shall execute all such documentation as the Administrative Agent shall specify to evidence its Commitment and its status as a Lender hereunder. Any increase in the total Commitments may be made in an amount which is less than the increase requested by the Borrower if the Borrower is unable to arrange for, or chooses not to arrange for Augmenting Lenders. Increases and new Commitments created pursuant to this clause (a) shall become effective on the date specified in the notice delivered by the Borrower pursuant to the first sentence of this paragraph. Notwithstanding the foregoing, no increase in the total Commitments (or in the Commitment of any Lender) shall become effective under this paragraph unless, (i) on the date of such increase, the conditions set forth in paragraphs (b) and (c) of Section 4.01 shall be satisfied (with all references in such paragraphs to a Credit Event being deemed to be references to such increase) and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Borrower, and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders) documents consistent with those delivered on the under clauses (a) and (c) of Section 4.02 as to the corporate power and authority of the Borrower to borrow hereunder after giving effect to such increase.

(b) On the effective date (the "Increase Effective Date") of any increase in the total Commitments pursuant to Section 2.22(a) (the "Commitment Increase"), (i) the aggregate principal amount of the Loans outstanding (the "Initial Loans") immediately prior to giving effect to the Commitment Increase on the Increase Effective Date shall be deemed to be paid, (ii) each Increasing Lender and each Augmenting Lender that shall have been a Lender prior to the Commitment Increase shall pay to the Administrative Agent in same day funds an amount equal to the difference between (A) the product of (1) such Lender's Applicable Percentage (calculated after giving effect to the Commitment Increase) multiplied by (2) the amount of the Subsequent Borrowings (as hereinafter defined) and (B) the product of (1) such Lender's Applicable Percentage (calculated without giving effect to the Commitment Increase) multiplied by (2) the amount of the Initial

Loans, (iii) each Augmenting Lender that shall not have been a Lender prior to the Commitment Increase shall pay to Administrative Agent in same day funds an amount equal to the product of (1) such Augmenting Lender's Applicable Percentage (calculated after giving effect to the Commitment Increase) multiplied by (2) the amount of the Subsequent Borrowings, and (iv) after the Administrative Agent receives the funds specified in clauses (ii) and (iii) above, the Administrative Agent shall pay to each Non-Increasing Lender the portion of such funds that is equal to the difference between (A) the product of (1) such Non-Increasing Lender's Applicable Percentage (calculated without giving effect to the Commitment Increase) multiplied by (2) the amount of the Initial Loans, and (B) the product of (1) such Non-Increasing Lender's Applicable Percentage (calculated after giving effect to the Commitment Increase) multiplied by (2) the amount of the Subsequent Borrowings, (v) after the effectiveness of the Commitment Increase, the Borrower shall be deemed to have made new Borrowings (the "Subsequent Borrowings") in an aggregate principal amount equal to the aggregate principal amount of the Initial Loans and of the types and for the Interest Periods specified in a Borrowing Request delivered to the Administrative Agent in accordance with Section 2.04, (vi) each Non-Increasing Lender, each Increasing Lender and each Augmenting Lender shall be deemed to hold its Applicable Percentage of each Subsequent Borrowing (calculated after giving effect to the Commitment Increase) and (vii) the Borrower shall pay each Increasing Lender and each Non-Increasing Lender any and all accrued but unpaid interest on the Initial Loans. The deemed payments made pursuant to clause (i) above in respect of each Eurodollar Loan shall be subject to indemnification by the Borrower pursuant to the provisions of Section 2.14 if the Increase Effective Date occurs other than on the last day of the Interest Period relating thereto.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to each of the Lenders that:

SECTION 3.01. Organization; Powers. (a) Each Borrower and each of the Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (iii) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect, and (iv) has the corporate power and authority to execute, deliver and perform its obligations under each of the Loan Documents and each other agreement or instrument contemplated thereby to which it is or will be a party and, in the case of each Borrower, to borrow hereunder.

(b) Popular is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended.

SECTION 3.02. Authorization. The execution, delivery and performance by each Borrower of each of the Loan Documents and the borrowings hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of such Borrower or any Subsidiary, (B) any order of any Governmental Authority or (C) any provision of any indenture, agreement or other instrument to which such Borrower or any Subsidiary is a party or by which any of them or any of their property is or may be bound, (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by such Borrower or any Subsidiary.

SECTION 3.03. Enforceability. This Agreement has been duly executed and delivered by each Borrower and constitutes, and each other Loan Document when executed and delivered by such Borrower will constitute, a legal, valid and binding obligation of such Borrower enforceable against such Borrower in accordance with its terms.

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except for such as have been made or obtained and are in full force and effect.

SECTION 3.05. Financial Statements. Popular has heretofore furnished to the Lenders its consolidated balance sheets and statements of income and changes in financial condition (i) as of and for the fiscal year ended December 31, 1997, audited by and accompanied by the opinion of Price Waterhouse LLP, independent public accountants, and (ii) as of and for the fiscal quarter and portion of the fiscal year ended June 30, 1998. Such financial statements present fairly the financial condition and results of operations of Popular and its consolidated Subsidiaries as of such dates and for such periods. Such balance sheets and the notes thereto disclose all material liabilities, direct or contingent, of the Popular and its consolidated Subsidiaries as of the dates thereof. Such financial statements were prepared in accordance with GAAP applied on a consistent basis subject to, in the case of the statements referred to in clause (ii) above, normal year-end audit adjustments and the absence of footnotes.

SECTION 3.06. No Material Adverse Change. There has been no material adverse change in the business, assets, operations,

prospects or condition, financial or otherwise, of the Borrowers and the Subsidiaries, taken as a whole, since December 31, 1997.

SECTION 3.07. Title to Properties; Possession Under Leases. (a) Each of the Borrowers and the Subsidiaries has good and marketable title to, or valid leasehold interests in, all its material properties and assets, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties and assets for their intended purposes. All such material properties and assets are free and clear of Liens prohibited by Section 6.01.

(b) Each of the Borrowers and the Subsidiaries has complied with all obligations under all material leases to which it is a party and all such leases are in full force and effect. Each of the Borrowers and the Subsidiaries enjoys peaceful and undisturbed possession under all such material leases.

SECTION 3.08. Subsidiaries. Schedule 3.08 sets forth a complete and correct list, as of the date hereof, of all Subsidiaries. Except as set forth in Schedule 3.08, all the issued and outstanding shares of capital stock or the partnership interests, as the case may be, of each of the Subsidiaries have been validly issued and are fully paid and nonassessable and are owned directly or indirectly by the Borrower free and clear of all Liens whatsoever, and there are no options, warrants, calls, conversion or exchange rights, commitments or agreements of any character obligating any of the Subsidiaries to issue, deliver or sell additional shares of capital stock of any class or any securities convertible into or exchangeable for any such capital stock or any additional partnership interests.

SECTION 3.09. Litigation; Compliance with Laws. (a) Except as set forth in Schedule 3.09, there are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of either the Borrowers, threatened against or affecting either of the Borrowers or any Subsidiary or any business, property or rights of any such person (i) which involve any Loan Document or the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, could, individually or in the aggregate, result in a Material Adverse Effect.

(b) None of the Borrowers or any of the Subsidiaries or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation, or is in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default could result in a Material Adverse Effect.

SECTION 3.10. Agreements. (a) Neither of the Borrowers nor any of the Subsidiaries is a party to any agreement or instrument or subject to any corporate restriction that has resulted or could result in a Material Adverse Effect.

(b) Neither of the Borrowers nor any of the Subsidiaries is in default in any manner under any provision of any indenture or other agreement or instrument evidencing Indebtedness, or any other material agreement or instrument to which it is a party or by which it or any of its properties or assets are or may be bound, where such default could result in a Material Adverse Effect.

SECTION 3.11. Federal Reserve Regulations. (a) Neither of the Borrowers nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund indebtedness originally incurred for such purpose, or (ii) for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board, including Regulation U or X.

SECTION 3.12. Investment Company Act; Public Utility Holding Company Act. Neither of the Borrowers nor any Subsidiary is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.13. Use of Proceeds. The Borrowers will use the proceeds of the Loans only for the purposes specified in the preamble to this Agreement.

SECTION 3.14. Tax Returns. Each of the Borrowers and the Subsidiaries has filed or caused to be filed all Federal, state and local tax returns required to have been filed by it and has paid or caused to be paid all taxes due and payable by it and all assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which a Borrower shall have set aside on its books adequate reserves.

SECTION 3.15. No Material Misstatements. No information, report, financial statement, exhibit or schedule furnished by or on behalf of a Borrower to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto

contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading.

SECTION 3.16. Employee Benefit Plans. Each of the Borrowers and their respective ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No Reportable Event has occurred in respect of any Plan of a Borrower or any ERISA Affiliate. The present value of all benefit liabilities under each Plan (based on those assumptions used to fund such Plan) did not, as of the last annual valuation date applicable thereto, exceed by more than $10,000,000 the value of the assets of such Plan, and the present value of all benefit liabilities of all underfunded Plans (based on those assumptions used to fund each such Plan) did not, as of the last annual valuation dates applicable thereto, exceed by more than $10,000,000 the value of the assets of all such underfunded Plans. Neither of the Borrowers nor any ERISA Affiliate has incurred any Withdrawal Liability that materially adversely affects the financial condition of a Borrower and its ERISA Affiliates taken as a whole. Neither of the Borrowers nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, where such reorganization or termination has resulted or can reasonably be expected to result in an increase in the contributions required to be made to such Plan that would materially and adversely affect the financial condition of a Borrower and its ERISA Affiliates taken as a whole.

SECTION 3.17. Environmental and Safety Matters. The Borrowers are aware of no events, conditions or circumstances involving environmental pollution or contamination or employee health or safety that could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.18. Capital Commitments. Popular is not a party to any Capital Commitment, other than such Capital Commitments entered into after the Closing Date that, individually and in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.19. Year 2000. Any reprogramming required to permit the proper functioning, in and following the year 2000, of (i) the Borrower's computer systems and equipment containing embedded microchips (including systems and equipment supplied by others or with which Borrower's systems interface) and the testing of all such systems and equipment, as so reprogrammed, will be

completed by June 30, 1999. The cost to the Borrower of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower (including, without limitation, reprogramming errors and the failure of others' systems or equipment) will not result in a Default or a Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of the Borrower and its Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Borrower to conduct its business without Material Adverse Effect.

ARTICLE IV. CONDITIONS OF LENDING

The obligations of the Lenders to make Loans hereunder are subject to the satisfaction of the following conditions:

SECTION 4.01. All Credit Events. On the date of each Borrowing, including each Borrowing in which Loans are refinanced with new Loans as contemplated by Section 2.02(f) (each such event being called a "Credit Event"):

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or 2.04, as applicable (or such notice shall have been deemed given in accordance with the last paragraph of Section 2.04).

(b) The representations and warranties set forth in Article III (other than, in the case of a Borrowing that does not increase the aggregate outstanding principal amount of the Loans of any Lender, Sections 3.06 and 3.09(a)) shall be true and correct in all material respects on and as of the date of such Credit Event with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Each Borrower shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such Credit Event, no Event of Default or Default shall have occurred and be continuing.

Each Credit Event shall be deemed to constitute a representation and warranty by each Borrower on the date of such Credit Event as to the matters specified in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. First Credit Event. On the Closing Date:

(a) The Administrative Agent shall have received, on behalf of itself and the Lenders, a favorable written opinion of Brunilde Santos de Alvarez, Esq., Assistant Secretary and

counsel for the Borrowers, substantially to the effect set forth in Exhibit E (A) dated the Closing Date, (B) addressed to the Administrative Agent and the Lenders, and (C) covering such other matters relating to the Loan Documents and the Transactions as the Administrative Agent shall reasonably request, and the Borrowers hereby instruct such counsel to deliver such opinion.

(b) All legal matters incident to this Agreement, the borrowings and extensions of credit hereunder and the other Loan Documents shall be satisfactory to the Lenders and to Cravath, Swaine & Moore, counsel for the Administrative Agent.

(c) The Administrative Agent shall have received (i) a copy of the certificate or articles of incorporation, including all amendments thereto, of each Borrower, certified as of a recent date by the Secretary of State of the state of its organization, and a letter sealed by such Secretary of State from each Borrower requesting a certificate as to the good standing of each Borrower as of a recent date from such Secretary of State; (ii) a certificate of the Secretary or Assistant Secretary of each Borrower dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of such Borrower as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of such Borrower authorizing the execution, delivery and performance of the Loan Documents and the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation of such Borrower have not been amended since the date of the last amendment thereto which date will be shown on the certificate of good standing to be furnished pursuant to Section 5.04(g), and (D) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Borrower; (iii) a certificate of another officer of each Borrower as to the incumbency and specimen signature of the Secretary or Assistant

Secretary of such Borrower executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Cravath, Swaine & Moore, counsel for the Administrative Agent, may reasonably request.

(d) The Administrative Agent shall have received a certificate of each Borrower, dated the Closing Date and signed by a Financial Officer of such Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01.

(e) The Administrative Agent shall have received the financial statements referred to in Section 3.05.

(f) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder or under any other Loan Document.

(g) The Administrative Agent shall have received a certificate of a Financial Officer of each of the Borrowers certifying as to (i) the termination of the Existing Credit Agreement, and (ii) the payment in full of all obligations of the Borrowers outstanding under the Existing Credit Agreement.

ARTICLE V. AFFIRMATIVE COVENANTS

Each Borrower covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under any Loan Document shall have been paid in full, unless the Required Lenders shall otherwise consent in writing, such Borrower will, and will cause each of the Subsidiaries to:

SECTION 5.01. Existence; Businesses and Properties. (a) Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise expressly permitted under Section 6.04.

(b) Do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names material to the conduct of its business; maintain and operate such business in substantially the manner in which it is presently conducted and operated (provided that the Borrowers may engage in new businesses not prohibited by Section 6.04); comply in all material respects with all applicable laws, rules, regulations and orders of any Governmental Authority, whether now in effect or hereafter enacted; and at all times maintain and preserve all property material to the conduct of such business and keep such property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times.

SECTION 5.02. Insurance. Keep its insurable properties adequately insured at all times by financially sound and reputable insurers; maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it; and maintain such other insurance as may be required by law.

SECTION 5.03. Obligations and Taxes. Pay its Indebtedness and other obligations promptly and in accordance with their terms and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise which, if unpaid, might give rise to a Lien upon such properties or any part thereof; provided, however, that such payment and discharge shall not be required with respect to any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Borrower shall have set aside on its books adequate reserves with respect thereto and such contest operates to suspend collection of the contested obligation, tax, assessment or charge and enforcement of a Lien.

SECTION 5.04. Financial Statements, Reports, etc. In the case of Popular, furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year, its consolidated balance sheets and related statements of operations, stockholders' equity and cash flows showing the financial condition of Popular and its consolidated subsidiaries as of the close of such fiscal year and the results of its operations and the operations of such subsidiaries during such year, setting forth in each case in comparative form the figures for the previous fiscal year, all audited by Price Waterhouse LLP or other independent public accountants of recognized national standing acceptable to the Required Lenders and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of Popular on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated balance sheets and related statements of operations, stockholders' equity and cash flows showing the financial

condition of Popular and its consolidated subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of such subsidiaries during such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the previous fiscal year, all certified by one of its Financial Officers as fairly presenting the financial condition and results of operations of Popular on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under (a) or (b) above, a certificate of a Financial Officer (i) setting forth in reasonable detail the calculations required to establish whether Popular was in compliance with the requirements of Sections 6.05, 6.06, 6.07 and 6.08 and (ii) certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by it with the Securities and Exchange Commission, or any Governmental Authority succeeding to any of or all the functions of said Commission, or with any national securities exchange, or distributed to its shareholders, as the case may be;

(e) as soon as is reasonably practicable after the same becomes available, the "Parent Company Only Financial Statement for Bank Holding Companies" (report No. FR Y-9LP or any successor form of the Federal Reserve System) of Popular and Popular North America, Inc. and the "Consolidated Financial Statements for Bank Holding Companies" (report no. FR Y-9C or any successor form of the Federal Reserve System) of Popular that Popular shall have filed with the Board;

(f) promptly upon the request of the Administrative Agent or any Lender, copies of all call reports of each Significant Subsidiary;

(g) promptly, upon receipt by each borrower, the certificate of good standing delivered by the Secretary of State to the Borrower in response to the Borrower's request for such certificate in the letter delivered to the Administrative Agent pursuant to Section 4.02(c)(i);

(h) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of Popular or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request; and

(i) promptly, upon entering such agreement, notice of the terms of any agreement entered into by Banco Popular after the date of this Agreement restricting or limiting Banco Popular's right to declare and make payments of dividends to the Borrower, and any changes to any existing restrictions or limits on Banco Popular's right to declare or pay dividends to the Borrower.

SECTION 5.05. Litigation and Other Notices. Furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(b) the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against a Borrower or any Affiliate thereof which could reasonably be expected to result in a Material Adverse Effect; and

(c) any other development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

SECTION 5.06. Employee Benefits. (a) Comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent (i) as soon as possible after, and in any event within 30 days after any Responsible Officer of such Borrower or any ERISA Affiliate knows or has reason to know that, any Reportable Event has occurred that alone or together with any other Reportable Event could reasonably be expected to result in liability of such Borrower to the PBGC in an aggregate amount exceeding $10,000,000, a statement of a Financial Officer setting forth details as to such Reportable Event and the action that the Borrower proposes to take with respect thereto, together with a copy of the notice, if any, of such Reportable Event given to the PBGC, (ii) promptly after receipt thereof, a copy of any notice that the Borrower or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Plans (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) or to appoint

a trustee to administer any such Plan, (iii) within 10 days after the due date for filing with the PBGC pursuant to Section 412(n) of the Code a notice of failure to make a required installment or other payment with respect to a Plan, a statement of a Financial Officer setting forth details as to such failure and the action that such Borrower proposes to take with respect thereto, together with a copy of any such notice given to the PBGC and (iv) promptly and in any event within 30 days after receipt thereof by the Borrower or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by the Borrower or any ERISA Affiliate concerning (A) the imposition of Withdrawal Liability or (B) a determination that a Multiemployer Plan is, or is expected to be, terminated or in reorganization, both within the meaning of Title IV of ERISA.

SECTION 5.07. Maintaining Records; Access to Properties and Inspections. Maintain all financial records in accordance with GAAP and permit any representatives designated by any Lender to visit and inspect the financial records and the properties of a Borrower or any Subsidiary at reasonable times and upon reasonable notice and as often as requested and to make extracts from and copies of such financial records, and permit any representatives designated by any Lender to discuss the affairs, finances and condition of such Borrower or any Subsidiary with the officers thereof and independent accountants therefor.

SECTION 5.08. Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in the preamble to this Agreement.

SECTION 5.09. Continuance of Business. With respect to Popular, at all times be a bank holding company duly registered with the Board under the Bank Holding Company Act of 1956, as amended, and continue (and will cause each Subsidiary to continue) to (a) engage in business of the same general type as now conducted by it or any other business permitted under, and in accordance with, the Bank Holding Company Act of 1956, as amended, and any regulation of, or ruling by, the Board issued thereunder and (b) unless otherwise permitted by this Agreement, maintain its corporate existence and keep in full force and effect all licenses and permits necessary to the proper conduct of its business.

SECTION 5.10. Compliance with Regulatory Standards. At all times substantially comply with all applicable regulatory guidelines, policy statements, regulations or other legal requirements and cause each Bank Subsidiary (other than any Edge Act corporation) to maintain membership with the Federal Deposit Insurance Corporation.

SECTION 5.11. Capital Requirements. Maintain and cause each of its Bank Subsidiaries to, (a) maintain (at all times 120

days or more after the date such person became a Bank Subsidiary), such amount of capital as may be prescribed from time to time by each Bank Regulatory Authority with jurisdiction over such Borrower or such Bank Subsidiary, whether by regulation, agreement or order.

(b) Cause each Bank Subsidiary that is a Significant Subsidiary to be "adequately capitalized" (within the meaning of 12 U.S.C. 1831, as amended, reenacted or redesignated from time to time) at all times 120 days or more after the date such person became a Bank Subsidiary.

ARTICLE VI. NEGATIVE COVENANTS

Each Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under any Loan Document have been paid in full, unless the Required Lenders shall otherwise consent in writing, such Borrower will not, and will not cause or permit any of the Subsidiaries to:

SECTION 6.01. Liens. In the case of the Borrowers, create, incur, assume or permit to exist any Lien on any property or assets (including stock or other securities of any person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of such Borrower existing on the date hereof and set forth in Schedule 6.01; provided that such Liens shall secure only those obligations which they secure on the date hereof;

(b) any Lien existing on any property or asset prior to the acquisition thereof by such Borrower; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition and (ii) such Lien does not apply to any other property or assets of such Borrower;

(c) Liens for taxes not yet due or which are being contested in compliance with Section 5.03;

(d) carriers', warehousemen's, mechanic's, materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not due and payable or which are being contested in compliance with Section 5.03;

(e) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation,

unemployment insurance and other social security laws or regulations;

(f) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than Capital Lease Obligations), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of such Borrower;

(h) purchase money security interests in real property, improvements thereto or equipment hereafter acquired (or, in the case of improvements, constructed) by such Borrower; provided that (i) such security interests are incurred, and the Indebtedness secured thereby is created, within 90 days after such acquisition (or construction) and (ii) such security interests do not apply to any other property or assets of such Borrower or any Subsidiary;

(i) any Lien (a "replacement Lien") replacing, refinancing, extending or renewing any Lien permitted under clause (a), (b) or (h) above; provided that such replacement Lien shall secure only those obligations that are secured by, and shall not apply to any property of any Borrower other than property of such Borrower subject to, the Lien replaced, refinanced, extended or renewed by such replacement Lien on the date of incurrence of such replacement Lien; and

(j) securities repurchase agreements entered into in the ordinary course of business with a maturity of less than one year.

SECTION 6.02. Sale and Lease-Back Transactions. In the case of the Borrowers, enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

SECTION 6.03. Mergers, Consolidations, Sales of Assets. Merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer,

lease or otherwise dispose of (in one transaction or in a series of transactions) all or any substantial part of the assets of Popular or its Subsidiaries, taken as a whole (whether now owned or hereafter acquired), except that if at the time thereof and immediately after giving effect thereto no Event of Default or Default shall have occurred and be continuing (a) any Subsidiary may merge into either Borrower in a transaction in which such Borrower is the surviving corporation, (b) any Subsidiary may merge into or consolidate with any other Subsidiary in a transaction in which the surviving entity is a Subsidiary and (c) a wholly owned Subsidiary (other than a Subsidiary that owns a substantial portion of the assets of Popular and its Subsidiaries, taken as a whole) may merge with any person if the surviving corporation is a Subsidiary.

SECTION 6.04. Business of Borrowers and Subsidiaries. Engage at any time in any business or business activity other than the business currently conducted by it and business activities reasonably incidental thereto.

Notwithstanding the previous sentence, either Borrower may acquire, develop or otherwise engage in any new business (consistent with applicable regulatory requirements); provided, however, that all such new businesses (taken together) shall not materially affect the overall nature and character of the business of Popular and its Subsidiaries (taken as a whole), as currently conducted.

SECTION 6.05. Consolidated Tangible Net Worth. Permit at any time Consolidated Tangible Net Worth to be less than 5% of Total Assets.

SECTION 6.06. Ratio of Long-Term Indebtedness to Total Capitalization. Permit at any time the ratio of Long-Term Indebtedness to Total Capitalization to exceed .65 to 1.0.

SECTION 6.07. Non-Performing Assets. Permit NonPerforming Assets at any time to exceed 4.5% of total (gross) loans, leases and other owned real estate, in each case for Popular and its Subsidiaries (determined on a consolidated basis in accordance with GAAP), as at such time.

SECTION 6.08. Double Leverage. Permit at any time the ratio of (a) the sum of Equity Investments in Subsidiaries and the Intangibles of Popular and its consolidated Subsidiaries, in each case determined as of such time, to (b) Consolidated Net Worth less the goodwill of Popular and its consolidated Subsidiaries (determined on a consolidated basis in accordance with GAAP), in each case determined as of such time, to exceed 125%.

ARTICLE VII. EVENTS OF DEFAULT

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with any Loan Document or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any Fee or any other amount (other than an amount referred to in (b) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days;

(d) default shall be made in the due observance or performance by a Borrower or any Subsidiary of any covenant, condition or agreement contained in Section 5.01(a), 5.05, 5.08 or 5.11 or in Article VI;

(e) default shall be made in the due observance or performance by a Borrower or any Subsidiary of any covenant, condition or agreement contained in any Loan Document (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to such Borrower;

(f) a Borrower or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of $25,000,000 when and as the same shall become due and payable, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Indebtedness or a trustee on its or their behalf (with or without the giving of notice, the lapse of time or both) to

cause, such Indebtedness to become due prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of a Borrower or any Subsidiary, or of a substantial part of the property or assets of such Borrower or a Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such Borrower or any Subsidiary or for a substantial part of the property or assets of such Borrower or a Subsidiary or (iii) the winding-up or liquidation of such Borrower or any Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) a Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such Borrower or any Subsidiary or for a substantial part of the property or assets of such Borrower or any Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of $10,000,000 shall be rendered against a Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of such Borrower or any Subsidiary to enforce any such judgment;

(j) (i) a Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Code), shall have occurred with respect to any Plan or Plans that reasonably could be expected to result in liability of a Borrower to the PBGC or to a Plan in an aggregate amount exceeding $10,000,000 and, within 30 days after the reporting of any such Reportable Event to the Administrative Agent or after the receipt by the Administrative Agent of a statement required pursuant to Section 5.06(b)(iii) hereof, the Administrative Agent shall have notified such Borrower in writing that (A) the Required Lenders have made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds for the termination of such Plan or Plans by the PBGC, the appointment by the appropriate United States district court of a trustee to administer such Plan or Plans or the imposition of a lien in favor of a Plan and (B) as a result thereof an Event of Default exists hereunder; or (ii) a trustee shall be appointed by a United States district court to administer any such Plan or Plans; or (iii) the PBGC shall institute proceedings (including giving notice of intent thereof) to terminate any such Plan or Plans;

(k) (i) a Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan, (ii) such Borrower or such ERISA Affiliate does not have reasonable grounds for contesting such Withdrawal Liability or is not contesting such Withdrawal Liability in a timely and appropriate manner and (iii) the amount of such Withdrawal Liability specified in such notice, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liabilities (determined as of the date or dates of such notification), either (A) exceeds $10,000,000 or requires payments exceeding $1,000,000 in any year or (B) is less than $10,000,000 but any Withdrawal Liability payment remains unpaid 30 days after such payment is due;

(l) a Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if solely as a result of such reorganization or termination the aggregate annual contributions of such Borrower and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or have been or are being terminated have been or will be increased over the amounts required to be contributed to such Multiemployer Plans for their most recently completed plan years by an amount exceeding $1,000,000; or

(m) there shall have occurred a Change in Control; then, and in every such event (other than an event with respect to a Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrowers, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrowers accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrowers, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event with respect to a Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of such Borrower accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by such Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding.

ARTICLE VIII. THE ADMINISTRATIVE AGENT

In order to expedite the transactions contemplated by this Agreement, The Chase Manhattan Bank is hereby appointed to act as Administrative Agent on behalf of the Lenders. Each of the Lenders and each assignee of any such Lender, hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or assignee and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof and of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrowers of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by a Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by a Borrower of any of the terms, conditions, covenants or agreements contained in any Loan Document. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or any other Loan Documents or other instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrowers on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or a Borrower of any of their respective obligations hereunder or under any other Loan Document or in connection herewith or therewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a

combined capital and surplus of at least $500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrowers or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (i) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitments hereunder) of any expenses incurred for the benefit of the Lenders by the Administrative Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, which shall not have been reimbursed by the Borrowers and (ii) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against it in its capacity as the Administrative Agent or any of them in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by it or any of them under this Agreement or any other Loan Document, to the extent the same shall not have been reimbursed by the Borrowers; provided that no Lender shall be liable to the Administrative Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will,

independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX. MISCELLANEOUS

SECTION 9.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to a Borrower, to it at Banco Popular Center Building, 209 Munoz Rivera Avenue, Hato Rey, Puerto Rico 00918, Attention of Mr. Richard Barrios (Telecopy No. 787-751-2137);

(b) if to the Administrative Agent, to The Chase Manhattan Bank Agency Services Group, 1 Chase Manhattan Plaza, New York, New York 10081, Attention of Laura Rebecca (Telecopy No. 212- 552-7490), with a copy to The Chase Manhattan Bank, at 270 Park Avenue, New York 10017, Attention of Christine M. Herrick (Telecopy No. 212-270-1789); and

(c) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 9.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 9.01.

SECTION 9.02. Survival of Agreement. All covenants, agreements, representations and warranties made by each Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or

any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid and so long as the Commitments have not been terminated.

SECTION 9.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrowers and the

Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

SECTION 9.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of each Borrower, the Administrative Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of such Lender, each Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000, (iii) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500 and (iv) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 9.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.14, 2.18 and 9.05, as well as to any Fees accrued for its account and not yet paid).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Revolving Credit Commitment, and the outstanding balances of its Revolving Loans and Competitive Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrowers or any Subsidiary or the performance or observance by the Borrowers or any Subsidiary of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements, if any, delivered pursuant to Section 5.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive and the Borrowers, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder

for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of each Borrower and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Lenders. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e).

(f) Each Lender may without the consent of the Borrowers or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.12, 2.14 and 2.18 to the same extent as if they were Lenders; provided that no such participating bank or entity shall be entitled to receive any greater amount pursuant to such Sections than a Lender would have been entitled to receive in respect of the amount of the participation sold by such Lender to such participating bank or entity had no sale occurred, and (iv) the Borrowers, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrowers relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or changing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.04, disclose to the assignee or participant or proposed assignee or participant any information relating to a Borrower furnished to such Lender by or on

behalf of the Borrowers; provided that, prior to any such disclosure of information designated by a Borrower as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 9.16.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank to secure extensions of credit by such Federal Reserve Bank to such Lender; provided that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the applicable Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to such Borrower by the assigning Lender hereunder.

(i) A Borrower shall not assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent and each Lender, and any attempted assignment without such consent shall be null and void.

SECTION 9.05. Expenses; Indemnity. (a) Each Borrower agrees to pay all out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation and administration of this Agreement and the other Loan Documents or in connection with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby contemplated shall be consummated) or incurred by the Administrative Agent or any Lender in connection with the enforcement or protection of their rights in connection with this Agreement and the other Loan Documents or in connection with the Loans made issued hereunder, including the fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent, and, in connection with any such enforcement or protection, the fees, charges and disbursements of any other counsel for the Administrative Agent or any Lender.

(b) Each Borrower agrees to indemnify the Administrative Agent and each Lender, each Affiliate of any of the foregoing persons and each of their respective directors, officers, employees and agents (each such person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby, (ii) the use of the proceeds of the Loans, or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) The provisions of this Section 9.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent or any Lender. All amounts due under this Section 9.05 shall be payable on written demand therefor.

SECTION 9.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the applicable Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Agreement and other Loan Documents held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such other Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.07. Applicable Law. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN OTHER LOAN DOCUMENTS) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder or under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders

hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by a Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on a Borrower in any case shall entitle such Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by each of the Borrowers and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of any Loan, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment of any Lender or postpone the date for the payment thereof, or decrease the Facility Fees of any Lender or postpone the date for the payment thereof, in each case without the prior written consent of such Lender, or (iii) amend or modify the provisions of Section 2.15 or 2.20, the provisions of this Section or the definition of "Required Lenders", or release any Guarantor from its agreements pursuant to Section 2.20, without the prior written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder or under any other Loan Document without the prior written consent of the Administrative Agent.

SECTION 9.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.10. Entire Agreement. This Agreement and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

SECTION 9.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.11.

SECTION 9.12. Severability. In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.13. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 9.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 9.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 9.15. Jurisdiction; Consent to Service of Process. (a) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against a Borrower or its properties in the courts of any jurisdiction.

(b) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this agreement or the other Loan Documents in any New York State court or Federal court sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.16. Confidentiality. The Administrative Agent and each of the Lenders agrees to keep confidential (and to use its best efforts to cause its respective agents and representatives to keep confidential) the Information (as defined below) and all copies thereof, extracts therefrom and analyses or other materials based thereon, except that the Administrative Agent or any Lender shall be permitted to disclose Information (a) to such of its respective officers, directors, employees, agents, affiliates and representatives as need to know such Information, (b) to the extent requested by any regulatory authority, (c) to the extent otherwise required by applicable laws and regulations or by any subpoena or similar legal process, (d) in connection with any suit, action or proceeding relating to the enforcement of its rights hereunder or under the other Loan Documents or (e) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Agreement or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than a Borrower. For the purposes of this Section, "Information" shall mean all financial statements, certificates, reports, agreements and information (including all analyses, compilations and studies prepared by the Administrative Agent or any Lender based on any of the foregoing) that are received from a Borrower and related to a Borrower, any shareholder of a Borrower or any employee, customer or supplier of a Borrower, other than any of the foregoing that were available to the Administrative Agent or any Lender on a nonconfidential basis prior to its disclosure thereto by a Borrower, and which are in the case of Information provided after the date hereof, clearly identified at the time of delivery as confidential. The provisions of this Section 9.16 shall remain operative and in full force and effect regardless of the expiration and term of this Agreement.

SECTION 9.17. Termination of Existing Credit Agreement. Each of the undersigned Lenders that is a party to the Existing Credit Agreement and solely in its capacity as a lender under the terms of the Existing Credit Agreement hereby waives any requirement for notice provided in the Existing Credit Agreement, and the Borrowers and each such lender hereby agree that the Existing Credit Agreement shall terminate as of the date hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

POPULAR, INC.,

by

Name:
Title:

by

Name:
Title:

POPULAR NORTH AMERICA, INC.,

by

Name:
Title:

by

Name:
Title:

THE CHASE MANHATTAN BANK, individually
and as Administrative Agent,

by

Name:
Title:

BARCLAYS BANK PLC

by

Name:
Title:

CARIPLO-CASSA DI RISPARMIO DELLE
PROVINCIE LOMBARDE S.P.A.

by

Name:
Title:

by

Name:
Title:

CITIBANK, N.A.

by

Name:
Title:

COMERICA BANK

by

Name:
Title:

THE FIRST NATIONAL BANK OF
CHICAGO

by

Name:
Title:

LASALLE NATIONAL BANK

by

Name:
Title:

NORDDEUTSCHE LANDESBANK
GIROZENTRALE NEW YORK BRANCH
AND/OR CAYMAN ISLANDS BRANCH

by

Name:
Title:

by

Name:
Title:

BANCO BILBAO VIZCAYA S.A.

by

Name:
Title:

BANCA MONTE DEI PASCHI DI SIENA
S.P.A. NEW YORK BRANCH

by

Name:
Title:

by

Name:
Title:

MELLON BANK

by

Name:
Title:

BANCA CRT SPA

by

Name:
Title:

by

Name:
Title:

EXHIBIT A

[Form of]

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of [_____________], 1998 (the "Credit Agreement"), among Popular, Inc., a Puerto Rico corporation ("Popular"), Popular North America, Inc., a Delaware corporation ("Popular North America"),(each a "Borrower", and collectively, the "Borrowers"), the lenders from time to time party thereto, initially consisting of those listed on Schedule 2.01 thereto (the "Lenders") and The Chase Manhattan Bank, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Terms defined in the Credit Agreement are used herein with the same meanings.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Effective Date set forth below (but not prior to the registration of the information contained herein in the Register pursuant to Section 9.04(e) of the Credit Agreement), the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the amounts and percentages set forth below of (i) the Commitments of the Assignor on the Effective Date and (ii) the Loans owing to the Assignor which are outstanding on the Effective Date. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 9.04(c) of the Credit Agreement, a copy of which has been received by each such party. From and after the Effective Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and under the Loan Documents and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

2. This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is organized under the laws of a jurisdiction outside the United States, the forms specified in Section 2.18(g) of the Credit Agreement, duly completed and executed by such Assignee, (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in a form supplied by the

Administrative Agent and (iii) a processing and recordation fee of $3,500.

3. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment (may not be fewer than 5 Business Days after the Date of Assignment):

<TABLE>
<CAPTION>

Facility/commitment	Principal Amount Assigned (and Identifying information as to individual Competitive Loans)	Percentage Assigned of Applicable Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lenders thereunder)
<S>	<C>	<C>
	$	%
Revolving Credit		
Competitive Loans		

</TABLE>

The terms set forth above and on the reverse side hereof are hereby agreed to:

Accepted */

_________________, as Assignor

By: ___________________________

Name:

Title:

_________________, as Assignee

By: ___________________________

Name:

Title:

THE CHASE MANHATTAN BANK,
as Administrative Agent

By: _________________________

Name:

Title:

POPULAR, INC.

By: _________________________

Name:

Title:

POPULAR NORTH AMERICA, INC.

By: _________________________

Name:

Title:

EXHIBIT B

EXHIBIT C

FORM OF REQUEST FOR EXTENSION OF TERMINATION DATE

----------------, ----

The Chase Manhattan Bank
270 Park Avenue
New York, New York 10017

Dear Madam or Sir:

We refer to Section ___ of the Credit Agreement dated as of ____ __, 199_ among Popular, Inc., Popular North America, Inc. the Banks listed on the signature pages thereof, and the Chase Manhattan Bank, as Administrative Agent, and hereby request that the Banks extend the Termination Date (as defined therein) to _____, ____. The undersigned hereby represents to the Administrative Agent and the Banks that as of the date hereof no Default or Event of Default exists.

Very truly yours,

POPULAR, INC.,

By:

Title:

POPULAR NORTH AMERICA, INC.,

By:

Title:

SCHEDULE 2.01

Revolving Credit Commitments

Name and Address of Lender	Revolving Credit Commitment
THE CHASE MANHATTAN BANK 270 Park Avenue New York, NY 10017 Tel: 212-270-9747 Fax: 212-270-1789 Attn: Christine Herrick	$40,000,000
BARCLAYS BANK PLC 801 Brickell Avenue Miami, FL 33131 Tel: 305-376-8755 Fax: 305-539-1778 Attn: Carolina Guerra	$40,000,000
CARIPLO-CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE S.P.A. 10 East 53rd Street New York, NY 10022 Tel: 212-832-6622 Fax: 212-832-6777 Attn: Anthony F. Giobbi	$25,000,000
CITIBANK, N.A. 1 Citibank Drive San Juan, PR 00926 Tel: 787-766-2667 Fax: 787-766-0003 Attn: Elena Manrara	$25,000,000
COMERICA BANK One Detroit Center-23rd Floor Detroit, MI 48226 Tel: 313-222-2968 Fax: 313-222-7421 Attn: Laura Wrocklage	$25,000,000
THE FIRST NATIONAL BANK OF CHICAGO Mail Suite 0155 One First National Plaza Chicago, IL 60670 Tel: 312-732-5294 Fax: 312-732-6222 Attn: R. Eric Wiedelman	$25,000,000
LASALLE NATIONAL BANK	$25,000,000

135 S. LaSalle Street
Chicago, IL 60603
Tel: 312-904-7075
Fax: 312-904-2780
Attn: John C. Giuffre

NORDDEUTSCHE LANDESBANK GIROZENTTRALE
NEW YORK BRANCH AND/OR CAYMAN ISLANDS BRANCH $25,000,000
1270 Avenue of the Americas
New York, NY 10020
Tel: 212-332-8600
Fax: 212-332-8660
Attn: Stephen K. Hunter
</TABLE>

<TABLE>
<S> <C>

BANCA MONTE DEI PASCHI DI SIENA S.P.A. (NEW YORK BRANCH) 55 East 59th Street New York, NY 10022-1112 Tel: 212-891-3600 Fax: Attn: Gulio Natalicci	25,000,000
MELLON BANK One Mellon Bank Center, Room 0370 Pittsburgh, PA 15258-0001 Tel: 412-234-9364 Fax: Attn: Geoff Callahan	$25,000,000
BANCA CRT SPA 500 Park Avenue New York, NY 10022 Tel: 212-980-4862 Fax: Attn: J. Slade Carter	$25,000,000
BANCO BILBAO VIZCAYA S.A. P.O. Box 361990 San Juan, PR 00936-1990 Tel: 787-766-6973 Fax: 787-766-6972 Attn: Elizabeth Loza	$15,000,000

</TABLE>

Schedule 3.08 to
Credit Agreement dated October 27, 1998
among Popular, Inc., Popular North America, Inc.
and The Chase Manhattan Bank

Subsidiaries

Popular, Inc. is the owner of all issued and outstanding shares of common stock of Popular De Puerto Rico.

Popular de Puerto Rico

Popular Finance, Inc., Popular Leasing @ Rental, Inc. and Popular Mortgage, Inc. are wholly-owned subsidiaries of Popular de Puerto Rico.

Besides Popular de Puerto Rico, Popular, Inc. is the owner of the following wholly-owned subsidiaries:

a. Popular International Bank, Inc.

Popular North America is a wholly-owned subsidiary of Popular International Bank, Inc., and is the parent of Popular North America, Popular (Texas), Popular, N.A. (Florida), Popular, FSB (New Jersey), Popular, N.A. (California) and Popular Cash Express.

Popular North America, Inc. is the owner of Popular (Illinois) who in turn is the owner of Popular Leasing, U.S.

b. Popular Securities, Inc.

Schedule 3.09 to
Credit Agreement dated October 27, 1998
among Popular, Inc., Popular North America, Inc.
and The Chase Manhattan Bank

Litigation; Compliance with Laws

None

Schedule 6.01 to
Credit Agreement dated October 27, 1998
among Popular, Inc., Popular North America, Inc.,
The Chase Manhattan Bank and the Lenders listed in
Schedule 2.01 to the Agreement

Liens as of September 30, 1998.

A. Securities Pledged for potential daylight overdrafts in Popular, inc. demand deposit account with Popular de Puerto Rico (at par value):

1.	Non Voting Common Stock of Venture Capital Fund, Inc. (1,500 shares)....................	$ 1,500,000
2.	Municipality of Bayamon-Municipal Revenue Bond 1995 Series A, at 8.50% due 6/30/05..................	250,000
3.	Doral Financial Corporation 8% Convertible Preferred Stock (8,460 shares).......................	8,460,000
4.	Tax Credit Enhanced Film Fund of Puerto Rice (75 shares of common stock).............	1,500,000
	SUB TOTAL..................	$11,710,000

B. Securities sold under repurchase agreements with maturities of less than one year:

1.	U.S. Treasury Notes at 6.875% due 8/31/99...........	$50,000,000
	TOTALS.....................	$61,710,000

EXHIBIT 12.0

POPULAR, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(Dollars in thousands)

<TABLE>
<CAPTION>

	Year Ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Income before income taxes	307,019	284,026	256,027	206,130	175,177
Fixed charges:					
Interest expense	779,444	707,348	591,540	521,624	351,633
Estimated interest component of net rental payments	8,817	7,779	7,065	6,012	5,568
Total fixed charges including interest on deposits	788,261	715,127	598,605	527,636	357,201
Less: interest on deposits	411,517	366,528	350,221	329,783	247,726
Total fixed charges excluding interest on deposits	376,744	348,599	248,384	197,853	109,475
Income before taxes and fixed charges (including interest on deposits)	$1,095,280	$999,153	$854,632	$733,766	$532,378
Income before income taxes and fixed charges (excluding interest on deposits)	$ 683,763	$632,625	$504,411	$403,983	$284,652
Preferred stock dividends	8,350	8,350	8,350	8,350	4,630
Ratio of earnings to fixed charges					
Including Interest on Deposits	1.4	1.4	1.4	1.4	1.5
Excluding Interest on Deposits	1.8	1.8	2.0	2.0	2.6
Ratio of earnings to fixed charges & Preferred Stock Dividends					
Including Interest on Deposits	1.4	1.4	1.4	1.4	1.5
Excluding Interest on Deposits	1.8	1.8	2.0	2.0	2.5

</TABLE>

1

BANCO POPULAR

[LOGO]

[COMPUTERIZED ARTS GRAPHIC DESIGN]

1998 ANNUAL REPORT

2

20-Year Summary

<TABLE>
<CAPTION>

(Dollars in millions, except per common share data)	1979	1980	1981	1982	1983	1984	1985	1986	1987
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Selected Financial Information									
Net Interest Income	$ 110.6	$ 130.0	$ 135.9	$ 151.7	$ 144.9	$ 156.8	$ 174.9	$ 184.2	$ 207.7
Non Interest Income	13.5	14.2	15.8	15.9	19.6	19.0	26.8	41.4	41.0
Operating Expenses	88.8	101.3	109.4	121.2	127.3	137.2	156.0	168.4	185.7
Net Income	18.2	23.5	24.3	27.3	26.8	29.8	32.9	38.3	38.3
Total Assets	$2,472.0	$2,630.1	$2,677.9	$2,727.0	$2,974.1	$3,526.7	$4,141.7	$4,531.8	$5,389.6
Net Loans	974.1	988.4	1,007.6	976.8	1,075.7	1,373.9	1,715.7	2,271.0	2,768.5
Deposits	2,045.8	2,060.5	211.7	2,208.2	2,347.5	2,870.7	3,365.3	3,820.2	4,491.6
Total Stockholders' Equity	112.4	122.1	142.3	163.5	182.2	203.5	226.4	283.1	308.2
Market Capitalization	$ 70.3	$ 45.0	$ 66.4	$ 99.0	$ 119.3	$ 159.8	$ 216.0	$ 304.0	$ 260.0
ROA	0.79%	0.92%	0.90%	0.96%	0.95%	0.94%	0.89%	0.88%	0.76%
ROE	17.56%	19.96%	18.36%	17.99%	15.86%	15.83%	15.59%	15.12%	13.09%
Per Common Share(1)									
Earnings	$ 0.25	$ 0.34	$ 0.34	$ 0.38	$ 0.37	$ 0.41	$ 0.46	$ 0.50	$ 0.48
Dividends (Declared)	0.06	0.07	0.06	0.08	0.11	0.12	0.14	0.15	0.17
Book Value	1.53	1.66	1.93	2.22	2.47	2.76	3.07	3.46	3.77
Market Price	0.98	1.01	0.92	1.38	1.66	2.22	3.00	4.00	3.34
Assets by Geographic Area									
Puerto Rico	96.54%	95.53%	94.65%	94.63%	93.70%	91.31%	92.42%	91.67%	94.22%
United States	3.46%	4.47%	5.14%	5.01%	5.23%	7.52%	6.47%	7.23%	5.01%
Caribbean	0.00%	0.00%	0.22%	0.36%	1.07%	1.17%	1.11%	1.10%	0.77%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Traditional Delivery System									
Banking Branches									
Puerto Rico	110	110	110	110	112	113	115	124	126
Virgin Islands			1	2	3	3	3	3	3
United States	8	7	7	7	6	9	9	9	9
Banco Fiduciario (D.R.)									
Subtotal	118	117	118	119	121	125	127	136	138
Non-Banking Offices									
Equity One									
Popular Cash Express									
Popular Finance									14
Popular Leasing									
Popular Leasing, U.S.A									
Popular Mortgage									
Popular Securities									
Subtotal									14
Total	118	117	118	119	121	125	127	136	152
Electronic Delivery System									
ATMs									
Owned									
Puerto Rico					30	78	94	113	136
Caribbean									3
United States									
Subtotal					30	78	94	113	139

Driven									
Puerto Rico						6	36	51	55
Caribbean									
Subtotal						6	36	51	55
Total					30	84	130	164	194
Transactions (in millions)									
Electronic Transactions					0.6	4.4	7.0	8.3	12.7
Items Processed	88.9	94.8	96.9	98.5	102.1	110.3	123.8	134.0	139.1
Employees (FTEs)	3,659	3,838	3,891	3,816	3,832	4,110	4,314	4,400	4,699

</TABLE>

(1) Per common share data adjusted for stock splits.

<TABLE>
<CAPTION>

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 232.5	$ 260.9	$ 284.2	$ 407.8	$ 440.2	$ 492.1	$ 535.5	$ 584.2	$ 681.3	$ 784.0	$ 873.0
54.9	63.3	70.9	131.8	124.5	125.2	141.3	173.3	205.5	247.6	291.2
195.6	212.4	229.6	345.7	366.9	412.3	447.8	486.8	541.9	636.9	720.4
47.4	56.3	63.4	64.6	85.1	109.4	124.7	146.4	185.2	209.6	232.3
$5,706.5	$5,972.7	$8,983.6	$8,780.3	$10,002.3	$11,513.4	$12,778.4	$15,675.5	$16,764.1	$19,300.5	$23,204.8
3,096.3	3,320.6	5,373.3	5,195.6	5,252.1	6,346.9	7,781.3	8,677.5	9,779.0	11,376.6	13,077.8
4,715.8	4,926.3	7,422.7	7,207.1	8,038.7	8,522.7	9,012.4	9,876.7	10,763.3	11,749.6	13,716.0
341.9	383.0	588.9	631.8	752.1	834.2	1,002.4	1,141.7	1,262.5	1,503.1	1,709.1
$ 355.0	$ 430.1	$ 479.1	$ 579.0	$ 987.8	$ 1,014.7	$ 923.7	$ 1,276.8	$ 2,230.5	$ 3,350.3	$ 4,602.4
0.85%	0.99%	1.09%	0.72%	0.89%	1.02%	1.02%	1.04%	1.14%	1.14%	1.14%
14.87%	15.87%	15.55%	10.57%	12.72%	13.80%	13.80%	14.22%	16.15%	15.83%	15.41%
$ 0.59	$ 0.70	$ 0.79	$ 0.54	$ 0.70	$ 0.84	$ 0.92	$ 1.05	$ 1.34	$ 1.50	$ 1.65
0.17	0.20	0.20	0.20	0.20	0.23	0.25	0.29	0.35	0.40	0.50
4.19	4.69	4.92	5.25	5.76	6.38	6.87	7.91	8.80	10.37	11.86
4.44	5.38	4.00	4.81	7.56	7.75	7.03	9.69	16.88	24.75	34.00
93.45%	92.18%	88.59%	86.67%	87.33%	79.42%	75.86%	75.49%	73.88%	73.52%	70.84%
5.50%	6.28%	9.28%	10.92%	10.27%	16.03%	19.65%	20.76%	22.41%	23.92%	24.92%
1.05%	1.54%	2.13%	2.41%	2.40%	4.55%	4.49%	3.75%	3.71%	2.56%	4.24%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
126	128	173	161	162	165	166	166	178	201	198
3	3	3	3	3	8	8	8	8	8	8
10	10	24	24	30	32	34	40	44	63	89
										27
139	141	200	188	195	205	208	214	230	272	322
			27	41	58	73	91	102	117	128
										23
17	18	26	26	26	26	28	31	39	44	48
	4	9	9	9	8	10	9	8	10	10
									7	8
							3	3	3	11
								1	2	2
17	22	35	62	76	92	111	134	153	183	230
156	163	235	250	271	297	319	348	383	455	552
153	151	211	206	211	234	262	281	327	391	421
3	3	3	3	3	8	8	8	9	17	59
				6	11	26	38	53	71	94
156	154	214	209	220	253	296	327	389	479	574
68	65	54	73	81	86	88	120	162	170	187
								97	192	265
68	65	54	73	81	86	88	120	259	362	452
224	219	268	282	301	339	384	447	648	841	1,026
14.9	16.1	18.0	23.9	28.6	33.2	43.0	56.6	78.0	111.2	130.5

159.8	161.9	164.0	166.1	170.4	171.8	174.5	175.0	173.7	171.9	170.9
5,131	5,213	7,023	7,006	7,024	7,533	7,606	7,815	7,996	8,854	10,549

</TABLE>

Focused on efficiency

Popular, Inc., a bank holding company with $23.2 billion in assets, is a complete financial services provider in Puerto Rico, the United States and the Caribbean. As the leading financial institution in Puerto Rico, the Corporation offers full commercial banking services through its principal subsidiary, Banco Popular, as well as investment banking, auto leasing, and mortgage and personal loans through specialized subsidiaries. In the United States, the Corporation has established the largest Hispanic banking franchise, providing banking solutions to the fastest-growing population segment in the country. The Corporation continues to use its technological expertise as a competitive advantage in its Caribbean expansion, and is now exporting its 105 years of retail banking experience to the region. Popular, Inc. has always been committed to meeting the needs of individual and business clients through innovation and to fostering growth in the communities where it does business.

During 1998, Popular, Inc. was organized to reflect its evolution and diversification. This reorganization has afforded the Corporation a corporate structure that supports its continued growth into the next millennium. Popular, Inc. and its over 10,000 employees are focused on improving its processes to proudly continue finding solutions for customers while enhancing shareholder value.

<TABLE>

</TABLE>

[ORGANIZATIONAL FLOW CHART]

FINANCIAL HIGHLIGHTS

Popular, Inc. has experienced a sustained growth in income and size over the past ten years. This growth has been driven by a well-defined strategy and fueled by acquisitions in different markets.

NET INCOME (in millions of dollars) [GRAPH]

TOTAL ASSETS (in millions of dollars) [GRAPH]

While expanding lines of business and geographical boundaries, Popular, Inc. has maintained a consistent level of return, as evidenced by our annual return on average assets and annual return on average equity.

ROA (percentage)

ROE (percentage)

[GRAPH] [GRAPH]

Capital markets have recognized and rewarded Popular, Inc.'s performance and have demonstrated great confidence in our ability to manage future growth. Since 1996 we have outperformed two of the most significant market indicators, the S&P 500 Index and the S&P Banks Index.

MARKET CAPITALIZATON (in millions of dollars)
[GRAPH]

SHAREHOLDERS' RETURN (index)
[GRAPH]

OUR MARKETS

PUERTO RICO

PROFILE

- Population of 3.8 million
- 42% of the population has no banking relationship
- 5% annual increase in personal consumption
- New government incentives to expand capital markets

MAIN BRANDS

Banco Popular
ATH A Toda Hora
Popular Mortgage
Popular Securities
Popular Leasing
Popular Finance

BANCO POPULAR DE PUERTO RICO

The transformation of the distribution system continued with the opening of five non-traditional branches, for a total of 34, which together with the 160 traditional branches, 421 automated teller machines, 18,794 POS terminals, TeleBanco Popular telephone banking and PC Banco system make up the most extensive financial services network in Puerto Rico. It maintains its position as market leader with $9.5 billion in deposits and $7.2 billion in loans. The ATH A Toda Hora network continues to be the most extensive in Puerto Rico, with 608 ATMs and worldwide acceptance of its cards.

POPULAR FINANCE

Engaged in small personal loans and second mortgages. Loan portfolio of $171.3 million. Operates 42 offices and six mortgage centers throughout Puerto Rico.

POPULAR LEASING

Leader in the leasing business in Puerto Rico. A total of 34 account executives offer services from four sales offices. Operates 10 daily rental offices.

POPULAR MORTGAGE

The mortgage origination business in Puerto Rico was consolidated in March 1998. The network expanded with new regional mortgage centers for a total of 11 offices throughout Puerto Rico with 47 representatives.

POPULAR SECURITIES

Expansion continued with addition of 5 retail investment services sales representatives for a total of 36. In the institutional business, more than 25 transactions with a total value of over $6 billion were underwritten.

TRANSACTIONS BY CHANNEL

[GRAPH]

UNITED STATES

Profile

- 30.5 million Hispanics

- Hispanics are the fastest-growing population segment

- 77% of the Hispanic population lives in the six states where Popular, Inc. operates

- Average household income of $40,200

MAIN BRANDS

Banco Popular
Popular Cash Express
Popular Leasing
Equity One

BANCO POPULAR
NORTH AMERICA

The largest U.S. Hispanic bank continued to grow with the acquisition of First State Bank of Southern California and Gore-Bronson Bancorp in Chicago. It operates 32 branches in New York, 19 in Illinois, 14 in California, 10 in New Jersey, 10 in Florida and 4 in Texas (through Banco Popular, N.A. Texas). The national business lines of credit cards, retail mortgages, SBA loans, and small and medium-sized business franchise financing continued to expand.

EQUITY ONE

Engaged in the business of personal and mortgage loan and retail financing to merchants and dealers. Assets reached $1.4 billion. Increased its operations with 11 new offices, for a total of 128 offices in 36 states.

POPULAR LEASING, U.S.A.

Subsidiary that offers small ticket equipment leasing with $36.8 million in assets. Operates 8 offices in 8 states.

POPULAR CASH EXPRESS

A new business for the cashing of checks and money transfers inaugurated in February 1998. A total of 23 offices in New York, California and Florida, and 28 mobile units in California.

BRANCHES

[GRAPH]

CARIBBEAN AND LATIN AMERICA

Profile

- 5% growth in the Dominican Republic's annual National Gross Product

- Lack of electronic networks in those markets

- High levels of money transfers from the United States

MAIN BRANDS

Banco Popular
Banco Fiduciario
ATH Dominicana
ATH Costa Rica

BANCO POPULAR IN THE VIRGIN ISLANDS

Network of eight branches in the U.S. and British Virgin Islands since 1981. Four credit centers and three mortgage centers in operation. $497 million in deposits.

BANCO FIDUCIARIO

Investment in the fourth largest bank in the Dominican Republic. A total of $473 million in assets and $320 million in deposits.

Banco Popular de Puerto Rico officers transferred to actively participate in the operation.

ATH DOMINICANA
ATH COSTA RICA

Continuous growth of our electronic networks in the region, with an increase of 71% from the total number of transactions processed the previous year.

ATH DOMINICANA AND ATH COSTA RICA TRANSACTIONS
(in thousands)

{GRAPH}

Our Creed

Banco Popular is a local institution dedicating its efforts exclusively to the enhancement of the social and economic conditions in Puerto Rico and inspired by the most sound principles and fundamental practices of good banking. Banco Popular pledges its efforts and resources to the development of a banking service for Puerto Rico within strict commercial practices and so efficient that it could meet the requirement of the most progressive community of the world.

These words, written in 1928 by Don Rafael Carrion Pacheco, Executive Vice President and President (1927-1956), embody the philosophy of Banco Popular de Puerto Rico and Popular, Inc.

Our People

The men and women who work for our institution, from the highest executive to the employees who handle the most routine tasks, feel a special pride in serving our customers with care and dedication. All of them feel the personal satisfaction of belonging to the "Banco Popular Family", which fosters affection and understanding among its members, and which at the same time firmly complies with the highest ethical and moral standards of behavior.

These words by Don Rafael Carrion Jr., President and Chairman of the Board (1956-1991) were written in 1988 to commemorate the 95th anniversary of Banco Popular de Puerto Rico and evidence the commitment of Popular, Inc. employees.

LETTER TO SHAREHOLDERS

[PHOTO]
Richard L. Carrion, Chairman, President and Chief Executive Officer

During 1998 we continued on the course set several years ago. Major initiatives have advanced the Corporation's four strategic principles:

- Solidifying the Corporation's market leadership position in Puerto Rico, our main market, by capitalizing on our existing infrastructure.

- Expanding our franchise in the United States focusing on the Hispanic segment of the population and on small and middle commercial customers and also using our electronic and retail banking expertise to expand into the Caribbean Region.

- Diversifying into new lines of business in all our markets.

- Strengthening the quality of our organization to support the accomplishment of these strategies.

Popular, Inc.'s financial performance was strong despite a year of unpredictable challenges. Compared to the previous year, net income increased 11% to $232 million. Total assets increased from $19.3 billion to $23.2 billion at the end of 1998. These results reflect important acquisitions in the United States, the growth of our commercial business in Puerto Rico, an increase in our investment portfolio and an important increase in non-interest revenues. Return on average assets (ROA) remained constant at 1.14% while return on average common equity (ROE) decreased slightly to 15.41%. The change in ROE is consistent with the significant investments made to support the dynamic growth and expansion of the Corporation and the entry into new strategic lines of business in Puerto Rico, the Caribbean and the mainland United States. By year end, the Corporation's stock price had increased to $34.00 per share, a 37% increase compared with $24.75 at the end of 1997, after adjusting for the July 1,1998, 2-for-1 stock split, effected in the form of a dividend. Five-year total return to common stockholders amounted to 34% and continued to outperform the S&P 500 Index and the S&P Banks Index, which amounted to 21.4% and 23.2%, respectively, for the same period.

Extraordinary challenges for the Corporation during 1998 included our participation as a minority investor in partnership with GTE in the privatization of the Puerto Rico Telephone Company (PRTC).

The Corporation's decision to participate in the PRTC transaction was made after a careful analysis and consideration of all aspects of this transaction. In particular, we considered that telecommunications

PRICE OF COMMON SHARES
(ADJUST)

[GRAPH]

is a vital component of our technological infrastructure in Puerto Rico not only for our own expansion, but also for the economic well-being of Puerto Rico, our principal market.

As has been the case with major privatization efforts throughout Latin America, the PRTC case was a highly publicized and controversial issue in Puerto Rico. The multiple actions taken by those opposing the transaction targeted our participation in an effort to discourage our involvement. We stood firm. Our participation in this transaction is simply another example of our unwavering commitment to the social and economic welfare of Puerto Rico. We are certain that this transaction will provide the PRTC with the necessary flexibility and additional expertise to succeed in today's highly competitive telecommunications industry.

Total assets increased 20%, from $19.3 billion to $23.2 billion at the end of 1998.

In addition to business and economic reasons, our involvement in this transaction facilitated the participation of PRTC employees in up to 7% of the ownership of the company. Employee stock ownership is a concept firmly rooted in our corporate beliefs and has served us well throughout our history. Popular, Inc. employees, through their individual participation in our Stock Ownership, Pension and Profit Sharing Plans own more than 10% of the Corporation's common stock.

There were other disruptive events during the year. In September, Puerto Rico and the Dominican Republic suffered the destructive impact of one of the most intense hurricanes in the region since 1928. Hurricane Georges reached Puerto Rico on September 21, 1998, causing an estimated $4 billion in damages. Puerto Rico was declared a federal disaster zone, and the Dominican Republic suffered similar devastation. Popular, Inc. responded to the emergency with leadership, care and resources. Immediately, special retail and commercial loans as well as payment moratoriums were available to ease the burden on our customers. Furthermore, Popular Mortgage, Inc. our mortgage banking subsidiary in Puerto Rico, was the first to provide a special FHA 100% financing alternative to those who, as a result of the hurricane, lost their homes.

Popular, Inc. employees, through their individual participation in our Stock Ownership, Pension and Profit Sharing Plans own more than 10% of the Corporation's common stock.

Our appreciation goes to our employees, who stood firm and helped our Corporation to withstand the force of these events. Our employees demonstrated through their actions the meaning of corporate citizenship. They are the embodiment of our values. Elsewhere in this report we provide more perspective on Popular, Inc.'s community involvement and special

PUERTO RICO: SOLIDIFY MARKET LEADERSHIP
THROUGH CONSOLIDATION AND INNOVATION

In the United States, we are the largest Hispanic-owned bank and the 36th largest bank holding company in asset size.

In Puerto Rico, Popular, Inc.'s operation continued to solidify its market leadership position. Main highlights throughout the year include the consolidation of the mortgage origination business, enhancements to the traditional delivery system and electronic network, the introduction of various first-of-a-kind products and the establishment of a new line of business.

island wide initiatives to overcome Hurricane Georges.

In spite of these unexpected challenges, in October 1998 we celebrated our 105th anniversary with significant milestones. The Corporation occupied the leadership position in Puerto Rico and the Caribbean Basin Region. In the United States, as of December 1998, we were the largest Hispanic-owned bank and the 36th largest bank holding company in asset size. We are among the 10 largest Latin American banks in terms of assets. Nearing the close of this millennium, we have strengthened our foundation to achieve our goals. We look to the future with great anticipation of the possibilities this strategic foundation provides, as we review specific accomplishments achieved during 1998.

In March 1998, we consolidated the mortgage origination division of Banco Popular, the Corporation's main banking subsidiary, with Popular Mortgage, Inc., our mortgage banking subsidiary. This important step strengthened the Corporation's mortgage origination capability by combining more than 60 years of experience and pioneering spirit of Banco Popular's mortgage division -- the first to offer FHA loans in Puerto Rico -- with Popular Mortgage's market expertise. The combined operation, with a 15% market share, will greatly benefit from a significant increase in marketing investment. The synergies from this integration will facilitate the goal of becoming the major mortgage originator in Puerto Rico.

Throughout the year we continued to enhance and expand the traditional and electronic delivery systems. Our branch network in Puerto Rico added five new branches located inside large retail stores and in shopping centers. This is part of the efforts to increase the convenience of our delivery system. To increase its efficiency, 10 branches were consolidated in areas that provided customers easy access to another branch. At year end, the branch network was composed of 161 traditional branches and 37 smaller facilities.

The electronic network also expanded to include 30 additional ATM machines for a total of 421

The integration of Banco Popular's mortgage origination division and our subsidiary Popular Mortgage, facilitates the goal of becoming the major mortgage originator.

machines in the Puerto Rico network. During the year the ATH A Toda Hora network celebrated its 15th anniversary. The development of this brand has been supported by a considerable marketing investment. As a result, Popular, Inc. is the leading provider of electronic services through automated teller machines, debit cards and POS terminals using its ATH A Toda Hora network. Recognizing the importance and value of this brand, in the future we will continue to strengthen the trademark and develop its markets.

In line with our goal of transforming paper-based transactions into electronic transactions, bill payment capability was included in all automated teller machines to provide customers with an additional payment alternative. This new offering complements our TelePago pay-by-phone system established in 1993. During the year the TelePago system processed over 4.5 million payments to more than 500 merchants. Our TeleBanco Popular telephone banking system continued to thrive, and at year end was handling more than one million calls per month. Efforts to increase the use of the voice response unit (VRU) resulted in 65% of all calls being processed by the VRU, an increase of 5% over last year.

Our PC banking system, PC Banco, first introduced in April 1997, continued to grow to more than 45,000 registered customers. The system provides access to account information, payment and transfer capability. A new electronic alternative through the Internet was provided to auto loan customers with the introduction of the Popular AutoNet service. Launched in April 1998 to facilitate the purchase of new and used cars, the system provides customers the ability to process an auto loan, and highly competitive offers.

Our progress in electronic services provides increasing convenience to our customers and efficiency to our operations. As a result of all of these initiatives, the percentage of transactions processed electronically increased from 66.8% in December of 1997 to 70.3% in December of 1998.

Innovative products and services were introduced in the retail and commercial businesses during 1998. In August, in partnership with American Express, we issued the Banco Popular American Express card. Results of the launching of this new product, which targets young aspiring professionals, exceeded all our expectations. As part of our agreement with American Express, Banco Popular owns exclusive rights to issue this product in Puerto Rico and the Caribbean

The percentage of transactions processed electronically increased from 66.8% in December of 1997 to 70.3% in December of 1998.

Region for a limited period. Our association with this highly recognized and prestigious brand provides additional opportunities for growth in the region.

New initiatives for commercial customers included the introduction of the Small Business Administration (SBA), SBAExpress Program. Banco Popular was the first bank in Puerto Rico to offer SBAExpress, a streamlined process that facilitates the loan application process and reduces approval time. This new product is the most recent example of Banco Popular's continuous support to small businesses in all our markets. Banco Popular is the leading bank in Puerto Rico in SBA lending with total originations of $87.3 million in 1998. During the year, we continued to offer specialized programs for particular segments of the market. Large corporate customers benefited from the third conference on family-owned businesses conducted jointly by Banco Popular and the Wharton School of the University of Pennsylvania. The conference provided information on how to maximize performance through improved decision-making and the alignment of individual, family and business incentives. Middle market commercial customer programs included the expansion of Banca de Profesionales (Professional Banking Program) to certified public accountants, engineers and other professionals.

Recognizing the importance and value of the ATH A. Toda Hora brand, we will continue to strengthen the trademark and develop its markets.

In line with our diversification efforts, Popular Asset Management, a division of Banco Popular, was established to provide investment management services primarily to institutional investors in Puerto Rico. This new business represents an attractive opportunity, since the market for pension and investment funds in Puerto Rico is estimated at $19 billion. This operation complements our offerings to meet the needs of institutional clients such as public and private pension plans, and university endowments, and high net worth individuals. As an additional investment alternative, in December 1998 a new Flexible Allocation Mutual Fund was launched. This is the only fund in Puerto Rico that provides customers the flexibility to select between high capitalization stocks or bonds given the individual's investment preference and risk tolerance.

Banco Popular is the leading bank in Puerto Rico in small business lending with total originations of $87.3 million.

The implementation of these initiatives and new product introductions resulted in healthy growth for the retail and commercial banking business. Retail deposits and loans increased 6% and 5%, respectively, while commercial deposits increased 10%, loans 11% and fee income 13%.

The Corporation's non-banking subsidiaries in Puerto Rico also continued to grow and expand their businesses. Popular Leasing & Rental, Inc., Banco Popular's leasing

UNITED STATES: GROWTH, DIVERSIFICATION AND ORGANIZATION

For our U.S. operation, 1998 was a year of expansion. We extended our banking network, grew our asset base and established a new line of business. To support this growth, we reorganized our corporate structure.

subsidiary, launched Popular Connection, a card that provides discounts to its customers at more than 20 businesses. Popular Finance, Inc., our consumer finance company, opened four new offices throughout Puerto Rico. In January 1999, the maximum amount allowed by law on small finance loans was increased from $3,000 to $4,000. Popular Securities Incorporated expanded its retail operation by offering its equity and fixed income products and financial advisory services through Banco Popular branches. Throughout the year, Popular Securities participated in over 25 financial transactions in Puerto Rico and the United States amounting to more than $6 billion. Transactions performed in the U.S. market were done through the establishment of a partnership with Morgan Stanley Dean Witter.

In the years to come we will continue to maximize the infrastructure and expertise developed in Puerto Rico to reach all segments of the retail and commercial markets, and use this solid base to enter new businesses and markets. At year end the U.S. banking network was composed of 89 branches, a 40% increase from the 63 branches at the end of 1997. Part of this growth came through the acquisition of Gore-Bronson Bancorp in Illinois with $281 million in total assets, First State Bank of Southern California in Los Angeles, with $194 million in total assets, one branch from City National Bank, also in Los Angeles, with $40 million in deposits, and one branch from Statewide Savings Bank in New Jersey with $4.6 million in deposits. In addition, we established 13 de novo branches in selected Hispanic areas.

To continue increasing the operation's asset base we expanded our mortgage business by acquiring Online Mortgage, located in California. The operation provides a complete line of first and second mortgage products that can furnish almost every applicant a financing solution.

The national credit card effort, which began in 1997, continued to create awareness of the Banco Popular brand in Hispanic households. The consumer credit card marketing efforts were spearheaded by the endorsement of Don Francisco, one of the most well-known and respected Hispanic television personalities. This initiative will provide us with a strong customer base from which to cross-sell additional financial products and services. Small business loans and leasing also

Popular Cash Express is a new line of business that serves the large unbanked Hispanic population.

continued to thrive. Banco Popular was ranked among the top five small business lenders in New York, Illinois and Florida.

In February we established Popular Cash Express, Inc., a new line of business, to serve the large unbanked Hispanic population. This segment is of particular importance to our Hispanic strategy since it is estimated that at least 60% of Hispanics do not have a transaction account with a financial institution.

Efforts focused on achieving a common platform in the U.S. from a legal, regulatory and operational perspective, to provide uniform service of the utmost quality.

Popular Cash Express provides check cashing, money transfers, money orders, bill payment and other fee-based financial services. Popular Cash Express was established with the acquisition of 14 stores from Mirando J. and Florida Check Cashers. Throughout the year we expanded the operation with two de novo offices in New York and three in Florida, and the acquisition of eight check-cashing outlets and 27 mobile units from Inglewood Quick Check, Inc. in California.

During 1998 efforts focused on achieving a common platform in the United States from a legal, regulatory and operational perspective. In June we inaugurated our U.S. executive offices in Chicago, with all members of the top management team located in this office. In January 1, 1999, we completed the legal reorganization of the U.S. operation by consolidating the banking subsidiaries in California, Florida, New Jersey and Illinois and Banco Popular branches in New York into one bank named Banco Popular North America. We expect to incorporate our Texas operations during 1999.

Equity One has expanded into seven additional states for a total of 128 offices in 36 states.

Equity One, Inc., our consumer subsidiary in the United States, expanded into seven additional states for a total of 128 offices in 36 states. In October, we welcomed C.E. (Bill) Williams as president.

These acquisitions, business expansions and organizational restructuring constitute an important step toward reaching our goal of becoming the bank of choice among Hispanics and small and middle commercial customers throughout the United States.

CARIBBEAN AND LATIN AMERICA: EXPANDING THE BANKING FRANCHISE

In 1998 we continued our penetration of the Caribbean Region by entering the banking market in the Dominican Republic and growing our previously established electronic networks.

During the year we completed the acquisition of 45% of Banco Fiduciario, the fourth largest commercial bank in terms of assets in the Dominican Republic. Established in 1983, this bank had $473 million in total assets and 27 branches at year end. The combination of Banco Fiduciario's knowledge of the market and Banco Popular's retail banking expertise will facilitate the growth and expansion of the operation.

ASSETS BY GEOGRAPHICAL AREA
(PERCENTAGE)

[GRAPH]

Key personnel from Banco Popular's retail banking, consumer lending, operations and finance areas were incorporated to the Dominican Republic to complement the existing management team. Efforts throughout the end of the year focused on strengthening the operation's credit and risk management process to support the anticipated growth of this operation.

We completed the acquisition of 45% of Banco Fiduciario, the fourth largest commercial bank in the Dominican Republic.

This entry into the banking business complements the electronic network ATH Dominicana, which was established in 1995. At year end the network was composed of 333 machines connecting eight banks and was processing more than one million transactions per month. The Corporation's experience in electronic networks has also been exported to Costa Rica, where we established ATH Costa Rica in 1997. The ATH Costa Rica network grew throughout 1998 with the addition of Banco Popular y de Desarrollo Comunal, one of the largest government-owned banks in the country. Transactions in both networks increased a total of 71% compared to last year. As these markets continue to mature and we continue to develop these ventures, additional electronic alternatives will be offered.

ORGANIZATIONAL QUALITY: SUPPORTING OUR BUSINESS OBJECTIVES

To ensure that our organization is prepared to handle the challenges of our growth in 1998, we continued enhancing the capabilities of our employees, facilitated the integration of new organizations and prepared the Corporation technologically for the year 2000.

To facilitate the accomplishment of the Corporation's objectives, we are constantly developing the capabilities of our personnel. The training undergone by our employees during the year focused on improving the sales and service capacity of our branch personnel and on developing our managers' leadership.

In September we completed a corporatewide employee satisfaction survey to guide our efforts to improve the quality of our organization. This year's survey had a higher participation rate than our previous surveys; 86% of the corporation's employees responded. This has provided us a very useful assessment of employee satisfaction regarding areas such as work environment, compensation and supervision.

[GRAPH]

To ensure the maximization of consolidations and acquisitions, significant time and resources were devoted to the integration process. These efforts involved groups from Popular Mortgage, the new U.S. management team and Banco Fiduciario in the Dominican Republic.

Throughout the year, significant resources were dedicated to ensure the Corporation was in compliance with the year 2000. At the end of 1998, the Corporation's Year 2000 Plan for Puerto Rico and the Caribbean was 86% completed and in the United States, 94% of the applications were certified as Year 2000 compliant. The project as a whole will be substantially completed by June 30, 1999.

As we expand the Corporation into new markets and businesses, we will continue to provide innovative products, services and delivery systems for our customers. At the same time, we will ensure that the principles and values of integrity and social responsibility that have guided this Corporation are an integral part of our contribution to these new frontiers.

/s/ Richard L.Carrion

Richard L.Carrion

Chairman
President
Chief Executive Officer

INSTITUTIONAL VALUES

VALUES

SOCIAL RESPONSIBILITY

We are committed to work for the social and economic well-being of the communities we serve with particular regard for the lowest socio-economic component of the population.

FOCUS ON THE CUSTOMER

Our customers are the lifeblood of our organization. We are an institution that values relationships more than transactions. The needs and satisfaction of our customers are our primary concern.

INTEGRITY

We are guided by the highest moral and ethical standards. The trust of our customers is essential for our existence.

PASSION FOR EXCELLENCE

We firmly believe in doing things the right way, the first time, every time. Continuous improvement and measurement of all our processes are essential for our success.

INNOVATION

Constant innovation is a competitive advantage. We have a tradition of adopting new techniques in all business areas to anticipate the changing needs of our customers.

OUR PEOPLE

We strive to recruit, train and retain the most qualified people. We believe in a direct relation between our employees' compensation and their commitment to the organization's objectives, their individual performance, their team's performance and the Corporation's.

SHAREHOLDER VALUE

Our goal is to produce above-average and consistent financial returns for our shareholders. Our decisions are based on a long-term view of the future and are characterized by prudence in assuming risk.

/s/ Richard L. Carrion

Richard L. Carrion

OUR COMMUNITY

[COMPUTERIZED ARTS
GRAPHIC DESIGN]

At Popular, Inc., we feel a great responsibility toward our people and their communities. We believe in being an integral part of the well-being of the communities we serve. Since our founding in 1893, our mission has focused on serving and promoting progress among the neediest classes.

In addition, through our donations program and the Banco Popular Foundation, we support projects that enrich all aspects of community life, from socio-economic development to education, the arts and sports.

Our banking service is a direct means of promoting the progress of our communities. Our business goes hand in hand with the efforts of a broad donations program, and direct aid provided to groups and entities. Likewise, we participate in visionary projects that pursue their future well-being.

We serve with a tradition that looks to the future, and with that in mind we handle critical situations proactively. When emergencies or natural disasters have occurred, we assume a leadership role in reacting effectively. An example was our response to Hurricane Georges, declared one of the most significant disasters in the history of Puerto Rico.

We responded with a comprehensive effort on the part of the Bank through the creation of the Brigada de Todos (Everyone's Brigades). These Brigades visited more than 24 municipalities, providing critical aid to those who needed it most.

OUR COMMUNITY

We support projects

that enrich

all aspects of community life.

[PHOTO]

The Bank organized Brigada de Todos, which brought direct aid to the neediest people shortly after Hurricane Georges struck the island.

Every year we make donations to a wide range of activities and projects. We choose organizations that have the ability to bring about positive changes. That is the case with Las Gladiolas Sports Association in San Juan. Several years ago, a volunteer of the organization requested a small donation to buy materials and organize a sports program in a public housing project. Today, the program is well-established and we continue to support and stay abreast of its accomplishments.

In 1998, the Bank also co-sponsored the first exhibition in Puerto Rico of Picasso prints at the Ponce Art Museum, together with an educational program. When a teacher at a rural school called to say she had no transportation, we made arrangements for those children to have access to the exhibit of works by one of the great artists of the 20th century.

We also contribute to the arts with an active program of exhibitions at the Rafael Carrion Pacheco Exhibition Hall in the former headquarters of Banco Popular in Old San Juan. These exhibitions have enriched the discussion of issues of interest to the community. In 1998, the exhibition The Art of Jack Delano began its tour of eight cities with large Hispanic populations in the United States. The first presentation was at the Smithsonian Institution in Washington, D.C., followed by the Museo del Barrio in New York, and in 1999 it will be on display in Chicago.

Another dimension of our community program is channeled through the Banco Popular Foundation, created in 1979 by Rafael Carrion Jr., then president of Banco Popular. Carrion Jr. wanted to contribute every year to a fund to provide long-term support to a series of community projects. Since its creation, the Foundation has invested in a total of 58 non-profit organizations. It invests in organizations that have the potential to promote volunteerism and the ability to transform their communities, whether through education or economic development.

Distribution of Donations
(percentage)

[GRAPH]

Beyond the continuous support of numerous organizations, the Foundation also contributes to a number of special initiatives each year. The funding for these projects comes from an annual musical production by Banco Popular, which promotes the understanding of our popular music. With the proceeds from the sale of videos, compact discs and cassette tapes of our latest musical production, we are helping two specialized public schools. The Escuela Libre de Musica will have a music appreciation room in honor of Rafael Hernandez, the renowned Puerto Rican composer who was the subject of the most recent musical production. Also, we will renovate the library at the Central Visual Arts School, one of the principal public schools in Santurce. The library will be named after our past president Rafael Carrion Jr., who studied at the school.

In both projects, we are contributing the talents of our internal resources, such as architects and space planners, in addition to funding.

The 1998 musical production, entitled Romance del Cumbanchero: La Musica de Rafael Hernandez, was broadcast in Puerto Rico, Orlando, New York, New Jersey and Chicago as a gift celebrating the Christmas season. The production included 26 internationally acclaimed musicians and singers including Ricky Martin, Marc Anthony, Ednita Nazario, Olga Tanon, Marco Antonio Muniz and Gilberto Santa Rosa.

In solidarity with people who were still in temporary housing due to Hurricane Georges, we organized Christmas celebrations on the night of the production's broadcast at 11 shelters throughout Puerto Rico. Dozens of employees and volunteers joined those in the shelters to have dinner and watch and enjoy the special.

These talented students from Central Visual Arts School will benefit from a renovated library with funds from the Banco Popular Foundation.

[PHOTO]

[PHOTO]

The 1998 Christmas music special, Romance del Cumbanchero: La Musica de Rafael Hernandez brought together more than 26 internationally acclaimed artists and musicians to honor Puerto Rico's foremost composer.

Our reliable commitment to the community is nurtured day by day by the vision our founders had in 1893 of serving the neediest classes. Today, 105 years later, we keep this vision alive through our broad community program and our banking services.

MANAGEMENT

[PHOTO]

SENIOR MANAGEMENT COUNCIL

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
CARLOS ROM, JR.	LARRY B. KESSLER	EMILIO E. PINERO	FERRER, ESQ.	ROBERTO R. HERENCIA	HUMBERTO MARTIN

</TABLE>

<TABLE>

<S>	<C>	<C>
Popular, Inc. Banco Popular de Puerto Rico	David H. Chafey, Jr. Senior Executive Vice President Retail Banking	Larry B. Kesler Executive Vice President Retail Credit
Richard L. Carrion Chairman of the Board President Chief Executive Officer	Jorge A. Junquera Senior Executive Vice President Chief Financial Officer	Humberto Martin Executive Vice President Operations
		Carlos Rom, Jr. Executive Vice President Caribbean and Latin American Expansion
	Maria Isabel P. de Burckhart Executive Vice President Administration	

Emilio E. Pinero Ferrer, Esq. Executive Vice President Commercial Banking	Carlos J. Vazquez Executive Vice President Risk Management
Roberto R. Herencia Executive Vice President North America	Brunilda Santos de Alvarez, Esq. Senior Vice President General Counsel

</TABLE>

SENIOR MANAGEMENT COUNCIL

[PHOTO]

<TABLE>

<S>	<C>	<C>	<C>	<C>
MARIA ISABEL P.DE BURCKHART	CARLOS J. VAZQUEZ	DAVID H. CHAFEY, JR.	RICHARD L. CARRION	JORGE A. JUNQUERA

</TABLE>

SUBSIDIARIES

<TABLE>

<S>	<C>	<C>	<C>
Richard L. Carrion Chairman of the Board President Chief Executive Officer	BANCO POPULAR North America, Inc. Jorge A. Junquera President Roberto R. Herencia Chief Operating Officer NON-BANKING SUBSIDIARIES POPULAR MORTGAGE, INC. Silvio Lopez President POPULAR LEASING & RENTAL, INC. Andres F. Morrell President	POPULAR FINANCE, INC. Edgardo Novoa President POPULAR SECURITIES Incorporated Kenneth W. McGrath President EQUITY ONE, INC. C.E. (Bill) Williams President Popular Cash Express, Inc. Jerome Gagerman President POPULAR LEASING, U.S.A. Bruce D. Horton President POPULAR MORTGAGE, U.S.A. Fred Portner President	CARIBBEAN/LATIN AMERICA Carlos Rom, Jr. Executive Vice President Caribbean and Latin American Expansion BANCO FIDUCIARIO Jorge Besosa Chief Operating Officer ATH DOMINICANA Miguel Gil-Mejia General Manager ATH COSTA RICA Luis Diego Escalante General Manager

</TABLE>

DIRECTORS

POPULAR, INC. BOARD OF DIRECTORS

<TABLE>

<S>	<C>	<C>	<C>
Richard L. Carrion Chairman President Chief Executive Officer	Francisco J. Carreras Educator Executive Director Fundacion Angel Ramos, Inc.	Jorge A. Junquera Senior Executive Vice President Popular, Inc. and Banco Popular de Puerto Rico	Julio E. Vizcarrondo, Jr. President Chief Executive Officer Desarrollos Metropolitanos, S.E.
Alfonso F. Ballester Vice Chairman of the Board President Ballester Hermanos, Inc.	David H. Chafey, Jr. Senior Executive Vice President Popular, Inc. and Banco Popular de Puerto Rico	Manuel Morales, Jr. President Parkview Realty, Inc.	Samuel T. Cespedes, Esq. Secretary Board of Directors
Antonio Luis Ferre Vice Chairman of the Board President	Luis E. Dubon, Jr., Esq. Partner Dubon & Dubon	Alberto M. Paracchini Private Investor Francisco M. Rexach Jr. President	Brunilda Santos de Alvarez,Esq. Assistant Secretary Board of Directors

El Nuevo Dia	Hector R. Gonzalez President Chief Executive Officer TPC Communications of PR, Inc.	Capital Assets, Inc.	
		J. Adalberto Roig, Jr. Chairman Antonio Roig Sucesores, Inc.	Ramon D. Lloveras San Miguel, Esq. Assistant Secretary Board of Directors
Juan J. Bermudez Partner Bermudez & Longo, S.E.		Felix J. Serralles, Jr. President Chief Executive Officer Destileria Serralles, Inc.	Ernesto N. Mayoral, Esq. Assistant Secretary Board of Directors

</TABLE>

BANCO POPULAR DE PUERTO RICO BOARD OF DIRECTORS

<TABLE>

<S>	<C>	<C>	<C>
Richard L. Carrion Chairman President Chief Executive Officer	Juan J. Bermudez Partner Bermudez & Longo, S.E.	Hector R. Gonzalez President Chief Executive Officer TPC Communications of PR ,Inc.	Felix J. Serralles, Jr. President Chief Executive Officer Destileria Serralles, Inc.
Alfonso F. Ballester Vice Chairman of the Board President Ballester Hermanos, Inc.	Esteban D. Bird President Chief Executive Officer Bird Construction Company, Inc.	Jorge A. Junquera Senior Executive Vice President Popular, Inc. and Banco Popular de Puerto Rico	Julio E. Vizcarrondo, Jr. President Chief Executive Officer Desarrollos Metropolitanos, S.E.
Antonio Luis Ferre Vice Chairman of the Board President El Nuevo Dia	Francisco J. Carreras Educator Executive Director Fundacion Angel Ramos, Inc.	Manuel Morales, Jr. President Parkview Realty, Inc.	Samuel T. Cespedes, Esq. Secretary Board of Directors
Juan A. Albors Hernandez Chairman Chief Executive Officer Albors Development Corp.	David H. Chafey, Jr. Senior Executive Vice President Popular, Inc. and Banco Popular de Puerto Rico	Alberto M. Paracchini Private Investor	Brunilda Santos de Alvarez, Esq. Assistant Secretary Board of Directors
Salustiano Alvarez Mendez President Mendez & Company, Inc.	Luis E. Dubon, Jr., Esq. Partner Dubon & Dubon	Francisco M. Rexach Jr. President Capital Assets, Inc.	Ramon D. Lloveras San Miguel, Esq. Assistant Secretary Board of Directors
Jose A. Bechara Bravo President Empresas Bechara Inc.		J. Adalberto Roig, Jr. Chairman Antonio Roig Sucesores, Inc.	Ernesto N. Mayoral, Esq. Assistant Secretary Board of Directors

</TABLE>

FINANCIAL INFORMATION

[FINANCIAL SECTION]
[COVER PAGE]

POPULAR, INC.
FINANCIAL DATA INDEX

FINANCIAL REVIEW AND SUPPLEMENTARY INFORMATION

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</TABLE>

Management's Discussion and Analysis of Financial Condition and Results of Operations

This financial discussion contains an analysis of the consolidated financial position and financial performance of Popular, Inc. and its subsidiaries (the Corporation) and should be read in conjunction with the consolidated financial statements, notes and tables included elsewhere in this report. The Corporation is a bank holding company which offers a wide range of products and services through its subsidiaries and is engaged in the following businesses:

- Commercial Banking/Savings and Loans - Banco Popular de Puerto Rico (BPPR), Banco Popular, N.A. (California), Banco Popular, N.A. (Florida), Banco Popular, Illinois, Banco Popular, FSB, Banco Popular, N.A. (Texas) and the recently acquired operations of Bronson-Gore Bank, Irving Bank, Water Tower Bank, First State Bank of Southern California and Banco Fiduciario
- Lease Financing - Popular Leasing and Rental, Inc. and Popular Leasing, U.S.A.
- Mortgage and Consumer Finance - Popular Mortgage, Inc., Equity One, Inc. and Popular Finance, Inc.
- Broker/Dealer - Popular Securities, Incorporated
- ATM Processing Services - ATH Costa Rica
- Retail Financial Services - Popular Cash Express

OVERVIEW

The U.S. economy continued its steady growth during 1998. Tame inflation, robust consumer spending, strong housing and labor markets as well as three rate cuts by the Federal Reserve all helped spur the U.S. economy, despite the economic situation in Asia, Russia's debt default, ballooning deficits in Latin America and turbulent financial markets from August through October. During 1998, the Federal Reserve trimmed its target fed funds rate 25 basis points for three successive months, starting in September, lowering it to 4.75%.

Popular, Inc.'s performance for 1998 was characterized by the undertaking of business strategic initiatives, expanding its franchise in the United States and the Caribbean while maintaining adequate financial results.

As part of the Corporation's business initiatives, BPPR consolidated its mortgage origination department into Popular Mortgage, the mortgage lending subsidiary in Puerto Rico, effective July 1, 1998, in order to create a solid mortgage origination unit with more flexibility to compete in this aggressive market.

The Corporation continued its efforts to prepare for the Year 2000 by modifying, converting, and testing computer systems and date-sensitive operating equipment. As of December 31, 1998, the information technology plan was 77% completed while the non-information technology plan was 92% completed.

Meanwhile, during 1998, as part of the Corporation's objective of penetrating the unbanked segment and expanding its operations in the U.S. market, Popular Cash Express acquired 15 check cashing outlets in Florida and 8 outlets and 28 mobile check-cashing locations in California. All these facilities offer services such as check cashing, money transfers, money orders and processing of payments.

On September 30, 1998, Popular, Inc. became the principal shareholder of Banco Fiduciario (BF) with the acquisition of 45% in newly issued stock. BF is the fourth largest bank in the Dominican Republic, with $496 million in total assets and $320 million in total deposits at date of acquisition.

In October 1998, the Corporation acquired First State Bank of Southern California. This bank, with $194 million in assets and over $157 million in deposits upon acquisition, has five branches located in Santa Fe Springs, Paramount, Lynwood and Los Angeles.

Also in October, the Corporation completed the acquisition of Gore-Bronson Bancorp (GBB), and its subsidiaries Bronson-Gore Bank, Irving Bank, and Water Tower Bank with assets of $281 million and deposits of $217 million.

In addition to the acquisitions mentioned above, the Corporation continued expanding in its established Hispanic markets in order to enhance its branch network, with the opening of four "de novo" branches in Florida, one in Illinois, three in Texas, two in California, one in New Jersey, three in New York and 4

<TABLE>
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TABLE A
Components of Net Income as a Percentage of Average Total Assets

	For the Year				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Net interest income	4.27%	4.26%	4.18%	4.14%	4.38%
Provision for loan losses	(0.67)	(0.60)	(0.55)	(0.46)	(0.44)
Securities and trading gains	0.06	0.03	0.02	0.05	
Other income	1.36	1.31	1.24	1.18	1.15
	5.02	5.00	4.89	4.91	5.09
Operating expenses	(3.52)	(3.46)	(3.32)	(3.45)	(3.66)
Net income before tax	1.50	1.54	1.57	1.46	1.43
Income tax	(0.36)	(0.40)	(0.43)	(0.42)	(0.41)
Net income	1.14%	1.14%	1.14%	1.04%	1.02%

</TABLE>

TABLE B
Changes in Net Income and Earnings per Common Share

<TABLE>
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	1998		1997		1996	
(In thousands, except per common share amounts)	DOLLARS	PER SHARE	Dollars	Per share	Dollars	Per share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income applicable to common stock for prior year	$ 201,215	$ 1.50	$ 176,800	$ 1.34	$ 138,011	1.05
Increase (decrease) from changes in:						
Net interest income	89,057	0.66	102,642	0.78	97,130	0.74
Other operating income	37,264	0.28	39,126	0.30	36,085	0.27
Gain on sale of investment securities	6,665	0.05	(826)	(0.01)	(2,274)	(0.02)
Net loss of minority interest	328					
Income tax	(210)		(3,584)	(0.03)	(11,108)	(0.08)
Trading account profit	(281)		3,826	0.03	(1,677)	(0.01)
Provision for loan losses	(26,606)	(0.20)	(21,768)	(0.16)	(24,281)	(0.18)
Operating expenses	(83,434)	(0.62)	(95,001)	(0.72)	(55,086)	(0.42)
Subtotal	223,998	1.67	201,215	1.53	176,800	1.35
Change in average common shares(*)		(0.02)		(0.03)		(0.01)
Net income applicable to common stock	$ 223,998	$ 1.65	$ 201,215	$ 1.50	$ 176,800	1.34

</TABLE>

(*)Reflects the effect of the issuance of shares of common stock for the acquisitions completed in 1997, net of the shares repurchased during 1997, plus the shares issued through the Dividend Reinvestment Plan in the years presented. The average common shares outstanding for the years presented above were

135,532,086 for 1998, 134,036,964 for 1997 and 132,044,624 for 1996, after restating for the stock split effected in the form of a dividend of one share for each share outstanding on July 1, 1998.

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in Puerto Rico. During 1998, Equity One, the Corporation's mortgage and consumer lending subsidiary in the U.S. mainland, opened 11 new offices for a total of 128 offices in 36 states.

Focusing on the objective of becoming the number one bank for Hispanics in the United States, the Corporation continued its plan of corporate reorganization for its U.S. banking subsidiaries. Effective January 1, 1999, the Corporation reorganized its bank subsidiaries. The resulting structure is focused in two primary bank subsidiaries: Banco Popular de Puerto Rico and Banco Popular North America. Banco Popular de Puerto Rico controls the Corporation's bank operations in Puerto Rico and U.S. and British Virgin Islands, and maintains a branch in New York and an agency in Chicago. Banco Popular North America encompasses the U.S. mainland bank operations. The objective of this reorganization is to consolidate all banking operations within the U.S. mainland into one legal entity with branches in Florida, California, New York, New Jersey and Illinois. This new structure will facilitate the communication and geographic expansion while at the same time increases efficiency and provides more flexibility to the Corporation. It is expected that Banco Popular, N.A. (Texas) will become part of Banco Popular North America before 1999 ends.

Popular, Inc.'s rise in earnings for 1998 was primarily the result of a growth of $89.1 million in net interest income and an increase of $43.6 million in non-interest income. These improvements were offset, in part, by a rise of $26.6 million in the provision for loan losses and an increase of $83.4 million in operating expenses.

Net income amounted to $232.3 million for 1998, exceeding the $209.5 million reported in 1997 by $22.8 million or 10.9%, while earnings per common share (EPS) for the year ended 1998 were $1.65, or 10% higher than the $1.50 reported for 1997.

Most of the acquisitions completed in the past years involved the payment of a premium over book value which is being amortized over periods ranging from 5 to 15 years. Cash-based earnings, net income adjusted for the impact of such amortization, may be more indicative of the Corporation's ability to generate income. However, this method of presentation is not in accordance with generally accepted accounting principles and is included here only for illustrative purposes.

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Cash-based earnings	1998	1997	Change %
	(In thousands)		
<S>	<C>	<C>	<C>
Net income	$232,348	$209,565	10.9%
Add: Amortization of intangibles	27,860	22,874	21.8
Less: Tax effect	(2,146)	(2,214)	
Cash-based earnings	$258,062	$230,225	12.1%

</TABLE>

The Corporation's profitability ratios for 1998 represented returns of 1.14% on assets (ROA) and 15.41% on common stockholders' equity (ROE), compared with an ROA and ROE of 1.14% and 15.83%, respectively in 1997. Table A presents a five-year summary of the components of net income as a percentage of average assets.

The Corporation's common stock appreciated 37.4% during 1998, from a market price of $24.75 at December 31, 1997, to $34.00 at the same date in 1998. The total return on Popular, Inc.'s common stock, including price appreciation and dividends,

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TABLE C
Selected Financial Data

<TABLE>
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(Dollars in thousands, except per share data)	1998	1997	1996

<S>	<C>	<C>	<C>
CONDENSED INCOME STATEMENTS			
Interest income	$ 1,651,703	$ 1,491,303	$ 1,272,853
Interest expense	778,691	707,348	591,540
Net interest income	873,012	783,955	681,313
Securities and trading gains	12,586	6,202	3,202
Operating income	278,660	241,396	202,270
Operating expenses	720,354	636,920	541,919
Provision for loan losses	137,213	110,607	88,839
Net loss of minority interest	328		
Income tax	74,671	74,461	70,877
Dividends on preferred stock of BPPR			
Cumulative effect of accounting changes			
Net income	$ 232,348	$ 209,565	$ 185,150
Net income applicable to common stock	$ 223,998	$ 201,215	$ 176,800
PER COMMON SHARE DATA*			
Net income (basic and diluted)	$ 1.65	$ 1.50	$ 1.34
Dividends declared	0.50	0.40	0.35
Book value	11.86	10.37	8.80
Market price	34.00	24.75	16.88
Outstanding shares:			
Average	135,532,086	134,036,964	132,044,624
End of period	135,637,327	135,365,408	132,177,012
AVERAGE BALANCES			
Net loans	$ 11,930,621	$ 10,548,207	$ 9,210,964
Earning assets	19,261,949	17,409,634	15,306,311
Total assets	20,432,382	18,419,144	16,301,082
Deposits	12,270,101	10,991,557	10,461,796
Subordinated notes	125,000	125,000	147,951
Preferred beneficial interest in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	122,877	
Total stockholders' equity	1,553,258	1,370,984	1,193,506
PERIOD END BALANCES			
Net loans	$ 13,078,795	$ 11,376,607	$ 9,779,028
Allowance for loan losses	267,249	211,651	185,574
Earning assets	21,591,950	18,060,998	15,484,454
Total assets	23,160,357	19,300,507	16,764,103
Deposits	13,672,214	11,749,586	10,763,275
Subordinated notes	125,000	125,000	125,000
Preferred beneficial interest in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000	
Total stockholders' equity	1,709,113	1,503,092	1,262,532
SELECTED RATIOS			
Net interest yield (taxable equivalent basis)	4.91%	4.84%	4.77%
Return on average total assets	1.14	1.14	1.14
Return on average common stockholders' equity	15.41	15.83	16.17
Dividend payout ratio to common stockholders	28.42	25.19	24.63
Efficiency ratio	62.55	62.12	61.33
Overhead ratio	49.15	49.66	49.38
Tier I capital to risk-adjusted assets	10.82	12.17	11.63
Total capital to risk-adjusted assets	13.14	14.56	14.18

</TABLE>

*Per share data is based on the average number of shares outstanding during the periods, except for the book value which is based on total shares at the end of the periods. All per share data has been adjusted to reflect two stock splits effected in the form of a dividend on July 1, 1998 and July 1, 1996.

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<TABLE>
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Year ended December 31,

1995	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>
$ 1,105,807	$ 887,141	$ 772,136	$ 740,354	$ 794,943	$ 565,807	$ 558,273
521,624	351,633	280,008	300,135	387,134	281,561	302,747
584,183	535,508	492,128	440,219	407,809	284,246	255,526
7,153	451	1,418	625	19,376	91	2,529

166,185	140,852	123,762	123,879	112,398	70,865	59,550
486,833	447,846	412,276	366,945	345,738	229,563	207,376
64,558	53,788	72,892	97,633	121,681	53,033	42,603
59,769	50,043	28,151	14,259	6,793	9,240	11,456
	385	770	770	807		
		6,185				
$ 146,361	$ 124,749	$ 109,404	$ 85,116	$ 64,564	$ 63,366	$ 56,170
$ 138,011	$ 120,504	$ 109,404	$ 85,116	$ 64,564	$ 63,366	$ 56,170
$ 1.05	$ 0.92	$ 0.84	$ 0.70	$ 0.54	$ 0.79	$ 0.70
0.29	0.25	0.23	0.20	0.20	0.20	0.20
7.91	6.87	6.38	5.76	5.25	4.92	4.69
9.69	7.04	7.75	7.57	4.82	4.00	5.38
131,632,600	131,192,972	130,804,944	121,845,976	120,142,404	80,467,880	80,056,052
131,794,544	131,352,512	130,929,692	130,619,456	120,375,408	119,769,624	80,149,584
$ 8,217,834	$ 7,107,746	$ 5,700,069	$ 5,150,328	$ 5,302,189	$ 3,377,463	$ 3,132,167
13,244,170	11,389,680	9,894,662	8,779,981	8,199,195	5,461,938	5,318,800
14,118,183	12,225,530	10,683,753	9,528,518	8,944,357	5,836,749	5,676,981
9,582,151	8,837,226	8,124,885	7,641,123	7,198,187	5,039,422	4,782,791
56,850	56,082	73,967	85,585	94,000	50,000	38,082
1,070,482	924,869	793,001	668,990	610,641	407,611	353,844
$ 8,677,484	$ 7,781,329	$ 6,346,922	$ 5,252,053	$ 5,195,557	$ 5,365,917	$ 3,276,389
168,393	153,798	133,437	110,714	94,199	89,335	40,896
14,668,195	11,843,806	10,657,994	9,236,024	8,032,556	8,219,279	5,469,921
15,675,451	12,778,358	11,513,368	10,002,327	8,780,282	8,983,624	5,923,261
9,876,662	9,012,435	8,522,658	8,038,711	7,207,118	7,422,711	4,926,304
175,000	50,000	62,000	74,000	94,000	94,000	50,000
1,141,697	1,002,423	834,195	752,119	631,818	588,884	375,807
4.74%	5.06%	5.50%	6.11%	5.97%	6.30%	5.57%
1.04	1.02	1.02	0.89	0.72	1.09	0.99
14.22	13.80	13.80	12.72	10.57	15.55	15.87
26.21	27.20	25.39	28.33	34.13	25.33	28.14
64.88	66.21	66.94	65.05	66.46	64.65	65.82
53.66	57.24	58.34	55.07	52.47	55.80	56.86
11.91	12.85	12.29	12.88	11.01	10.10	9.47
14.65	14.25	13.95	14.85	13.35	12.74	11.76

</TABLE>

TABLE D
Net Interest Income - Taxable Equivalent Basis

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,

(Dollars in millions)							(In thousands)				
Average Volume			Average Yields				Interest			Variance Attributable to	
1998	1997	Variance	1998	1997	Variance		1998	1997	Variance	Rate	Volume
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 754	$ 632	$ 122	4.88%	5.36%	(0.48)%	Money market investment	$ 36,781	$ 33,923	$ 2,858	($ 4,049)	$ 6,907
6,290	5,928	362	7.13	6.90	0.23	Investment securities	448,426	409,127	39,299	13,629	25,670
287	302	(15)	6.60	6.55	0.05	Trading	18,943	19,769	(826)	123	(949)
7,331	6,862	469	6.88	6.75	0.13		504,150	462,819	41,331	9,703	31,628
						Loans:					
5,221	4,427	794	9.24	9.26	(0.02)	Commercial and construction	482,234	409,965	72,269	(1,092)	73,361
628	554	74	12.73	12.99	(0.26)	Leasing	79,929	72,029	7,900	(1,454)	9,354
3,000	2,699	301	8.57	8.54	0.03	Mortgage	256,902	230,601	26,301	561	25,740
3,082	2,868	214	12.97	13.07	(0.10)	Consumer	399,784	374,872	24,912	(8,767)	33,679

11,931	10,548	1,383	10.22	10.31	(0.09)		1,218,849	1,087,467	131,382	(10,752)	142,134
$19,262	$17,410	$1,852	8.95%	8.90%	0.05%	TOTAL EARNING ASSETS	$1,722,999	$1,550,286	$172,713	$(1,049)	$173,762
						Interest bearing deposits:					
$1,460	$1,281	$179	3.35%	3.35%	0.00%	NOW and money market	$ 48,846	$ 42,917	$ 5,929	$ (78)	$ 6,007
3,761	3,393	368	3.06	3.08	(0.02)	Savings	114,958	104,404	10,554	(1,161)	11,715
4,437	4,024	413	5.58	5.45	0.13	Time deposits	247,688	219,207	28,481	1,258	27,223
9,658	8,698	960	4.26	4.21	0.05		411,492	366,528	44,964	19	44,945
4,623	4,281	342	5.45	5.55	(0.10)	Short-term borrowings	251,724	237,738	13,986	(3,978)	17,964
1,646	1,593	53	7.01	6.47	0.54	Medium and long-term debt	115,475	103,082	12,393	8,277	4,116
15,927	14,572	1,355	4.89	4.85	0.04	TOTAL INTEREST BEARING LIABILITIES	778,691	707,348	71,343	4,318	67,025
2,612	2,294	318				Demand deposits					
723	544	179				Other sources of funds					
$19,262	$17,410	$1,852	4.04%	4.06%	(0.02)%						
			4.91%	4.84%	0.07%	NET INTEREST MARGIN AND NET INTEREST INCOME	944,308	842,938	101,370	$ (5,367)	$106,737
			4.06%	4.05%	0.01%	NET INTEREST SPREAD					
						TAXABLE EQUIVALENT ADJUSTMENT	71,296	58,983	12,313		
						NET INTEREST INCOME	$ 873,012	$ 783,955	$ 89,057		

</TABLE>

Note: The changes that are not due solely to volume or rate are allocated to volume and rate based on the proportion of the change in each category.

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was 39.64% for 1998, compared with 26.04% for the S&P 500 Index.

Further discussion of operating results and the Corporation's financial condition is presented in the following narrative and tables. In addition, Table C provides selected financial data for the last 10 years.

RECENT DEVELOPMENTS

On March 2, 1999, the Corporation acquired 9.99% of the Puerto Rico Telephone Company (PRTC) from the Government of Puerto Rico for $86.9 million. This acquisition is part of a joint venture with GTE, a telecommunications company, which acquired a 50% share of PRTC, while the government retains between 44% and 47% of ownership.

Earnings Analysis

NET INTEREST INCOME

Net interest income represents the main source of earnings of Popular, Inc. As further discussed in the Risk Management section, the Corporation uses several tools to manage the risks associated with the composition and repricing of assets and liabilities.

F-7

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,

(Dollars in millions)							(In thousands)				
Average Volume			Average Yields				Interest			Variance Attributable to	
1997	1996	Variance	1997	1996	Variance		1997	1996	Variance	Rate	Volume
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 632	$ 893	$ (261)	5.36%	5.23%	0.13%	Money market investment	$ 33,923	$ 46,697	$(12,774)	$ 1,117	$(13,891)
5,928	4,830	1,098	6.90	6.63	(1.18)	Investment securities	409,127	320,386	88,741	13,448	75,293
302	372	(70)	6.55	6.18	0.37	Trading	19,769	23,004	(3,235)	1,328	(4,563)

6,862	6,095	767	6.75	6.40	0.29		462,819	390,087	72,732	15,893	56,839
						Loans:					
4,427	3,687	740	9.26	8.98	0.28	Commercial and construction	409,965	331,129	78,836	10,571	68,265
554	505	49	12.99	12.96	0.03	Leasing	72,029	65,523	6,506	140	6,366
2,699	2,548	151	8.54	8.51	0.03	Mortgage	230,601	216,830	13,771	896	12,875
2,868	2,471	397	13.07	12.85	0.22	Consumer	374,872	317,409	57,463	1,960	55,503
10,548	9,211	1,337	10.31	10.11	0.20		1,087,467	930,891	156,576	13,567	143,009
$17,410	$15,306	$2,104	8.90%	8.63%	0.25%	TOTAL EARNING ASSETS	$1,550,286	$1,320,978	$229,308	$29,460	$199,848
						Interest bearing deposits:					
$ 1,281	$ 1,149	$ 132	3.35%	3.28%	0.07%	NOW and money market	$ 42,917	$ 37,623	$ 5,294	$ 715	$ 4,579
3,393	3,096	297	3.08	3.03	0.05	Savings	104,404	93,878	10,526	833	9,693
4,024	4,163	(139)	5.45	5.25	0.20	Time deposits	219,207	218,721	486	5,111	(4,625)
8,698	8,408	290	4.21	4.17	0.04		366,528	350,222	16,306	6,659	9,647
4,281	3,465	816	5.55	5.33	0.22	Short-term borrowings	237,738	184,682	53,056	10,069	42,987
1,593	905	688	6.47	6.25	0.22	Medium and long-term debt	103,082	56,636	46,446	764	45,682
14,572	12,778	1,794	4.85	4.63	0.22	TOTAL INTEREST BEARING LIABILITIES	707,348	591,540	115,808	17,492	98,316
2,294	2,054	240				Demand deposits					
544	474	70				Other sources of funds					
$17,410	$15,306	$2,104	4.06%	3.86%	0.20%						
			4.84%	4.77%	0.07%	NET INTEREST MARGIN AND NET INTEREST INCOME	842,938	729,438	113,500	$11,968	$101,532
			4.05%	4.00%	0.05%	NET INTEREST SPREAD					
						TAXABLE EQUIVALENT ADJUSTMENT	58,983	48,125	10,858		
						NET INTEREST INCOME	$783,955	$681,313	$102,642		

</TABLE>

Net interest income increased $89.1 million for the year ended December 31, 1998, reaching $873.0 million, compared with $783.9 million reported in 1997. In 1996, net interest income totaled $681.3 million.

Table D presents the principal components of the Corporation's net interest income and net interest margin segregated by major categories of earning assets and interest bearing liabilities. The interest income derived from some of these assets is exempt for income tax purposes. Therefore, in order to present all interest data on a comparable basis, the interest income has been converted to a taxable equivalent basis using the applicable statutory income tax rates. This taxable equivalent adjustment amounted to $71.3 million in 1998, $59.0 million in 1997 and $48.1 million in 1996. The amount of the adjustment has increased due to a higher average volume of exempt investments.

As presented in the table, average earning assets increased $1.9 billion from 1997 to 1998, being the principal reason for the increase in net interest income. The rise in average earning assets is primarily related to an increase in average loans which is the higher yielding category of earning assets. Commercial loans accounted for more than half of the increase in average

loans. This increase was attributed to business growth, principally in Puerto Rico and to the banks acquired throughout the year in the Dominican Republic, Illinois and California. The acquired banks contributed with $81 million in average commercial loans at December 31, 1998, while BPPR contributed with an increase of $537 million in average commercial loans. Also, mortgage loans increased significantly both in the United States and Puerto Rico, mostly as a result of the favorable market conditions for refinancing. The commercial banking institutions of the Corporation contributed with an increase of $200 million in the average mortgage loan portfolio, while the mortgage banking subsidiaries contributed with $101 million of the growth since 1997. The average yield on loans decreased by nine basis points mainly due to a lower interest rate scenario and a strong competitive environment.

The increase in the average yield of the investment portfolio was caused primarily by two factors. First, during the second half of 1997, the duration of the investment portfolio was extended to position better the Corporation in an environment of declining interest rates. Another factor was the increased emphasis placed on investing in U.S. Agency securities, at the expense of Treasury obligations which yield less.

Savings accounts and demand deposits also increased, partially attributed to funds that entered into the banking system in Puerto Rico because of payments by insurance companies and federal government agencies for claims after hurricane Georges struck the island in September 1998. Average time deposits also increased by 10.3%, mainly through deposits captured from retail customers. The banking operations acquired during 1998 contributed with $111 million in average total deposits in 1998. The average cost on time deposits increased by 13 basis points, partially affected by the decrease of $139 million in 936 deposits which have a lower cost. Table L has a detail of average deposits by category.

The increase in short-term borrowings is directly related to the rise in investment securities. The increase in the cost of the Corporation's long term debt during 1998 is attributed to the dramatic rise in the spreads most corporations had to pay in the credit markets for longer term financing.

The average cost of interest bearing funds increased four basis points, while the cost of funding earning assets decreased by two basis points, due to a higher balance of non-interest bearing funds such as demand deposits and capital. The Corporation's net interest margin, on a taxable equivalent basis, improved by seven basis points in 1998, as compared to 1997.

PROVISION FOR LOAN LOSSES

The provision for loan losses reflects management's assessment of the adequacy of the allowance for loan losses to cover potential losses inherent in the loan portfolio after taking into account the net charge-offs for the current period and loan impairment. The provision for loan losses in 1998 totaled $137.2 million, a $26.6 million increase from the $110.6 million reported in 1997. The provision for loan losses for 1996 was $88.8 million. The increase in the provision for 1998 was based primarily on the growth in the Corporation's loan portfolio, a rise in net charge-offs and non-performing assets, and current and expected economic conditions. Net charge-offs for 1998 were $112.9 million, compared with $97.8 million in 1997 and $72.1 million in 1996. As a percentage of average loans, net charge-offs were 0.95% in 1998, 0.93% in 1997 and 0.78% in 1996.

Please refer to the Credit Risk Management and Loan Quality section for a more detailed analysis of the allowance for loan losses, net charge-offs, and credit quality statistics.

NON-INTEREST INCOME

Non-interest income, excluding securities and trading gains, which consists primarily of service charges on deposit accounts, credit card fees, other fee-based services and other revenues, rose $37.3 million or 15.4% when compared with prior year. As shown in Table E, the increase during 1998 was driven by a rise of $17.9 million in other service fees, $9.8 million in other operating income and $9.6 million in service charges on deposit accounts.

The growth in service charges on deposit accounts reflects higher activity on commercial and retail accounts and higher volume of deposits mostly resulting from the Corporation's business expansion and acquisitions. Also, contributing to this growth was an increase in the volume of transactions. Measured as a percentage of average deposits, service charges were 0.85% in 1998, 0.86% in 1997 and 0.82% in 1996.

Other service fees, which represented 41.8% of non-interest income for the year, increased $17.9 million or 18.2% from the amount reported in 1997. As shown in Table E, the rise in other service fees is primarily attributable to higher credit card fees and merchant discounts which rose $6.6 million, and higher fees related to the sale and administration of investment products which rose $2.3 million when compared to 1997. This increase is on line with the growth of 26.8% in credit card net sales and the increase of 31.8% in the number of active credit card accounts. Also, the growth in fees related to the sale and administration of investment products was mainly driven by the performance of the retail brokerage division of Popular Securities. The increase in trust fees of $2.1 million mainly resulted from a higher number of Keogh and 401k accounts and the general rise in the market value of assets. Debit card fees, which consist primarily of rental income of point-of-sale (POS) terminals and interchange income contributed $1.9 million to the increase in other service fees. Its increase mainly resulted from the sustained growth in the number of POS terminals and in the volume of transactions which increased from a monthly average of 3,171,000 in December 1997 to 4,010,000 a year later. The number of POS terminals increased 15.2% to 18,794 as of December 31, 1998, from 16,321 a year earlier. In addition,

TABLE E
Other Operating Income

<TABLE>
<CAPTION>

(Dollars in thousands)	Year ended December 31, 1998	1997	1996	1995	1994	Five-Year C.G.R.
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Service charges on deposit accounts	$103,732	$ 94,141	$ 85,846	$ 78,607	$ 71,727	8.73%
Other service fees:						
Credit card fees and discounts	36,038	29,437	23,735	20,676	18,620	16.47
Debit card fees	17,702	15,768	10,430	5,425	3,185	59.70
Sale and administration of investment products	11,890	9,557	5,384	2,999	1,190	
Mortgage servicing fees, net of amortization	9,131	9,129	7,534	5,956	2,301	25.47
Trust fees	8,873	6,799	6,174	5,851	5,159	16.79
Credit life insurance fees	8,690	9,537	7,955	5,766	4,889	15.27
Other fees	24,251	18,423	15,859	17,052	15,896	13.05
Total other service fees	116,575	98,650	77,071	63,725	51,240	22.11
Other income	58,353	48,605	39,353	23,853	17,885	35.94
Total	$278,660	$241,396	$202,270	$166,185	$140,852	17.62%
Other operating income to average assets	1.36%	1.31%	1.24%	1.18%	1.15%	
Other operating income to operating expenses	38.68	37.90	37.32	34.14	31.45	

</TABLE>

Popular Cash Express contributed with $1.9 million to the increase in other fees, mainly resulting from money order sales, check cashing, money transfer and payment processing fees. The decline in credit life insurance fees resulted mainly from a lower volume of personal loans originated during 1998. This source of revenue is expected to decline during 1999 as a result of the enactment of a statute that requires financial institutions in Puerto Rico to reimburse the unearned portion of the credit life insurance fee collected, if the loan is prepaid.

Other operating income for the year ended December 31, 1998, increased $9.7 million or 20.1% when compared to prior year. This increase mainly resulted from the recording during 1997 of a loss of $3.3 million on the sale of a real estate asset. Also during 1998, there was a growth of $2.1 million in investment banking fees when compared to prior year. In addition, the other operating revenues of the leasing subsidiaries increased $1.8 million mainly as a result of higher gains on sales of daily rental units and a higher volume of daily rental income. Moreover, during the year ended December 31, 1998, a nonrecurring income of $1.7 million was recorded due to a partial recovery of the investment in common stock of Citizens Bank of Jamaica, which was written down during 1997.

SECURITIES AND TRADING GAINS

During 1998, the Corporation sold $923 million in investment securities available-for-sale as part of its asset/liability strategy, realizing a net gain of $8.9 million, including $4.3 million in the sale of equity securities by Popular Inc.'s holding company. In 1997, $5.2 billion of the investment securities available-for-sale were sold for a net gain of $2.3 million, reflecting gains of $6.3 million on the sale of equity securities partially offset by a loss of $4.0 million on the sale of other securities.

Trading account activities for the year ended December 31, 1998, resulted in profits of $3.7 million compared with profits of $3.9 million in 1997.

OPERATING EXPENSES

Operating expenses for 1998 increased $83.4 million or 13.1%, principally reflecting higher personnel costs, professional fees, net occupancy and equipment expenses. This rise is mainly related to the Corporation's growth and expansion and the acquisitions made during 1997 and 1998. The operations acquired in the United States during 1998 accounted for approximately $5.7 million of the increase. Also, the inclusion of BF accounted for approximately $4.6 million in additional expenses for the year. Table F presents a detail of operating expenses and various related ratios for the last five years.

Personnel costs, the largest category of operating expenses, increased $30.5

million or 9.9% when compared with 1997. The growth in personnel costs was led by salaries, mainly resulting

TABLE F
Operating Expenses

<TABLE>
<CAPTION>

(Dollars in thousands)	1998	1997	1996	1995	1994	Five-Year C.G.R.
	Year ended December 31,					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Salaries	$247,590	$211,741	$185,946	$172,504	$160,996	10.33%
Pension and other benefits	67,743	69,468	64,609	57,568	45,546	8.66
Profit sharing	22,067	25,684	22,692	19,003	19,205	2.23
Total personnel costs	337,400	306,893	273,247	249,075	225,747	9.34
Equipment expenses	75,302	66,446	57,186	47,854	42,229	18.66
Professional fees	58,087	46,767	36,953	28,677	27,002	20.09
Net occupancy expense	48,607	39,617	36,899	32,850	28,440	13.26
Business promotion	39,376	33,569	26,229	17,801	16,271	18.80
Communications	36,941	33,325	26,470	23,106	20,308	15.21
Other taxes	32,191	30,283	23,214	20,872	19,807	15.01
Amortization of intangibles	27,860	22,874	18,054	20,204	18,003	11.49
Printing and supplies	17,604	15,539	11,964	11,069	8,817	16.54
Other operating expenses:						
Transportation and travel	7,968	7,186	5,852	4,424	3,946	17.52
FDIC assessment	1,497	1,499	1,544	10,257	19,346	(39.05)
All other	37,521	32,922	24,307	20,644	17,930	15.25
Subtotal	382,954	330,027	268,672	237,758	222,099	14.29
Total	$720,354	$636,920	$541,919	$486,833	$447,846	11.81%
Efficiency ratio		62.55%	62.12%	61.33%	64.88%	66.21%
Personnel costs to average assets		1.65	1.67	1.68	1.76	1.85
Operating expenses to average assets		3.52	3.46	3.32	3.45	3.66
Assets per employee (in millions)		$ 2.20	$ 2.18	$ 2.10	$ 2.01	$ 1.68

</TABLE>

from increased employment levels due to the acquired operations and business expansion, annual merit increases and incentive compensation. Full-time equivalent employees (FTE) increased to 10,549 at December 31, 1998, from 8,854 at the end of 1997. The acquisitions completed in the United States added 159 FTEs, while BF added 853 FTEs as of the end of the year.

Employee benefits, including profit sharing, decreased $5.3 million when compared to 1997. The decline in pension costs and other fringe benefits was primarily related to the improvement in the return of the pension plan assets which resulted in a credit for 1998. Furthermore, profit sharing expense decreased $3.6 million, as a result of an amendment to the profit sharing plan in order to encourage stronger profitability ratios.

Other operating expenses, excluding personnel costs, for the year ended December 31, 1998, rose $52.9 million when compared with 1997. Professional fees increased $11.3 million reflecting higher legal, consulting and technical support fees for business expansion and costs incurred in relation to the Corporation's action plan to address the Year 2000 issue. Net occupancy expense rose $9.0 million, principally due to the sale of an income-producing real property during the fourth quarter of 1997 and the Corporation's continued growth and expansion. The increase in equipment expenses of $8.9 million mainly resulted from the Corporation's geographical expansion and growth in business activity, expenses related to the Corporation's action plan to address the Year 2000 issue and the expansion of the electronic payment system and the network of POS terminals. By the end of 1998, the Corporation had increased its automated teller machine (ATM) network by 95 machines and installed 2,473 additional POS terminals, when compared with prior year.

Business promotion increased $5.8 million as part of the institutional campaign launched in the continental United States to emphasize Banco Popular's image as a Hispanic bank, the promotional efforts related to the credit card program in the United States and activities related to the recovery of Puerto Rico after the damages caused by Hurricane Georges. Other operating expenses, which includes transportation and travel, insurance expenses, interchange and processing fees related with debit and credit cards, and FDIC assessment among others, increased $5.4 million mostly as a result of the Corporation's expansion and the increased volume of credit and debit card transactions. The amortization of intangibles also reflected an increase of $5.0 million related to the premiums paid on the operations acquired during 1997 and 1998.

INCOME TAX EXPENSE

Income tax expense for the year ended December 31,1998, was $74.7 million compared with $74.5 million in 1997 and $70.9 million in 1996. The rise in income tax expense resulting from higher pre-tax earnings, was partially offset by higher benefits of net tax-exempt interest income and by the reversal of $4.0 million of a valuation allowance related to a deferred tax asset that became realizable during 1998.

As a result of the above, the effective tax rate decreased to 24.3% in 1998, from 26.2% in 1997 and 27.7% in 1996. The difference between the effective tax rates and the maximum statutory tax rate for the Corporation, which is 39%, is primarily due to the interest income earned on certain investments and loans which is exempt from income tax, net of the disallowance of related expenses attributable to the exempt income.

Please refer to Note 22 of the consolidated financial statements for additional information on income taxes.

Impact of the Year 2000 Issue

The Corporation, under the direction of its Year 2000 Office, has been actively engaged in modifying, converting, and testing its computer systems and date-sensitive operating equipment. It is also working with customers and business partners to ascertain their progress toward Year 2000 compliance. Internal auditors of the Corporation are verifying and validating the work done in this important project, which has been classified as the top priority of the Corporation for 1998 and 1999.

A four phase action plan is being used to drive the activities related with the information technology components (in-house processed core applications; data processing center computers, software and equipment; networks and communication backbones; decentralized managed applications; personal computers with their corresponding software) and date-sensitive operating equipment as explained below:

Assessment - identification of the components that may be impacted by the arrival of the new century. Determination of resources needed, time frame and sequencing of the Year 2000 efforts.

Renovation - modification, conversion, replacement or elimination of components not Year 2000 ready. Validation testing and verification of the components by simulating data conditions for the Year 2000.

Implementation - installation of renovated components into production.

INFORMATION TECHNOLOGY

As of December 31, 1998, the information technology action plan was 77% completed, which is in line with our projection. Following is a summarized report of actual results by phase, including both mission critical and non-mission critical systems, and what is expected to be achieved during the next quarters.

<TABLE>
<CAPTION>

	Actual	Projected			
	12/31/98	12/31/98	3/31/99	6/30/99	9/30/99
<S>	<C>	<C>	<C>	<C>	<C>
Assessment	96%	97%	100%	xxxxxxxx	xxxxxxxx
Renovation	85%	87%	98%	100%	xxxxxxxx
Validation	71%	71%	87%	100%	xxxxxxxx
Implementation	63%	58%	75%	90%	100%

</TABLE>

The expected completion dates are based on assumptions of future events considering the continued availability of resources and the completion of work by third parties. Even though the Corporation feels that its current state of readiness is adequate there is no guarantee that these estimates will be achieved.

The renovation and validation phases of mission-critical systems (those that will have a significant adverse impact on the institution's operations and financial condition) were 93% and 82% completed as of December 31, 1998. The validation phase of the mission critical systems is scheduled to be completed by June 30, 1999.

NON-INFORMATION TECHNOLOGY

The action plan of date-sensitive operating equipment, including specialized banking equipment such as ATMs, statement rendering and check processing machines, was 92% completed as of December 31, 1998.

Significant third parties with which the Corporation interfaces with regard to the Year 2000 problem include customers and business partners (counterparts, technology vendors, service providers, payment and clearing systems, utilities, etc.). Unreadiness by these third parties would expose the Corporation to a potential loss, through impairment of business processes and activities.

The Corporation has assessed and is already monitoring the progress of customers in their efforts to become Year 2000 compliant and the possible effects of their inability to become Year 2000 compliant. Also, the Corporation has assessed and is monitoring and testing the progress of its business partners and counterparts to determine whether they will be able to successfully interact with the Corporation in the Year 2000.

For the Corporation's operations in the United States, which are highly dependable on processing service bureaus, several steps have been undertaken to reduce the exposure. Officers of the Corporation have an active participation in the client advisory board of the main business partner, which has contracted an external entity to conduct independent quarterly reviews of the Year 2000 action plan. Their progress is being monitored through the review of monthly reports and the detailed test plans that they use to accomplish the validation phase.

OVERALL STATE OF READINESS

At year end, the Year 2000 Plan for Puerto Rico and the Caribbean, including information technology components, date-sensitive operating equipment, customers and business partners was 86% completed. In the U.S. mainland, 94% of the core applications were already implemented by December 31, 1998. The whole project will be substantially completed by June 30, 1999.

CONTINGENCY PLANS AND BUSINESS CONTINUITY

Even after thorough testing plans are executed, there is a possibility that problems may arise in relation to all the changes made to systems and equipment to ascertain they are ready for the Year 2000. Based on the current status of the Year 2000 action plans, the Corporation's most reasonably likely worst case scenario is that an unforeseen hardware or system failure might impair the execution of one or more critical business processes during a limited period of time. Business resumption plans are based on the assumption that the Corporation will correct any hardware or software systems failure within five working days.

The Corporation's strategy is to focus on the assessment, renovation, validation, and implementation phases of its Year 2000 action plans so as to limit errors, and therefore the need to implement business resumption plans. Nevertheless, the Corporation has established company wide business recovery plans to support critical business processes in case of an unforeseen hardware or software failure in the Year 2000. These business resumption plans include, among other things, a business impact analysis, prioritization of business processes, specific recovery strategies and alternative manual procedures for critical business processes. Most business resumption plans for critical operations in Puerto Rico and the United States were completed at December 31,1998. The first phase of testing of the business resumption plans was completed for the Puerto Rico operations and most of Banco Popular's U.S. operations. The second phase of tests is scheduled for the second quarter of 1999.

COSTS TO ADDRESS THE COMPANY'S YEAR 2000 ISSUES

The principal costs of the Year 2000 project are those associated with the renovation and validation phases. The major portion, however, is being satisfied using existing resources through the deferral of technology projects, with the remainder representing incremental costs.

The Information Technology group was reinforced with 55 additional programmers and other skilled technical personnel to ascertain the availability of the necessary resources. Other relevant incremental costs are the costs to contract external consultants to manage the renovation and validation of certain specific items and scheduled upgrades that were accelerated due to the Year 2000 issue. The Corporation is funding the project through operating cash flows and does not anticipate that the related incremental costs nor the impact of the technology development initiatives being deferred will be material to the financial condition and results of operations of any single year.

Management estimates the total incremental costs of achieving Year 2000 compliance to be approximately $10.8 million over the two-year period ending in December 31, 1999. Approximately $5.2 million have been incurred at December 31, 1998, of which $2.8 million are related to consultants contracted, $1.9 million for additional technical employees hired, $0.2 million for new hardware and software acquired and $0.3 million related to costs to contact customers, retain technical employees and other costs of the Year 2000 project.

Year 2000 costs are based on management's best estimates, which were derived utilizing numerous assumptions of future events and other factors. However, there can be no guarantee that these estimates will be achieved and actual costs could differ materially from those projected.

STATEMENT OF CONDITION ANALYSIS

The Corporation's total assets as of December 31, 1998, reached $23.2 billion compared with $19.3 billion as of December 31, 1997, representing an increase of $3.9 billion or 20.0%. Most of the growth pertains to BPPR, which increased $2.3 billion in total assets from December 31,1997. Also, the newly acquired banking operation in the Dominican Republic and the acquisitions of banking institutions in the U.S. contributed each with $473 million to the Corporation's total assets at December 31, 1998.

EARNING ASSETS

Earning assets at December 31, 1998, amounted to $21.6 billion from $18.1 billion a year earlier and $15.5 billion at December 31, 1996.

Money market investments, trading and investment securities amounted to $8.5 billion at December 31, 1998, representing an increase of $1.8 billion when compared with the same date in 1997. The increase was mainly reflected in investment securities which totaled $7.2 billion at December 31, 1998, an increase of $1.6 billion or 28.3%. The increase in investment securities resulted mostly from arbitrage opportunities undertaken, mostly through CMOs and securities of U.S. Government agencies and corporations, that allowed the Corporation to generate additional net interest income.

As shown in Table G, the Corporation continued to experience significant growth in loans during 1998. Total loans increased $1.7 billion or 15.0% from amounts reported at December 31, 1997. Commercial and mortgage loans, which accounted for the largest increases in the portfolio, rose $1.0 billion and $518 million, respectively. BPPR and the operations

TABLE G
Loans Ending Balances

<TABLE>
<CAPTION>

(In thousands)	As of December 31, 1998	1997	1996	1995	1994	Five-Year C.G.R.
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial, industrial and agricultural	$ 5,646,027	$ 4,637,409	$3,822,096	$3,205,031	$2,893,534	18.93%
Construction	257,786	250,111	200,083	215,835	161,265	10.93
Lease financing	645,280	581,927	516,001	498,750	448,236	11.72
Mortgage(*)	3,351,748	2,833,896	2,576,887	2,403,631	2,177,763	16.29
Consumer	3,177,954	3,073,264	2,663,961	2,354,237	2,100,531	11.16
Total	$13,078,795	$11,376,607	$9,779,028	$8,677,484	$7,781,329	15.56%

(*)Includes loans held-for-sale.

</TABLE>

acquired during 1998 contributed with total increases of $316 million and $473 million, respectively, in the commercial loan portfolio. The growth experienced at BPPR was mostly the result of the continued marketing efforts in the retail and middle markets.

The rise in the mortgage loan portfolio was mostly attained at the mortgage banking subsidiaries of the Corporation which contributed with an increase of $218 million. Also, the banking operations in Puerto Rico and the Virgin Islands contributed with an increase of $167 million in mortgage loans at December 31, 1998. Furthermore, the commercial banking operations in the United States contributed with $130 million to the increase. The rise in mortgage loans principally resulted from the higher demand in mortgage refinancings to consolidate personal debt mainly due to a lower interest rate scenario in 1998.

Consumer loans, which include personal, auto, marine, credit cards and reserve lines grew $105 million or 3.4% since December 31, 1997. The commercial banks acquired during 1998, contributed with a consumer loan portfolio of $78 million at December 31, 1998. Also, the mortgage and consumer finance operations contributed with an increase of $52 million when compared with the end of 1997. On the other hand, the other banking operations of the Corporation experienced a net decrease of $25 million in consumer loans compared to prior year.

The personal loan portfolio, which represented 56.3% of the total consumer loan portfolio at December 31, 1998, decreased $22 million from $1.8 billion reported at December 31, 1997, representing 58.9% of the total consumer loan portfolio. The decrease was mainly at BPPR which experienced a reduction of $86 million in its personal loan portfolio partially due to lower demand and to mortgage refinancings to consolidate personal debts resulting from the lower interest rate scenario. This decrease was partially offset by increases of $18 million in the consumer finance subsidiary in Puerto Rico and $35 million due to the personal loan portfolios of the commercial banks acquired during 1998 at the mainland and the Dominican Republic.

Credit card loans, which represented 21.1% of the consumer loan portfolio as of December 31, 1998, rose $117 million to $669 million. The increase in this category was mostly achieved through business expansion, marketing efforts both in Puerto Rico and the U.S. and the launching of the American Express / Banco Popular revolving credit card in Puerto Rico during 1998. The number of active credit card accounts increased 31.8% from 1997.

Auto and boat secured loans represented about 19% of the total consumer loan portfolio, while revolving credit represented 3.4% at December 31, 1998.

The Corporation's lease financing portfolio increased $63 million since December 31, 1997. The rise in truck and vehicles lease financing by the Corporation's leasing subsidiary in Puerto Rico contributed with $23 million of the increase. Also, the leasing subsidiary in the United States, engaged in equipment leasing, contributed with an increase of $21 million.

DEPOSITS AND OTHER INTEREST-BEARING LIABILITIES

Total deposits at December 31, 1998, amounted to $13.6 billion compared with $11.7 billion on December 31, 1997, an increase of $1.9 billion or 16.4%. Please refer to Table L for a detail of average deposits by category. The geographic distribution of the Corporation's total deposits at the end of 1998, included 69.0% in Puerto Rico, 25.0% in the United States and the remaining 6.0% in the Caribbean region, including deposits from Banco Popular's operations in the U.S. and British Virgin Islands.

Most of the increase in deposits was attained at BPPR, where total deposits increased $1.1 billion. The increase was also related to the acquisitions made during 1998 in California, Illinois and the Dominican Republic, contributing $691 million in deposits at December 31, 1998. Demand, savings and time

TABLE H
Capital Adequacy Data

(Dollars in thousands)	As of December 31, 1998	1997	1996	1995	1994
Risk-based capital:					
Tier I capital	$ 1,450,187	$ 1,335,391	$1,121,128	$1,003,072	$ 953,266

Supplementary (Tier II) capital	310,091	263,115	246,350	231,091	104,338
Total capital	$ 1,760,278	$ 1,598,506	$1,367,478	$1,234,163	$1,057,604
Risk-weighted assets:					
Balance sheet items	$12,955,995	$10,687,847	$9,368,420	$8,175,420	$7,219,906
Off-balance sheet items	443,926	287,822	275,397	249,529	199,327
Total risk-weighted assets	$13,399,921	$10,975,669	$9,643,817	$8,424,949	$7,419,233
Ratios:					
Tier I capital (minimum required - 4.00%)	10.82%	12.17%	11.63%	11.91%	12.85%
Total capital (minimum required - 8.00%)	13.14	14.56	14.18	14.65	14.25
Leverage ratio (minimum required - 3.00%)	6.72	6.86	6.71	6.66	7.62
Equity to assets	7.60	7.44	7.33	7.58	7.57
Tangible equity to assets	6.50	6.52	6.55	6.60	6.55
Equity to loans	13.02	13.00	12.97	13.03	13.01
Internal capital generation rate	10.06	10.76	10.99	9.36	9.48

</TABLE>

deposits in BPPR increased 20.3%, 12.9% and 1.62%, respectively, from amounts reported at the end of 1997. The increase was partially related to funds that entered into the banking system in Puerto Rico because of payments made by insurance companies and federal government agencies for claims after hurricane Georges hit the Island in September 1998.

Borrowed funds, including subordinated notes and capital securities increased $1.6 billion from December 31, 1998 to $7.3 billion at the end of 1998. The increase in borrowed funds was used primarily to fund the Corporation's business expansion, loan growth and arbitrage activities. During 1997, a shelf registration was filed with the Securities and Exchange Commission, allowing the Corporation to issue medium-term notes, unsecured debt securities and preferred stock in an aggregate amount of up to $1 billion.

As part of the investment in BF the Corporation recognized a minority interest of $28 million as of the end of 1998, which represents the beneficial interest of the minority investors of BF.

STOCKHOLDERS' EQUITY

At December 31, 1998, the Corporation's total stockholders' equity reached $1.7 billion compared with $1.5 billion on December 31, 1997. This increase was mostly due to earnings retention. Accumulated other comprehensive income rose $42 million. Also, the Corporation's Dividend Reinvestment Plan contributed $7.4 million in additional capital since December 31, 1997.

On April 23, 1998, the Corporation's Board of Directors authorized a two-for-one stock split effected in a form of a dividend and as a result, $412 million were transferred from surplus to common stock.

The Corporation had 4,000,000 shares of preferred stock outstanding at December 31, 1998. These shares are non-convertible and are redeemable at the option of the Corporation. Dividends are noncumulative and are payable monthly at an annual rate per share of 8.35% based on the liquidation preference value of $25 per share.

The Corporation's objective is to maintain a solid capital position above the "well capitalized" classification under the federal banking regulations. As shown in Table H, which presents the capital adequacy information for the current and previous four years, the Corporation continues to exceed the well-capitalized guidelines. Tier I and total capital ratios decreased in 1998, as a result of the acquisitions performed during the year. Further information is presented in Note 18 to the consolidated financial statements.

Intangible assets totaled $274 million at December 31, 1998, an increase of $42 million from December 31, 1997. The acquisitions performed in 1998 contributed to most of the increase in intangible assets. Total intangibles consisted of $172 million in goodwill, $67 million in core deposit intangibles, $30 million in mortgage servicing rights and $5 million in other intangibles. At the end of 1997, goodwill totaled $120 million, core deposit intangibles were $75 million, mortgage servicing rights were $29 million and other intangibles were $8 million. The average tangible equity increased to $1.31 billion for the year ended December 31, 1998, from $1.19 billion a year before, an increase of $125 million or 10.5%. Total tangible equity at December 31, 1998, was $1.43 billion compared with $1.27

TABLE I
Common Stock Performance

	Market Price High	Market Price Low	Cash Dividends Declared Per Share	Book Value Per Share	Dividend Payout Ratio	Price/ Dividend Yield (*)	Market/ Earnings Ratio	Book Ratio
1998				$11.86	28.42%	1.55%	20.61x	286.68%
1st QUARTER	$29 11/32	$23 1/32	$0.11					
2nd QUARTER	36 5/32	29 7/32	0.11					
3rd QUARTER	36 3/4	28	0.14					
4th QUARTER	34	25 3/8	0.14					
1997				10.37	25.19	1.76	16.50	238.78
1st quarter	$18 3/8	$16 17/32	$0.09					
2nd quarter	21 7/16	16 7/8	0.09					
3rd quarter	27 15/16	20 9/16	0.11					
4th quarter	27 3/16	22 7/8	0.11					
1996				8.80	24.63	2.65	12.59	191.87
1st quarter	$11 9/16	$9 11/16	$0.08					
2nd quarter	11 13/14	10 15/16	0.09					
3rd quarter	13 7/8	11 5/16	0.09					
4th quarter	17 1/2	12 15/16	0.09					
1995				7.91	26.21	3.15	9.24	122.55
1st quarter	$7 15/16	$7 1/32	$0.07					
2nd quarter	8 7/8	7 13/16	0.07					
3rd quarter	9 3/4	8 7/8	0.07					
4th quarter	9 31/32	9 17/32	0.08					
1994				6.87	27.20	3.18	7.66	102.37
1st quarter	$8 1/8	$7 11/16	$0.06					
2nd quarter	8 3/16	7 3/4	0.06					
3rd quarter	8 5/16	7 7/8	0.06					
4th quarter	8 1/4	6 3/4	0.07					

(*)Based on the average high and low market price for the four quarters.
Note: All per share data has been adjusted to reflect the two stock splits effected in the form of a dividend of one share for each share outstanding on July 1, 1998 and July 1, 1996.

billion at December 31, 1997. The tangible equity to assets ratio for 1998 and previous four years is presented in Table H.

Book value per common share increased to $11.86 at December 31, 1998, compared with $10.37 at year-end 1997. The market value of the Corporation's common stock at the end of 1998, was $34.00 compared with $24.75 a year earlier. The total market capitalization was $4.6 billion, compared with $3.4 billion as of December 31, 1997.

The Corporation's stock is traded on the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market System under the symbol BPOP. Table I shows the range of market quotations and cash dividends declared for each quarter during the last five years. The preferred stock of the Corporation is also traded on the NASDAQ National Market System under the symbol BPOPP. Its market value at December 31, 1998 and 1997 was $26.00 per share. As of February 26, 1999, the Corporation had 10,454 stockholders of record of its common stock, not including beneficial owners whose shares are held in record names of brokers or other nominees.

Dividends declared on common stock during 1998 totaled $67.8 million, compared with $53.7 million in 1997. The Corporation increased its quarterly dividend from $0.11 to $0.14 per common share, a 27.3% increase, effective on October 1, 1998. Total dividends declared per common share for 1998 were $0.50 compared with $0.40 in 1997 and $0.35 in 1996. The dividend payout ratio to common stockholders for the year was 28.42% compared with 25.19% in 1997. Dividends declared on preferred stock amounted to $8.3 million in 1998 and 1997.

In connection with the acquisition by Banco Popular, FSB (second-tier subsidiary of Popular North America, Inc.) from the Resolution Trust Company (RTC) of four New Jersey branches of the former Carteret Federal Savings Bank, the RTC provided to Banco Popular, FSB interim financial assistance in the form of a loan in the amount of $20 million. Pursuant to the terms of such financing, Banco Popular, FSB was not permitted to, among other things, declare or pay any dividends on its outstanding capital stock (unless such dividends were used exclusively for payment of principal or interest on such RTC loan) or make any distribution of its assets until payment in full of such promissory note. As of December 31, 1998, the undistributed earnings of Banco Popular, FSB totaled $67 million. This note was paid in full on January 7, 1999.

Risk Management

The Corporation has specific policies and procedures which structure and delineate the management of risks, particularly those related with interest rate exposure, liquidity and credit, all of which are discussed below.

MARKET RISK

Market risk is the risk of economic loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market or price changes.

Market risk management is the responsibility of the Board of Directors (the Board). It establishes policies regarding the assumption and management of market risk, and delegates its implementation to the Market Risk Committee of Popular, Inc. (the Committee). The objective of the Committee is to ensure that the market risk assumed by the Corporation remains within the parameters of the Board policies.

The primary market risks assumed by Popular, Inc. are interest rate risk, trading and to a much lesser extent, foreign exchange risk.

The stability and level of the Corporation's net interest income, as well as its market value of equity, are subject to interest rate volatility. Changes in interest rates affect both the rates at which the Corporation's assets and liabilities reprice throughout time, and the market values of most of its assets and liabilities. Since net interest income accounted for 75% of the Corporation's gross revenues in 1998, the constant measurement and control of market risk is a major priority.

Interest rate risk

Interest rate risk (IRR) refers to the impact of interest rate volatility on the Corporation's net interest income. Depending on the duration and repricing characteristics of the Corporation's assets, liabilities and off-balance sheet items, changes in interest rates could either increase or decrease the level of net interest income. The Committee implements the market risk policies approved by the Board as well as risk management strategies reviewed and adopted in the committee meetings.

The Committee is composed of senior officers which meet on a monthly basis. It could convene more frequently if market conditions warrant. It reviews at each meeting, measurements of the level of market risk assumed at the Corporation and discusses current economic and market conditions together with probable future developments which could impact the Corporation's net interest income and market value.

The tools used by the Committee include measurements of the level of short and long-term IRR assumed at the Corporation and its subsidiaries. The Corporation uses simulation analysis and static gap estimates for measuring short-term IRR. Duration analysis is used to quantify the level of long-term IRR assumed, and focuses on the estimated economic value of the Corporation, that is, the difference between the estimated market value of financial assets less the estimated value of financial liabilities.

Static gap analysis measures the volume of assets and liabilities at a point in time and their repricing during future time periods. The repricing volumes typically include adjustments for anticipated future asset prepayments and for differences in sensitivity to market rates. The volume of net assets or liabilities repricing during future periods particularly within one year is used as an indicator of the degree of short-term interest rate risk being assumed by the Corporation. Table J presents the Corporation's static gap as of December 31, 1998.

Simulation analysis is another measurement used by the Corporation for short-term IRR, and it addresses some of the deficiencies of gap analysis. It involves estimating the effect on net interest income of one or more future interest rate scenarios as applied to the repricing of the Corporation's current assets and liabilities and the assumption of new balances. The simulation analyses reviewed in the Committee are based on various interest rate scenarios. Computations of the prospective effects of hypothetical interest rate changes are based on many assumptions, including relative levels of market interest rates, loan prepayments and deposits decay. They should not be relied upon as indicative of actual results. Further, the computations do not contemplate actions the management could take to respond to changes in interest rates. By their nature, these forward looking statements are only estimates and may be different from what actually occurs in the future. As of December 31, 1998, the difference in projected net interest income within a 12-month period under a rising and declining rate scenario, which assumes interest rates change by 150 basis points up and down, was $5.4 million and $6.4 million, respectively, which represented changes of 0.6% and 0.7% in net interest income. These estimated changes are within the policy guidelines established by the Board.

Longer-term IRR is measured using duration analysis, in particular the duration of market value of equity. It expresses in general terms, the sensitivity of the market value of equity to changes in interest rates. The estimated market value of equity is obtained from the market values of the cash flows from the Corporation's financial assets and liabilities, which are primarily payments of interest and repayments of principal. Thus, the market value of equity incorporates all future cash flows from net

TABLE J
Interest Rate Sensitivity

<TABLE>
<CAPTION>

	As of December 31, 1998							
	By Repricing Dates							
(Dollars in thousands)	0-30 days	Within 31-90 days	After three months but within six months	After six months but within nine months	After nine months but within one year	After one year	Non-interest bearing funds	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:								
Money market investments	$ 598,646	$ 345,827	$ 3,326	$ 99				$ 947,898
Investment and trading securities	1,143,142	746,333	1,040,301	587,238	$ 267,602	$ 3,780,641		7,565,257
Loans	4,204,024	422,783	562,623	575,351	529,598	6,784,416		13,078,795
Other assets							$1,568,407	1,568,407
Total	5,945,812	1,514,943	1,606,250	1,162,688	797,200	10,565,057	1,568,407	23,160,357
Liabilities and stockholders' equity:								
Savings, NOW and money market accounts	713,658					5,072,365		5,786,023
Other time deposits	1,410,334	1,002,185	664,242	342,749	270,582	1,019,790		4,709,882
Federal funds purchased and securities sold under agreements to repurchase	3,395,161	539,351	41,988			100,000		4,076,500
Other short-term borrowings	1,078,446	240,194	145,191	70,075	105,176			1,639,082
Notes payable	119,415	240,000				947,745		1,307,160
Subordinated notes and capital securities						275,000		275,000
Non-interest bearing deposits							3,176,309	3,176,309
Other non-interest bearing liabilities							481,288	481,288
Stockholders' equity							1,709,113	1,709,113
Total	6,717,014	2,021,730	851,421	412,824	375,758	7,414,900	5,366,710	23,160,357
Off-balance sheet financial instruments	40,000	100,000	(100,000)		(20,000)	(20,000)		
Interest rate sensitive gap	$ (731,202)	$ (406,787)	$ 654,829	$ 749,864	$ 401,442	$ 3,130,157		
Cumulative interest rate sensitive gap	(731,202)	(1,137,989)	(483,160)	266,704	668,146	3,798,303		
Cumulative sensitive gap to earning assets	(3.39%)	(5.27%)	(2.24%)	1.24%	3.09%	17.59%		

</TABLE>

interest income, whereas other measures of IRR focus primarily on short-term net interest income. As of December 31, 1998, the estimated duration of the market value of equity of the Corporation was 7.3 years.

Derivatives are used, to a limited extent, by the Corporation with the primary objective of controlling exposures to market risk. The primary instruments used included exchange-traded future contracts and interest rate swaps. Financial futures are used primarily for hedging the cost of future debt issuances as well as protecting the value of assets from market risk. Interest rate swaps are used primarily to synthetically increase the duration of borrowings. Please refer to note 25 to the consolidated financial statements for further information on the Corporation's derivative transactions.

Trading securities

The Corporation's trading activities are another source of market risk. Financial instruments, including, to a limited extent, derivatives such as interest rate futures and options contracts, are utilized by the Corporation in connection with its trading activities and are carried at market value. In conjunction with mortgage banking activities, the Corporation records the securitization of mortgage loans held-for-sale as a sale of mortgage loans and the purchase of a mortgage-backed security classified as a trading security. Realized and unrealized changes in market values are recorded separately in the trading profit or loss account in the period in which the changes occur. Interest revenue and expense arising from trading instruments are included in the income statement as part of the net interest income rather than in the trading profit or loss account.

In the opinion of management, the size and composition of the trading portfolio does not represent potentially a significant source of market risk for the Corporation. It consists primarily of mortgage loans and mortgage-backed securities in the process of being sold in the secondary markets, and securities issued by Puerto Rico-based entities for resale to retail custom-

TABLE K
Maturity Distribution of Earning Assets

<TABLE>
<CAPTION>

As of December 31, 1998

	Maturities					
		After one year through five years		After five years		
(In thousands)	One year or less	Fixed interest rates	Variable interest rates	Fixed interest rates	Variable interest rates	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Money market securities	$ 947,876				$ 22	$ 947,898
Investment and trading securities	3,423,488	$3,317,145	$ 206,085	$ 447,537	30,094	7,424,349
Loans:						
Commercial	2,382,689	1,252,450	878,749	610,549	521,590	5,646,027
Construction	234,500	8,574	6,909	3,178	4,625	257,786
Lease financing	176,687	458,898		9,695		645,280
Consumer	943,889	1,531,208	78,177	621,715	2,965	3,177,954
Mortgage	1,052,060	446,642	10,871	1,841,507	668	3,351,748
Total	$9,161,189	$7,014,917	$1,180,791	$3,534,181	$559,964	$21,451,042

</TABLE>

Note: Federal Reserve Bank stock, Federal Home Loan Bank stock, and other equity securities held by the Corporation are not included in this table.

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ers. The Committee utilizes several approaches for measuring its risk, including duration and value at risk.

At December 31, 1998, the Corporation's trading portfolio represented 1.4% of total assets or $319 million as compared with 1.2% or $222 million at December 31, 1997, and was composed of the following:

<TABLE>
<CAPTION>

	Amount	Weighted Average Yield
	(In thousands)	
<S>	<C>	<C>
Mortgage-backed securities	$169,617	6.64%
Commercial paper	102,323	4.97
U.S. Treasury and agencies	21,224	5.53
Puerto Rico Government obligations	9,551	4.34
Other	16,012	5.54

	$318,727	5.91%

</TABLE>

As of December 31, 1998, the trading portfolio of the Corporation had an estimated duration of 3.97 years and a one-month value at risk of $6.7 million, assuming a confidence level of 95%.

Foreign Exchange

In the course of its business, the Corporation occasionally enters into foreign exchange transactions. These transactions are executed as an intermediary primarily for its commercial and retail clients, and any foreign exchange positions assumed by the Corporation as a result are offset in the currency markets. Management therefore believes that the market risk assumed by the Corporation in its foreign currency transactions is not significant.

During 1998, the Corporation became the largest shareholder of BF, with the acquisition of 45% of their common stock. BF is the Dominican Republic's fourth largest banking institution, and its primary business is offering retail and commercial banking services. Most of BF's business is conducted in Dominican pesos (DR$). Local regulations limit the ability of BF to assume unhedged foreign currency positions. The value of the Corporation's investment in BF may be affected prospectively by fluctuations in future exchange rates between the DR$ and US$. However, management does not expect future fluctuations between these two currencies to affect materially the value of the Corporation's investment in BF.

LIQUIDITY RISK

Liquidity refers to the ability to fund current operations as well as future growth. The Corporation utilizes various sources of funding to help ensure that adequate levels of liquidity are always available. Diversification of funding sources is a major priority, as it helps protect the liquidity of the Corporation from market disruptions. Management tries to diversify the sources of financing used by the Corporation in order to avoid undue reliance on any particular source. Since the duration and repricing characteristics of the Corporation's borrowings determine to a major extent the overall interest rate risk of the Corporation, they are actively managed.

TABLE L
Average Total Deposits
<TABLE>
<CAPTION>

	For the Year					
(In thousands)	1998	1997	1996	1995	1994	Five-Year C.G.R.
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Private demand	$2,261,232	$1,972,052	$1,726,596	$1,571,405	$1,515,158	8.34%
Public demand	346,293	317,248	321,249	268,317	273,565	4.83
Other non-interest bearing accounts	4,251	4,367	5,910	5,983	6,967	(9.41)
Non-interest bearing	2,611,776	2,293,667	2,053,755	1,845,705	1,795,690	7.78
Savings accounts	3,748,599	3,393,279	3,095,898	2,913,380	2,839,300	5.71
NOW and money market accounts	1,472,533	1,281,298	1,148,727	1,102,593	1,133,106	5.38
Savings deposits	5,221,132	4,674,577	4,244,625	4,015,973	3,972,406	5.62
Certificates of deposit:						
Under $100,000	2,155,391	1,216,583	1,307,323	1,281,873	1,160,063	13.19
$100,000 and over	1,421,456	1,865,720	1,371,928	1,034,195	590,305	19.22
936	369,530	508,789	1,020,064	999,384	1,007,147	(18.17)
Certificates of deposit	3,946,377	3,591,092	3,699,315	3,315,452	2,757,515	7.43
Public time	289,738	215,243	238,377	175,706	177,534	10.29
Other time	201,078	216,978	225,724	229,315	134,081	8.44
Other time deposits	490,816	432,221	464,101	405,021	311,615	9.51
Interest bearing	9,658,325	8,697,890	8,408,041	7,736,446	7,041,536	6.52
Total	$12,270,101	$10,991,557	$10,461,796	$9,582,151	$8,837,226	6.78%

</TABLE>

The Corporation raises its funding from a combination of retail and wholesale markets. Retail sources of funds include retail and commercial demand deposit accounts as well as time deposits and savings accounts. These are the primary sources of funds for the Corporation and are usually more stable than financing from institutional sources. Deposits tend to be less volatile than institutional borrowings and their cost is less sensitive to changes in market rates.

The extensive branch network of the Corporation in the Puerto Rico market and its rapidly expanding network in major U.S. markets, have enabled it to maintain a significant and stable base of deposits. Deposits are the primary source of funding, although wholesale borrowings are an increasingly important source. At December 31, 1998, the Corporation's core deposits amounted to $11.5 billion or 83.8% of total deposits, an increase of $1.7 billion or 17.7% from the same date a year ago. Certificates of deposits with denominations of $100,000 and over as of December 31, 1998, totaled $2.2 billion, or 16.2% of total deposits. Their distribution by maturity was as follows:

<TABLE>
<CAPTION>

<S>	<C> (In thousands)
3 months or less	$ 1,453,213
3 to 6 months	204,281
6 to 12 months	218,727
over 12 months	332,126
	$ 2,208,347

</TABLE>

For further details on average deposits for the last five years, please refer to Table L.

Wholesale or institutional sources of funds include the repo, federal funds and eurodollar markets, commercial paper, senior debentures and asset securitizations. Notes 9 through 15 to the consolidated financial statements present details of the Corporation's deposits and borrowings by type, as of December 31, 1998 and 1997.

The Corporation's assets, particularly the investment portfolio, are also an important source of liquidity. The portfolio consists primarily of U.S. Treasury and Agency securities, which can be used to raise funds in the repo markets. As of December 31, 1998, the entire investment portfolio totaled $7.2 billion, of which, $3.2 billion or 44.6% has an expected maturity of one year or less. Also, refer to Notes 3 and 4 to the consolidated financial statements for further information on the composition of the available-for-sale and held-to-maturity investment portfolios.

The Corporation's loan portfolio is another liquidity source since it generates substantial cash flow as a result of principal and interest payments and principal prepayments. In particular, mortgage loans and some types of consumer loans have active secondary markets and can be sold outright, which the Corporation does with mortgage loans on a regular basis. Table K presents a maturity distribution of the loan portfolio as of De-

cember 31, 1998. As of that date $4.8 billion or 36.6% of the loan portfolio matured within one year.

CREDIT RISK MANAGEMENT AND LOAN QUALITY

One of the Corporation's primary risk exposures is its credit risk, which represents the possibility of loss from the failure of a borrower or counterparty to perform according to the terms of a credit-related contract. The Corporation controls and monitors this risk with policies, procedures and various levels of managerial involvement.

The Corporation has a Credit Strategy Committee (CRESCO) that oversees all credit-related activities. This committee is responsible for managing the Corporation's overall credit exposure and for developing credit policies, standards and guidelines that define, quantify, and monitor credit risk. Also, the Corporation has an independent Credit Risk Management Division, which performs ongoing independent reviews of specific loans for credit quality, proper documentation and risk management purposes. This division is centralized and independent of the lending function. It also manages the credit rating system and tests the adequacy of the allowance for loan losses in accordance with generally accepted accounting principles (GAAP) and regulatory standards. The strategies utilized to manage credit risk include the adherence to policies and procedures established for the initial underwriting of the credit portfolio, followed by the ongoing monitoring of the portfolio, including the early identification of potential problems and their resolution. Furthermore, the Corporation continues emphasizing the development of the credit staff skills and knowledge and improving the processing technology.

Credit extensions are approved by credit officers of the respective lending departments. The number and level of officers approval depend on the dollar amount and risk characteristics of the credit facility. The Corporation obtains collateral to support credit extensions and commitments, whenever it is considered necessary. The amount of collateral obtained is based on the credit assessment of the customer, and may include real or personal property, accounts receivable, inventory and cash on deposit.

The Corporation's credit risk arises primarily from its $13.1 billion loan portfolio which, as of December 31, 1998, represented 60.6% of earning assets. The loan portfolio is well-balanced as the Corporation's credit policies and procedures emphasize diversification among geographical areas, business and industry groups, to minimize the adverse impact of any single event or set of occurrences. The credit risk exposure is spread among individual consumers, small commercial loans and a diverse base of borrowers engaged in a wide variety of businesses.

The Corporation has over 870,000 consumer loans and over 42,000 commercial lending relationships. Only 62 of these relationships have loans outstanding over $10 million. Highly leveraged transactions and credit facilities to finance speculative real estate ventures are minimal and there are no LDC loans.

The following risk concentration categories existed at year-end:

Geographic Risk - The asset and revenue composition of the Corporation by geographical area and by business line segments at December 31, 1998, 1997 and 1996 is further presented in Note 27 to the consolidated financial statements. At December 31, 1998, the Corporation's commercial banking subsidiaries, its principal business, operated 198 branches in Puerto Rico, seven in the U.S. Virgin Islands, one in the British Virgin Islands and 89 in the United States throughout the states of Illinois, California, Florida, Texas, New York and New Jersey. Puerto Rico's economic outlook is generally similar to that of the mainland, and the Government of the Island and its instrumentalities are all investment-grade rated borrowers in the United States capital markets. Meanwhile, the Corporation continues diversifying its geographical risk through several acquisitions of banking and retail financial service institutions throughout different states in the mainland as described in the Overview section and Note 1 to the consolidated financial statements. Moreover, in 1998 the Corporation expanded its operations in the Caribbean with the acquisition of 45% of BF in the Dominican Republic.

Consumer Credit Risk - Consumer credit risk arises from exposures to credit card receivables, home mortgages, personal loans and other installment credit facilities. At December 31, 1998, consumer and residential mortgage loans amounted to $3.2 billion and $3.4 billion, respectively, with $1.6 million in unused credits card lines. At December 31, 1998, the secured consumer loan portfolio was $1.1 billion or 33.9% of the total consumer portfolio.

Industry Risk - Total commercial loans, including commercial real estate and construction loans, amounted to $5.9 billion at year-end. The Corporation's strategy to emphasize the use of collateral has resulted in a secured commercial and construction loan portfolio comprised of approximately $1.6 billion, or 27.6% of the total commercial and construction loan portfolios. These loans are secured by cash and real estate, consisting primarily of residential, owner-occupied and income producing properties. Also, at December 31, 1998, the Corporation had $2.2 billion in unused commitments under lines of credit to commercial, industrial and agricultural concerns. Commercial and standby letters of credit totaled $107 million at December 31, 1998. There are no significant concentrations in any one industry with a substantial portion of the customers having credit needs of less than $100,000.

Government Risk - As of December 31, 1998, $5.2 billion of the investment securities represented exposure to the U.S. Government in the form of U.S. Treasury securities and obligations of U.S. Government agencies and corporations.

TABLE M
Non-Performing Assets

<TABLE>

<CAPTION>

(Dollars in thousands)	As of December 31, 1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Commercial, industrial and agricultural	$142,371	$106,982	$ 82,381	$ 90,055	$ 53,553
Construction	144	2,704	2,000	4,733	7,994
Lease financing	4,937	1,569	1,599	5,606	4,027
Mortgage	68,527	53,449	43,955	32,066	16,510
Consumer	46,626	30,840	16,320	14,827	12,179
Renegotiated accruing loans	578		3,308	2,742	2,982
Other real estate	32,693	18,012	6,076	7,807	10,390
Total	$295,876	$213,556	$155,639	$157,836	$107,635
Accruing loans past-due 90 days or more	$ 24,426	$ 20,967	$ 12,270	$ 11,660	$ 15,012
Non-performing assets to loans	2.26%	1.88%	1.59%	1.82%	1.38%
Non-performing loans to loans	2.01	1.72	1.50	1.70	1.21
Non-performing assets to assets	1.28	1.11	0.93	1.01	0.84
Interest lost	$ 15,258	$ 11,868	$ 7,696	$ 7,135	$ 5,441

</TABLE>

Note: The Corporation's policy is to place commercial and construction loans on non-accrual status if payments of principal or interest are past-due 60 days or more. Lease financing receivables and conventional residential mortgage loans are placed on non-accrual status if payments are delinquent 90 days or more. Close-end consumer loans are placed on non-accrual when they become 90 days or more past-due and are charged-off when they are 120 days past-due. Open-end consumer loans are not placed on non-accrual status and are charged-off when they are 180 days past-due. Loans past-due 90 days or more and still accruing are not considered as non-performing loans.

In addition, $85 million of residential mortgages and $437 million in commercial loans were insured or guaranteed by the U.S. Government or its agencies. The Corporation is one of the largest SBA lenders in the United States. Furthermore, there was $119 million of investment securities representing obligations of the Puerto Rico Government and political subdivisions thereof, $56 million of loans issued to or guaranteed by these same entities and $27 million of loans issued to or guaranteed by the U.S. Virgin Islands' Government.

NON-PERFORMING ASSETS

Non-performing assets consist of past-due loans on which no interest income is being accrued, renegotiated loans and other real estate. The Corporation's policy is to place commercial loans on non-accrual status if payments of principal or interest are delinquent 60 days rather than the standard industry practice of 90 days. Financing leases, conventional mortgages and close-end consumer loans are placed on non-accrual status if payments are delinquent 90 days. Closed-end consumer loans are charged-off when payments are delinquent 120 days. Open end (revolving credit) consumer loans are charged-off if payments are delinquent 180 days. Certain loans which would be treated as non-accrual loans pursuant to the foregoing policy, are treated as accruing loans if they are considered well-secured and in the process of collection. Under the standard industry practice, close-end consumer loans are charged-off when delinquent 120 days, but are not customarily placed on non-accrual status prior to being charged-off.

As shown on Table M, all loan categories reflected increases as compared with December 31, 1997, except for construction loans.

The rise in non-performing commercial loans was mainly attributed to the inclusion of $20 million in non-performing commercial loans of BF and $3.4 million of the banking operations acquired in the United States during the year. In both cases, the increases are mainly the result of implementing the Corporation's more conservative non-accrual policy, as explained above, to the acquired portfolios and the implementation of U.S. generally accepted accounting principles to BF's portfolio. Also, there was an increase of 21.7% in the size of the commercial loan portfolio.

Non-performing consumer loans increased principally as a result of the inclusion of $10 million in non-performing consumer loans of BF and the high level of personal bankruptcies in Puerto Rico and the U.S. mainland. Bankruptcy filings in U.S. federal courts, including Puerto Rico, rose 3 percent in 1998, breaking the record set the previous year. Personal filings continued to drive the increase, climbing in 1998 to approximately 1.4 million filings, a 3.6% increase from 1997. Personal bankruptcies represented 96.9% of all filings in 1998.

In the non-performing mortgage loan category, the banking operations in Puerto Rico and the Virgin Islands increased $9 million since 1997. Similarly, the operations in the United States

TABLE N
Allowance for Loan Losses and Selected Loan Losses Statistics

<TABLE>
<CAPTION>

(Dollars in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of year	$ 211,651	$ 185,574	$ 168,393	$ 153,798	$ 133,437
Allowances purchased	31,296	13,237	402		3,473
Provision for loan losses	137,213	110,607	88,839	64,558	53,788
	380,160	309,418	257,634	218,356	190,698
Losses charged to the allowance:					
Commercial	45,643	55,734	38,017	34,383	27,435
Construction	190	600	2,369	2,046	1,794
Lease financing	23,484	23,085	22,129	6,979	6,860
Mortgage	2,718	2,612	2,189	1,618	1,310
Consumer	92,646	65,559	43,257	33,681	29,545
	164,681	147,590	107,961	78,707	66,944
Recoveries:					
Commercial	17,844	18,385	11,498	9,404	6,950
Construction	337	122	207	288	1,374
Lease financing	14,998	15,890	9,749	2,342	3,514
Mortgage	323	356	295	243	5
Consumer	18,268	15,070	14,152	16,467	18,201
	51,770	49,823	35,901	28,744	30,044
Net loans charged-off	112,911	97,767	72,060	49,963	36,900
Balance at end of year	$ 267,249	$ 211,651	$ 185,574	$ 168,393	$ 153,798
Loans:					
Outstanding at year end	$13,078,795	$11,376,607	$9,779,028	$8,677,484	$7,781,329
Average	11,930,621	10,548,207	9,210,964	8,217,834	7,107,746
Ratios:					
Allowance for loan losses to year end loans	2.04%	1.86%	1.90%	1.94%	1.98%
Recoveries to charge-offs	31.44	33.76	33.25	36.52	44.88
Net charge-offs to average loans	0.95	0.93	0.78	0.61	0.52
Net charge-offs earnings coverage	3.93x	4.04x	4.79x	5.42x	6.21x
Allowance for loan losses to net charge-offs	2.37	2.16	2.58	3.37	4.17
Provision for loan losses to:					
Net charge-offs	1.22	1.13	1.23	1.29	1.46
Average loans	1.15%	1.05%	0.96%	0.79%	0.76%
Allowance to non-performing assets	90.32	99.11	119.23	106.69	142.89

</TABLE>

rose $6 million in non-performing mortgage loans. Higher loan volumes and the increased level of personal bankruptcies were leading factors for the increase.

The increase in the other real estate category was principally the result of the inclusion of $8 million from BF and an increase of $6 million at Equity One.

Assuming the standard industry practice of placing commercial loans on non-accrual status when payments of principal and interest are past due 90 days or more and excluding the closed-end consumer loans from non-accruing, the Corporation's non-performing assets at December 31, 1998, would have been $227 million or 1.73% of loans, and the allowance for loan losses would have been 119.8% of non-performing assets. At December 31, 1997 and 1996, adjusted non-performing assets would have been $167 million or 1.47% of loans and $117 million or 1.19% of loans, respectively. The allowance for loan losses as a percentage of non-performing assets as of December 31, 1997 and 1996, would have been 126.9% and 159.0%, respectively.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at a level sufficient to provide for estimated loan losses based on evaluations of known and inherent risks in the loan portfolio. The Corporation's management evaluates the adequacy of the allowance for loan losses on a monthly basis. In determining the allowance, management considers the portfolio risk characteristics, prior loss experience, prevailing and projected economic conditions and loan impairment measurement. A loan is considered impaired when, based on the current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. At December 31, 1998 and 1997, the portion of the allowance for loan losses related to impaired loans was $36 million and $19 million, respectively. Please refer to Notes 1 and 6 to the consolidated financial statements for further information related to impaired loans.

At December 31, 1998, the allowance for loan losses was $267 million or 2.04% of loans, compared with $212 million or 1.86% at the same date in 1997. At December 31, 1996, the allowance was $186 million or 1.90% of loans. The increase resulted from the inclusion of BF, which has a higher ratio of allowance to cover potential losses, as it is considered a higher risk portfolio. Based on current and expected economic conditions, the expected level of net loan losses and the methodology established to evaluate the adequacy of the allowance for loan losses, management considers that the Corporation's level of the allowance for loan losses is adequate.

Broken down by major loan categories, the allowance for the last five years was as follows:

ALLOWANCE FOR LOAN LOSSES
AT DECEMBER 31,
(IN MILLIONS)

	1998	1997	1996	1995	1994
Commercial	$130.2	$101.5	$ 91.8	$ 82.6	$ 73.8
Construction	11.6	10.6	10.5	11.0	10.8
Lease financing	8.3	5.9	3.4	6.4	6.5
Consumer	103.1	82.8	69.6	60.6	56.7
Mortgage	14.0	10.9	10.3	7.8	6.0
	$267.2	$211.7	$185.6	$168.4	$153.8

Table N summarizes the movement in the allowance for loan losses and presents selected loan loss statistics for the past five years. As this table demonstrates, net loan losses for the year totaled $112.9 million or 0.95% of average loans, an increase of $15.1 million or 15.5% from amounts reported in 1997. The rise primarily reflected higher net charge-offs in the consumer loan portfolio. This rise was partially offset by a reduction in net losses in the commercial loan portfolio.

Consumer loans net charge-offs totaled $74.4 million, or 2.41% of average consumer loans for 1998, compared with $50.5 million, or 1.76% of average consumer loans for 1997. The increase in consumer loans net charge-offs was principally due to higher levels of bankruptcies in the U.S. mainland and Puerto Rico which is indicative of general market trends. BPPR had total net charge-offs of $54.4 million in its consumer loan portfolio, compared with $37.8 million in 1997. Also, the increase in the net charge-offs resulted from the write-off of $3.9 million of a portfolio of credit cards in the U.S. Total net losses for the Corporation in its credit card portfolio amounted to approximately $20.6 million in 1998, compared with $15.6 million in 1997.

Commercial loans net charge-offs amounted to $27.8 million in 1998, compared with $37.3 million a year earlier. As a percentage of average commercial loans, this figure decreased to 0.53% in 1998 from 0.84% in 1997. The decrease in commercial loans net losses was mostly at BPPR and is mainly the result of the Corporation's conservative charge-off policy applied to loans acquired during 1997, particularly from Roig Commercial Bank, and to greater collection efforts and improvements in the credit quality of the portfolio.

Popular, Inc.

Statistical Summary 1994-1998
Statements of Condition

<TABLE>
<CAPTION>

(In thousands)	As of December 31, 1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Cash and due from banks	$ 667,707	$ 463,151	$ 492,368	$ 458,173	$ 442,316
Money market investments:					
Federal funds sold and securities and mortgages purchased under agreements to resell	910,430	802,803	778,597	796,417	265,000
Time deposits with other banks	37,206	9,013	19,023	100	100
Bankers' acceptances	262	2,274	2,656	2,202	570
	947,898	814,090	800,276	798,719	265,670
Trading securities	318,727	222,303	292,150	330,674	1,670
Investment securities available-for-sale, at market value	7,020,396	5,239,005	3,415,934	3,209,974	839,226
Investment securities held-to-maturity, at cost	226,134	408,993	1,197,066	1,651,344	2,955,911
Loans held-for-sale	644,159	265,204	255,129	112,806	10,296
Loans	12,783,609	11,457,675	9,854,911	8,883,963	8,066,954
Less-Unearned income	348,973	346,272	331,012	319,285	295,921
Allowance for loan losses	267,249	211,651	185,574	168,393	153,798
	12,167,387	10,899,752	9,338,325	8,396,285	7,617,235
Premises and equipment	424,721	364,892	356,697	325,203	324,160
Other real estate	32,693	18,012	6,076	7,807	10,390
Customers' liabilities on acceptances	15,937	1,801	3,100	2,208	902
Accrued income receivable	156,314	118,677	95,487	113,539	78,765
Other assets	263,992	252,040	380,247	125,742	103,088
Intangible assets	274,292	232,587	131,248	142,977	128,729
	$23,160,357	$19,300,507	$16,764,103	$15,675,451	$12,778,358
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Deposits:					
Non-interest bearing	$ 3,176,309	$ 2,546,836	$ 2,330,704	$ 2,021,658	$ 1,949,244
Interest bearing	10,495,905	9,202,750	8,432,571	7,855,004	7,063,191
	13,672,214	11,749,586	10,763,275	9,876,662	9,012,435
Federal funds purchased and securities sold under agreements to repurchase	4,076,500	2,723,329	1,875,465	3,000,878	1,438,038
Other short-term borrowings	1,639,082	1,287,435	1,404,006	454,707	573,841
Notes payable	1,307,160	1,403,696	986,713	730,428	459,524
Senior debentures			30,000	30,000	30,000
Acceptances outstanding	15,937	1,801	3,100	2,208	902
Other liabilities	437,760	356,568	314,012	263,871	211,195
	21,148,653	17,522,415	15,376,571	14,358,754	11,725,935
Subordinated notes	125,000	125,000	125,000	175,000	50,000
Preferred beneficial interest in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000			
Minority interest in consolidated subsidiary	27,591				
Stockholders' equity:					
Preferred stock	100,000	100,000	100,000	100,000	100,000
Common stock	825,690	412,029	396,531	197,692	197,029
Surplus	216,795	602,023	496,582	427,282	409,445
Retained earnings	530,481	395,253	267,719	350,480	272,458
Treasury stock - at cost	(39,559)	(39,559)			
Accumulated other comprehensive income, net of deferred tax	75,706	33,346	1,700	16,243	(19,366)
Capital reserves				50,000	42,857

	1,709,113	1,503,092	1,262,532	1,141,697	1,002,423
	$23,160,357	$19,300,507	$16,764,103	$15,675,451	$12,778,358

</TABLE>

Statistical Summary 1994-1998
Statements of Income

<TABLE>
<CAPTION>

(In thousands, except per common share information)	For the year ended December 31, 1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
INTEREST INCOME:					
Loans	$ 1,211,850	$ 1,080,408	$ 924,076	$ 813,137	$ 667,047
Money market investments	36,781	33,923	46,697	23,077	5,186
Investment securities	385,473	358,736	280,610	259,941	214,611
Trading account securities	17,599	18,236	21,470	9,652	297
Total interest income	1,651,703	1,491,303	1,272,853	1,105,807	887,141
Less - Interest expense	778,691	707,348	591,540	521,624	351,633
Net interest income	873,012	783,955	681,313	584,183	535,508
Provision for loan losses	137,213	110,607	88,839	64,558	53,788
Net interest income after provision for loan losses	735,799	673,348	592,474	519,625	481,720
Gain on sale of investment securities	8,933	2,268	3,094	5,368	224
Trading account profit	3,653	3,934	108	1,785	227
All other operating income	278,660	241,396	202,270	166,185	140,852
	1,027,045	920,946	797,946	692,963	623,023
OPERATING EXPENSES:					
Personnel costs	337,400	306,893	273,247	249,075	225,747
All other operating expenses	382,954	330,027	268,672	237,758	222,099
	720,354	636,920	541,919	486,833	447,846
Net loss of minority interest	328				
Income before tax and dividends on preferred stock of BPPR	307,019	284,026	256,027	206,130	175,177
Income tax	74,671	74,461	70,877	59,769	50,043
Income before dividends on preferred stock of BPPR	232,348	209,565	185,150	146,361	125,134
Dividends on preferred stock of BPPR					385
NET INCOME	$ 232,348	$ 209,565	$ 185,150	$ 146,361	$ 124,749
NET INCOME APPLICABLE TO COMMON STOCK	$ 223,998	$ 201,215	$ 176,800	$ 138,011	$ 120,504
EARNINGS PER COMMON SHARE*	$ 1.65	$ 1.50	$ 1.34	$ 1.05	$ 0.92
Cash dividends declared per common share outstanding	$ 0.50	$ 0.40	$ 0.35	$ 0.29	$ 0.25

</TABLE>

*The average common shares used in the computation of earnings and cash dividend per common share were 135,532,086 for 1998; 134,036,964 for 1997; 132,044,624 for 1996; 131,632,600 for 1995; and 131,192,972 for 1994.

Statistical Summary 1994-1998
Average Balance Sheet and Summary of Net Interest Income

<TABLE>
<CAPTION>

On a Taxable Equivalent Basis*

(Dollars in thousands)	1998			1997		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	Average Balance	Interest	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest earning assets:						
Federal funds sold and securities and mortgages purchased under agreements to resell	$ 670,072	$ 31,814	4.75%	$ 595,715	$ 31,504	5.29%
Time deposits with other banks	82,935	4,889	5.89	34,271	2,181	6.36
Bankers' acceptances	778	78	10.03	2,463	238	9.66
Total money market investments	753,785	36,781	4.88	632,449	33,923	5.36
U.S. Treasury securities	3,227,375	231,837	7.18	3,553,347	249,739	7.03
Obligations of other U.S. Government agencies and corporations	1,477,168	111,332	7.54	967,973	69,709	7.20
Obligations of Puerto Rico, States and political subdivisions	136,824	9,272	6.78	141,625	9,716	6.86
Collateralized mortgage obligations and mortgage-backed securities	1,318,097	81,970	6.22	1,150,214	72,245	6.28
Other	130,861	14,015	10.71	114,201	7,718	6.76
Total investment securities	6,290,325	448,426	7.13	5,927,360	409,127	6.90
Trading account securities	287,218	18,943	6.60	301,618	19,770	6.55
Loans (net of unearned income)	11,930,621	1,218,849	10.22	10,548,207	1,087,466	10.31
Total interest earning assets/ Interest income	19,261,949	1,722,999	8.95%	17,409,634	1,550,286	8.90%
Total non-interest earning assets	1,170,433			1,009,510		
TOTAL ASSETS	$20,432,382			$18,419,144		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest bearing liabilities:						
Savings and NOW accounts	$ 5,221,132	$ 163,805	3.14%	$ 4,674,577	$ 147,321	3.15%
Other time deposits	4,437,193	247,687	5.58	4,023,313	219,207	5.45
Short-term borrowings	4,622,549	251,724	5.45	4,280,900	237,738	5.55
Mortgages and notes payable	1,371,372	93,846	6.84	1,345,650	83,936	6.24
Subordinated notes	125,000	8,555	6.84	125,000	8,558	6.85
Guaranteed preferred beneficial interest in Popular North America's subordinated debentures	150,000	13,074	8.72	122,877	10,588	8.62
Total interest bearing liabilities/ Interest expense	15,927,246	778,691	4.89	14,572,317	707,348	4.85
Total non-interest bearing liabilities	2,951,878			2,475,843		
Total liabilities	18,879,124			17,048,160		
Preferred stock of BPPR						
Stockholders' equity	1,553,258			1,370,984		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$20,432,382			$18,419,144		
Net interest income on a taxable equivalent basis		$ 944,308			$ 842,938	
Cost of funding earning assets			4.04%			4.06%
Net interest yield			4.91%			4.84%
Effect of the taxable equivalent adjustment		71,296			58,983	
Net interest income per books		$ 873,012			$ 783,955	

</TABLE>

* Shows the effect of the tax exempt status of some loans and investments on

their yield, using the applicable statutory income tax rates. The computation considers the interest expense disallowance as required by the Puerto Rico Internal Revenue Code. This adjustment is shown in order to compare the yields of the tax exempt and taxable assets on a taxable basis.
Note: Average loan balances include the average balance of non-accruing loans. No interest income is recognized for these loans in accordance with the Corporation's policy.

<TABLE>
<CAPTION>

1996			1995			1994		
Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$878,138	$45,704	5.20%	$399,413	$22,823	5.71%	$114,215	$4,858	4.25%
12,562	770	6.13	2,661	165	6.20	4,916	300	6.10
2,202	223	10.13	941	89	9.46	332	28	8.43
892,902	46,697	5.23	403,015	23,077	5.73	119,463	5,186	4.34
3,198,912	222,520	6.96	2,893,797	197,554	6.83	2,657,975	164,102	6.17
531,711	34,725	6.53	428,563	30,912	7.21	526,687	33,969	6.45
231,363	11,224	4.85	247,176	14,798	5.99	259,534	14,074	5.42
772,278	46,434	6.01	727,175	47,191	6.49			
95,985	5,483	5.71	171,013	6,491	3.80	712,972	37,535	5.26
4,830,249	320,386	6.63	4,467,724	296,946	6.65	4,157,168	249,680	6.01
372,196	23,004	6.18	155,597	9,831	6.32	5,303	368	6.94
9,210,964	930,891	10.11	8,217,834	820,003	9.98	7,107,746	672,974	9.47
15,306,311	1,320,978	8.63%	13,244,170	1,149,857	8.68%	11,389,680	928,208	8.15%
994,771			874,013			835,850		
$16,301,082			$14,118,183			$12,225,530		
$4,244,625	$131,499	3.10%	$4,015,973	$126,548	3.15%	$3,972,406	$116,858	2.94%
4,163,416	218,722	5.25	3,720,473	203,235	5.46	3,069,130	130,868	4.26
3,464,892	184,682	5.33	2,600,246	141,522	5.44	1,856,649	77,537	4.18
757,604	46,417	6.13	598,027	46,149	7.72	376,570	22,420	5.95
147,951	10,220	6.91	56,850	4,170	7.34	56,082	3,950	7.04
12,778,488	591,540	4.63	10,991,569	521,624	4.75	9,330,837	351,633	3.77
2,329,088			2,056,132			1,964,399		
15,107,576			13,047,701			11,295,236		
						5,425		
1,193,506			1,070,482			924,869		
$16,301,082			$14,118,183			$12,225,530		
	$729,438			$628,233			$576,575	
		3.86%			3.94%			3.09%
		4.77%			4.74%			5.06%
	48,125			44,050			41,067	

$681,313	$584,183	$535,508

</TABLE>

Statistical Summary 1997-1998
Quarterly Financial Data

<TABLE>
<CAPTION>

	1998				1997			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SUMMARY OF OPERATIONS (In thousands, except per common share information)								
Interest income	$441,649	$410,821	$402,865	$396,368	$404,619	$393,414	$359,005	$ 334,265
Interest expense	210,774	195,780	188,473	183,664	194,919	190,409	168,399	153,621
Net interest income	230,875	215,041	214,392	212,704	209,700	203,005	190,606	180,644
Provision for loan losses	35,457	34,667	33,524	33,565	31,657	29,849	25,413	23,688
Non-interest income	75,723	69,668	69,837	67,084	68,684	65,790	54,941	55,915
Gain (loss) on sale of investment securities	465	4,553	3,049	867	2,122	519	1,286	(1,659)
Non-interest expense	194,311	178,618	175,045	172,380	175,408	167,341	152,046	142,125
Net loss of minority interest	328							
Income Before Income Taxes	77,623	75,977	78,709	74,710	73,441	72,124	69,374	69,087
Income taxes	15,111	18,397	21,248	19,915	18,119	18,511	18,283	19,548
Net income	$ 62,512	$ 57,580	$ 57,461	$ 54,795	$ 55,322	$ 53,613	$ 51,091	$ 49,539
Net income applicable to common stock	$ 60,423	$ 55,493	$ 55,374	$ 52,708	$ 53,234	$ 51,526	$ 49,003	$ 47,452
Net income per common share	$ 0.44	$ 0.41	$ 0.41	$ 0.39	$ 0.39	$ 0.38	$ 0.37	$ 0.36
SELECTED AVERAGE BALANCES (In millions)								
Total assets	$ 21,939	$ 20,344	$ 19,935	$ 19,486	$ 19,745	$ 19,348	$ 17,625	$ 16,917
Loans	12,699	11,928	11,615	11,467	11,196	11,034	10,164	9,778
Interest earning assets	20,697	19,215	18,770	18,341	18,698	18,315	16,729	15,856
Deposits	12,986	12,082	12,196	11,805	11,536	11,318	10,620	10,477
Interest bearing liabilities	17,071	15,946	15,338	15,033	15,717	15,639	13,737	13,147
SELECTED RATIOS								
Return on assets	1.13%	1.12%	1.16%	1.14%	1.11%	1.10%	1.16%	1.19%
Return on equity	15.84	14.94	15.50	15.36	15.56	15.46	16.07	16.32

</TABLE>

[PRICEWATERHOUSECOOPERS LOGO]

REPORT OF INDEPENDENT ACCOUNTANTS

March 5, 1999

To the Board of Directors
and Stockholders of
Popular, Inc.

In our opinion, the accompanying consolidated statements of condition and the related consolidated statements of income, of cash flows and of changes in stockholders' equity present fairly, in all material respects, the financial position of Popular, Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/S/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Juan, Puerto Rico

Stamp 1537428 of the P.R.
Society of Certified Public
Accountants has been affixed
to the file copy of this report.

CONSOLIDATED STATEMENTS OF CONDITION

<TABLE>
<CAPTION>

(Dollars in thousands, except per share information)	December 31, 1998	December 31, 1997
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$ 667,707	$ 463,151
Money market investments:		
Federal funds sold and securities and mortgages purchased under agreements to resell	910,430	802,803
Time deposits with other banks	37,206	9,013
Bankers' acceptances	262	2,274
	947,898	814,090
Trading securities, at market value	318,727	222,303
Investment securities available-for-sale, at market value	7,020,396	5,239,005
Investment securities held-to-maturity, at cost (market value $228,039; 1997 - $409,798)	226,134	408,993
Loans held-for-sale	644,159	265,204
Loans	12,783,609	11,457,675
Less -Unearned income	348,973	346,272
Allowance for loan losses	267,249	211,651
	12,167,387	10,899,752
Premises and equipment	424,721	364,892
Other real estate	32,693	18,012
Customers' liabilities on acceptances	15,937	1,801
Accrued income receivable	156,314	118,677
Other assets	263,992	252,040
Intangible assets	274,292	232,587
	$ 23,160,357	$ 19,300,507
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 3,176,309	$ 2,546,836
Interest bearing	10,495,905	9,202,750
	13,672,214	11,749,586
Federal funds purchased and securities sold under agreements to repurchase	4,076,500	2,723,329
Other short-term borrowings	1,639,082	1,287,435
Notes payable	1,307,160	1,403,696

Acceptances outstanding	15,937	1,801
Other liabilities	437,760	356,568
	21,148,653	17,522,415
Subordinated notes	125,000	125,000
Preferred beneficial interest in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000
Minority interest in consolidated subsidiary	27,591	
Stockholders' equity:		
Preferred stock, $25 liquidation value; 10,000,000 shares authorized; 4,000,000 issued and outstanding	100,000	100,000
Common stock, $6 par value; authorized 180,000,000 shares; issued and outstanding 135,637,327 (1997-135,365,408)	825,690	412,029
Surplus	216,795	602,023
Retained earnings	530,481	395,253
Accumulated other comprehensive income, net of deferred taxes of $25,101 (1997 - $11,180)	75,706	33,346
Treasury stock-at cost, 1,977,600 shares	(39,559)	(39,559)
	1,709,113	1,503,092
	$ 23,160,357	$ 19,300,507

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Year ended December 31,		
	1998	1997	1996
	(In thousands, except per share information)		
<S>	<C>	<C>	<C>
INTEREST INCOME:			
Loans	$1,211,850	$1,080,408	$ 924,076
Money market investments	36,781	33,923	46,697
Investment securities	385,473	358,736	280,610
Trading securities	17,599	18,236	21,470
	1,651,703	1,491,303	1,272,853
INTEREST EXPENSE:			
Deposits	411,492	366,528	350,221
Short-term borrowings	251,724	237,738	184,682
Long-term debt	115,475	103,082	56,637
	778,691	707,348	591,540
Net interest income	873,012	783,955	681,313
Provision for loan losses	137,213	110,607	88,839
Net interest income after provision for loan losses	735,799	673,348	592,474
Service charges on deposit accounts	103,732	94,141	85,846
Other service fees	116,575	98,650	77,071
Gain on sale of investment securities	8,933	2,268	3,094
Trading account profit	3,653	3,934	108
Other operating income	58,353	48,605	39,353
	1,027,045	920,946	797,946
OPERATING EXPENSES:			
Personnel costs:			
Salaries	247,590	211,741	185,946
Profit sharing	22, 067	25,684	22,692
Pension and other benefits	67,743	69,468	64,609
	337,400	306,893	273,247
Net occupancy expense	48,607	39,617	36,899
Equipment expenses	75,302	66,446	57,186
Other taxes	32,191	30,283	23,214

Professional fees	58,087	46,767	36,953
Communications	36,941	33,325	26,470
Business promotion	39,376	33,569	26,229
Printing and supplies	17,604	15,539	11,964
Other operating expenses	46,986	41,607	31,703
Amortization of intangibles	27,860	22,874	18,054
	720,354	636,920	541,919
Net loss of minority interest	328		
Income before income tax	307,019	284,026	256,027
Income tax	74,671	74,461	70,877
NET INCOME	$ 232,348	$ 209,565	$ 185,150
NET INCOME APPLICABLE TO COMMON STOCK	$ 223,998	$ 201,215	$ 176,800
NET INCOME PER COMMON SHARE (BASIC AND DILUTED)	$ 1.65	$ 1.50	$ 1.34

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended December 31,		
	1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 232,348	$ 209,565	$ 185,150
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization of premises and equipment	62,649	54,523	48,481
Provision for loan losses	137,213	110,607	88,839
Amortization of intangibles	27,860	22,874	18,054
Gain on sale of investment securities available-for-sale	(8,933)	(2,268)	(3,094)
Loss (gain) on disposition of premises and equipment	167	2,681	(123)
Gain on sale of loans	(23,036)	(23,315)	(11,060)
Amortization of premiums and accretion of discounts on investments	2,945	2,746	8,538
Increase in loans held-for-sale	(378,955)	(10,075)	(142,323)
Amortization of deferred loan origination fees and costs	(2,399)	(3,019)	(3,096)
Net (increase) decrease in trading securities	(96,424)	69,847	38,524
Net (increase) decrease in accrued income receivable	(35,933)	(15,872)	18,665
Net decrease (increase) in other assets	70,005	175,286	(221,070)
Net increase in interest payable	10,138	6,668	11,765
Net decrease in current and deferred taxes	(10,546)	(28,555)	(19,979)
Net increase in postretirement benefit obligation	9,254	7,323	7,977
Net increase in other liabilities	11,190	4,887	29,284
Total adjustments	(224,805)	374,338	(130,618)
Net cash provided by operating activities	7,543	583,903	54,532
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (increase) decrease in money market investments	(26,726)	9,671	11,110
Purchases of investment securities held-to-maturity	(11,713,516)	(68,040,431)	(28,849,896)
Maturities of investment securities held-to-maturity	11,893,268	68,835,925	29,302,469
Purchases of investment securities available-for-sale	(5,372,719)	(8,635,781)	(5,396,828)
Maturities of investment securities available-for-sale	2,815,884	2,191,521	2,297,528
Sales of investment securities available-for-sale	923,409	5,212,194	2,896,060
Net disbursements on loans	(1,558,253)	(1,468,552)	(1,501,808)
Proceeds from sale of loans	734,417	521,853	515,357
Acquisition of loan portfolios	(62,247)	(48,481)	(16,983)
Assets acquired, net of cash	(17,168)	(83,404)	(7,164)
Acquisition of premises and equipment	(103,577)	(120,226)	(86,162)
Proceeds from sale of premises and equipment	16,630	68,082	9,662

Net cash used in investing activities	(2,470,598)	(1,557,629)	(826,655)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	1,189,771	(68,957)	823,907
Net deposits acquired	36,297		
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	1,353,171	790,607	(1,125,413)
Net increase (decrease) in other short-term borrowings	295,281	(116,571)	949,300
Proceeds from issuance of notes payable	176,986	1,246,237	423,670
Payment of notes payable	(319,307)	(932,853)	(167,385)
Payment of senior debentures		(30,000)	
Payment of subordinated notes			(50,000)
Proceeds from issuance of Capital Securities		150,000	
Dividends paid	(72,021)	(59,037)	(51,896)
Proceeds from issuance of common stock	7,433	4,642	4,135
Treasury stock acquired		(39,559)	
Net cash provided by financing activities	2,667,611	944,509	806,318
Net increase (decrease) in cash and due from banks	204,556	(29,217)	34,195
Cash and due from banks at beginning of year	463,151	492,368	458,173
Cash and due from banks at end of year	$ 667,707	$ 463,151	$ 492,368

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Year ended December 31,					
	1998		1997		1996	
			(In thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PREFERRED STOCK:						
Balance at beginning and end of year	$ 100,000		$ 100,000		$ 100,000	
COMMON STOCK:						
Balance at beginning of year	412,029		396,531		197,692	
Transfer from surplus resulting from stock split	412,426					
Transfer from retained earnings resulting from stock split					198,004	
Common stock issued in acquisitions			14,774			
Common stock issued under Dividend Reinvestment Plan	1,235		724		835	
Balance at end of year	825,690		412,029		396,531	
SURPLUS:						
Balance at beginning of year	602,023		496,582		427,282	
Common stock issued under Dividend Reinvestment Plan	6,198		3,918		3,300	
Transfer to common stock resulting from stock split	(412,426)					
Common stock issued in acquisitions			81,523			
Transfer from retained earnings	21,000		20,000		16,000	
Transfer from capital reserves					50,000	
Balance at end of year	216,795		602,023		496,582	
RETAINED EARNINGS:						
Balance at beginning of year	395,253		267,719		350,480	
Net income	232,348	$232,348	209,565	$209,565	185,150	$185,150
Cash dividends declared on common stock	(67,770)		(53,681)		(45,557)	
Cash dividends declared on preferred stock	(8,350)		(8,350)		(8,350)	
Transfer to common stock resulting from stock split					(198,004)	
Transfer to surplus	(21,000)		(20,000)		(16,000)	
Balance at end of year	530,481		395,253		267,719	

ACCUMULATED OTHER COMPREHENSIVE INCOME:						
Balance at beginning of year	33,346		1,700		16,243	
Unrealized gains on securities, net of reclassification adjustment (see disclosure below)		42,575		31,646		(14,543)
Foreign currency translation adjustment		(215)				
Other comprehensive income	42,360	42,360	31,646	31,646	(14,543)	(14,543)
Comprehensive income		$274,708		$241,211		$170,607
Balance at end of year	75,706		33,346		1,700	
TREASURY STOCK-AT COST	(39,559)		(39,559)			
CAPITAL RESERVES:						
Balance at beginning of year					50,000	
Transfer to surplus					(50,000)	
Balance at end of year						
Total stockholders' equity	$1,709,113		$1,503,092		$1,262,532	
DISCLOSURE OF RECLASSIFICATION AMOUNT:						
Unrealized holding gains (losses) arising during the period, net of tax of $15,648 (1997 - $10,337; 1996 - ($6,524))		$ 49,826		$ 33,267		$(12,378)
Less: reclassification adjustment for gains included in net income net of tax of $1,727 (1997 - $647; 1996 - $929)		7,251		1,621		2,165
Net unrealized gains on securities		$ 42,575		$ 31,646		$(14,543)

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES:

The accounting and reporting policies of Popular, Inc. and its subsidiaries (the Corporation) conform with generally accepted accounting principles and with general practices within the financial industry. The following is a description of the more significant of these policies:

Nature of operations

Popular, Inc. is a bank holding company offering a full range of financial services through banking offices in Puerto Rico, the U.S. and British Virgin Islands, New York, Illinois, New Jersey, Florida, California and Texas. Moreover, during 1998 the Corporation became the principal shareholder of Banco Fiduciario (BF) in the Dominican Republic with the acquisition of a 45% ownership interest therein. The Corporation is also engaged in mortgage and consumer finance, lease financing, investment banking and broker/dealer activities, retail financial services and ATM processing services through its non-banking subsidiaries in Puerto Rico, the United States and Costa Rica. Refer to note 27 to the consolidated financial statements for further information on the nature of operations of the Corporation by business segments.

The consolidated financial statements include the accounts of Popular, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Acquisitions

For the three-year period ended December 31, 1998, the Corporation completed the following acquisitions:

<TABLE>
<CAPTION>
(Dollars in millions)

Date	Entity	Consi- deration	Assets Acquired	Business
<S>	<C>	<C>	<C>	<C>
Oct./98	Inglewood Quik Check, Inc. (California)	100% cash	$ 11	Retail Financial Services
Oct./98	Gore-Bronson Bancorp (Illinois)	100% cash	$281	Banking
Oct./98	First State Bank of Southern California (California)	100% cash	$194	Banking
Sep./98	Banco Fiduciario (Dominican Republic)	100% cash	$496(*)	Banking

<CAPTION>

(Dollars in millions)

Date	Entity	Consi- deration	Assets Acquired	Business
<S>	<C>	<C>	<C>	<C>
Apr./98	Mirando J. Corp./ Florida Exchange, Ltd. (Florida)	100% cash	$ 6	Retail Financial Services
Dec./97	Houston Ban- corporation (Texas)	100% cash	$ 63	Banking
Jun./97	Roig Commercial Bank (Puerto Rico)	50% cash and 50% stock	$791	Banking
May/97	National Bancorp, Inc. (Illinois)	100% stock	$189	Banking
May/97	CBC Bancorp (Illinois)	100% cash	$325	Banking
Apr./97	Seminole National Bank (Florida)	100% cash	$ 34	Banking
Sep./96	Commerce National Bank (California)	100% cash	$ 75	Banking

</TABLE>

(*) Popular, Inc. became the principal shareholder of Banco Fiduciario (BF) with the acquisition of a 45% ownership interest therein. BF is being presented as a consolidated subsidiary of the Corporation, as a result of some control provisions included in the purchase agreement.

All of the above acquisitions were accounted for as purchases and their results included in the consolidated statements of income from the date of acquisition.

Reorganization

Effective January 1, 1999, the Corporation reorganized its bank subsidiaries. The resulting structure is focused on two primary bank subsidiaries: a New York State-chartered Federal Reserve System member bank named "Banco Popular North America" and a Puerto Rico-chartered Federal Reserve System member bank named "Banco Popular de Puerto Rico." Banco Popular de Puerto Rico controls the Corporation's bank operations in Puerto Rico and the U.S. and British Virgin Islands, and maintains a branch in New York and an agency in Chicago. Banco Popular North America controls the U.S. mainland bank operations with branches in New York, New Jersey, Illinois, Florida and California. To achieve this structure, the Corporation's banking operations located in New Jersey, Illinois, Florida and California were merged into Banco Popular North America effective January 1, 1999. Certain newly acquired banks, namely First State Bank of

Southern California, and Bronson-Gore Bank,

The Irving Bank and Water Tower Bank in Illinois, are expected to be merged into Banco Popular North America in the first quarter of 1999. Also, it is expected that Banco Popular, N.A. (Texas) will become part of Banco Popular North America, before 1999 ends.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Trading securities

Financial instruments, including, to a limited extent, derivatives such as interest rate futures and options contracts, are utilized by the Corporation in trading activities and are carried at market value. In conjunction with mortgage banking activities, the Corporation records the securitization of mortgage loans held-for-sale as a sale of mortgage loans and the purchase of a mortgage-backed security classified as a trading security. Realized and unrealized changes in market values are recorded separately in the trading profit or loss account in the period in which the changes occur. Interest revenue and expense arising from trading instruments are included in the income statement as part of net interest income rather than in the trading profit or loss account.

Securities sold but not yet purchased, which represent the Corporation's obligation to deliver securities sold which were not owned at the time of sale, are recorded at market value.

Investment securities

Investment securities are classified in three categories and accounted for as follows:

- Debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as securities held-to-maturity and reported at amortized cost. The Corporation may not sell or transfer held-to-maturity securities without calling into question its intent to hold other debt securities to maturity, unless a nonrecurring or unusual event that could not have been reasonably anticipated has occurred.

- Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

- Debt and equity securities not classified as either securities held-to-maturity or trading securities are classified as securities available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported net of deferred taxes in other comprehensive income.

The amortization of premiums is deducted and the accretion of discounts is added to interest income based on the interest method over the outstanding period of the related securities. Net realized gains or losses on sales of investment securities and unrealized loss valuation adjustments considered other than temporary, if any, on securities available-for-sale and held-to maturity are reported separately in the statement of income.

Risk management instruments

The Corporation occasionally uses derivative financial instruments, such as interest rate caps and swaps, in the management of its interest rate exposure. These instruments are accounted for primarily on an accrual basis. Under the accrual method, interest income or expense on the derivative contract is accrued and there is no recognition of unrealized gains and losses on the derivative instrument. Premiums on option contracts are amortized to interest income or interest expense over the life of such contracts. Income and expenses arising from the instruments are recorded in the category appropriate to the related asset or liability.

Gains and losses related to contracts that are effective hedges are deferred and recognized in income in the same period as gains and losses on the hedged item. Gains and losses on early termination of contracts that modify the characteristics of specified assets or liabilities are deferred and amortized as an adjustment to the yield of the related assets or liabilities over their remaining terms.

Loans held-for-sale

Loans held-for-sale are stated at the lower of cost or market, cost being determined based on the outstanding loan balance less unearned income, and fair market value determined on an aggregate basis according to secondary market prices. The amount by which cost exceeds market value, if any, is accounted for as a valuation allowance with changes included in the determination of net income for the period in which the change occurs.

Loans

Loans are stated at the outstanding balance less unearned income and allowance for loan losses. Fees collected and costs incurred in the origination of new loans are deferred and amortized using the interest method over the term of the loan as an adjustment to interest yield. Unearned interest on lease financing and installment loans is recognized as income on a basis which results in approximate level rates of return over the term of the loans.

Recognition of interest income on commercial and construction loans is discontinued when loans are 60 days or more in arrears on payments of principal or interest or when other factors indicate that collection of principal and interest is doubtful. Interest accrual for lease financing, conventional mortgage loans and close-end consumer loans is ceased when loans are 90 days or more in arrears. Loans designated as non-accruing are not returned to an accrual status until interest is received on a current basis and those factors indicative of doubtful collection cease to exist. Close-end consumer loans and leases are charged-off against the allowance for loan losses when 120 days in arrears. Open-end (revolving credit) consumer loans are charged-off when 180 days in arrears. Income is generally recognized on open-end consumer loans until the loans are charged-off.

Lease financing

The Corporation leases passenger and commercial vehicles and equipment to individual and corporate customers. The finance method of accounting is used to recognize revenue on lease contracts that meet the criteria specified in SFAS 13, "Accounting for Leases", as amended. Aggregate rentals due over the term of the leases less unearned income are included in finance lease contracts receivable. Unearned income is amortized using a method which results in approximate level rates of return on the principal amounts outstanding. Finance lease origination fees and costs are deferred and amortized over the average life of the portfolio as an adjustment to the yield.

All other leases are accounted for under the operating method. Under this method, revenue is recognized as it becomes due under the terms of the agreement.

Allowance for loan losses

The Corporation follows a systematic methodology to establish and evaluate the adequacy of the allowance for loan losses to provide for inherent losses in the loan portfolio as well as in other credit-related balance sheet and separately for off-balance sheet financial instruments. This methodology includes the consideration of factors such as economic conditions, portfolio risk characteristics, prior loss experience, results of periodic credit reviews of individual loans and financial accounting standards. The provision for loan losses charged to current operations is based on such methodology. Loan losses are charged and recoveries are credited to the allowance for loan losses.

The Corporation has defined impaired loans as all loans with interest and/or principal past due 90 days or more and other specific loans for which, based on current information and events, it is probable that the debtor will be unable to pay all amounts due according to the contractual terms of the loan agreement. Loan impairment is measured based on the present value of expected future cash flows discounted at the loan's effective rate, on the observable market price or, on the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment based on past experience adjusted for current conditions. All other loans are evaluated on a loan-by-loan basis. Once a specific measurement methodology is chosen it is consistently applied unless there is a significant change in the financial position of the borrower. Impaired loans for which the discounted cash flows, collateral value or market price equals or exceeds its carrying value do not require an allowance. The allowance for impaired loans is part of the Corporation's overall allowance for loan losses.

Cash payments received on impaired loans are recorded in accordance with the contractual terms of the loan. The principal portion of the payment is used to reduce the principal balance of the loan, whereas the interest portion is recognized as interest income. However, when management believes the ultimate collectibility of principal is in doubt, the interest portion is then applied to principal.

Mortgage banking

Mortgage servicing rights, an intangible asset, represents the cost of acquiring the contractual right to service loans for others. Mortgage loan servicing fees, which are based on a percentage of the principal balances of the mortgages serviced, are credited to income as mortgage payments are collected.

The Corporation recognizes as separate assets the rights to service mortgage loans for others, whether those servicing rights are originated or purchased. The total cost of mortgage loans to be sold with servicing rights retained is allocated to the mortgage servicing rights and the loans (without the mortgage servicing rights), based on their relative fair values. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. In addition, the Corporation assesses capitalized mortgage servicing rights for impairment based on the fair value of those rights.

To estimate the fair value of mortgage servicing rights the Corporation considers prices for similar assets and the present value of expected future cash flows associated with the servicing rights calculated using assumptions that market participants would use in estimating future servicing income and expense. For purposes of evaluating and measuring impairment of capitalized mortgage servicing rights, the Corporation stratifies such rights based on predominant risk characteristics of underlying loans, such as loan type, rate and term. The amount of impairment recognized, if any, is the amount by which the capitalized mortgage servicing rights per stratum exceed its estimated fair value. Impairment is recognized through a valuation allowance.

Total loans serviced were $6,040,000,000 at December 31, 1998 (1997 - $5,400,000,000). The carrying value, estimated fair value and valuation allowance of capitalized mortgage servicing rights were $29,667,000, $36,210,000 and $11,000, respectively, at December 31, 1998 (1997 - $29,772,000, $36,259,000 and $14,000).

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated useful life of each type of asset. Amortization of leasehold improvements is computed over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Costs of maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred. Costs of renewals and betterments are capitalized. When assets are disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the earnings as realized or incurred, respectively.

The Corporation evaluates for impairment its long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used, and long-lived assets to be disposed of, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Other real estate

Other real estate comprises properties acquired through foreclosure. Upon foreclosure, the recorded amount of the loan is written-down, if required, to the appraised value less estimated costs of disposal of the real estate acquired by charging the allowance for loan losses. Subsequent to foreclosure, the properties are carried at the lower of carrying value or fair value less estimated costs of disposal. Gains or losses on the sale of these properties are credited or charged to expense of operating other real estate. The cost of maintaining and operating such properties is expensed as incurred.

Intangible assets

Intangible assets consist of goodwill and other identifiable intangible assets, mainly core deposits and mortgage servicing rights. The values of core deposits and credit customer relationships are amortized using various methods over the periods benefited, which range from 4 to 10 years. Goodwill represents the excess of the Corporation's cost of purchased operations over the fair value of the net assets acquired and is amortized on the straight-line basis over periods ranging from 7 to 15 years.

Securities sold/purchased under agreements to repurchase/resale

Repurchase and resale agreements are treated as financing transactions and are carried at the amounts at which the securities will be reacquired or resold as specified in the respective agreements.

It is the Corporation's policy to take possession of securities purchased under resale agreements. Such securities, however, are not reflected in the Corporation's statement of condition. The Corporation monitors the market value of the underlying securities as compared to the related receivable, including accrued interest, and requests additional collateral where deemed appropriate.

It is the Corporation's policy to maintain effective control over securities sold under agreements to repurchase, accordingly, such securities continue to be carried on the statements of condition.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated to U.S. dollars using prevailing rates of exchange. Revenues, expenses, gains and losses are translated using weighted average rates for the period. The resulting foreign currency translation adjustment from operations for which the functional currency is other than the U.S. dollar, are reported in other comprehensive income.

Income taxes

The Corporation uses an asset and liability approach to the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Corporation's financial statements or tax returns. Deferred income tax assets and liabilities are determined for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. The computation is based on enacted tax laws and rates applicable to periods in which the temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Year 2000 costs

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. All computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations on normal business activities.

The Corporation's costs of modifying software for Year 2000 compliance does not result in a liability that is recognized in the financial statements. Instead, the costs of modifying the software are charged to expense as they are incurred. Operating losses, if any, that may result if the Corporation, its suppliers, or customers fail to correct Year 2000 deficiencies are to be recognized only as they are incurred.

Employees' retirement and other postretirement benefit plans

The Corporation has trusteed, noncontributory retirement and other benefit plans covering substantially all full-time employees. Pension costs are computed on the basis of accepted actuarial methods and are charged to current operations. Net pension costs are based on various actuarial assumptions regarding future experience under the plan, which include costs for services rendered during the period, interest costs and return on plan assets, as well as deferral and amortization of certain items such as actuarial gains or losses. The funding policy is to contribute to the plan as necessary to provide for services to date and for those expected to be earned in the future. To the extent that these requirements are fully covered by assets in the plan, a contribution may not be made in a particular year.

The Corporation also provides certain health and life insurance benefits for eligible retirees and their dependents. The cost of postretirement benefits, which is determined based on actuarial assumptions and estimates of the costs of providing these benefits in the future, is accrued during the years that the employee renders the required service.

In 1998, the Corporation adopted SFAS 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits." This statement only revises the employer's disclosures about pension and postretirement benefit plans. It does not change the measurement or recognition of costs or obligations on those plans. Note 20 provides the required disclosures.

Stock compensation

BPPR provides a stock-based compensation plan for its Senior Management. It is a three-year incentive plan under which shares of stock of the Corporation are granted if long-term corporate performance and objectives are met. Compensation cost is determined based on the market value of the stock at the grant date. The compensation expense related to each award is recognized when probable, based on the best estimate of the outcome of the performance condition, on a straight-line basis over the vesting period.

Transfers and servicing of financial assets and extinguishment of liabilities

In January 1997, the Corporation adopted, SFAS 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." Certain provisions related with repurchase agreements, dollar-roll, securities lending, and similar transactions, which were delayed by SFAS 127, "Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125," were adopted in January 1998. Under these standards, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. The adoption of these statements did not have a material effect on the consolidated financial statements of the Corporation.

Earnings per common share

Earnings per common share are computed by dividing net income, reduced by dividends on preferred stock, by the weighted average number of common shares of the Corporation outstanding during the year. No dilutive potential common shares were outstanding during the years ended December 31, 1998, 1997 and 1996. Accordingly, there is no difference between basic and diluted earnings per share.

Comprehensive income

Effective January 1, 1998, the Corporation adopted SFAS 130, "Reporting Comprehensive Income." This statement requires the reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income has been defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, except those resulting from investments by owners and distributions to owners. The presentation of comprehensive income required by this statement is included in the statement of changes in stockholders' equity.

Disclosure about segments of an enterprise and related information

In 1998, the Corporation adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." This statement requires the disclosure of selected information about operating segments in annual financial statements in the year of adoption and in interim financial reports issued to shareholders since the second year of application. It also requires related

disclosures about products and services, geographic areas, and major customers. Such disclosures are included in Note 27.

Statement of cash flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks.

Reclassification

Certain minor reclassifications have been made to the 1997 and 1996 consolidated financial statements to conform with the 1998 presentation.

Recently issued accounting pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires recognition of all derivatives as either assets or liabilities in the statement of condition measured at fair value. It also establishes unique accounting treatment for the following three different types of hedges: fair value hedges, cash flow hedges and foreign currency hedges. The accounting for each of the three types of hedges results in recognizing offsetting changes in value or cash flows of both the derivative instrument and the hedged item in earnings in the same period. Changes in the fair value of derivatives that do not meet the criteria of one of these three types of hedges are included in earnings in the period of change. The Corporation will adopt this statement effective January 1, 2000. Management estimates that the adoption of this statement will not have a material effect on the consolidated financial statements of the Corporation.

In October 1998, the FASB issued SFAS 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise." This statement amends SFAS 65, "Accounting for Certain Mortgage Banking Activities," and requires that an entity engaged in mortgage banking activities classify the mortgage-backed securities or other retained interests resulting from the securitization of mortgage loans held for sale, based on its ability and intent to sell or hold those investments. On the date this statement is initially applied, an enterprise may reclassify mortgage-backed securities and other beneficial interests retained after the securitization of mortgage loans held-for-sale from the trading category, except for those with sales commitments in place. Transfers from the trading category that result from implementing this statement shall be accounted for in accordance with SFAS 115. The Corporation will adopt this statement effective January 1, 1999. Management understands that the adoption of this statement will not have a material effect on the Corporation's financial position or results of operations.

NOTE 2 - CASH AND DUE FROM BANKS:

The Corporation's subsidiary banks are required by regulatory agencies to maintain average reserve balances. The amount of those average reserve balances was approximately $464,838,000 at December 31, 1998 (1997 - $375,820,000).

NOTE 3 - INVESTMENT SECURITIES AVAILABLE-FOR-SALE:

The amortized cost, gross unrealized gains and losses, approximate market value (or fair value for certain investment securities where no market quotations are available), weighted average yield and contractual maturities of investment securities available-for-sale as of December 31, 1998 and 1997 (1996 only market value is presented) were as follows:

<TABLE>
<CAPTION>

1998

(In thousands)

<S>	Amortized cost <C>	Unrealized gains <C>	Unrealized losses <C>	Market value <C>	Weighted average yield <C>
U.S. TREASURY SECURITIES (AVERAGE MATURITY OF 1 YEAR AND 4 MONTHS):					
Within 1 year	$1,885,916	$ 9,888		$1,895,804	6.17%
After 1 to 5 years	1,229,208	33,431	$ 11	1,262,628	5.73
	3,115,124	43,319	11	3,158,432	6.00
Obligations of other U.S. Government agencies and corporations (average maturity of 7 years and 7 months):					
Within 1 year	149,046	704		149,750	6.27
After 1 to 5 years	480,042	3,271	103	483,210	5.53
After 5 to 10 years	1,114,443	9,050	6,356	1,117,137	6.26
After 10 years	300,000	2,651		302,651	6.40
	2,043,531	15,676	6,459	2,052,748	6.11
OBLIGATIONS OF P.R., STATES AND POLITICAL SUB-DIVISIONS (AVERAGE MATURITY OF 9 YEARS					

AND 5 MONTHS):					
WITHIN 1 YEAR	4,483	241		4,724	6.36
AFTER 1 TO 5 YEARS	13,272	298		13,570	5.43
AFTER 5 TO 10 YEARS	21,612	929	3	22,538	5.64
AFTER 10 YEARS	29,379	645	33	29,991	6.64
	68,746	2,113	36	70,823	6.07
COLLATERALIZED MORT-GAGE OBLIGATIONS (AVERAGE MATURITY OF 25 YEARS):					
WITHIN 1 YEAR	7,831	7		7,838	5.97
AFTER 1 TO 5 YEARS	28,998	13	90	28,921	5.47
AFTER 5 TO 10 YEARS	185,782	278	24	186,036	6.18
AFTER 10 YEARS	984,195	2,160	729	985,626	6.18
	1,206,806	2,458	843	1,208,421	6.16
Mortgage-backed securities (average maturity of 22 years and 1 month):					
WITHIN 1 YEAR	72	8		80	6.37
AFTER 1 TO 5 YEARS	27,835	6	11	27,830	5.55
AFTER 5 TO 10 YEARS	22,719	315	124	22,910	6.40
AFTER 10 YEARS	286,540	8,554	64	295,030	6.77
	337,166	8,883	199	345,850	6.64
EQUITY SECURITIES (WITHOUT CONTRACTUAL MATURITY)	27,688	36,241		63,929	3.96
OTHER (AVERAGE MATURITY OF 2 YEARS AND 2 MONTHS):					
WITHIN 1 YEAR	94,696			94,696	5.52
AFTER 1 TO 5 YEARS	2,458	5		2,463	7.66
AFTER 5 TO 10 YEARS	5,169	64	209	5,024	7.21
AFTER 10 YEARS	14,143	93		14,236	7.26
WITHOUT CONTRACTUAL MATURITY	3,774			3,774	9.55
	120,240	162	209	120,193	5.97
	$6,919,301	$108,852	$7,757	$7,020,396	6.08%

</TABLE>

<TABLE>
<CAPTION>

	1997					1996
	Amortized cost	Unrealized gains	Unrealized losses	Market value	Weighted average yield	Market value
			(In thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. TREASURY SECURITIES (AVERAGE MATURITY OF 1 YEAR AND 11 MONTHS):						
Within 1 year	$ 361,577	$ 938	$ 13	$ 362,502	6.21%	$ 902,729
After 1 to 5 years	2,746,232	19,625	3	2,765,854	6.11	1,338,776
	3,107,809	20,563	16	3,128,356	6.12	2,241,505
Obligations of other U.S. Government agencies and corporations (average maturity of 4 years and 6 months):						
Within 1 year	199,100	50	169	198,981	5.73	75,330
After 1 to 5 years	306,661	1,108	124	307,645	6.27	72,801
AFTER 5 TO 10 YEARS	301,062	790	1,988	299,864	6.82	155,344
	806,823	1,948	2,281	806,490	6.34	303,475
Obligations of P.R., STATES AND POLITICAL SUBDIVISIONS (AVERAGE MATURITY OF 3 YEARS						

AND 7 MONTHS):						
Within 1 year	9,820	33	30	9,823	5.22	6,830
After 1 to 5 years	7,437	150	31	7,556	5.71	14,632
After 5 to 10 years	17,944	266		18,210	6.29	12,698
After 10 years	25,437	208	96	25,549	6.32	662
	60,638	657	157	61,138	6.06	34,822
COLLATERALIZED MORT-GAGE OBLIGATIONS (AVERAGE MATURITY OF 22 YEARS AND 6 MONTHS):						
WITHIN 1 YEAR						39
AFTER 1 TO 5 YEARS	40,621	13	15	40,619	6.41	49,012
AFTER 5 TO 10 YEARS	55,703	22	71	55,654	6.42	20,246
AFTER 10 YEARS	703,836	427	338	703,925	6.45	366,793
	800,160	462	424	800,198	6.44	436,090
MORTGAGE-BACKED SECURITIES (AVERAGE MATURITY OF 19 YEARS AND 3 MONTHS):						
WITHIN 1 YEAR	79,710	500	135	80,075	7.31	36,566
AFTER 1 TO 5 YEARS	6,732	76	40	6,768	6.90	69,068
AFTER 5 TO 10 YEARS	11,808	340	14	12,134	7.50	974
AFTER 10 YEARS	295,116	5,739	61	300,794	6.35	262,511
	393,366	6,655	250	399,771	6.59	369,119
EQUITY SECURITIES (WITHOUT CONTRACTUAL MATURITY)	21,844	17,352		39,196	3.67	12,644
OTHER (AVERAGE MATURITY OF 11 YEARS AND 5 MONTHS):						
WITHIN 1 YEAR						204
AFTER 5 TO 10 YEARS	2,889		2	2,887	6.50	10,105
AFTER 10 YEARS	950	19		969	6.26	7,970
	3,839	19	2	3,856	6.44	18,279
	$5,194,479	$47,656	$3,130	$5,239,005	6.23%	$3,415,934

</TABLE>

The weighted average yield on investment securities available-for-sale is based on amortized cost, therefore it does not give effect to changes in fair value.

The expected maturity of collateralized mortgage obligations, mortgage-backed securities and certain other securities differs from their contractual maturities because they may be subject to prepayments.

The aggregate amortized cost and approximate market value of investment securities available-for-sale at December 31, 1998, by contractual maturity are shown below:

<TABLE>
<CAPTION>

<S>	Amortized cost <C>	Market value <C>
	(In thousands)	
Within 1 year	$2,142,044	$2,152,892
After 1 to 5 years	1,781,813	1,818,622
After 5 to 10 years	1,349,725	1,353,645
After 10 years	1,614,257	1,627,534
Total	6,887,839	6,952,693
Without contractual maturity	31,462	67,703
Total investment securities available-for-sale	$6,919,301	$7,020,396

</TABLE>

Proceeds from the sale of investment securities available-for-sale during 1998 were $923,409,000 (1997 - $5,212,194,000; 1996 - $2,896,060,000).

Gross realized gains and losses on those sales during the year were $9,190,000 and $257,000, respectively (1997 - $6,266,000 and $3,998,000; 1996 - $8,504,000 and $5,440,000). The basis on which cost was determined in computing the realized gains and losses was the specific identification method.

NOTE 4 - INVESTMENT SECURITIES HELD-TO-MATURITY:

The amortized cost, gross unrealized gains and losses, approximate market value (or fair value for certain investment securities where no market quotations are available), weighted average yield and contractual maturities of investment securities held-to-maturity as of December 31, 1998 and 1997 (1996- only amortized cost is presented) were as follows:

<TABLE>
<CAPTION>

1998

	Amortized cost	Unrealized gains	Unrealized losses	Market value	Weighted average yield
	(In thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Obligations of other U.S. Government agencies and corporations (average maturity of 3 months):					
Within 1 year	$ 4,943			$ 4,943	4.98%
	4,943			4,943	4.98
Obligations of P.R., States and political subdivisions (average maturity of 5 years and 4 months):					
Within 1 year	21,265	$ 83		21,348	3.89
After 1 to 5 years	11,666	822		12,488	7.79
After 5 to 10 years	3,941	127		4,068	7.51
After 10 years	11,375	201		11,576	9.07
	48,247	1,233		49,480	6.35
Collateralized mortgage obligations (average maturity of 10 years):					
After 1 to 5 years	13,932	97		14,029	6.33
After 5 to 10 years	2,868		$11	2,857	5.00
After 10 years	13,301	40	3	13,338	6.24
	30,101	137	14	30,224	6.16
Mortgage-backed securities (average maturity of 11 years and 4 months):					
After 5 to 10 years	9,743	202		9,945	7.54
After 10 years	23,231	363	26	23,568	7.31
	32,974	565	26	33,513	7.38
Equity securities (without contractual maturity)	76,979			76,979	6.31
Other (average maturity of 6 years and 3 months):					
Within 1 year	9,045			9,045	3.56
After 1 to 5 years	7,972			7,972	8.14
After 5 to 10 years	4,656	10		4,666	7.82
After 10 years	11,217			11,217	7.80
	32,890	10		32,900	6.72
	$226,134	$1,945	$40	$228,039	6.49%

</TABLE>

Popular, Inc.

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<TABLE>
<CAPTION>

	1997					1996
	Amortized cost	Unrealized gains	Unrealized losses	Market value	Weighted average yield	Amortized cost
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury securities						
Within 1 year:						$ 618,934
						618,934
Obligations of other U.S. Government agencies and corporations (average maturity of 2 months):						
Within 1 year	$156,422	$ 6	$100	$156,328	5.49%	119,701
After 1 to 5 years						20,000
	156,422	6	100	156,328	5.49	139,701
Obligations of P.R., States and political subdivisions (average maturity of 6 years and 9 months):						
Within 1 year	8,455	34	16	8,473	7.39	98,073
After 1 to 5 years	17,726	199	6	17,919	7.36	23,993
After 5 to 10 years	11,465	761	47	12,179	8.16	11,839
After 10 years	15,280	199		15,479	8.93	17,397
	52,926	1,193	69	54,050	7.99	151,302
Collateralized mortgage obligations (average maturity of 13 years and 8 months)						
After 1 to 5 years	19,384	35		19,419	6.89	
After 5 to 10 years	4,445	2		4,447	6.75	49,457
After 10 years	39,849	48	180	39,717	6.06	107,809
	63,678	85	180	63,583	6.36	157,266
Mortgage-backed securities (average maturity of 12 years and 1 month):						
After 5 to 10 years	48			48	7.96	52
After 10 years	45,947	374	473	45,848	7.41	55,676
	45,995	374	473	45,896	7.41	55,728
Equity securities (without contractual maturity)	70,771			70,771	5.23	61,407
Other (average maturity of 6 years and 4 months):						
Within 1 year	3,150			3,150	5.96	250
After 1 to 5 years	5,645	4		5,649	2.34	6,145
After 5 to 10 years	4,229			4,229	8.24	4,197
After 10 years	6,177		35	6,142	8.01	2,136
	19,201	4	35	19,170	6.06	12,728
	$408,993	$1,662	$857	$409,798	6.15%	$1,197,066

</TABLE>

The expected maturity of collateralized mortgage obligations, mortgage-backed securities and certain other securities differs from their contractual maturities because they may be subject to prepayments.

The aggregate amortized cost and approximate market value of investment securities held-to-maturity at December 31, 1998, by contractual maturity are shown below:

<TABLE>
<CAPTION>

	Amortized cost	Market value
	(In thousands)	
<S>	<C>	<C>
Within 1 year	$ 35,253	$ 35,336
After 1 to 5 years	33,570	34,489
After 5 to 10 years	21,208	21,536
After 10 years	59,124	59,699
Total	149,155	151,060
Without contractual maturity	76,979	76,979
Total investment securities held-to-maturity	$226,134	$228,039

</TABLE>

During 1996, investment securities held-to-maturity with an amortized cost of $2,622,000 were called by the issuer. Proceeds from the sale of those securities were $2,652,000. Gains realized on this transaction was $30,000.

As of December 31, 1998 and 1997, the investments in obligations that are payable from and secured by the same source of revenue or taxing authority, other than the U.S. government, did not exceed 10 percent of stockholders' equity.

NOTE 5 - PLEDGED ASSETS:

At December 31, 1998, investment securities and loans amounting to $5,078,009,000 (1997 - $4,067,567,000; 1996 - $2,788,401,000) were pledged to secure public and trust deposits and securities and mortgages sold under agreements to repurchase.

NOTE 6 - LOANS AND ALLOWANCE FOR LOAN LOSSES:

The composition of the loan portfolio at December 31, was as follows:

<TABLE>
<CAPTION>

	1998	1997
	(In thousands)	
<S>	<C>	<C>
Loans secured by real estate:		
Insured or guaranteed by the U.S. Government or its agencies	$ 85,350	$ 79,673
Guaranteed by the Commonwealth of Puerto Rico	56,296	63,035
Commercial loans secured by real estate	1,250,210	1,109,213
Residential mortgages	2,595,578	2,432,183
Construction and land development	250,572	190,509
Consumer	424,327	605,204
	4,662,333	4,479,817
Financial institutions	69,120	53,145
Commercial, industrial and agricultural	4,090,906	3,245,706
Lease financing	791,356	722,031
Consumer for household, credit cards and other consumer expenditures	2,968,618	2,700,661
Other	201,276	256,315
	$12,783,609	$11,457,675

</TABLE>

As of December 31, 1998, loans on which the accrual of interest income had been discontinued amounted to $262,604,000 (1997 - $195,544,000; 1996 - $146,255,000). If these loans had been accruing interest, the additional interest income realized would have been approximately $15,258,000 (1997-

$11,868,000; 1996 - $7,696,000). In addition, there is $578,000 of renegotiated loans still accruing interest at December 31, 1998, (1996 - $3,308,000). Included in the non-accruing loans as of December 31, 1998 were $46,626,000 (1997 - $30,840,000; 1996 - $16,320,000) in consumer loans.

At December 31, the recorded investment in loans that were considered impaired and the related disclosures are shown below:

	December 31, 1998	December 31, 1997
	(In thousands)	
Impaired loans with a related allowance	$140,905	$ 83,415
Impaired loans that do not require allowance	37,213	37,313
Total impaired loans	$178,118	$120,728
Allowance for impaired loans	$ 36,191	$ 19,141
Impaired loans measured based on fair value of collateral	$ 83,399	$ 40,713
Impaired loans measured based on discounted cash flows	94,719	80,015
	$178,118	$120,728
Average balance of impaired loans during the year	$168,054	$113,348
Interest income recognized on impaired loans during the year	$ 6,332	$ 6,298

The changes in the allowance for loan losses for the year ended December 31, were as follows:

	1998	1997	1996
	(In thousands)		
Balance at beginning of year	$ 211,651	$ 185,574	$ 168,393
Reserves acquired	31,296	13,237	402
Provision for loan losses	137,213	110,607	88,839
Recoveries	51,770	49,823	35,901
Loans charged-off	(164,681)	(147,590)	(107,961)
Balance at end of year	$ 267,249	$ 211,651	$ 185,574

The components of the net financing leases receivable at December 31, were:

	1998	1997
	(In thousands)	
Total minimum lease payments	$ 632,669	$ 564,981
Estimated residual value of leased property	155,341	154,034
Deferred origination costs	3,346	3,016
Less - Unearned financing income	(146,076)	(140,104)
Net minimum lease payments	645,280	581,927
Less - Allowance for loan losses	(8,312)	(5,869)
	$ 636,968	$ 576,058

Estimated residual value is generally established at amounts expected to be sufficient to cover the Corporation's investment.

At December 31, 1998, future minimum lease payments are expected to be received as follows:

	(In thousands)
1999	$ 233,609
2000	167,660
2001	124,493
2002	76,632
2003 and thereafter	30,275
	$ 632,669

NOTE 7 - RELATED PARTY TRANSACTIONS:

The Corporation grants loans to its directors, executive officers and to certain related individuals or organizations in the ordinary course of business. The movement and balance of these loans were as follows:

	OFFICERS	DIRECTORS	TOTAL
		(In thousands)	
Balance at December 31, 1996	$2,975	$ 128,387	$ 131,362
New loans	291	117,762	118,053
Payments	(661)	(137,539)	(138,200)
Balance at December 31, 1997	2,605	108,610	111,215
New loans	512	138,949	139,461
Payments	(51)	(129,635)	(129,686)
Balance at December 31, 1998	$3,066	$ 117,924	$ 120,990

These loans have been consummated on terms no more favorable than those that would have been obtained if the transaction had been with unrelated parties.

NOTE 8 - PREMISES AND EQUIPMENT:

Premises and equipment are stated at cost less accumulated depreciation and amortization as follows:

	USEFUL LIFE IN YEARS	1998	1997
		(In thousands)	
Land		$ 57,703	$ 51,286
Buildings	15-50	220,206	188,833
Equipment	3-10	382,687	336,826
Leasehold improvements	Various	62,904	55,837
		665,797	581,496
Less - Accumulated depreciation and amortization		335,426	297,244
		330,371	284,252
Construction in progress		36,647	29,354
		$424,721	$ 364,892

Depreciation and amortization of premises and equipment for the year was $62,649,000 (1997 - $54,523,000; 1996 - $48,481,000) of which $10,478,000 (1997 - $10,341,000; 1996 - $9,943,000) was charged to occupancy expense and $52,171,000 (1997 - $44,182,000; 1996 - $38,538,000) was charged to equipment, communications and other operating expenses. Occupancy expense is net of rental income of $9,187,000 (1997 - $16,442,000; 1996 - $16,193,000).

NOTE 9 - DEPOSITS:

Total interest bearing deposits as of December 31, consisted of:

	1998	1997
	(In thousands)	
Savings deposits:		
Savings accounts	$ 4,107,990	$ 3,584,963
NOW and money market accounts	1,678,033	1,357,519
	5,786,023	4,942,482
Certificates of deposit:		
Under $100,000	2,501,535	2,246,988
$100,000 and over	2,208,347	2,013,280
	4,709,882	4,260,268
	$10,495,905	$ 9,202,750

NOTE 10 - FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE:

The following table summarizes certain information on federal funds purchased and securities sold under agreements to repurchase as of December 31:

	1998	1997	1996
	(Dollars in thousands)		
Federal funds purchased	$ 918,555	$ 389,040	$ 158,336
Securities sold under agreements to repurchase	3,157,945	2,334,289	1,717,129
Total amount outstanding	$4,076,500	$ 2,723,329	$ 1,875,465
Maximum aggregate balance outstanding at any month-end	$4,076,500	$ 3,897,110	$ 2,922,611
Average daily aggregate balance outstanding	$3,166,436	$ 2,836,290	$ 2,521,929
Weighted average interest rate:			
For the year	4.96%	5.01%	5.12%
At December 31	4.50	5.51	5.16

The following table presents the liability associated with the repurchase transactions (including accrued interest), its maturities and weighted average interest rates. Also, it includes the carrying amount and approximate market value of the collateral (including accrued interest) as of December 31, 1998 and 1997. The information excludes repurchase transactions which were collateralized with securities or other assets held for trading purposes or which have been obtained under reverse repurchase agreements:

1998	Repurchase Liability	Carrying value of collateral	Market Value of collateral	Weighted average interest rate
	(In thousands)			
U.S. Treasury securities:				
Overnight	$ 174,613	$ 179,304	$ 184,965	4.88%
Within 30 days	1,054,749	1,042,020	1,058,075	5.04
After 30 to 90 days	12,577	13,300	13,365	4.94
After 90 days	435,983	454,228	456,624	5.65
Total	1,677,922	1,688,852	1,713,029	5.18

Obligations of other U.S. Government agencies and corporations:				
Overnight	24,838	25,121	25,211	4.44
Within 30 days	610,223	628,723	625,207	5.14
After 30 to 90 days	2,176	2,191	2,196	4.03
After 90 days	20,252	21,137	21,213	4.93
Total	657,489	677,172	673,827	5.10
Collateralized mortgage obligations				
Within 30 days	24,084	25,248	25,130	5.17
After 90 days	42,129	44,075	44,093	5.25
Total	66,213	69,323	69,223	5.22
	$2,401,624	$2,435,347	$2,456,079	5.16

<CAPTION>

	1997			
	Repurchase Liability	Carrying value of collateral	Market Value of collateral	Weighted average interest rate
		(In thousands)		
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities:				
Overnight	$ 275,071	$ 284,814	$ 289,657	8.75%
Within 30 days	313,988	313,330	314,695	5.75
After 30 to 90 days	37,708	39,184	39,372	4.84
After 90 days	476,339	496,354	499,621	5.68
Total	1,103,106	1,133,682	1,143,345	6.44
Obligations of other U.S. Government agencies and corporations:				
Overnight	6,312	6,326	6,362	4.70
Within 30 days	32,814	33,084	32,665	4.59
After 30 to 90 days	545	550	541	4.12
After 90 days	67,820	71,187	71,467	5.78
Total	107,491	111,147	111,035	5.35
Obligations of P.R., States and political sub-divisions:				
Within 30 days	2,025	1,872	1,909	4.78
After 90 days	5,671	5,429	5,436	4.99
Total	7,696	7,301	7,345	4.94
Collateralized mortgage obligations				
Overnight	492,981	556,348	556,339	8.39
Total	492,981	556,348	556,339	8.39
	$1,711,274	$1,808,478	$1,818,064	6.93%

</TABLE>

NOTE 11 - OTHER SHORT-TERM BORROWINGS:

Other short-term borrowings as of December 31, consisted of:

<TABLE>
<CAPTION>

	1998	1997
	(In thousands)	
<S>	<C>	<C>
Advances under revolving lines of credit amounting to $457,395,000 (1997 - $605,000,000) with fixed interest rates ranging from 4.50% to 5.25% at December 31, 1998 (1997 - 5.95% to 6.75%)	$ 30,688	$ 81,700
Commercial paper with various maturities until June 1999 at rates ranging from 4.60% to 5.83% (1997 - 5.70% to 5.99%)	342,232	183,999
Term notes maturing in 1998, paying interest monthly at LIBOR less 3 basis points with a quarterly reset of interest rate		25,000
Term notes maturing in 1999, paying interest quarterly at a floating interest rate of 0.125% (1997 - ranging from 0.25% to 0.75%) over 3-month LIBOR rate (LIBOR rate at December 31, 1998 was 5.07%; 1997 - 5.81%)	50,000	66,488
Term notes maturing in 1999, paying interest monthly at rates ranging from 5.00% to 10.00%	31,059	
Term note maturing in 1999, paying interest semiannually at floating interest rate of 1.50% over Fed Fund rate (Interest rate at December 31, 1998 was 6.94%)	3,975	
Term notes, corresponding to BF, maturing in 1999, paying interest at rates ranging from 7.00% to 7.50% and at floating rates of 1.50% over the 3-month LIBOR rate.	35,868	
Term notes maturing in 1999, paying interest semiannually at rates ranging from 5.75% to 8.41% (1997 - 5.40% to 8.12%)	185,340	111,509
Term funds purchased with maturities until July 1999 at rates ranging from 5.13% to 5.71% (1997 - 5.64% to 5.93%)	789,300	680,000
Term notes with maturities until August 1999 with fixed rates ranging from 5.25% to 6.29% (1997 - 4.40% to 5.87%)	166,000	138,500
Others	4,620	239
	$1,639,082	$1,287,435

</TABLE>

The weighted average interest rate of other short-term borrowings at December 31, 1998 was 6.39% (1997 - 5.60%; 1996 - 5.75%). The maximum aggregate balance outstanding at any month-end was approximately $1,908,541,000 (1997 - $1,985,452,000; 1996 - $1,404,006,000). The average aggregate balance outstanding during the year was approximately $1,675,568,000 (1997 - $1,609,035,000; 1996 - $883,739,000). The weighted average interest rate during the year was 5.65% (1997- 5.94%; 1996 - 6.27%).

NOTE 12 - NOTES PAYABLE:

Notes payable outstanding at December 31, consisted of the following:

<TABLE>
<CAPTION>

	1998	1997
	(In thousands)	
<S>	<C>	<C>
Term notes with maturities ranging from 2000 through 2005 paying interest semiannually at fixed rates ranging from 5.63% to 7.72% (1997 - 5.50% to 8.41%).	$883,348	$904,884
Term notes maturing in 2000 paying interest quarterly at rates ranging from 0.11% to 0.46% (1997 - 0.10% to 0.46%) over the 3-month LIBOR rate and 3-month US Treasury Bill rate (LIBOR and US Treasury Bill rates		

at December 31, 1998 were 5.07% and 4.37%, respectively; 1997 - 5.81% and 5.35%, respectively).	64,416	194,366
Term notes with maturities ranging from 2001 through 2025 paying interest monthly at fixed rates ranging from 5.01% to 7.62% (1997 - 5.92%).	24,437	25,000
Term notes, corresponding to BF, with maturities ranging from 2000 through 2008 paying interest at fixed rates ranging from 9.00% to 10.00% and at floating rates from 1.75% to 3.60% over the 3-month LIBOR rate.	39,348	
Promissory notes with maturities ranging from 2000 through 2003 with fixed interest rates ranging from 5.50% to 6.35% (1997 - 5.50% to 6.35%).	33,200	49,200
Promissory notes with maturities ranging from 2000 through 2005 with floating interest rates ranging from 85% to 94% (1997 - 87% to 92%) of the 3-month LIBID rate (LIBID rate at December 31, 1998 was 5.00%; 1997 - 5.69%).	260,000	230,000
Mortgage notes and other debt with fixed rates and terms.	2,411	246
	$1,307,160	$1,403,696

</TABLE>

NOTE 13 - SUBORDINATED NOTES:

Subordinated notes at December 31, 1998 and 1997, consisted of $125,000,000 notes issued by the Corporation on December 12, 1995, maturing on December 15, 2005, with interest payable semiannually at 6.75%. The notes issued by the Corporation are unsecured obligations which are subordinated in right of payment to the prior payment in full of all present and future senior indebtedness of the Corporation. These notes do not provide for any sinking fund.

NOTE 14 - PREFERRED BENEFICIAL INTEREST IN POPULAR NORTH AMERICA'S JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES GUARANTEED BY THE CORPORATION:

On February 5, 1997, BanPonce Trust I (BPT I), a wholly-owned subsidiary of Popular North America, issued $150,000,000 of 8.327% Capital Securities Series A due in 2027. The Capital Securities of BPT I are fully and unconditionally guaranteed by the Corporation. Additionally, the Capital Securities qualify for inclusion in Tier I capital under the Risk-Based Capital guidelines.

NOTE 15 - LONG-TERM DEBT MATURITY REQUIREMENTS:

The aggregate amounts of maturities of notes payable, capital securities and subordinated notes were as follows:

<TABLE>
<CAPTION>

Year	Notes payable	Capital Securities	Subordinated notes	Total
		(In thousands)		
<S>	<C>	<C>	<C>	<C>
1999	$ 1,925			$1,925
2000	434,402			434,402
2001	235,979			235,979
2002	186,209			186,209
2003	244,056			244,056
Later years	204,589	$150,000	$125,000	479,589
Total	$1,307,160	$150,000	$125,000	$1,582,160

</TABLE>

NOTE 16 - PREFERRED STOCK OF BPPR:

BPPR has 200,000 shares of authorized preferred stock with a par value of $100. This stock may be issued in series, and the shares of each series shall have such rights and preferences as shall be fixed by the Board of Directors when authorizing the issuance of that particular series. At December 31, 1998, there are no such shares issued or outstanding.

NOTE 17 - STOCKHOLDERS' EQUITY:

The Corporation has 180,000,000 shares of authorized common stock with par value of $6 per share. At December 31, 1998, there were 135,637,327 (1997 - 135,365,408) shares issued and outstanding, after adjusting for a two-for-one common stock split effected in the form of a dividend, effective July 1, 1998. As a result of the split 68,737,693 shares were issued, and $412,426,000 million were transferred from surplus to common stock. On May 8, 1997, the Board of Directors approved a stock repurchase program of up to three million shares of the outstanding common stock of the Corporation. As of December 31, 1998, the Corporation had purchased 1,977,600 (1997 - 1,977,600) shares under this program for a total cost of $39,559,000 (1997 - $39,559,000).

The Corporation has a dividend reinvestment plan under which stockholders may reinvest their quarterly dividends in shares of common stock at a 5% discount from the market price at the time of issuance. During 1998, shares totaling 271,918 (1997 - 241,452; 1996 - 382,472), equivalent to $7,433,000 (1997 - $4,642,000; 1996 - $4,135,000) in additional equity, were issued under the plan.

The Corporation has 10,000,000 shares of authorized preferred stock with no par value. This stock may be issued in one or more series, and the shares of each series shall have such rights and preferences as shall be fixed by the Board of Directors when authorizing the issuance of that particular series. The Corporation has 4,000,000 shares issued and outstanding of Series A preferred stock. These shares are non-convertible and are redeemable at the option of the Corporation. The redemption price per share is $26.25 through June 29, 1999, $26.00 from June 30, 1999 through June 29, 2000, $25.75 from June 30, 2000 through June 29, 2001, $25.50 from June 30, 2001 through June 29, 2002 and $25.00 from June 30, 2002 and thereafter. Dividends on the Series A preferred stock are noncumulative and are payable monthly at the annual rate of 8.35% of the liquidation preference of $25.00 per share.

The Corporation's average number of common shares outstanding used in the computation of net income per common share was 135,532,086 (1997 - 134,036,964; 1996 - 132,044,624). During the year, cash dividends of $0.50 (1997 - $0.40 and 1996 - $0.35) per common share outstanding amounting to $67,770,000 (1997 - $53,681,000; 1996 - $45,557,000) were declared. In addition, dividends declared on preferred stock amounted to $8,350,000 (1997 - $8,350,000; 1996 - $8,350,000).

In connection with the acquisition by Banco Popular, FSB (second-tier subsidiary of Popular North America, Inc.) from the Resolution Trust Company (RTC) of four New Jersey branches of the former Carteret Federal Savings Bank, the RTC provided to Banco Popular, FSB interim financial assistance in the form of a loan in the amount of $20 million. Pursuant to the terms of such financing, Banco Popular, FSB was not permitted to, among other things, declare or pay any dividends on its outstanding capital stock (unless such dividends were used exclusively for payment of principal or interest on such RTC loan) or make any distribution of its assets until payment in full of such promissory note. As of December 31, 1998, the undistributed earnings of Banco Popular, FSB totaled $66,529,000. This note was paid in full on January 7, 1999.

NOTE 18 - REGULATORY CAPITAL REQUIREMENTS:

The Corporation is subject to various regulatory capital requirements imposed by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation must meet specific capital guidelines that involve quantitative measures of the Corporation's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory requirements. The Corporation's capital amounts and classifications are also subject to qualitative judgements by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation to maintain minimum amounts and ratios of Tier I and total capital to risk-weighted assets, and of Tier I capital to average assets (leverage ratio) as defined in the regulations. Management has determined that as of December 31, 1998, the Corporation exceeded all capital adequacy requirements to which it is subject.

As of December 31, 1998, the Corporation was well capitalized under the regulatory framework for prompt corrective action and there are no conditions or events since that date that management believes have changed the institution's category.

The Corporation's actual and required ratios and amounts of total risk-based capital, Tier I risk-based capital and Tier I leverage, as of December 31, were as follows:

<TABLE>

<CAPTION>

	Regulatory requirements					
	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
	1998					
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Capital (to Risk-Weighted Assets):						
Consolidated	$ 1,760,278	13.14%	$1,071,994	8%	$ 1,339,992	10%
BPPR	1,316,421	13.00	810,351	8	1,012,938	10
Tier I Capital (to Risk-Weighted Assets):						
Consolidated	$ 1,450,187	10.82	535,997	4%	803,995	6%
BPPR	1,188,895	11.74	405,175	4	607,763	6
Tier I Capital (to Average Assets):						
Consolidated	$ 1,450,187	6.72%	647,350	3%	1,078,917	5%
BPPR	1,188,895	6.75	528,039	3	880,065	5

<CAPTION>

	Regulatory requirements					
	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
	1997					
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Capital (to Risk-Weighted Assets):						
Consolidated	$ 1,598,506	14.56%	$ 878,054	8%	$1,097,567	10%
BPPR	1,165,509	12.58	741,226	8	926,533	10
Tier I Capital (to Risk-Weighted Assets):						
Consolidated	$ 1,335,391	12.17%	$ 439,027	4%	$ 658,540	6%
BPPR	1,048,899	11.32	370,613	4	555,920	6
Tier I Capital (to Average Assets):						
Consolidated	$ 1,335,391	6.86%	$ 583,831	3%	$ 973,052	5%
BPPR	1,048,899	6.36	494,917	3	824,862	5

</TABLE>

NOTE 19 - INTEREST ON INVESTMENTS:

Interest on investments consisted of the following:

<TABLE>
<CAPTION>

	1998	1997	1996
	(In thousands)		
<S>	<C>	<C>	<C>
Money market investments:			
Federal funds sold and securities and mortgages purchased under agreements to resell	$ 34,505	$ 31,886	$ 45,697
Time deposits with other banks	2,199	1,799	776
Other	77	238	224
	$ 36,781	$ 33,923	$ 46,697
Investment securities:			
U.S. Treasury securities	$193,293	$213,153	$189,300

Obligations of other U.S. Government agencies and corporations	112,610	82,205	43,157
Obligations of Puerto Rico, States and political subdivisions	8,378	8,755	10,902
Collateralized mortgage obligations	47,321	37,786	26,265
Mortgage-backed securities	12,185	10,667	6,456
Other	11,686	6,170	4,530
	$385,473	$358,736	$280,610

</TABLE>

Interest income on investment securities for the year ended December 31, 1998, includes tax exempt interest of $301,364,000 (1997 - $290,638,000; 1996 - $229,958,000).

Exempt interest relates mostly to obligations of the United States and Puerto Rico governments.

NOTE 20 - EMPLOYEE BENEFITS:

Pension and benefit restoration plans:

All regular employees of BPPR are covered by a noncontributory defined benefit pension plan. Pension benefits begin to vest after five years of service and are based on age, years of credited service and final average compensation, as defined. At December 31, 1998, plan assets consisted primarily of U.S. Government obligations, high grade corporate bonds and listed stocks, including 5,672,860 shares (1997-5,672,860) of the Corporation with a market value of approximately $192,877,000 (1997 - $140,403,000). Dividends paid on shares of the Corporation held by the plan during 1998 amounted to $2,666,000 (1997 - $2,156,000).

BPPR also has a non-qualified unfunded supplementary pension and profit sharing plan for those employees whose compensation exceeds the limits established by ERISA.

The following table sets forth the status of the plans and the amounts recognized in the consolidated financial statements at December 31:

<TABLE>
<CAPTION>

	PENSION PLAN	BENEFIT RESTORATION PLAN	TOTAL
		1998	
		(In thousands)	
<S>	<C>	<C>	<C>
Change in benefit obligation:			
Benefit obligation at beginning of the year	$ 291,058	$ 3,889	$ 294,947
Service cost	12,360	438	12,798
Interest cost	19,926	330	20,256
Plan amendment	79		79
Actuarial loss	21,642	1,258	22,900
Benefits paid	(12,872)	(2)	(12,874)
Benefit obligation at end of year	$ 332,193	$ 5,913	$ 338,106
Change in plan assets:			
Fair value of plan assets at beginning of the year	368,399		368,399
Actual return on plan assets	91,840		91,840
Employee contribution repayments	7		7
Benefits paid	(12,872)		(12,872)
Fair value of plan assets at end of year	$ 447,374		$ 447,374
Funded (unfunded) status	115,181	(5,913)	109,268
Unrecognized net asset	(15,626)		(15,626)
Unrecognized net prior service cost	(2,053)	518	(1,535)
Unrecognized net actuarial (gain) loss	(93,387)	2,896	(90,491)
Prepaid (accrued) pension cost	$ 4,115	($ 2,499)	$ 1,616

Amount recognized in the statement of financial position consists of:			
Prepaid benefit cost	$ 4,115		$ 4,115
Accrued benefit liability		($ 2,499)	(2,499)
Net amount recognized	$ 4,115	($ 2,499)	$ 1,616

</TABLE>

<TABLE>
<CAPTION>

	PENSION PLAN	BENEFIT RESTORATION PLAN	TOTAL
		1997	
		(In thousands)	
<S>	<C>	<C>	<C>
Change in benefit obligation:			
Benefit obligation at beginning of the year	$ 243,162	$ 2,173	$ 245,335
Service cost	10,847	360	11,207
Interest cost	18,657	226	18,883
Actuarial loss	30,735	1,130	31,865
Benefits paid	(12,343)		(12,343)
Benefit obligations at end of year	$ 291,058	$ 3,889	$ 294,947
Change in plan assets:			
Fair value of plan assets at beginning of the year	293,362		293,362
Actual return on plan assets	87,260		87,260
Employee contribution repayments	120		120
Benefits paid	(12,343)		(12,343)
Fair value of plan assets at end of year	$ 368,399		$ 368,399
Funded (unfunded) status	77,341	(3,889)	73,452
Unrecognized net asset	(18,086)		(18,086)
Unrecognized net prior service cost	(2,374)	571	(1,803)
Unrecognized net actuarial (gain) loss	(57,833)	1,847	(55,986)
Prepaid (accrued) pension cost	$ (952)	$ (1,471)	$ (2,423)
Amount recognized in the statement of financial position consists of:			
Accrued benefit liability	$ (952)	$ (1,471)	$ (2,423)
Net amount recognized	$ (952)	$ (1,471)	$ (2,423)

<CAPTION>

Weighted average assumptions as of December 31:	Pension Plan 1998	1997	1996	Benefit Restoration Plan 1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Discount rate	6.50%	7.00%	7.50%	6.50%	7.00%	7.50%
Expected return on plan assets	9.00%	9.00%	9.00%			
Rate of compensation increase	4.5 to 8.5%	4.5 to 8.5%	4.5 to 8.5%	4.5 to 8.5%	4.5 to 8.5%	4.5 to 8.5%

<CAPTION>

	PENSION PLAN	BENEFIT RESTORATION PLAN

	1998	1997	1996	1998	1997	1996
			(In thousands)			
COMPONENTS OF NET PERIODIC PENSION COST:						
Service cost	$ 12,360	$ 10,847	$ 9,860	$ 438	$360	$172
Interest cost	19,926	18,657	16,645	330	226	94
Expected return on plan assets	(32,618)	(25,913)	(20,490)			
Amortization of asset obligation	(2,461)	(2,461)	(2,461)			
Amortization of prior service cost	(242)	(246)	(246)	53	53	53
Amortization of net (gain) loss	(2,032)		505	209	130	11
Net periodic (benefit) cost	$ (5,067)	$ 884	$ 3,813	$1,030	$769	$330

</TABLE>

The accumulated benefit obligation for the benefit restoration plan was $1,085,500 as of December 31, 1998 (1997 - $489,700).

Retirement and savings plan:

The Corporation also provides contributory retirement and savings plans pursuant to sections 1165(e) of the Puerto Rico Internal Revenue Code and section 401(k) of the Internal U.S. Revenue Code, as applicable, for substantially all the employees of Popular Securities, Equity One, Banco Popular FSB, Banco Popular N.A. (California), Banco Popular Illinois, Banco Popular, N.A. (Florida), Banco Popular, N.A. (Texas), First State Bank of Southern California, Gore-Bronson Bancorp, Popular Finance, Popular Leasing and Popular Mortgage. Employer contributions are determined based on specific provisions of each plan. The cost of providing this benefit in 1998 was $3,369,000 (1997 - $2,811,000; 1996 - $2,163,000).

The Corporation also has a contributory savings plan available to employees of BPPR. Employees are fully vested in the employer's contribution after seven years of service. All contributions are invested in shares of the Corporation. Total savings plan expense was $1,105,000 in 1998 (1997 - $999,000; 1996 - $863,000). The savings plan held 1,303,398 (1997 - 1,106,586; 1996 - 736,234) shares of common stock of the Corporation with a market value of approximately $44,316,000 at December 31, 1998 (1997 - $27,388,000; 1996 - $12,424,000).

Postretirement health care benefits:

In addition to providing pension benefits, BPPR provides certain health care benefits for retired employees. Substantially all of the employees of BPPR who are eligible to retire under the pension plan, and provided they reach retirement age while working for BPPR, may become eligible for these benefits.

The status of the Corporation's unfunded postretirement benefit plan at December 31, was as follows:

<TABLE>
<CAPTION>

	1998	1997
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of the year	$ 87,976	$ 83,968
Service cost	4,731	3,852
Interest cost	6,016	5,556
Plan amendment	(685)	
Benefits paid	(3,224)	(2,703)
Actuarial loss (gain)	6,472	(2,697)
Benefit obligation at end of year	$ 101,286	$ 87,976
Change in plan assets:		
Unfunded status	(101,286)	(87,976)
Unrecognized net prior service cost	3,806	4,941
Unrecognized net actuarial loss (gain)	18,550	12,284
Accrued benefit cost	$ (78,930)	$(70,751)

</TABLE>

The weighted average discount rate used in determining the accumulated postretirement benefit obligation at December 31, 1998 was 6.50% (1997 - 7.00%).

The components of net periodic postretirement benefit cost for the year ended December 31, were as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
	(In thousands)		
Service cost	$ 4,731	$3,852	$ 3,584
Interest cost	6,016	5,556	5,719
Amortization of prior service cost	450	435	435
Amortization of net (gain) loss	206		795
Net periodic benefit cost	$11,403	$9,843	$10,533

</TABLE>

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate was assumed to decrease gradually to 5% for 2001 and remain at that level thereafter.

Assumed health care trend rates generally have a significant effect on the amounts reported for a health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

<TABLE>
<CAPTION>

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total service cost and interest cost components	$ 2,219,000	$ (1,735,000)
Effect on postretirement benefit obligation	$18,690,000	$(14,860,000)

</TABLE>

Profit sharing plan:
BPPR also has a profit sharing plan covering substantially all regular employees. Annual contributions are determined based on the bank's profitability ratios, as defined in the plan, and are deposited in trust. Profit sharing expense for the year, including the cash portion paid annually to employees which represented 50% of the expense for 1998 (1997 and 1996 - 40%), amounted to $22,647,000 (1997 - $25,954,000; 1996 - $22,859,000).

Long-term incentive plan:
BPPR has a long-term incentive plan for its senior management. Under this plan, each January 1st the Board of Directors awards senior management a specified number of shares of common stock of the Corporation contingent upon reaching some predefined performance measures over periods of three years. The dividends attributable to these shares are also part of the award. The final number of shares awarded is subject to a factor based on the level of attainment and are purchased in the open market.

For the year ended December 31, 1998, the Corporation recognized an expense of $626,000 (1997 - $1,493,000; 1996 - $837,000) related to this plan, determined based on the market value of the stock.

NOTE 21 - RENTAL EXPENSE AND COMMITMENTS:
At December 31, 1998, the Corporation was obligated under a number of noncancelable leases for land, buildings, and equipment which require rentals (net of related sublease rentals) as follows:

<TABLE>
<CAPTION>

Year	Minimum payments	Sublease rentals	Net
	(In thousands)		
1999	$ 20,198	$ 351	$ 19,847
2000	16,987	353	16,634
2001	14,612	258	14,354
2002	11,680	171	11,509
2003	10,203	119	10,084

Later years	55,367	352	55,015
	$129,047	$1,604	$127,443

</TABLE>

Total rental expense for the year ended December 31, 1998, was $26,451,000 (1997 - $23,336,000; 1996 - $21,196,000).

NOTE 22 - INCOME TAX:

The components of income tax expense for the years ended December 31, are summarized below. Included in these amounts

are income taxes of $1,606,000 in 1998 (1997 - $747,000; 1996 - $1,480,000), related to gains on securities transactions.

<TABLE>
<CAPTION>

	1998	1997	1996
	(In thousands)		
Current income tax expense:			
Puerto Rico	$ 94,913	$ 83,120	$ 81,488
Federal and States	8,914	16,058	15,777
Subtotal	103,827	99,178	97,265
Deferred income tax expense (benefit):			
Puerto Rico	(27,231)	(19,851)	(23,589)
Federal and States	(1,925)	(4,866)	(2,799)
Subtotal	(29,156)	(24,717)	(26,388)
Total income tax expense	$ 74,671	$ 74,461	$ 70,877

</TABLE>

The reasons for the difference between the income tax expense applicable to income before provision for income taxes and the amount computed by applying the statutory rate in Puerto Rico, were as follows:

<TABLE>
<CAPTION>

	1998		1997		1996	
	Amount	% of pre-tax Income	Amount	% of pre-tax Income	Amount	% of pre-tax Income
	(Dollars in thousands)					
Computed income tax at statutory rate	$119,609	39%	$110,770	39%	$ 99,851	39%
Benefits of net tax exempt interest income	(47,432)	(15)	(37,860)	(13)	(29,118)	(11)
Federal, States taxes and other	2,494		1,551		144	
Income tax expense	$ 74,671	24%	$ 74,461	26%	$ 70,877	28%

</TABLE>

The Tax Reform Act of October 1994 in Puerto Rico repealed the reserve method of determining losses on loans, requiring taxpayers to use the direct charge-off method and recapture the reserve balance at December 31, 1995 into income for tax purposes over a four-year period. As a result of this change, the Corporation is required to pay $15,247,000 in 1999. In 1996, 1997 and 1998, the Corporation paid $14,763,000, $14,994,000, and $15,247,000, respectively, related to the afore-mentioned recapture. A deferred tax asset is recognized for the difference between the tax and accounting bases of the allowance for loan losses.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their bases. Significant components of the Corporation's deferred tax assets and liabilities at December 31, were as follows:

	1998	1997
	(In thousands)	
Deferred tax assets:		
Alternative minimum tax credits available for carryforward and other credits	$ 20,176	$ 22,353
Net operating loss carryforward available	5,939	7,262
Postretirement and pension benefits	30,725	28,835
Allowance for loan losses	75,365	50,203
Other temporary differences	14,157	15,427
Total gross deferred tax assets	146,362	124,080
Deferred tax liabilities:		
Differences between the assigned values and the tax bases of assets and liabilities recognized in purchase business combinations	9,514	11,893
Unrealized gain on securities available-for-sale	25,101	11,180
Other temporary differences	7,709	11,819
Total gross deferred tax liabilities	42,324	34,892
Valuation allowance	3,170	5,922
Net deferred tax asset	$100,868	$ 83,266

At December 31, 1998, the Corporation had $20,176,000 in credits expiring in annual installments through year 2014 that will reduce the regular income tax liability in future years. The Corporation had, at the end of 1998, $16,967,000 in net operating losses (NOL) available to carry over to offset taxable income in future years until year 2013. Other temporary differences included as deferred assets are mainly related to the deferral of loan origination costs and commissions.

A valuation allowance of $3,170,000 is reflected in 1998 (1997 - $5,922,000), related to deferred tax assets arising from NOL carryforwards and temporary differences for which the Corporation could not determine the likelihood of its realizability. Based on the information available, the Corporation expects to fully realize all other items comprising the net deferred tax asset as of December 31, 1998.

Under the Puerto Rico Internal Revenue Code, the Corporation and its subsidiaries are treated as separate taxable entities and are not entitled to file consolidated tax returns. The Code provides a dividend received deduction of 100%, on dividends received from "controlled" subsidiaries, subject to taxation in Puerto Rico.

The Corporation has never received any dividend payments from its U.S. subsidiaries. Any such dividend paid from a U.S. subsidiary to the Corporation would be subject to a 30% withholding tax based on the provisions of the U.S. Internal Revenue Code. The Corporation has not recorded any deferred

tax liability on the unremitted earnings of its U.S. subsidiaries because the reinvestment of such earnings is considered permanent. The Corporation believes that the likelihood of receiving dividend payments from any of its U.S. subsidiaries in the foreseeable future is remote, based on the significant expansion it is undertaking in the U.S. mainland.

The Corporation's subsidiaries in the United States file a consolidated federal income tax return. The Corporation's federal income tax provision for 1998 was $5,054,000 (1997 - $9,583,000; 1996 - $12,281,000). The intercompany settlements of taxes paid is based on tax sharing agreements which generally allocates taxes to each entity based on a separate return basis.

NOTE 23 - OFF-BALANCE SHEET LENDING ACTIVITIES AND CONCENTRATION OF CREDIT RISK:

Off-balance sheet risk:
The Corporation is a party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financial needs of its customers. These financial instruments include loan commitments, letters of credit, and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of condition.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit and financial guarantees written is represented by the contractual notional amounts of those instruments. The Corporation uses the same credit policies in making these commitments and conditional obligations as it does for those reflected on the statement of condition.

Financial instruments with off-balance sheet credit risk at December 31, whose contract amounts represent potential credit risk were as follows:

	1998	1997
	(In thousands)	
Commitments to extend credit:		
Credit card lines	$1,599,242	$ 964,484
Commercial lines of credit	2,247,464	1,668,221
Other unused commitments	256,445	33,418
Commercial letters of credit	21,232	16,352
Standby letters of credit	86,075	56,244
Commitments to purchase mortgage loans	25,000	25,000
Commitments to originate mortgage loans	83,315	

Commitments to extend credit:
Contractual commitments to extend credit are legally binding agreements to lend money to customers at predetermined interest rates for a specified period of time. To extend credit the Corporation evaluates each customer's creditworthiness. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include cash, accounts receivable, inventory, property, plant and equipment and investment securities, among others. Since many of the loan commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Letters of credit:
There are two principal types of letters of credit: commercial and standby letters of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. In most instances, cash items are held by the Corporation to collateralize these instruments.

In general, commercial letters of credit are short-term instruments used to finance a commercial contract for the shipment of goods from a seller to a buyer. This type of letter of credit ensures prompt payment to the seller in accordance with the terms of the contract. Although the commercial letter of credit is contingent upon the satisfaction of specified conditions, it represents a credit exposure if the buyer defaults on the underlying transaction.

Standby letters of credit are also issued by the Corporation to disburse funds to a third party beneficiary if the Corporation's customer fails to perform under the terms of an agreement with the beneficiary. These letters of credit are used by the customer as a credit enhancement and typically expire without being drawn upon.

Other commitments:
In 1998, the Corporation entered into a commitment to purchase $25,000,000 of mortgage loans from another institution with the option of purchasing additional loans up to $175,000,000. The commitment expires on June 30, 2000. The purchased mortgage loans will continue to be serviced by the originating institution. As of December 31, 1998, no loans have been purchased under this agreement. In 1997, the Corporation entered into a similar agreement to purchase up to $150,000,000 in mortgage loans. The Corporation purchased the full amount permitted by this commitment before the end of 1998.

Moreover, in 1998, the Corporation entered into a commitment with a third-party to originate $90,000,000 in thirty-year mortgages at an unsubsidized fixed rate of 6.50%. The commitment is for a period of 26 months, but may be extended for an additional ten-month period subject to certain conditions. The Corporation entered into certain transactions to hedge the interest rate risk exposure on this commitment. As of December 31, 1998, loans amounting to $6,685,000 have been originated under this agreement. Fees received and costs incurred in originating this commitment have been deferred and are being allocated to the loans originated and will be recognized when such loans are sold.

Geographic concentration:
A geographic concentration exists within the Corporation's loan portfolio since most of its business activity is with customers located in Puerto Rico. As of December 31, 1998, the Corporation had no significant concentrations of credit risk and no significant exposure to highly leveraged transactions in its loan portfolio. For further information on the asset composition of the Corporation by geographical area at December 31, 1998 and 1997, please refer to Note 27 on Segment Reporting.

Included in total assets of Puerto Rico are investments in obligations of the U.S. Treasury and U.S. Government agencies amounting to $5.0 billion and $3.8 billion in 1998 and 1997, respectively.

NOTE 24 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:
The information about the estimated fair values of financial instruments required by generally accepted accounting principles is presented hereunder including some items not recognized in the consolidated statements of condition.

A financial instrument is defined as cash, evidence of an ownership interest in an entity, or a contract that creates a contractual obligation or right to deliver to or receive cash or another financial instrument from a second entity on potentially favorable terms with the first entity. All nonfinancial instruments and certain other specific items are excluded from the fair value disclosure requirements.

For those financial instruments with no quoted market prices available, fair values have been estimated using present value or other valuation techniques. These techniques are inherently subjective and are significantly affected by the assumptions used, including the discount rates, estimates of future cash flows and prepayment assumptions. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The fair values reflected herein have been determined based on the prevailing interest rate environment as of December 31, 1998 and 1997, respectively. In different interest rate environments, fair value results can differ significantly, especially for certain fixed rate financial instruments and non-accrual assets. In addition, the fair values presented do not attempt to estimate the value of the Corporation's fee generating businesses and anticipated future business activities, that is, they do not represent the Corporation's value as a going concern. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

The estimated fair values of the Corporation's financial instruments, their carrying value and the methodologies used to estimate fair values are presented below.

Short-term financial instruments:
Short-term financial instruments, both assets and liabilities, have been valued at their carrying amounts as reflected in the Corporation's consolidated statements of condition. For these financial instruments, the carrying value approximates fair value because of the relatively short period of time between the origination of the instruments and their expected realization. Included in this category are: cash and due from banks, federal funds sold and securities and mortgages purchased under agreements to resell, time deposits with other banks, bankers' acceptances, customers' liabilities on acceptances, accrued interest receivable, securities sold under agreements to repurchase, acceptances outstanding and accrued interest payable.

Investment and trading securities:
Investment and trading securities are financial instruments which trade regularly on secondary markets. The estimated fair value of these securities was determined using either market prices or dealer quotes, where available, or quoted market prices of financial instruments with similar characteristics. The fair value of investment securities available-for-sale and trading securities

equals their carrying value since they are marked-to-market for accounting purposes. These instruments are detailed in the consolidated statements of condition and in Notes 3, 4 and 25.

Loans held-for-sale:
Estimated fair value of loans held-for-sale as of December 31, 1998, was $662,709,000 (1997 - $265,421,000) based on secondary market prices.

Loans:
Estimated fair values have been determined for groups of loans with similar financial characteristics. Loans were segregated by type such as commercial, construction, residential mortgage, consumer and credit cards. Each loan category was further seg-

mented based on collateral, interest repricing and accrual vs. non-accrual status. For variable rate loans with frequent repricing terms and no significant change in credit risk, fair values were based on carrying values.

Commercial loans with fixed rates were segregated into commercial real estate, cash collateral and other. Consumer loans were segregated by type such as personal, auto, boat, student, credit cards, reserve lines and home equity loans. Personal loans were further subdivided in mortgage-guaranteed, cash collateral and unsecured. The fair values of fixed-rate commercial, construction and consumer loans were estimated by discounting scheduled cash flows using prevailing market rates for those loans. For non-accruing loans, the estimated fair values were based on the discounted value of estimated cash flows. For these loans, principal-only cash flows were adjusted to reflect projected charge-offs. Interest cash flows were determined based on historical collection experience. Residential mortgage loans were valued using quoted market prices, where available, and market prices of traded loans with similar credit ratings, interest rates and maturity dates adjusted for estimated prepayments. Generally accepted accounting principles do not require, nor has the Corporation performed, a fair valuation of its lease financing portfolio. Therefore, for presentation purposes only, leases are shown below with fair value equal to its carrying value.

<TABLE>
<CAPTION>

	1998		1997	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Commercial	$ 5,646,027	$ 5,679,439	$ 4,637,409	$ 4,646,199
Construction	257,786	256,089	250,111	248,953
Lease financing	645,280	645,280	581,927	581,927
Mortgage	2,707,589	2,763,034	2,568,692	2,614,296
Consumer (including credit cards)	3,177,954	3,296,252	3,073,264	3,013,351
Less: Allowance for loan losses	267,249		211,651	
	$12,167,387	$12,640,094	$10,899,752	$11,104,726

</TABLE>

Deposits:
The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, savings, NOW and money market accounts, which at December 31, 1998 and 1997, comprised 66% and 64%, respectively, of the Corporation's total deposits, is equal to the amount payable on demand as of the respective dates. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates offered at December 31, 1998 and 1997, respectively, for deposits with similar remaining maturities.

<TABLE>
<CAPTION>

	1998		1997	
	Carrying	Estimated fair	Carrying	Estimated fair

	value	value	value	value
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Non-interest bearing deposits	$ 3,176,309	$ 3,176,309	$ 2,546,836	$ 2,546,836
Savings accounts	4,107,990	4,107,990	3,584,963	3,584,963
NOW and money market accounts	1,678,033	1,678,033	1,357,519	1,357,519
Certificates of deposit	4,709,882	4,705,939	4,260,268	4,310,289
	$13,672,214	$13,668,271	$11,749,586	$11,799,607

</TABLE>

Borrowings and long-term debt:
Borrowings and long-term debt, which include other short-term borrowings, notes payable, senior debentures, subordinated notes and capital securities, were valued using quoted market rates for similar instruments at December 31, 1998 and 1997, respectively. Included within other short-term borrowings at December 31, 1998, were $342,232,000 (1997 - $183,999,000) in commercial paper issued by the Corporation which has been valued at its carrying amount because of the relatively short period of time between its origination and maturity.

<TABLE>
<CAPTION>

	1998		1997	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Other short-term borrowings	$1,639,082	$1,640,048	$1,287,435	$1,287,306
Notes payable	1,307,160	1,315,833	1,403,696	1,413,748
Subordinated notes	125,000	126,538	125,000	126,132
Capital securities	150,000	149,115	150,000	158,481

</TABLE>

Commitments to extend credit and standby letters of credit:
Commitments to extend credit were fair valued using the fees currently charged to enter into similar agreements. For those commitments where a future stream of fees is charged, the fair value was estimated by discounting the projected cash flows of fees on commitments which are expected to be disbursed, based on historical experience. The fair value of letters of credit is based on fees currently charged on similar agreements. At December 31, 1998, the Corporation had $4,103,151,000 and $107,307,000 in commitments to extend credit and letters of credit, respectively (1997 - $2,666,123,000 and $72,596,000). The estimated fair value of these financial instruments with no carrying value was $7,878,000 (1997 - $8,577,000).

NOTE 25 - RISK MANAGEMENT AND TRADING ACTIVITIES

The Corporation's exposure to market risk relates to changes in interest rates or in the fair value of the underlying financial instruments and, to a limited extent, to fluctuations in foreign currency exchange rates. The operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts.

Risk management activities are aimed at optimizing net interest income, consistent with the Corporation's business strategies. Among the various methods used by the Corporation to measure the risks generated by assets and liabilities are beta-adjusted gap analysis, simulations and duration analysis.

In managing its market risk the Corporation enters, to a limited extent, into certain derivative instruments that expose it to credit risk, which represent the risk that the counterparties might default on their obligations. To manage the level of credit risk the Corporation deals with counterparties of good credit standing, enters into master netting agreements whenever possible and, when appropriate, obtains collateral. Concentrations of credit risk which arise through the Corporation's off-balance sheet lending activities are presented in Note 23.

The following table indicates the types of derivative financial instruments the Corporation held at December 31. The credit exposure is represented by the fair value of the instruments with a positive market value. The table should be read in conjunction with the descriptions of these products and the Corporation's objectives for holding them which immediately follows.

	1998			1997		
	Notional amount	Average for the year	Fair value	Notional amount	Average for the year	Fair value
		(In thousands)				
Interest rate swaps:						
Pay floating/receive fixed	$ 15,000	$ 15,000	$ 477	$ 15,000	$ 20,181	$ 108
Pay fixed/receive floating	190,000	206,042	(2,732)	215,000	167,180	(1,678)
Interest rate swaptions	62,163	55,668	38,495	32,271	29,360	23,277
Interest rate futures		125,065			28,357	
Interest rate options	61,753	65,835	584	60,917	238,830	533
Interest rate caps	3,500	3,500	22	3,413	1,351	41
Interest rate floors	3,500	3,500	(91)	3,413	1,351	(46)
Foreign exchange contracts	120	877		1,234	1,047	
Securities sold not yet purchased		4,649				

Interest rate swaps:
Interest rate swap agreements generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal. Net interest settlements on interest rate swaps are recorded as an adjustment to interest income or interest expense of the hedged item.

	1998	1997
	(Dollars in thousands)	
Activity of interest rate swaps hedges for the year:		
Beginning balance	$230,000	$140,000
New swaps		170,000
Matured swaps	(25,000)	(80,000)
Ending balance	$205,000	$230,000
Pay floating/receive fixed:		
Weighted average receive rate at December 31	6.42%	6.42%
Weighted average pay rate at December 31	5.06	5.94
Pay fixed/receive floating:		
Weighted average receive rate at December 31	5.23%	5.88%
Weighted average pay rate at December 31	6.32	6.24

The agreements were entered into to change the Corporation's interest rate exposure and they end at the time the related obligation matures. The variable rates are based on the three-month and six-month LIBOR rates. Nonperformance by any of the counterparties on this agreement will expose the Corporation to an interest rate risk.

Interest rate swaptions:
The Corporation enters into options on swaps ("swaption") derivative securities, which combine the characteristics of interest rate swaps and options, for hedging purposes. BPPR issues certificates of deposit with returns linked to the Standard and Poor's 500 index (the index). In order to hedge the cost of these certificates, positions in swaptions are assumed. These swaptions earn a return to the Corporation equal to the appreciation in the index throughout the life of the certificate of deposit issued. In exchange, the Corporation pays the counterparty a fixed rate of interest.

Interest rate futures:
Financial futures contracts are agreements to buy or sell a notional amount of a financial instrument at a given time in the future. Options on futures contracts confer the right from seller to buyer to take a future position at a stated price. Risks arise from the possible inability of counterparties to meet the

terms of their contracts and from movements in securities values and interest rates.

Interest rate options, caps and floors:
Interest rate options are contracts that grant the purchaser, for a premium payment, the right to either purchase from or sell to the writer of the option a financial instrument at a specified price within a specified period of time or on a specified date. Interest rate caps and floors are option-like contracts that require the writer to pay the purchaser at specified future dates the amount, if any, by which a specified market interest rate exceeds the fixed cap rate or falls below the fixed floor rate, applied to a notional principal amount. The option writer receives a premium for bearing the risk of unfavorable interest rate changes.

Foreign exchange contracts:
To satisfy the needs of its customers, from time to time, the Corporation enters into foreign exchange contracts in the spot or futures market. Spot contracts require the exchange of two currencies at an agreed rate to occur within two business days of the contract date. Forward and futures contracts to purchase or sell currencies at a future date settle over periods of up to one year, in general. Futures and forward contracts are recorded at market value.

Securities sold not yet purchased:
The Corporation enters in securities sold not yet purchased transactions for hedging strategies and for trading purposes. Various assets and liabilities, such as investment securities financed by borrowings, are usually hedged to lock-in spreads and reduce the risk of losses in value due to interest rate fluctuations.

Open positions on securities sold short for trading purposes are usually closed at each month-end. The volume of such transactions is not significant.

Trading activities:
The Corporation maintains limited trading positions in certain financial instruments and nonfinancial contracts including, to a limited extent, derivatives. Most of the Corporation's trading activities are limited to the purchase of debt securities for the purpose of selling them in the near term and positioning securities for resale to retail customers. Trading activities of the Corporation are subject to strict guidelines approved by the Board of Directors and included in the investment policy.

In anticipation of customer demand, the Corporation carries an inventory of capital market instruments and maintains market liquidity by quoting bid and offer prices to and trading with other market makers. Positions are also taken in interest rate sensitive instruments, based on expectations of future market conditions. These activities constitute the proprietary trading business and are held by the Corporation to provide customers with financial products at competitive prices. As trading strategies depend on both market-making and proprietary positions, given the relationship between instruments and markets, those activities are managed in concert in order to maximize net trading revenue.

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. Fluctuations in market prices, interest rates or exchange rates change the market value of the instruments. As the instruments are recognized at market value, these changes directly affect reported income. Exposure to market risk is managed, in accordance with risk limits set by senior management, by buying or selling instruments or entering into offsetting positions.

At December 31, 1998 and 1997, the Corporation held no futures or options contracts written for trading purposes. The following table indicates the fair value and net gains (losses) of derivatives financial instruments held for trading purposes.

<TABLE>
<CAPTION>

	Fair Value				
	At December 31, 1998		Average for the period		Net gains
	Assets	Liabilities	Assets	Liabilities	(losses)
	(In thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Futures contracts	$0	$0	$0	$38	$150

</TABLE>

<TABLE>
<CAPTION>

	Fair Value				
	At December 31, 1998		Average for the period		Net gains
	Assets	Liabilities	Assets	Liabilities	(losses)
	(In thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Futures contracts	$0	$0	$0	$ 1	$(23)
Options	0	0	0	11	(41)

</TABLE>

The Corporation's credit exposure from off-balance sheet derivative financial instruments held or issued for trading purposes is represented by the fair value of the instruments with a positive fair value at that date.

NOTE 26 - SUPPLEMENTAL DISCLOSURE ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS: During the year ended December 31, 1998, the Corporation paid interest and income taxes amounting to $768,415,000 and $93,850,000, respectively (1997 - $703,553,000 and $88,752,000; 1996 - $579,733,000 and $76,324,000). In addition, loans transferred to other real estate and other property for the year ended December 31, 1998, amounted to $27,978,000 and $26,775,000, respectively (1997 - $23,152,000 and $24,968,000).

NOTE 27 - SEGMENT REPORTING

Popular, Inc. operates three major reportable segments: commercial banking, mortgage and consumer finance, and lease financing. Management has determined its reportable segments based on legal entity, which is the way that operating decisions and performance is measured. These entities have then been aggregated by products, services and markets with similar characteristics.

The Corporation's commercial banking segment includes all banking subsidiaries engaged in business in Puerto Rico and U.S., which provide individuals, corporations and institutions with commercial and retail banking services, including loans and deposits, trust, mortgage banking and servicing, asset management, credit cards and other financial services. These services are offered through a delivery system of 318 branches throughout Puerto Rico, U.S. and British Virgin Islands, New York, Illinois, California, Florida, Texas and New Jersey.

The Corporation's mortgage and consumer finance segment includes those non-banking subsidiaries whose principal activity is originating mortgage and consumer loans such as Popular Mortgage, Popular Finance and Equity One. The services of Popular Mortgage and Popular Finance are furnished through 59 offices in Puerto Rico while those of Equity One are provided in 128 offices throughout 36 states.

The Corporation's lease financing segment provides financing for vehicles and equipment through 10 offices of Popular Leasing and Rental, Inc. in Puerto Rico and 8 offices of Popular Leasing, USA in eight states. The "Other" category includes all holding companies and non-banking subsidiaries which provide investment banking and broker/dealer activities, as well as those providing ATM processing services and retail financial services. It also includes the banking operations of Banco Fiduciario in the Dominican Republic.

The accounting policies of the segments are the same as those described in the summary of accounting policies. Following are the results of operations and selected financial information by operating segment for each of the three years ended December 31:

<TABLE>
<CAPTION>

	Commercial banking	Mortgage and consumer finance	Lease financing	Other	Elimina-tions	Total
(In thousands)				1998		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income	$ 751,126	$ 83,940	$ 40,180	$ (2,163)	$ (71)	$ 873,012
Provision for loan losses	104,374	21,480	11,250	109		137,213
Other income	215,021	31,944	18,828	26,915	(1,462)	291,246
Intangibles amortization	25,602	890	1,237	131		27,860
Depreciation expense	51,830	1,428	8,590	801		62,649

Other operating expenses	532,015	55,798	21,668	20,527	(491)	629,517
Income tax	53,464	13,964	6,258	972	13	74,671
Net income	$ 198,862	$ 22,324	$ 10,005	$ 2,212	$ (1,055)	$ 232,348
Segment assets	$19,973,005	$1,830,134	$678,878	$5,269,381	$(4,591,041)	$23,160,357

<CAPTION>

	1997					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income	$ 668,230	$ 76,449	$ 36,648	$ 2,628		$ 783,955
Provision for loan losses	82,095	18,866	9,646			110,607
Other income	201,752	23,741	16,985	5,354	(234)	247,598
Intangibles amortization	20,715	1,001	1,280	(122)		22,874
Depreciation expense	43,898	1,121	8,078	1,426		54,523
Operating expenses	492,009	41,156	20,819	5,959	(420)	559,523
Income tax	55,104	15,067	5,160	(942)	72	74,461
Net income	$ 176,161	$ 22,979	$ 8,650	$ 1,661	$ 114	$ 209,565
Segment assets	$16,759,606	$1,519,739	$625,436	$3,981,062	$(3,585,336)	$19,300,507

<CAPTION>

	1996					
Net interest income	$ 577,541	$ 62,147	$ 30,588	$ 11,037		$ 681,313
Provision for loan losses	63,271	16,085	9,483			88,839
Other income	165,034	15,335	16,690	8,732	(319)	205,472
Intangibles amortization	15,665	1,231	1,280	(122)		18,054
Depreciation expense	38,725	869	7,250	1,637		48,481
Operating expenses	421,219	31,967	18,518	4,203	(523)	475,384
Income tax	51,346	11,020	3,970	4,461	80	70,877
Net income	$ 152,349	$ 16,310	$ 6,777	$ 9,590	$ 124	$ 185,150
Segment assets	$14,260,989	$1,343,378	$566,200	$3,368,033	$(2,774,497)	$16,764,103

</TABLE>

Geographic Information

<TABLE>
<CAPTION>

	1998	1997	1996
	(In thousands)		
<S>	<C>	<C>	<C>
Revenues(*):			
Puerto Rico	$1,419,371	$1,297,532	$1,107,679
United States	462,582	390,759	316,694
Other	60,996	50,610	53,952
Total consolidated revenues	$1,942,949	$1,738,901	$1,478,325

(*) Total revenues include interest income, service charges on deposit accounts, other service fees, gain on sale of securities, trading account profit, and other income.

</TABLE>

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Selected Balance Sheet Information:			
Puerto Rico			
Total assets	$16,517,161	$14,301,572	$12,498,375
Loans	7,895,689	7,322,109	6,314,797
Deposits	9,444,199	8,581,277	8,119,424
United States			
Total assets	$ 5,660,628	$ 4,503,956	$ 3,644,287
Loans	4,556,060	3,686,538	3,053,796
Deposits	3,410,808	2,714,282	2,177,534
Other			

Total assets	$ 982,568	$ 494,979	$ 621,441
Loans	627,046	367,960	410,436
Deposits	817,207	454,027	466,317

</TABLE>

NOTE 28 - CONTINGENT LIABILITIES:

The Corporation is a defendant in a number of legal proceedings arising in the normal course of business. Management believes, based on the opinion of legal counsel, that the final disposition of these matters will not have a material adverse effect on the Corporation's financial position or results of operations.

NOTE 29- POPULAR, INC. (HOLDING COMPANY ONLY) FINANCIAL INFORMATION:
The following condensed financial information presents the financial position of the Holding Company only as of December 31, 1998 and 1997 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998.

STATEMENTS OF CONDITION

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
	(In thousands)	
ASSETS		
Cash	$ 524	$ 378
Money market investments	3,700	
Investment securities available-for-sale, at market value	107,175	88,371
Investment in BPPR, at equity	1,438,766	1,255,880
Investment in Banco Popular, Illinois, at equity	132,465	128,089
Investment in Banco Popular, FSB, at equity	165,838	148,038
Investment in Banco Popular, N.A. (California), at equity	15,597	14,187
Investment in Gore-Bronson Banks, at equity	61,017	
Investment in First State Bank of Southern California, at equity	35,714	
Investment in other subsidiaries, at equity	33,160	26,933
Advances to subsidiaries	769,406	691,706
Other assets	3,813	3,683
Total assets	$2,767,175	$2,357,265
LIABILITIES AND STOCKHOLDERS' EQUITY		
Securities sold under agreements to repurchase	$ 51,438	$ 51,775
Commercial paper	164,515	98,099
Other short-term borrowings	247,072	90,875
Notes payable	436,877	466,088
Accrued expenses and other liabilities	33,160	22,336
Subordinated notes	125,000	125,000
Stockholders' equity	1,709,113	1,503,092
Total liabilities and stockholders' equity	$2,767,175	$2,357,265

</TABLE>

STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Year ended December 31, 1998	1997	1996
	(In thousands)		
Income:			
Dividends from subsidiaries	$ 70,925	$ 53,000	$ 42,608
Interest on money market and investment securities	5,052	5,355	4,828
Other operating income	4,674	496	2,394
Interest on advances to subsidiaries	49,564	45,434	42,047
Total income	130,215	104,285	91,877
Expenses:			
Interest expense	58,747	53,182	42,761

Operating expenses	1,133	1,494	1,698
Total expenses	59,880	54,676	44,459
Income before income taxes and equity in undistributed earnings of subsidiaries	70,335	49,609	47,418
Income taxes	32	(1,573)	1,109
Income before equity in undistributed earnings of subsidiaries	70,303	51,182	46,309
Equity in undistributed earnings of subsidiaries	162,045	158,383	138,841
Net income	$232,348	$ 209,565	$185,150

</TABLE>

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended December 31,		
	1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 232,348	$ 209,565	$ 185,150
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(162,045)	(158,383)	(138,841)
Depreciation of premises and equipment		1,345	1,621
Loss on disposition of premises and equipment		3,295	
Gain on sale of investment securities available-for-sale	(4,303)	(824)	
Amortization of premiums and accretion of discounts on investments	25	20	22
Net increase in other assets	(130)	(335)	(914)
Net decrease in current taxes	(1,018)	(86)	(3,182)
Net increase (decrease) in interest payable	2,376	(4,199)	
Net increase (decrease) in other liabilities	419	(2,190)	4,554
Total adjustments	(164,676)	(161,357)	(136,740)
Net cash provided by operating activities	67,672	48,208	48,410
Cash flows from investing activities:			
Net (increase) decrease in money market investments	(3,700)	55,024	(47,564)
Purchases of investment securities available-for-sale	(7,362)	(5,560)	(1,538)
Maturities of investment securities available-for-sale	5,000	682	883
Sales of investment securities available-for-sale	7,700	2,365	
Capital contribution to subsidiaries	(119,941)	(58,500)	(30,000)
Distribution from subsidiary			392
Advances to subsidiaries	(77,700)	(57,449)	(100,940)
Acquisition of premises and equipment		(15)	(3)
Proceeds from sale of premises and equipment		34,551	

Net cash used in investing activities	(196,003)	(28,902)	(178,770)
Cash flows from financing activities:			
Net decrease in securities sold under agreements to repurchase	(337)	(309)	(191)
Net increase (decrease) in commercial paper	66,416	(66,280)	(10,349)
Net increase (decrease) in other short-term borrowings	156,197	(61,126)	30,600
Net (decrease) increase in notes payable	(29,211)	232,550	158,039
Payment of senior debentures		(30,000)	
Cash dividends paid	(72,021)	(59,037)	(51,896)
Proceeds from issuance of common stock	7,433	4,642	4,135
Treasury stock acquired		(39,559)	
Net cash provided by (used in) financing activities	128,477	(19,119)	130,338
Net increase (decrease) in cash	146	187	(22)
Cash at beginning of period	378	191	213
Cash at end of period	$ 524	$ 378	$ 191

</TABLE>

The principal source of income for the Holding Company consists of dividends from BPPR. As a member subject to the regulations of the Federal Reserve Board, BPPR must obtain the approval of the Federal Reserve Board for any dividend if the total of all dividends declared by it in any calendar year would exceed the total of its net profits for that year, as defined by the Federal Reserve Board, combined with its retained net profits for the preceding two years. The payment of dividends by BPPR may also be affected by other regulatory requirements and policies, such as the maintenance of certain minimum capital levels described in Note 18.

NOTE 30 - POPULAR INTERNATIONAL BANK, INC. (A SUBSIDIARY OF POPULAR, INC.) FINANCIAL INFORMATION: The following summarized financial information presents the consolidated financial position of Popular International Bank, Inc. and its subsidiaries as of November 30, 1998 and 1997, and the results of their operations, cash flows and changes in stockholder's equity for each of the three years in the period ended November 30, 1998. Popular International Bank, Inc. is the holding company of Popular North America, Inc., including Banco Popular North America and its wholly-owned subsidiary Popular Cash Express, Inc., Banco Popular, Illinois, GoreBronson Bancorp, Inc., Banco Popular, N.A. (Texas), Banco Popular, N.A. (California), First State Bank of Southern California, Banco Popular, N.A. (Florida) and Banco Popular, FSB (second-tier subsidiaries) and its wholly-owned subsidiary Equity One, Inc.

STATEMENTS OF CONDITION

<TABLE>
<CAPTION>

	November 30, 1998	November 30, 1997
	(In thousands)	
<S>	<C>	<C>
ASSETS		
Cash	$ 241,706	$ 70,315
Money market investments	137,196	36,126
Investment securities available-for-sale, at market value	281,638	323,152
Investment securities held-to-maturity, at cost	21,007	18,054
Loans held-for-sale	227,639	50,886
Loans	3,127,864	2,127,817
Less: Unearned income	70,434	55,295
Allowance for loan losses	65,859	30,907
	2,991,571	2,041,615

Other assets	212,583	93,120
Intangible assets	142,988	82,726
Total assets	$ 4,256,328	$ 2,715,994
LIABILITIES AND STOCKHOLDER'S EQUITY		
Deposits:		
Non-interest bearing	$ 377,138	$ 211,396
Interest bearing	1,708,774	1,003,792
	2,085,912	1,215,188
Federal funds purchased and securities sold under agreements to repurchase	405,810	24,288
Other short-term borrowings, consisting of $368,208 in term notes (1997 - $269,732), and a revolving credit facility with an affiliate of $60,000 (1997 - $10,000)	428,208	279,732
Notes payable (Note 12)	663,540	704,507
Other liabilities	80,585	52,473
Preferred beneficial interest in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000
Minority interest in consolidated subsidiary	27,591	
Stockholder's equity	414,682	289,806
Total liabilities and stockholder's equity	$ 4,256,328	$ 2,715,994

</TABLE>

STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Year ended November 30,		
	1998	1997	1996
	(In thousands)		
<S>	<C>	<C>	<C>
Interest and fees:			
Loans	$ 252,615	$ 192,202	$ 136,824
Money market, trading and investment securities	22,223	24,658	16,188
	274,838	216,860	153,012
Interest expense:			
Deposits	57,584	35,972	24,000
Short-term borrowings	28,701	23,092	22,572
Long-term borrowings	60,723	55,603	35,265
	147,008	114,667	81,837
Net interest income	127,830	102,193	71,175
Provision for loan losses	21,611	17,041	14,299
Net interest income after provision for loan losses	106,219	85,152	56,876
Service charges on deposit accounts	10,211	5,588	2,735
Other service fees	17,917	8,159	4,663
Gain on sale of securities	2,754	339	7,026
Trading account loss	(206)		
Other operating income	20,239	11,817	5,342
	157,134	111,055	76,642
Operating expenses	145,023	85,031	46,509
Net loss of minority interest	328		
Income before income tax	12,439	26,024	30,133
Income tax	6,990	11,192	12,978
Net income	$ 5,449	$ 14,832	$ 17,155

</TABLE>

POPULAR, INC.

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended November 30,		
	1998	1997	1996
	(In thousands)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 5,449	$ 14,832	$ 17,155
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Depreciation and amortization of premises and equipment	6,470	3,136	1,833
Provision for loan losses	21,611	17,041	14,299
Amortization of intangibles	8,756	5,850	3,460
Amortization of deferred loan fees and costs	(1,109)	(1,529)	(1,922)
Amortization of premiums and accretion of discounts on investments	270	1,271	267
Increase in loans held-for-sale	(176,753)	(2,817)	(24,513)
Gain on sale of investment securities available-for-sale	(2,754)	(339)	(7,026)
Gain on disposition of premises and equipment	(27)	(655)	
Gain on sale of loans	(14,828)	(10,133)	(8,049)
Net increase in interest receivable	(8,873)	(5,395)	(1,286)
Net increase in other assets	(11,141)	(5,312)	(1,915)
Net increase in interest payable	1,121	5,008	
Net increase (decrease) in current and deferred taxes	870	(3,556)	(1,942)
Net (decrease) increase in other liabilities	(622)	(1,884)	5,392
Total adjustments	(177,009)	686	(21,402)
Net cash (used in) provided by operating activities	(171,560)	15,518	(4,247)
Cash flows from investing activities:			
Net decrease (increase) in money market investments	6,012	24,058	(15,676)
Purchases of investment securities held-to-maturity	(7,852)	(270)	(6,214)
Purchases of investment securities available-for-sale	(798,676)	(526,337)	(71,955)
Maturities of investment securities held-to-maturity	4,372	2,750	
Sale of investment securities available for-sale	126,659	506,365	61,205
Maturities of investment securities available-for-sale	798,667	70,092	98,011
Net disbursements on loans	(1,009,462)	(539,951)	(574,754)
Proceeds from sale of loans	587,005	294,001	285,771
Acquisition of loan portfolios	(5,228)	(10,853)	
Assets acquired, net of cash	(17,168)	(36,734)	(2,656)
Acquisition of premises and equipment	(23,541)	(17,974)	(4,794)
Proceeds from sales of premises and equipment	1,178	5,857	
Net cash used in investing activities	(338,034)	(228,996)	(231,062)
Cash flows from financing activities:			
Net increase in deposits	137,866	56,092	42,735
Net deposits acquired	36,297		
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	381,522	(169)	1,040
Net increase (decrease) in other short-term borrowings	92,110	(130,893)	222,514
Proceeds from issuance of notes payable	94,425	964,931	30,024

Payments of notes payable	(181,176)	(845,840)	(84,885)
Proceeds from issuance of Capital Securities		150,000	
Proceeds from issuance of common stock		462	150
Capital contribution from Parent company	119,941	58,039	29,850
Net cash provided by financing activities	680,985	252,622	241,428
Net increase in cash and due from banks	171,391	39,144	6,119
Cash and due from banks at beginning of year	70,315	31,171	25,052
Cash and due from banks at end of year	$ 241,706	$ 70,315	$ 31,171

</TABLE>

STATEMENTS OF CHANGES IN
STOCKHOLDER'S EQUITY

<TABLE>
<CAPTION>

	Year ended November 30,		
	1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
Preferred Stock:			
Par value $25; authorized 25,000,000 shares, none issued			
Common Stock:			
Par value $5; authorized 1,000,000 shares, 792,300 shares issued and outstanding (1997 - 792,300; 1996 - 700,000)			
Balance at beginning of the period	$ 3,962	$ 3,500	$ 3,350
Issuance of common stock		462	150
Balance at end of the period	3,962	3,962	3,500
Additional paid-in capital:			
Balance at beginning of the period	224,864	132,964	103,114
Capital contribution from Parent company	119,941	91,900	29,850
Balance at end of the period	344,805	224,864	132,964
Retained earnings:			
Balance at beginning of the period	59,221	44,389	27,234
Net income	5,449	14,832	17,155
Balance at end of the period	64,670	59,221	44,389
Accumulated other comprehensive income:			
Balance at beginning of the period	1,759	686	5,437
Other comprehensive (loss) income	(514)	1,073	(4,751)
Balance at end of period	1,245	1,759	686
Total stockholder's equity	$ 414,682	$ 289,806	$ 181,539

</TABLE>

STATEMENTS OF COMPREHENSIVE INCOME

<TABLE>
<CAPTION>

	Year ended November 30,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Net income	$ 5,449	$ 14,832	$ 17,155
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period, net of tax	1,464	1,278	(188)
Less: Reclassification adjustment for gains included in net income, net of tax	1,763	205	4,563

Foreign currency translation adjustment	(215)		
Other comprehensive (loss) income	(514)	1,073	(4,751)
Comprehensive income	$ 4,935	$ 15,905	$ 12,404

</TABLE>

NOTE 31 - POPULAR NORTH AMERICA, INC. (A SECOND - TIER SUBSIDIARY OF POPULAR, INC.) FINANCIAL INFORMATION:
The following summarized financial information presents the consolidated financial position of Popular North America, Inc. and its subsidiaries, Banco Popular North America and its wholly-owned subsidiary Banco Popular, Illinois, Gore-Bronson Bancorp, Inc., Banco Popular, N.A. (Florida), Banco Popular, FSB, including its wholly-owned subsidiary Equity One, Inc., Banco Popular N.A. (California), First State Bank of Southern California, Banco Popular N.A. (Texas) and Popular Cash Express, Inc. (second tier subsidiaries) as of November 30, 1998 and 1997, and the results of their operations, cash flows and changes in stockholder's equity for each of the three years in the period ended November 30, 1998.

STATEMENTS OF CONDITION

<TABLE>
<CAPTION>

	November 30,	
	1998	1997
	(In thousands)	
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$ 140,087	$ 70,207
Money market investments	88,511	33,709
Investment securities available-for-sale, at market value	272,712	323,090
Investment securities held-to-maturity, at cost	21,008	18,054
Loans held-for-sale	227,639	50,886
Loans	2,866,764	2,127,817
Less: Unearned income	70,434	55,295
Allowance for loan losses	40,415	30,907
	2,755,915	2,041,615
Other assets	131,652	90,304
Intangible assets	135,909	82,725
Total assets	$ 3,773,433	$ 2,710,590
LIABILITIES AND STOCKHOLDER'S EQUITY		
Deposits:		
Non-interest bearing	$ 336,939	$ 211,396
Interest bearing	1,429,318	1,003,792
	1,766,257	1,215,188
Federal funds purchased and securities sold under agreements to repurchase	405,810	24,288
Other short-term borrowings, consisting of $324,733 term notes (1997 - $269,732) and a revolving credit facility with an affiliate of $60,000 (1997 - $10,000)	384,733	279,732
Notes payable (Note 12)	624,194	704,507
Other liabilities	61,485	52,190
Preferred beneficial interest in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000
Stockholder's equity	380,954	284,685
Total liabilities and stockholder's equity	$ 3,773,433	$ 2,710,590

</TABLE>

STATEMENTS OF INCOME

	Year ended November 30,		
	1998	1997	1996
		(In thousands)	
Interest and fees:			
Loans	$ 243,662	$ 192,202	$ 136,824
Money market and investment securities	21,496	23,089	16,107
	265,158	215,291	152,931
Interest expense:			
Deposits	50,192	35,972	24,000
Short-term borrowings	27,556	23,091	22,572
Long-term borrowings	60,395	55,602	35,265
	138,143	114,665	81,837
Net interest income	127,015	100,626	71,094
Provision for loan losses	21,502	17,041	14,299
Net interest income after provision for loan losses	105,513	83,585	56,795
Service charges on deposit accounts	9,407	5,588	2,735
Other service fees	16,272	8,149	4,663
Gain on sale of securities	2,775	308	7,026
Other operating income	19,294	11,926	5,457
	153,261	109,556	76,676
Operating expenses	139,557	84,512	46,600
Income before tax	13,704	25,044	30,076
Income tax	6,990	11,192	12,978
Net income	$ 6,714	$ 13,852	$ 17,098

STATEMENTS OF CASH FLOWS

	Year ended November 30,		
	1998	1997	1996
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 6,714	$ 13,852	$ 17,098
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Depreciation and amortization of premises and equipment	5,765	3,092	1,833
Provision for loan losses	21,502	17,041	14,299
Amortization of intangibles	8,691	5,850	3,460
Amortization of deferred loan fees and costs	(1,109)	(1,529)	(1,922)
Amortization of premiums and accretion of discounts on investments	269	1,271	267

Increase in loans held-for-sale	(176,753)	(2,817)	(24,513)
Gain on sale of investment securities available-for-sale	(2,774)	(309)	(7,026)
Gain on disposition of premises and equipment	(26)	(655)	
Gain on sale of loans	(14,828)	(10,133)	(8,049)
Net increase in interest receivable	(4,396)	(5,395)	(1,286)
Net decrease (increase) in other assets	4,426	(5,137)	(1,884)
Net increase in interest payable	897	5,001	
Net decrease in current and deferred taxes	(2,737)	(3,556)	(1,942)
Net increase (decrease) in other liabilities	746	(788)	5,392
Total adjustments	(160,327)	1,936	(21,371)
Net cash (used in) provided by operating activities	(153,613)	15,788	(4,273)
Cash flows from investing activities:			
Net (increase) decrease in money market investments	(32,925)	23,438	(13,912)
Purchases of investment securities held-to-maturity	(7,852)	(270)	(6,214)
Maturities of investment securities held-to-maturity	4,372	2,750	
Purchases of investment securities available-for-sale	(792,418)	(526,272)	(71,888)
Sale of investment securities available-for-sale	126,659	506,255	61,205
Maturities of investment securities available-for-sale	798,667	70,092	98,011
Net disbursements on loans	(1,036,437)	(539,951)	(574,754)
Proceeds from sale of loans	587,005	294,001	285,771
Acquisition of loan portfolios	(5,228)	(10,853)	
Assets acquired, net of cash	(68,406)	(36,734)	(2,656)
Acquisition of premises and equipment	(21,672)	(16,542)	(4,794)
Proceeds from sale of premises and equipment	29	5,695	
Net cash used in investing activities	(448,206)	(228,391)	(229,231)

</TABLE>

STATEMENTS OF CASH FLOWS (cont.)

<TABLE>
<CAPTION>

	Year ended November 30,		
	1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
Cash flows from financing activities:			
Net increase in deposits	137,775	56,344	42,735
Net deposits acquired	36,297		
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	388,522	(169)	1,040
Net increase (decrease) in other short-term borrowings	103,451	(130,892)	222,514
Proceeds from issuance of notes payable	94,425	964,931	30,024
Payments of notes payable	(178,712)	(845,840)	(84,885)
Proceeds from issuance of Capital securities		150,000	
Capital contribution from Parent company	89,941	58,500	27,000
Net cash provided by financing activities	671,699	252,874	238,428
Net increase in cash and due from banks	69,880	40,271	4,924
Cash and due from banks at beginning of period	70,207	29,936	25,012
Cash and due from banks at end of period	$ 140,087	$ 70,207	$ 29,936

</TABLE>

STATEMENTS OF CHANGES IN
STOCKHOLDER'S EQUITY

<TABLE>
<CAPTION>

	Year ended November 30,		
	1998	1997	1996
		(In thousands)	
Preferred Stock:			
Par value $0.10; authorized 10,000,000 shares, none issued			
Common Stock:			
Par value $1; authorized 10,000 shares, 2,000 shares issued and outstanding			
Balance at beginning and end of the period	$ 2	$ 2	$ 2
Additional paid-in capital:			
Balance at beginning of the period	224,603	132,163	105,163
Capital contribution from parent company	89,941	92,440	27,000
Balance at end of the period	314,544	224,603	132,163
Retained earnings:			
Balance at beginning of the period	58,329	44,477	27,379
Net income	6,714	13,852	17,098
Balance at end of the period	65,043	58,329	44,477
Accumulated other comprehensive income:			
Balance at beginning of the period	1,751	685	5,437
Other comprehensive (loss) income	(386)	1,066	(4,752)
Balance at end of period	1,365	1,751	685
Total stockholder's equity	$ 380,954	$ 284,685	$ 177,327

</TABLE>

STATEMENTS OF COMPREHENSIVE INCOME

<TABLE>
<CAPTION>

	Year ended November 30,		
	1998	1997	1996
Net income	$ 6,714	$ 13,852	$ 17,098
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period, net of tax	1,377	1,239	(188)
Less: Reclassification adjustment for gains included in net income, net of tax	1,763	173	4,564
Other comprehensive (loss) income	(386)	1,066	(4,752)
Comprehensive income	$ 6,328	$ 14,918	$ 12,346

</TABLE>

STOCKHOLDERS' INFORMATION

INDEPENDENT PUBLIC ACCOUNTANTS
PricewaterhouseCoopers

ANNUAL MEETING
The 1999 annual stockholders' meeting of Popular, Inc. will be held on Tuesday, April 27, at 10:00 a.m. at Centro Europa Building in San Juan, Puerto Rico.

Telephone: (787) 765-9800 ext. 5637
Fax: (787) 763-5972
E-mail: popular-stck-transfer@bppr.com

ADDITIONAL INFORMATION
Copies of the Annual Report to the Securities and Exchange Commission on Form 10-K and any other financial information may be obtained by writing to:

Amilcar L. Jordan
Senior Vice President
Banco Popular de Puerto Rico
PO Box 362708
San Juan, PR 00936-2708

DESIGN:
BD&E Inc., Pittsburgh, Pennsylvania

ILLUSTRATION:
Roxana Villa

PHOTOGRAPHY:
Tony Vera

PRINTING:
Hoechstetter Printing Company
Bowne of Atlanta, Inc.

92

[LOGO]

PO Box 362708
San Juan, Puerto Rico 00936-2708

EXHIBIT 21.1

POPULAR, INC.

AS OF DECEMBER 31, 1998

Subsidiaries of the registrant

A - Previous to the Reorganization

Banco Popular de Puerto Rico (Banco Popular) - A wholly-owned subsidiary Bank, incorporated under the laws of Puerto Rico in 1917.

Popular Leasing & Rental, Inc. (Popular Leasing) - A wholly owned subsidiary of Banco Popular, incorporated under the laws of Puerto Rico in 1989.

Popular Finance, Inc. (Popular Finance) - A wholly-owned subsidiary of Banco Popular, incorporated under the laws of Puerto Rico in 1989.

Popular Mortgage Inc. (Popular Home Mortgage) - A wholly-owned subsidiary of Banco Popular, incorporated under the laws of Puerto Rico in 1995.

Popular International Bank, Inc. - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1992.

ATH Costa Rica, S.A. - A wholly-owned subsidiary of Popular International Bank, Inc., incorporated under the laws of Costa Rica in 1996.

Popular North America, Inc. - A wholly-owned subsidiary of Popular International Bank, Inc., incorporated under the laws of Delaware in 1991.

Banco Gerencial y Fiduciario Dominicano, S.A. - A subsidiary of Popular International Bank, Inc., incorporated under the laws of Dominican Republic in 1983.

Banco Popular, N.A. (New Jersey) (Formerly: Banco Popular, FSB) - A wholly-owned subsidiary of Popular North America, Inc., chartered in New Jersey in 1995.

Equity One, Inc. - A wholly-owned subsidiary of Banco Popular, FSB, incorporated under the laws of Delaware in

1988.

Banco Popular North America, Inc. - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Delaware in 1980.

Banco Popular, Illinois - A wholly-owned subsidiary of Banco Popular North America, Inc., incorporated under the laws of Illinois in 1914.

Popular Leasing, U.S.A. - A wholly-owned subsidiary of Banco Popular, Illinois, incorporated under the laws of Delaware in 1997.

Banco Popular National Association (California) - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of California in 1982.

Banco Popular National Association (Florida) - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Florida in 1986.

Banco Popular National Association (Texas) - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Texas in 1985.

BanPonce Trust I - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Delaware in 1997.

First State Bank of Southern California - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of California in 1949.

The Bronson - Gore Bank In Prospect Heights- A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Illinois in 1975.

The Irving Bank - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Illinois in 1951.

Water Tower Bank - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Illinois in

1973.

Popular Cash Express, Inc. - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Delaware in 1997.

Inglewood Quik Check, Inc. - A wholly-owned subsidiary of Popular Cash Express, Inc., incorporated under the laws of California in 1986.

Popular Securities Incorporated - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1956.

Metropolitana de Prestamos, Inc. - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1961.

Popular Assets Management, Inc. - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1994 (Inactive Corporation).

Puerto Rico Parking Corporation. - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1963 (Inactive Corporation).

B - After the Reorganization

Banco Popular de Puerto Rico (Banco Popular) - A wholly-owned subsidiary Bank, incorporated under the laws of Puerto Rico in 1998.

Popular Leasing & Rental, Inc. (Popular Leasing) - A wholly owned subsidiary of Banco Popular, incorporated under the laws of Puerto Rico in 1989.

Popular Finance, Inc. (Popular Finance) - A wholly-owned subsidiary of Banco Popular, incorporated under the laws of Puerto Rico in 1989.

Popular Mortgage Inc. (Popular Home Mortgage) - A wholly-owned subsidiary of Banco Popular, incorporated under the laws of Puerto Rico in 1995.

Popular International Bank, Inc. - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1992.

ATH Costa Rica, S.A. - A wholly-owned subsidiary of Popular International Bank, Inc., incorporated under the laws of Costa Rica in 1996.

Popular North America, Inc. - A wholly-owned subsidiary of Popular International Bank, Inc., incorporated under the laws of Delaware in 1991.

Banco Gerencial y Fiduciario Dominicano, S.A. - A subsidiary of Popular International Bank, Inc., incorporated under the laws of Dominican Republic in 1983.

Equity One, Inc. - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Delaware in 1988.

Popular Holdings USA, Inc. (Formerly: Banco Popular North America, Inc.) - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Delaware in 1980.

Banco Popular North America (Formerly: Banco Popular, New York) - A wholly-owned subsidiary of Popular Holdings USA, Inc., incorporated under the laws of New York in 1998.

Popular Leasing, U.S.A. - A wholly-owned subsidiary of Banco Popular North America, incorporated under the laws of Delaware in 1997.

Banco Popular, National Association (Texas) - A wholly-owned subsidiary of Popular Holdings USA, Inc., incorporated under the laws of Texas in 1985.

BanPonce Trust I - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Delaware in 1997.

The Bronson - Gore Bank In Prospect Heights - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Illinois in 1975.

The Irving Bank - A wholly-owned subsidiary of Popular North

America, Inc., incorporated under the laws of Illinois in 1951.

Water Tower Bank - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Illinois in 1973.

Popular Cash Express, Inc. - A wholly-owned subsidiary of Popular North America, Inc., incorporated under the laws of Delaware in 1997.

Inglewood Quik Check, Inc. - A wholly-owned subsidiary of Popular Cash Express Inc., incorporated under the laws of California in 1986.

Popular Securities Incorporated - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1956.

Metropolitana de Prestamos, Inc. - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1961.

Popular Assets Management, Inc. - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1994 (Inactive Corporation).

Puerto Rico Parking Corporation. - A wholly-owned subsidiary, incorporated under the laws of Puerto Rico in 1963 (Inactive Corporation).

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Popular, Inc.

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 333-26941) of Popular, Inc. of our report dated March 5, 1999, which appears on page F-29 of the 1998 Annual Report to Shareholders of Popular, Inc., which is incorporated by reference in Popular, Inc.'s Annual Report on Form 10K for the year ended December 31, 1998.

/s/ PriceWaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP

San Juan, Puerto Rico

March 19, 1999

```
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF POPLAR, INC. FOR THE TWELVE MONTHS ENDED DECEMBER 31,
1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

<TABLE>
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[ ] Preliminary Proxy Statement	[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement	
[ ] Definitive Additional Materials	
[ ] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12	

</TABLE>

Popular, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[ ] Fee paid previously with preliminary materials:

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

POPULAR, INC.
P.O. BOX 362708
SAN JUAN, PUERTO RICO 00936-2708

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON THURSDAY, APRIL 27, 1999

To the Stockholders of Popular, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of

Popular, Inc. (the "Meeting") for the year 1999 will be held at 10:00 a.m. on Tuesday, April 27, 1999, on the third floor of the Centro Europa Building, in Santurce, Puerto Rico, to consider and act upon the following matters:

(1) To elect seven (7) directors of Popular, Inc. (the "Corporation") for a three-year term; and

(2) To transact any and all other business as may be properly brought before the Meeting or any adjournments thereof. Management at present knows of no other business to be brought before the Meeting.

Stockholders of record at the close of business on March 8, 1999, are entitled to notice of and vote at the Meeting.

You are cordially invited to attend the Meeting. Whether you plan to attend or not, please sign and return the enclosed proxy so that the Corporation may be assured of the presence of a Quorum at the Meeting. A postage-paid envelope is enclosed for your convenience. FOR THE FIRST TIME THIS YEAR YOU CAN VOTE BY TELEPHONE OR BY INTERNET, FOR FURTHER DETAILS PLEASE REFER TO THE ENCLOSED PROXY CARD.

San Juan, Puerto Rico, March 22, 1999.

By Order of the Board of Directors,

SAMUEL T. CESPEDES
Secretary

POPULAR, INC.
P.O. BOX 362708
SAN JUAN, PUERTO RICO 00936-2708

PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON TUESDAY APRIL 27, 1999

This Proxy statement is furnished in connection with the solicitation by the Board of Directors of Popular, Inc. (the "Corporation") of Proxies to be voted at the Annual Meeting of Stockholders (the "Meeting") to be held at 10:00 a.m. on Tuesday, April 27, 1999, on the third floor of the Centro Europa Building, in Santurce, Puerto Rico, and any adjournments thereof. Enclosed with this Proxy Statement is the Annual Report, including the financial statements for the year ended December 31, 1998, duly certified by PricewaterhouseCoopers as independent public accountants. This Proxy Statement, the enclosed Annual Report, the Notice of Annual Meeting of Stockholders and the form of proxy are being sent to stockholders on or about March 22, 1999.

Properly executed proxies received by the Secretary of the Corporation will be voted at the Meeting in accordance with the instructions which appear therein and for the purposes indicated on the Notice of Meeting. The Board of Directors does not intend to present any business at the Meeting other than those included in the Notice of Meeting. The Board of Directors at this time knows of no other matters which may come before the Meeting. However, if any new matters requiring the vote of the stockholders properly come before the Meeting, proxies may be voted with respect thereto in accordance with the best judgement of Proxyholders, under the discretionary power granted by stockholders to their proxies in connection with general matters.

SOLICITATION OF PROXIES

In addition to solicitation by mail, management may participate in the solicitation of Proxies by telephone, personal interviews or otherwise. The Board of Directors has engaged the firm of Georgeson & Company Inc. to aid in the solicitation of Proxies. The cost of solicitation will be borne by the Corporation and is estimated at $6,500.

REVOCABILITY OF PROXY

Any stockholder giving a proxy has the power to revoke it before the proxy is exercised. The grantor may revoke the proxy by claiming at the Meeting the right to vote by himself the shares of stock registered in his name or by notice of revocation in writing to the President or Secretary of Popular, Inc., P.O. Box 362708, San Juan, Puerto Rico 00936-2708, delivered before the proxy is exercised.

VOTING SECURITIES

The only outstanding voting securities of the Corporation are its shares of common stock, each share of which entitles the holder thereof to one vote. Only common stockholders of record at the close of business on March 8, 1999 (the "Record Date"), will be entitled to vote at the Meeting and any adjournments thereof. On the Record Date there were 135,709,287 shares of common stock of Popular, Inc. outstanding. The shares covered by any such proxy that are properly executed and received by management before 10:00 a.m. on the day of the Meeting will be voted.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock of the Corporation is necessary to constitute a quorum at the Meeting. Votes cast by proxy or in person at the Meeting will be counted by the persons appointed by the Corporation as members of the vote-counting committee for the Meeting. For purposes of determining quorum, the members of the vote-counting committee will treat abstentions and brokers non-votes as shares that are present and entitled to vote. A broker non-vote results when a broker or nominee has expressly indicated in the proxy that it does not have discretionary authority to vote on a particular matter. As to the election of Directors, the Proxy Card being provided by the Board of Directors enables a stockholder to vote for the election of the nominees proposed by the Board, or to withhold authority to vote for one or more of the nominees being proposed. Directors will be elected by a majority of the votes cast. Therefore, abstention and broker non-votes will not have an effect on the election of directors of the Corporation.

PRINCIPAL STOCKHOLDERS

Following is the information, to the extent known by the persons on whose behalf this solicitation is made, with respect to any person (including any "group" as that term is used in Section 13(d)(3) of the Securities and Exchange Act of 1934, as amended) who is known to the Corporation to be the beneficial owner of more than 5 percent of the Corporation's voting securities.

<TABLE>
<CAPTION>

Title of Class	Name and address of beneficial owner	Amount and nature of beneficial ownership (1)	Percent of Class(2)
<S>	<C>	<C>	<C>
Common	Banco Popular de Puerto Rico (the "Bank") As Trustee for Banco Popular de Puerto Rico Retirement Plan	5,672,860	
	The Bank as Trustee for the Profit Sharing Plan for the Employees of Banco Popular de Puerto Rico	5,320,208	
		10,993,068 (3)	8.1005
Common	State Farm Mutual Automobile Insurance Company	6,836,524 (4)	5.0376

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(1) As of February 26, 1999.

(2) Based on 135,709,287 shares of common stock outstanding.

(3) The Bank, as Trustee, administers both Plans through their Administrative Committees, with sole voting and investment power.

(4) On January 29, 1999 State Farm Mutual Automobile Insurance Company ("State Farm") and affiliated entities filed a joint statement on Schedule 13-G with the Securities and Exchange Commission reflecting its holdings as of December 31, 1998. According to said statement, State Farm and its affiliates might be deemed to constitute a "group" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934. State Farm and its affiliates could also be deemed to be the beneficial owners of 6,836,524 shares of Popular, Inc. However, State Farm and each such affiliate disclaim beneficial ownership as to all shares as to which each such person has no right to receive the proceeds of sale of the shares, and also disclaim that they constitute a "group".

SHARES BENEFICIALLY OWNED BY DIRECTORS,
NOMINEES AND EXECUTIVE OFFICERS OF THE CORPORATION

Following is the information, as of February 26, 1999, as to equity securities of the Corporation beneficially owned by all current directors, nominees, the most highly compensated Executive Officers of the Corporation who are not directors and the total owned by directors, nominees and all Executive Officers of the Corporation as a group:

COMMON STOCK

Name	Title of class	Amount and Nature of Beneficial Ownership	Percent of class (1)
Alfonso F. Ballester	Common	1,379,536 (3)	1.0165
Juan J. Bermudez	Common	370,595 (4)	.2731
Francisco J. Carreras	Common	14,757	.0109
Richard L. Carrion	Common	1,054,937 (5)	.7774
David H. Chafey Jr	Common	80,198 (6)	.0591
Luis E. Dubon Jr	Common	1,510,453 (7)	1.1130
Antonio Luis Ferre	Common	2,915,159 (8)	2.1481
Hector R. Gonzalez	Common	584,858 (9)	.4310
Jorge A. Junquera	Common	48,903 (10)	.0360
Manuel Morales Jr	Common	719,293 (11)	.5300
Alberto M. Paracchini	Common	112,953 (12)	.0832
Francisco M. Rexach Jr	Common	153,526 (13)	.1131
J. Adalberto Roig Jr	Common	476,221 (14)	.3509
Felix J. Serralles Jr	Common	359,660 (15)	.2650
Julio E. Vizcarrondo Jr	Common	1,144,449 (16)	.8433
Maria Isabel P. de Burckhart...	Common	57,105	.0421
Roberto R. Herencia	Common	12,334	.0091
Larry B. Kesler	Common	40,213	.0296
Humberto Martin	Common	67,752	.0499
Emilio E. Pinero	Common	32,445	.0239
Carlos Rom Jr	Common	23,875 (17)	.0176
Carlos J. Vazquez	Common	100,129 (18)	.0738
All Directors and Executive Officers of the Corporation as a group................	Common	11,259,351	8.2967

PREFERRED STOCK

Name	Title of class	Amount and Nature of Beneficial Ownership	Percent of class (2)
Luis E. Dubon Jr	Preferred	7,825(19)	.1956
Alberto M. Paracchini	Preferred	7,000	.1750
Carlos J. Vazquez	Preferred	4,568(20)	.1142
All Directors and Executive Officers of the Corporation as a group	Preferred	19,393	.4848

(1) Based on 135,709,287 shares of common stock outstanding.

(2) Based on 4,000,000 shares of preferred stock outstanding.

(3) Mr. Ballester owns 1,375,536 shares and has indirect investment power over 4,000 shares owned by his wife. Excludes 1,187,988 shares owned by his sister, as to all of which shares Mr. Ballester disclaims indirect voting power.

(4) Excludes 12,443 shares owned by his wife, as to which Mr. Bermudez disclaims indirect voting power.

(5) Mr. Carrion owns 283,245 shares and also has indirect investment power over 24,268 shares owned by his children. Junior Investment

Corporation owns 4,288,150 shares of the Corporation. Mr. Carrion owns 17.43% of the shares of said corporation.

(6) Mr. Dubon owns 82,560 shares and has a power of attorney over 115,816 shares owned by his wife, over 76,263 shares held in trust for his children and 1,235,814 shares owned by various corporations and members of his family in which Mr. Dubon has direct or indirect ownership.

(7) Mr. Ferre has indirect investment and voting power and claims beneficial ownership of 2,915,159 shares of the Corporation. Mr. Ferre owns 2,097 shares and has indirect investment and voting power over 513,880 shares owned by Alfra Investment Corp., 3,200 shares owned by South Management, Inc. and 400 shares owned by his wife. Mr. Ferre owns 85.12% of Ferre Investment Fund, Inc., which owns 950,870 shares of the Corporation. Mr. Ferre also owns 64.39% of the shares of El Dia, Inc., and has indirect voting power over Alfra Investment Corp., which owns 19.10% of El Dia, Inc., which owns in turn 1,444,712 shares of the Corporation.

(8) Mr. Gonzalez owns 555,506 shares and has voting and investment power over 29,352 shares of the Corporation owned by TPC Financial Services, Inc. of which he is President and Chief Executive Officer.

(9) Mr. Junquera owns 48,206 shares and has indirect investment power over 207 shares owned by his wife and over 490 shares owned by his daughter.

(10) Mr. Morales owns 319,185 shares and has voting power over 400,108 shares owned by his parents, as their attorney-in-fact.

(11) Excludes 1,264 shares owned by his wife, as to which Mr. Paracchini disclaims beneficial ownership.

(12) Mr. Rexach owns 76,526 shares and has indirect voting power over 63,000 shares owned by his mother, as her attorney-in-fact, and over 14,000 shares held by Capital Assets, Inc. as President and shareholder.

(13) Mr. Roig owns 451,033 shares and has indirect voting power over 25,188 shares owned by his wife.

(14) Mr. Serralles owns 226,752 shares, and has indirect voting power over 10,292 shares owned by his wife. Mr. Serralles owns 100% of the shares of each of Capitanejo, Inc. and Fao Investments, Inc., which own 117,020 and 5,596 shares, respectively, of the Corporation.

(15) Mr. Vizcarrondo owns 201,627 shares and has indirect voting power over 183,391 shares owned by his wife. Mr. Vizcarrondo's wife owns 17.71% of the shares of Junior Investment Corporation, which owns 4,288,150 shares of the Corporation. Mr. Vizcarrondo has indirect voting and investment power over 920 shares held in trust by Vicar Enterprises, Inc. for the benefit of his children, for which he disclaims beneficial ownership. Mr. Vizcarrondo also disclaims beneficial ownership over 129,214 shares owned by DMI Pension Trust, where he serves as trustee and member of the investment committee. Excluded also are 11,882 shares owned by Mr. Vizcarrondo as trustee of the Suarez Toro Trust, which owns said shares of the Corporation, of which he disclaims beneficial ownership.

(16) Mrs. Burckhart owns 54,174 shares and has indirect voting power over 2,931 held by her husband as custodian for her daughters.

(17) Mr. Rom owns 23,254 shares and has indirect voting power over 142 shares owned by his wife and 479 shares held by him as custodian for various members of his family.

(18) Mr. Vazquez owns 7,469 shares and has investment authority over 92,660 shares held by various family members.

(19) Mr. Dubon owns 1,450 preferred shares, and has indirect voting power over 5,875 preferred shares held in trust by Mr. Luis E. Dubon Jr. for several persons. Mr. Dubon also has indirect ownership over 500 preferred shares owned by Fundacion Gogui, Inc.

(20) Mr. Vazquez has investment authority over 4,568 preferred shares held by various family members.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Corporation's directors and named executive officers to file with the Securities and Exchange Commission (SEC) reports of ownership and changes in ownership of common stock of the Corporation. Officers and directors are required by SEC regulation to furnish the Corporation with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such reports furnished to the Corporation or written representations that no other reports were required, the Corporation believes that, during the 1998 year, all filing requirements applicable to its officers and directors were complied with except for one report, covering one transaction, which was filed late by Salustiano Alvarez Mendez, Director and by Carlos Rom, Jr., Executive Vice President of the Corporation, respectively.

BOARD OF DIRECTORS AND COMMITTEES
ELECTION OF DIRECTORS

The Certificate of Incorporation and the Bylaws of the Corporation establish a classified Board of Directors pursuant to which the Board of Directors is divided into three classes as nearly equal in number as possible, with each class having at least three members and with the term of office of one class expiring each year. Each director serves for a term ending on the date of the third annual meeting of stockholders following the annual meeting at which such director was elected.

At the Meeting, seven (7) directors assigned to "Class 3" are to be elected until the 2002 Annual Meeting of Stockholders or until their respective successors shall have been elected and qualified. The remaining eight directors of the Corporation will serve as directors, as follows: until the 2000 Annual Meeting of Stockholders of the Corporation, in the case of those three directors assigned to "Class 1", and until the 2001 Annual Meeting of Stockholders, in the case of those five directors assigned to "Class 2", or in each case until their successors are duly elected and qualified.

Mr. Salustiano Alvarez Mendez resigned to the Board of Directors of the Corporation as of April 23, 1998 and rejoined the Board of Directors of the Bank as of the same date. Mr. Alvarez decision is not due to disagreement with the Corporation or with any matter relating to the Corporation's operation.

The people named as proxies in the accompanying Form of Proxy have advised the Corporation that, unless otherwise instructed, they intend to vote at the meeting the shares covered by the proxies FOR the election of the seven nominees named below, and that if any one or more of such nominees should become unavailable for election they intend to vote such shares FOR the election of such substitute nominees as the Board of Directors may propose. The Corporation has no knowledge that any nominee will become unavailable for election.

Information relating to principal occupation and business experience during the past five (5) years (including position held with the Corporation or the Bank), age and the period during which each director has served is set forth below.

NOMINEES FOR ELECTION AS DIRECTORS
CLASS 3 DIRECTORS
(TERMS EXPIRING IN 2002)

Juan J. Bermudez: (61 years), Director of the Corporation since 1990. Electrical Engineer. Partner of Bermudez and Longo, S.E., Decemcor, S.E., Unicenter, S.E., Unieast, S.E., Unigardens, S.E., Baldwin Development, S.E., Tivoli, S.E., Clearview, S.E., Placid Park, S.E. and PCME Commercial, S.E. Principal Stockholder and Director of BL Management, Corp., Paseomar Corp., PCME Development, Inc., G.S.P. Corp., Unimanagement Corp., LBB Properties, Inc. and Homes Unlimited Corp. Chairman of the Trust Committee of the Bank. Director of the Bank since 1985.

Francisco J. Carreras: (66 years), Director of the Corporation since 1990. Former professor of the University of Puerto Rico. Former President of the Catholic University of P.R. Member of the Board of Trustees of Fundacion Banco Popular, Inc. Executive Director of Fundacion Angel Ramos, Inc. Chairman of the Community Reinvestment Committee of the Bank. Director of the Bank since 1979.

Richard L. Carrion: (46 years), Director of the Corporation since 1990. Chairman, President and Chief Executive Officer ("CEO") of the Corporation, and the Bank. Chairman of Popular International Bank, Inc., Popular North America, Inc. and Banco Popular North America. Chairman of the Board of Trustees of Fundacion Banco Popular, Inc. Director of Equity One, Inc., Popular Finance, Inc., Popular Leasing & Rental, Inc., Popular Mortgage, Inc. and Popular Securities Incorporated. Member of the International Olympic Committee. President of the Puerto Rico Olympic Trust and Member of the Puerto Rico Olympic Committee. Member of the Board of Directors of the Federal Reserve Bank of New York, of Bell Atlantic Corporation (a registered public company) and member of the Benefits & Human Resources Committee of Bell Atlantic Corporation. Member of the Board of Trustees of the Puerto Rico Committees for Economic Development. Member of Board of Directors and Compensation Committee of Pueblo Xtra International, Inc. until March 31, 1995. Former Chairman and President of Puerto Rico Investors Tax-Free Fund, Inc. I, II, III, IV, V (1994 to December 1998) and of Puerto Rico Tax-Free Target Maturity Fund, Inc. I (1996 to December 1998) and II (1997 to December 1998). Former Chairman and President of Puerto Rico Investors Flexible Allocation Fund (December 1998 to January 1999). Former Member of the Board of the National Museum of American

History, Smithsonian Institution (November 1997 to December 1998). Chairman of the Executive Committee of the Corporation. Director of the Bank since 1982.

David H. Chafey Jr.: (45 years), Director of the Corporation since 1996. Supervisor of Bank's Retail Banking Group since January 1996. Supervisor of the Financial Management Group and U.S. Operations until December 1995. Senior Executive Vice President since October 1995. Chairman of Popular Securities Incorporated until January 1996. Executive Vice President and Director of Popular International Bank, Inc. and Popular North America, Inc. President of Popular International Bank, Inc. and Popular North America, Inc. until December 1995. Director of Equity One, Inc., Popular Mortgage, Inc., Popular Leasing & Rental, Inc., Popular Securities Incorporated and Banco Popular North America. Chairman of the Board of Popular Finance, Inc. Chairman of the Board of Puerto Rico Telephone Authority from 1993 thru 1997. Chairman and President of Puerto Rico Investors Tax-Free Fund, Inc. I, II, III, IV, V, of Puerto Rico Tax-Free Target Maturity Fund, Inc. I and II and of Puerto Rico Investors Flexible Allocation Fund since January 1999. Chairman of the Board of Grupo Guayacan, Inc. President of the San Jorge Children's Research Foundation, Inc. Member of the Board of United Way of Puerto Rico, National Parks Conservation Trust of Puerto Rico, of Governor's Economic Council on Productivity and the Steering Committee of Private Capital of Puerto Rico. Member of the Finance Committee of Colegio San Ignacio and Vice President of the Puerto Rico Bankers Association. Director of the Bank since 1994.

Antonio Luis Ferre: (65 years), Director of the Corporation since 1984. Vice Chairman of the Board of Directors of the Corporation and the Bank. Chairman of the Board of Puerto Rican Cement Co., Inc. (a registered public company), manufacturers of cement and allied products. President and Editor of El Dia, Inc., a newspaper publishing company. Director of Metropolitan Life Insurance Company (a registered company under the Investment Company Act of 1940) until December 1995. Director of Pueblo Xtra International, Inc. until March 1995. Director of Pueblo Xtra Supermarkets until 1995. Director of American Airlines until 1994. Director of Banco de Ponce from 1959 to 1990. Director of the Bank since 1990.

Alberto M. Paracchini: (66 years), Director of the Corporation since 1984. Former Chairman of the Board of Directors of the Corporation and the Bank. Former Chairman of Popular North America, Inc., Equity One, Inc., Popular Finance, Inc. and Popular Leasing & Rental, Inc. Member of the Board of Trustees of Fundacion Banco Popular, Inc. Chairman of the Board of Trustees, Sacred Heart University in San Juan, Puerto Rico. Director of Puerto Rican Cement Co., Inc. (a registered public company). Director of HDA Management Associates. Director of Equus Management Co., Inc. and Managing General Partner of Equus Gaming Co., L.P. (a registered public company). Director of Equus Entertainment Corporation, a subsidiary of Equus Gaming Co., L.P. (registered public company) and of Venture Capital Fund, Inc. Executive Officer of the Corporation from 1984 to April 1993. Director of Banco de Ponce from 1959 to 1990. Director of the Bank since 1990.

Felix J. Serralles Jr.: (64 years), Director of the Corporation since 1984. President and Chief Executive Officer of Destileria Serralles, Inc., manufacturers and distributors of distilled spirits, and of its affiliate Mercedita Leasing, Inc. Director of Banco de Ponce from 1966 to 1990. Director of the Bank since 1990.

CLASS 2 DIRECTORS
(TERMS EXPIRING IN 2001)

Luis E. Dubon Jr.: (64 years), Director of the Corporation since 1984. Attorney-at-Law and Investor. Partner of the law firm Dubon & Dubon. Director and stockholder of D Group Capital Corporation, TL Group Corporation, Delta Maintenance Services Inc. Director and partner of D Group Equity Holding Associates, S. en C. por A., S.E., and D Group Commercial Equities Associates S. en C. por A., S.E. Director of American Investment Corp., Fundacion Gogui, Inc., Carite Resorts Associates, S.en C. por A., S.E., Carite Resorts GP, Inc., Carolina Developers Associates, S.en C. por A., S.E., Contorno Developers Associates, S. en C. por A., S.E., Contorno Developers GP, Inc., D Group Commercial Equities GP, Inc., D Group Equities Management Services, Inc., D Group Equity Holding GP, Inc., D Group Realty Services, Inc., Delta Engineering Services, Inc., Delta Parking System Corporation, Dubon Corporation, Executive Habitats, Inc., Galeria del Condado Associates, S.en C. por A., S.E., Galeria del Condado GP, Inc., Imporexco, Inc., Lujoma Corporation, Marina Developers (Carolina) GP, Inc., Mercantil Caguax Associates, S. en C. por A., S.E., Mercantil Caguax GP, Inc., Mercantil Mayaguez Associates, S. en C. por A., S.E., Mercantil Mayaguez GP, Inc., Mercantil Pinero Associates, S. en C. por A., S.E., Mercantil Pinero GP, Inc., Mercantil San Patricio Associates, S. en C. por A., S.E., Mercantil San Patricio GP, Inc., Metro Center Associates, S. en C. por A., S.E., Metro Center GP Corporation, Plaza Bellas Artes GP, Inc., Plaza Bellas Artes Associates Uno S. en C. por A., S.E., Plaza Bellas Artes GP, Inc. Uno, Plaza Bellas Artes Associates Dos S. en C. por A., S.E., Plaza Bellas Artes Associates Tres S. en C. por A., S.E., Plaza Bellas Artes Associates IV, S. en C. por A., S.E., Plaza del Condado Associates, S. en C. por A., S.E., Plaza del Condado GP, Inc., Portilla Corporation, Puerta del Condado Associates, S. en C. por A., S.E., Puerta del Condado GP, Inc., Resort Equities Developers GP, Inc., San Jose Building Associates, S. en C. por A., S.E., San Jose Building GP, Inc., Title & Corporate Services Corporation and San Jose Development, Inc. Director of Banco de Ponce from 1973 to 1990. Director of the Bank since 1990.

Hector R. Gonzalez: (65 years), Director of the Corporation since 1984. President and Chief Executive Officer of TPC Communications of PR, Inc., owner and operator of cable television systems. President and Chief Executive Officer of TPC Financial Services, Inc., TPC Cable Media, TelePonce Cable TV and Telecell Systems. Director of Damas Foundation, Inc. Director of Popular Finance, Inc. and Popular Mortgage, Inc. Director of Banco de Ponce from 1973 to 1990. Director of the Bank since 1995.

Manuel Morales Jr.: (53 years), Director of the Corporation since 1990. President of Selarom Capital Group, Inc. President of Parkview Realty, Inc., of the Atrium Office Center, Inc., of HQ Business Center P.R., Inc., of Executrain of Puerto Rico and of Office & Home, Inc. Honorary General Consul of Japan in San Juan, Puerto Rico. Trustee of Sacred Heart University in San Juan, Puerto Rico, of the Caribbean Environmental Development Institute and of Fundacion Angel Ramos, Inc. Member of the Board of Directors of Better Business Bureau. Member of the National Advisory Council-United States Small Business Administration. Member of the Board of Trustees of Fundacion Banco Popular, Inc. Chairman of the Audit Committee of the Corporation and the Bank. Director of the Bank since 1978.

Francisco M. Rexach Jr.: (61 years), Director of the Corporation since 1990. President of Ready Mix Concrete, Inc. a subsidiary of PRCC (a registered public company) until September 1997. President of Capital Assets, Inc. and of Rexach Consulting Group. Director of Popular Leasing & Rental, Inc., Banco Popular North America and Banco Gerencial y Fiduciario Dominicano, S.A. Chairman of the Human Resources and Compensation Committee of the Bank and of Banco Gerencial y Fiduciario Dominicano, S.A. Director of the Bank since 1984.

Julio E. Vizcarrondo Jr.: (64 years), Director of the Corporation since 1990. Civil Engineer. President, Partner and Chief Executive Officer of Desarrollos Metropolitanos, S.E., VMV Enterprises Corp., Resort Builders, S.E., Metropolitan Builders, S.E., Institutional Builders, S.E., corporations engaged in the development and construction of residential, commercial, industrial and institutional projects in Puerto Rico. Director of the Bank since 1984.

CLASS 1 DIRECTORS
(TERMS EXPIRING IN 2000)

Alfonso F. Ballester: (69 years), Director of the Corporation since 1990. Vice Chairman of the Board of Directors of the Corporation and the Bank. President of Ballester Hermanos, Inc. (Wholesale of provisions and liquors). Director of Popular International Bank, Inc., Popular North America, Inc., Banco Popular North America, Equity One, Inc., Popular Securities Incorporated and Popular Leasing & Rental, Inc. Chairman of the Commercial Credit Committee of the Bank. Director of the Bank since 1975.

Jorge A. Junquera: (50 years), Director of the Corporation since 1990. Supervisor of the Financial Management Group, the U.S. Operations and the Caribbean and Latin America Expansion Group since January 1996. Supervisor of the Bank's Retail Banking Group until December 1995. Senior Executive Vice President since October 1995. President and Director of Popular International Bank, Inc. and Popular North America, Inc. since January 1996. Director of Banco Gerencial y Fiduciario Dominicano, S.A. Director and President of Banco Popular North America. Director of Equity One, Inc., Popular Finance, Inc., Banco Popular, N.A. (Texas), Popular Mortgage, Inc. and Popular Leasing & Rental, Inc. Chairman of the Board of Popular Securities Incorporated. President of Puerto Rico Tourism Company until February 1997 and President of Hotel Development Co. Director of YMCA. Director of the Bank since 1990.

J. Adalberto Roig Jr.: (68 years), Director of the Corporation since 1997. Chairman of the Board of Antonio Roig Sucesores, Inc., Desarrollos Agricolas del Este, S.E., Desarrollos Roig, S.E. and El Ejemplo, S.E. President of Jarofe Investment, Inc., Ferrocarriles del Este and of East Porto Rico Sugar Co. Chairman of the Investment Committee of the Bank. Chairman of the Board and President of Roig Commercial Bank until June 1997.

STANDING COMMITTEES

The Board of Directors of the Corporation met on a monthly basis during 1998. All directors except Antonio Luis Ferre attended 75% or more of the meetings of the Board of Directors and the committees of the Board of Directors on which such directors served.

The Corporation's Board of Directors has a standing Audit and Executive Committee. The Board of Directors of the Bank, the principal subsidiary of the Corporation, has a standing Human Resources and Compensation Committee that may review compensation matters for the Corporation. There is no standing Nominating Committee but the Executive Committee charter provides that said Executive Committee may exercise the power to nominate directors. However, in the past the Executive Committee has not exercised such function and nominations have been made by the Board of Directors. Information regarding the Audit and Human Resources Committees follows:

AUDIT COMMITTEE

The functions of the Audit Committee include reviewing the accounting principles and practices employed by the Corporation, and compliance with applicable laws and regulations. The Committee meets with the Corporation's independent external auditors to review their audit procedures, the report on their examination of the Corporation's financial statements, and their comments on the system of internal controls. Also, the Committee oversees the internal audit function and reviews the reports prepared by the Auditing Division on their examinations of the operating and business units and for any other special examinations that may be required. The Committee held four meetings during the fiscal year ended December 31, 1998.

The Committee members during 1998 were: Juan J. Bermudez, Francisco J. Carreras, Luis E. Dubon Jr., Manuel Morales Jr., Alberto M. Paracchini and Julio E. Vizcarrondo Jr. None of the members of the committee are officers or employees of the Corporation or any of its subsidiaries.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The functions of the Human Resources and Compensation Committee include reviewing the compensation and benefits of management and employees, reviewing the policies related to the performance and compensation of management and employees, and reviewing the long-range planning for executive development and succession. The Committee held one meeting during the fiscal year ended December 31, 1998.

The Committee members during 1998 were: Juan A. Albors, Salustiano Alvarez Mendez, Esteban D. Bird, Hector R. Gonzalez, Alberto M. Paracchini and Francisco M. Rexach Jr. None of the members of the Committee are officers or employees of the Corporation or any of its subsidiaries.

COMPENSATION OF DIRECTORS

Directors who are not employees of the Corporation and its subsidiaries were entitled to a $12,000 annual retainer. The Board of Directors of the Corporation has a Stock Deferment Plan, pursuant to which each outside director of the Corporation is given the option to defer all or a portion of the $12,000 annual retainer. The deferred portion, plus an additional amount of $0.25 for each dollar so deferred, being applied toward the purchase in the open market of shares of the Corporation's common stock on behalf of the director, with the certificates representing such shares to be retained by the Corporation until the director's term in every Board terminates. In addition, each director shall have the right to vote and to receive any dividends payable on the shares held for said director under the Plan, but no such shares shall be sold, transferred, assigned, pledged or in any other way encumbered by the director until the certificates representing such shares are delivered to the director. In the event that a director is removed for cause from office by appropriate corporate action or under authority of law, said director (1) shall be obligated to sell to the Corporation all of the shares acquired with the deferred retainer amount at a price equal to the lower of (a) the actual cost of the purchase of said shares and (b) the market price of said shares on the date the director was discharged, and (2) shall forfeit to the Corporation all of the shares purchased with any additional contribution. In addition directors receive $750 for attending each Board of Directors' meeting, $1,000 for attending each Executive Committee meeting and $500 for attending each of the other committee meetings. Directors who are employees do not receive fees for attending Board of Directors and committee meetings.

EXECUTIVE OFFICERS

The following table sets forth the names of the executive officers (the "Executive Officers") of the Corporation including their age, business experience during the past five (5) years and the period during which each such person has served as an Executive Officer of the Corporation or the Bank.

Richard L. Carrion: (46 years), Chairman, President and CEO of the Corporation. Executive Officer of the Corporation since 1990. For information about principal occupation and business experience during the past five years please refer to the Board of Director's section.

Jorge A. Junquera: (50 years), Senior Executive Vice President of the Corporation. Executive Officer of the Corporation since 1990. For information about principal occupation and business experience during the past five years please refer to the Board of Director's section.

David H. Chafey, Jr.: (45 years), Senior Executive Vice President of the Corporation. Executive Officer of the Corporation since 1990. For information about principal occupation and business experience during the past five years please refer to the Board of Director's section.

Maria Isabel P. de Burckhart: (50 years), Executive Vice President of the Corporation. Executive Officer of the Corporation since 1990. Supervisor of the Administration Group. Executive Vice President of the Bank since January 1990. Executive Vice President of Popular North America, Inc. Member of the Board of Trustees of Fundacion Banco Popular, Inc. Member of the Board of Directors of Fundacion Ana G. Mendez and of Puerto Rico Community Foundation. Member of the Board of Directors of the Puerto Rico Convention Bureau from 1993 through October 1998.

Roberto R. Herencia: (39 years), Executive Vice President of the Corporation. Executive Officer of the Corporation since 1997. Head of the Corporation's U.S. business expansion. Executive Vice President since January 1997. Director of Popular North America, Inc., Equity One, Inc. and Banco Popular, N.A. (Texas). Director and Chief Operations Officer of Banco Popular North America. Senior Vice President from December 1991 to December 1996.

Larry B. Kesler: (61 years), Executive Vice President of the Corporation. Executive Officer of the Corporation since 1990. Supervisor of the Individual Credit Group and the Virgin Islands Region. Executive Vice President of the Bank since January 1990. Chairman of the Board of Directors of Equity One, Inc., Popular Leasing & Rental, Inc. and Popular Mortgage, Inc. Director of Popular Finance, Inc.

Humberto Martin: (53 years), Executive Vice President of the Corporation. Executive Officer of the Corporation since 1986. Supervisor of the Operations Group. Director of ATH Dominicana, S.A. Executive Vice President of the Bank since November 1986. Executive Vice President of Popular North America, Inc.

Emilio E. Pinero: (50 years), Executive Vice President of the Corporation. Executive Officer of the Corporation since 1990. Supervisor of the Commercial Banking Group. Executive Vice President of the Bank since January 1990. Director of Popular Mortgage, Inc. and of Popular Leasing & Rental, Inc. Executive Vice President of Popular North America, Inc. Member of the Board of Trustees of American Red Cross. Member of the Board of Trustees of Fundacion Felisa Rincon de Gautier and of Jane Stern Community Library Foundation.

Carlos Rom Jr.: (42 years), Executive Vice President of the Corporation. Executive Officer of the Corporation since 1997. Head of the Corporation's Caribbean and Latin America business expansion. Executive Vice President since January 1997. Director of ATH Dominicana, S.A. and of Banco Gerencial y Fiduciario Dominicano, S.A. Chairman of the Board of Directors of ATH Costa Rica, S.A. Senior Vice President from September 1995 to December 1996. Director of Marchand-ICS Group, Inc. and of McConnell Consulting. Vice President and General Manager of Pizza Hut, a division of Pepsi Co., Inc. from July 1994 to September 1995.

Carlos J. Vazquez: (40 years), Executive Vice President of the Corporation. Executive Officer of the Corporation since 1997. Supervisor of the Corporation's Risk Management Group. Executive Vice President since March 1997. Director of Equity One, Inc., Popular Securities Incorporated and Popular North America, Inc. Vice President of J.P. Morgan & Co. Incorporated, of Morgan Guaranty Trust Co. of N.Y., of J.P. Morgan Securities Ltd., of J.P. Morgan Securities, Inc. and of J.P. Morgan Venezuela, S.A. from 1982 to 1997.

Samuel T. Cespedes: (62 years), Secretary of the Board of Directors. Attorney-at-Law. Proprietary partner of the law firm McConnell, Valdes. Secretary of the Board of Directors of the Corporation and the Bank since 1991.

Secretary of the Board of Directors of Popular North America, Inc., Equity One, Inc., Popular Leasing & Rental, Inc. and Popular Finance, Inc.

FAMILY RELATIONSHIPS

Mr. Richard L. Carrion, Chairman of the Board, President and CEO of the Corporation and the Bank, is brother-in-law of Mr. Julio E. Vizcarrondo Jr., Director. Mr. Alfonso F. Ballester, Director, is brother-in-law of Mr. Hector R. Gonzalez, Director. Mr. J. Adalberto Roig Jr., Director, is first cousin of Mr. Antonio Luis Ferre, Director.

OTHER RELATIONSHIPS, TRANSACTIONS AND EVENTS

During 1998 the Bank engaged the legal services of the law firm of Dubon & Dubon of which director Luis E. Dubon Jr. is a partner and of McConnell, Valdes of which Mr. Samuel T. Cespedes, Secretary of the Board of Directors of the Corporation and the Bank is a partner. The amount of fees paid to Dubon & Dubon by the Corporation and its subsidiaries during 1998 fiscal year was $189,488. The amount of fees paid to McConnell Valdes did not exceed 5% of the law firm revenues for its last full fiscal year.

The Bank has had loan transactions with the Corporation's directors and officers, and with their associates, and proposes to continue such transactions in the ordinary course of its business, on substantially the same terms as those prevailing for comparable loan transactions with other people and subject to the provisions of the Banking Act of the Commonwealth of Puerto Rico and the applicable federal laws and regulations. The extensions of credit have not involved nor presently involve more than normal risks of collectibility or other unfavorable features.

On February 19, 1999 Mr. Luis E. Dubon, Jr., was indicted by a Federal Grand Jury on charges of conspiracy to use the funds of Advanced Community Health Services, Inc. and Instituto del SIDA de San Juan for unauthorized personal benefits and for the unauthorized benefits of others, through a pattern of deceptive practices designed to create the appearance that the transactions were legitimate. Mr. Dubon asserts his innocence and requested a leave of absence from the Board of Directors of the Corporation and the Bank until such time as the matter is resolved. The Board has agreed to Mr. Dubon's request for a leave of absence.

EXECUTIVE COMPENSATION PROGRAM
REPORT OF THE BANK'S HUMAN RESOURCES AND COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

OVERVIEW

The Bank's Human Resources and Compensation Committee ("The Human Resources Committee") consists of six non-employee directors. The Committee endeavors to keep abreast of competitive compensation practices in regard to salaries, incentive compensation and supplemental programs, that will retain top quality executive officers who will enhance shareholder value through sustained growth.

The Human Resources Committee evaluates and recommends to the Board of Directors the Corporation's compensation policy for the Chairman of the Board, President and CEO, and Executive Officers. The Human Resources Committee considers among other factors, competitive pay practices for developing a stronger relationship between executive compensation and the Bank's long-term performance. It is kept appraised of such competitive pay practices by an independent consultant who conducts a periodical analysis of executive compensation of a peer group of financial institutions similar in size, scope and business orientation (the "Peer Group"). On an annual basis the banking peer group used by the Human Resources Committee for comparison purposes is reviewed in light of industry developments, and significant mergers/acquisitions, to ensure that it is consistent with the Corporation's size and focus. The Peer Group currently consists of twelve regional banking organizations with a retail banking emphasis.

The Executive Compensation Program for principal officers of the Corporation's subsidiaries is set according to the industry and geographical area in which they operate, and is approved by the Board of Directors of each entity.

CHAIRMAN OF THE BOARD, PRESIDENT AND CEO, MR. RICHARD L. CARRION

On an annual basis Mr. Carrion submits to the Corporation's Executive Committee a plan setting forth both quantitative and intangible goals applicable to each year and long-term goals. Evaluations will be made against the goals set forth in the plan.

Therefore, the Executive Committee evaluates Mr. Carrion's performance by taking into consideration the growth of the organization, implementation of a diversification strategy, achievement of financial goals, improvements to the product and service delivery system and development of human resources. The weight and significance accorded to these factors is subjective in nature and the weight assigned to each factor in determining compensation adjustments cannot be quantified.

Mr. Carrion participates in an annual incentive program designed to enhance achievement of short-term financial goals and to increase shareholder value. The first incentive component could represent 15% of base salary, if the net income target is met, and if the net income target is exceeded it could reach 25%. Although the threshold continues to be 100% of target, the Human Resources Committee may recommend a discretionary bonus if results obtained are at least 95% of the pre-established net income target. The second component, which is based on return on equity (ROE) and is designed to enhance an increase in shareholder value, could range from 5% to 30% of base salary, depending on the ROE obtained. Additionally, the bonus award may be increased by 25% when shareholder return exceeds 20% annually on a consecutive three year period. Total shareholder return is calculated by taking into account the compounded annual yield of the stock, considering the market appreciation, dividends received and dividend reinvestment. This third and last bonus component recognizes consistent improvement in shareholder value. The maximum total incentive bonus that may be awarded could be 68.75% of base salary if all components of the bonus program are achieved.

For 1998, this incentive bonus was 36.59% of base salary. The first objective of net income after tax was 100% of target net income. The ROE obtained was 15.41% compared to a minimum of 15% required. Total shareholder return which was to exceed 20% annually on a consecutive three-year period, was 54.44% for the three-year period ended December 31, 1998.

EXECUTIVE OFFICERS

The group of Executive Officers is composed of two Senior Executive Vice Presidents and seven Executive Vice Presidents, all of whom participate in the Profit Sharing, Annual Incentive and Long-Term Incentive Plans. The President and CEO sets the salary increases and the bonuses to be awarded to the Executive Officers pursuant to the incentive plans.

The salary increase program allows discretionary salary increases based on individual performance to be twice than that based on team increases. It provides the CEO the opportunity to recognize changes in individual responsibilities and performance levels.

Each Executive Officer participates in the Annual Incentive Plan. In 1998 a bonus of 36.59% of base salary was awarded to them. The net income after tax was 100% of target net income. The ROE obtained was 15.41% compared to a minimum of 15% required and total shareholder return which was to exceed 20% annually on a consecutive three year period, was 54.44% for the three-year period ended December 31, 1998.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

<TABLE>

<S>	<C>
Juan A. Albors	Hector R. Gonzalez
Salustiano Alvarez Mendez	Alberto M. Paracchini
Esteban D. Bird	Francisco M. Rexach Jr.

</TABLE>

EXECUTIVE COMPENSATION

The following table sets forth all cash compensation paid by the Corporation or its subsidiaries to the ten highest paid Executive Officers of the Corporation and the two most highly compensated principal officers of the Corporation's subsidiaries for 1998.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

	FISCAL YEAR	ANNUAL COMPENSATION SALARY(a)	BONUS(b)	ALL OTHER COMPENSATION(c)	LONG-TERM INCENTIVE PLAN PAYOUTS(d)	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Richard L. Carrion......................	1998	$526,667	$262,552	$ 46,134	$470,142	$1,305,495
Chairman,	1997	500,000	275,942	62,181	91,195	929,318
President and CEO	1996	475,000	399,889	56,558	55,535	986,982
David H. Chafey Jr......................	1998	393,000	194,560	35,356	281,995	904,911
Senior Executive Vice President	1997	350,000	197,909	44,401	63,240	655,550
of the Corporation	1996	290,451	240,357	35,196	35,660	601,664
Jorge A. Junquera.......................	1998	384,000	189,479	34,722	281,995	890,196
Senior Executive Vice President	1997	350,000	197,954	44,401	64,646	657,001
of the Corporation	1996	291,351	240,468	35,305	36,449	603,573
Larry B. Kesler.........................	1998	258,952	127,899	23,415	196,911	607,177
Executive Vice President	1997	235,648	132,537	29,895	51,488	449,568
of the Corporation	1996	207,488	168,163	25,143	29,023	429,817
Maria Isabel P. de Burckhart...........	1998	244,288	120,664	22,089	190,731	577,772
Executive Vice President	1997	223,187	125,109	28,314	50,349	426,959
of the Corporation	1996	201,285	162,919	24,391	28,377	416,972
Humberto Martin.........................	1998	244,633	120,448	22,120	188,811	576,012
Executive Vice President	1997	225,978	127,075	28,668	48,462	430,183
of the Corporation	1996	198,391	161,198	24,039	27,337	410,965
Emilio E. Pinero........................	1998	224,552	110,996	20,305	178,512	534,365
Executive Vice President	1997	205,720	115,125	25,927	47,576	394,348
of the Corporation	1996	188,677	152,579	22,863	26,835	390,954
Carlos J. Vazquez (e)	1998	293,645	140,254	21,017	-0-	454,916
Executive Vice President	1997	207,308	179,286	1,770	-0-	388,364
of the Corporation						
Roberto R. Herencia.....................	1998	226,600	112,292	19,824	-0-	358,716
Executive Vice President	1997	201,667	112,248	25,584	-0-	339,499
of the Corporation	1996	180,000	88,366	21,782	-0-	290,148
Carlos Rom Jr...........................	1998	201,083	99,045	18,183	-0-	318,311
Executive Vice President	1997	184,500	104,400	23,406	-0-	312,306
of the Corporation	1996	155,100	74,562	18,794	-0-	248,456
Thomas J. Fitzpatrick...................	1998	301,141	925,304	75,985	-0-	1,302,430
Former President of Equity One, Inc.	1997	300,000	867,500	79,209	-0-	1,246,709
(a wholly-owned subsidiary of	1996	275,000	156,000	72,288	-0-	503,288
Popular North America, Inc.)						
Kenneth McGrath.........................	1998	175,000	165,200	59,000	-0-	399,200
President of Popular Securities	1997	170,833	194,410	39,750	-0-	404,993
Incorporated (a wholly-owned subsidiary	1996	150,000	188,200	65,750	-0-	403,950
of the Corporation)						

</TABLE>

(a) Salaries before deductions.

(b) For the Bank's Executive Officers the bonus amount includes Christmas bonus, the bonus awarded under the Annual Management Incentive Compensation Plan and the cash portion payable under the Profit Sharing Plan of the Bank, except in 1997 for Mr. Vazquez's bonus, which does not includes a Profit Sharing bonus but rather a special bonus of $49,000 paid with the Corporation's common stock purchased in the open market. For Mr. Fitzpatrick, the amount includes the annual performance bonus and a three year long-term incentive bonus payable under his employment agreement. Mr. Fitzpatrick resigned effective October 30, 1998. For Mr. McGrath, the amount includes Christmas and performance bonus.

(c) For the Bank's Executive Officers, except for Mr. Vazquez in 1997, amount includes deferred portion awarded under the Profit Sharing Plan of the Bank, amounts accrued under the Benefit Restoration Plan, the amount from the Profit Sharing deferred and allocated to stock Plan and the Bank's matching contribution to Stock Plan, which are described on page 17 and 18. In the case of Mr. Vazquez the amount for 1997 only includes the Bank's matching contribution to Stock Plan. For Mr. McGrath, amount includes matching contribution to 1165(e) plan and a deferred portion of the performance bonus. For Mr. Fitzpatrick, these amounts represent the contribution of Equity One, Inc. pursuant to Section 401(k) matching and deferred compensation under Supplementary Executive Retirement Plan. As mentioned above, Mr. Fitzpatrick resigned effective October 30, 1998. All other compensation does not include the value of perquisites and other personal benefits because the aggregate amount of such benefits does not exceed lesser of $50,000 or 10% of total amount of annual salary and bonus of any named individual.

(d) For the Plan Year ended December 31, 1998, the three year average ROE target was not achieved, nor the Peer Group three year average median ROE was exceeded. However, since Popular, Inc.'s average ROE represented an improvement of 81.76% over the base year ROE compared to Peer's median ROE, the Human Resources and Compensation Committee approved a discretionary bonus of 25% of the total stock awarded at the beginning of the Plan Year, including dividends and adjusted for the stock splits. On March 11 and 12 of 1999, 48,988 common shares were purchased in the open market at an average price of $34.91. All Executive Officers selected to defer the incentive payment, except Mr. Larry B. Kesler. The alternative to defer is an amendment to the original Plan that was approved by the Board of Directors in December 1996.

(e) Information presented for 1998, 1997 and 1996, except for Mr. Carlos J. Vazquez who was appointed Executive Officer in 1997. No disclosure for 1996 is required with respect to this officer.

LONG-TERM INCENTIVE PLAN

The Board of Directors approved in 1994 the Senior Executive Long-Term Incentive Plan to encourage long-term corporate performance and objectives. A set percentage of the base salary of each participant at the beginning of each Plan Year, is used to determine the dollar amount to be divided by an average closing price of the Corporation's common stock for the Incentive Payment. The incentive payment shall be made in common stock of the Corporation. All common stock to be awarded under this program is purchased in the open market.

This Long-Term Incentive Plan divides the incentive payment as follows: 75% based on the attainment of a pre-established three-year average ROE objective for the performance period and 25% based on the achievement of an average ROE greater than the Peer Group's three-year average median ROE.

Since 1996 up to 1998, awards of performance shares under the Long-Term Incentive Plan were granted to the Executive Officers as set forth below:

LONG-TERM INCENTIVE AWARDS

<TABLE>
<CAPTION>

				ESTIMATED FUTURE PAYOUTS NON-STOCK PRICE BASED PLANS NUMBER OF SHARES		
NAME	YEAR	NUMBER OF SHARES(a)	PERFORMANCE PERIOD UNTIL PAYOUT	THRESHOLD	TARGET	MAXIMUM
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Richard L. Carrion..........	1998	10,093.14	1/1/98-12/31/00	--	10,093.14	20,186.28
	1997	15,391.20	1/1/97-12/31/99	--	15,391.20	30,782.40
	1996	12,634.56	1/1/96-12/31/98	--	12,634.56	25,269.12
David H. Chafey Jr.	1998	8,066.44	1/1/98-12/31/00	--	8,066.44	16,132.88
	1997	11,081.70	1/1/97-12/31/99	--	11,081.70	22,163.40
	1996	7,580.74	1/1/96-12/31/98	--	7,580.74	15,161.48
Jorge A. Junquera...........	1998	7,848.42	1/1/98-12/31/00	--	7,848.42	15,696.84
	1997	11,081.70	1/1/97-12/31/99	--	11,081.70	22,163.40
	1996	7,580.74	1/1/96-12/31/98	--	7,580.74	15,161.48
Carlos J. Vazquez	1998	6,050.84	1/1/98-12/31/00	--	6,050.84	12,101.68
Larry B. Kesler.............	1998	5,300.22	1/1/98-12/31/00	--	5,300.22	10,600.44
	1997	7,415.04	1/1/97-12/31/99	--	7,415.04	14,830.08
	1996	5,292.98	1/1/96-12/31/98	--	5,292.98	10,585.96
Maria Isabel P. .... de Burckhart	1998	5,000.08	1/1/98-12/31/00	--	5,000.08	10,000.16
	1997	6,995.16	1/1/97-12/31/99	--	6,995.16	13,990.32
	1996	5,127.00	1/1/96-12/31/98	--	5,127.00	10,254.00

Humberto Martin.............	1998	4,989.44	1/1/98-12/31/00	--	4,989.44	9,978.88
	1997	7,110.76	1/1/97-12/31/99	--	7,110.76	14,221.52
	1996	5,075.84	1/1/96-12/31/98	--	5,075.84	10,151.68
Roberto R. Herencia.........	1998	4,657.38	1/1/98-12/31/00	--	4,657.38	9,314.76
	1997	6,341.20	1/1/97-12/31/99	--	6,341.20	12,682.40
Emilio E. Pinero............	1998	4,596.12	1/1/98-12/31/00	--	4,596.12	9,192.24
	1997	6,430.00	1/1/97-12/31/99	--	6,430.00	12,860.00
	1996	4,798.46	1/1/96-12/31/98	--	4,798.46	9,596.92
Carlos Rom Jr.	1998	4,103.88	1/1/98-12/31/00	--	4,103.88	8,207.76
	1997	5,848.68	1/1/97-12/31/99	--	5,848.68	11,697.36

</TABLE>

(a) The number of shares have been adjusted to reflect the stock splits of one share for each share outstanding effected in a form of a dividend, effective July 1, 1996 and 1998, as applicable.

The share awards shown above are payable at the end of each three-year performance period if objectives are attained. Dividends that would be payable on the shares of stock, if they were held by the Executive Officers, will be credited and become part of the Incentive Payment. At the option of the participant, a portion equal to the estimated tax due with respect to the incentive payments of the awards may be paid in cash.

If the Corporation's target is met or exceeded, the share payments corresponding to the Corporation's and Peer Group's goals are increased separately by a leverage factor that cannot exceed two times the target share amounts.

Even if the ROE for the Corporation does not equal or exceed the Peer three-year average median ROE, the Human Resources and Compensation Committee, at its own discretion, may recommend the distribution of 25% of the targeted bonus if the results attained for the Plan Year average represent an improvement of no less than 25% over the base year.

For the Plan Year ended December 31, 1998, the three year average ROE target was not achieved, nor the Peer Group three year average median ROE was exceeded. However, since Popular, Inc.'s average ROE represented an improvement of

81.76% over the base year ROE compared to Peer's median ROE, the Human Resources and Compensation Committee approved a discretionary bonus of 25% of the total stock awarded at the beginning of the Plan Year, including dividends and adjusted for the stock splits. On March 11 and 12 of 1999, 48,988 common shares were purchased in the open market at an average price of $34.91. All Executive Officers selected to defer the incentive payment, except Mr. Larry Kesler. This alternative is an amendment to the original Plan that was approved by the Board of Directors in December 1996.

OTHER INCENTIVE COMPENSATION PLANS

The Bank has an Annual Management Incentive Plan for different management levels. Under this Plan, incentive bonuses are based on individual performance as well as the Corporation or Bank's performance, measured by net income and ROE. The weight assigned to the Corporation or the Bank's performance objectives varies according to management level, but the weight of individual performance applies equally to all managers participating.

The Bank also has an Excellence in Performance Program in which all employees participate. This program rewards employees for extraordinary personal contributions that are nonrecurring in nature, typically not recognizable through merit or promotional salary action, and clearly recognized as such by management and peers alike.

Additionally, the Bank has several functional incentive programs that reward employees' productivity in specific areas.

PROFIT SHARING PLAN OF THE BANK

All officers and regular monthly salaried employees of the Bank as of January 1, 1976, or hired after that date, are active participants in the Bank's operating earnings under the yearly Profit Sharing Plan, as of the first day of the calendar month following completion of one year of service.

Under this plan the Bank's annual contribution is determined by the Board of Directors based on the profits of the Bank for the year. The amount allocated to each officer or employee is based on his or her earned salary for the year. The total amount contributed for the year 1998 was $22,992,801. The total awarded is 40% contributed to the Profit Sharing Plan, 10% to the Stock Plan and the remainder 50% is paid in cash. However, this year the officers and employees could elect to increase his (her) contribution to the Stock Plan up to 15%, as a result of this election 38% was contributed to the Profit Sharing Plan and 12% to the Stock Plan.

BENEFIT RESTORATION PLAN OF THE BANK

The Internal Revenue Service (IRS) set a limit of $160,000 as the amount of compensation that may be considered in calculating future retirement payments from qualified pension plans. This limit applies to the Bank's Retirement Plan, Profit Sharing and Stock Plan.

The Board of Directors has approved a "Benefit Restoration Plan" for those officers whose annual compensation is higher than the established limit. This non-qualified plan will provide those benefits that cannot be accrued under the Bank's Retirement and Profit Sharing Plan, which are qualified plans. Benefits under the Benefit Restoration Plan shall be equal to the account balance that would be provided under the Profit Sharing Plan and equal to the benefits that would have been accrued under the Retirement Plan. The Plan is unfunded.

RETIREMENT PLAN OF THE BANK

The Bank has a noncontributory, defined benefit Retirement Plan covering substantially all regular monthly employees. Monthly salaried employees are eligible to participate in the Plan following the completion of one year of service and 21 years of age. Pension costs are funded in accordance with the minimum funding standards under the Employee Retirement Income Security Act ("ERISA").

The basis for the Retirement Plan formula is Total Compensation, which includes Christmas Bonus, incentives, overtime, differentials, Profit Sharing cash bonuses and any other compensation received by the employees. Benefits are paid on the basis of a straight life annuity plus supplemental death benefits and are not reduced for Social Security or other payments received by participants.

Normal retirement age at the Bank is a combination of years of age and completed years of service totalling 75. Early retirement is at 55 years of age with 10 years of service. Employees with 30 years of service or more are provided with a retirement benefit of 40% of Total Compensation. Benefits are reduced only if the employee retires before age 55. Benefits are subject to the U.S. Internal Revenue Code limits on compensation and benefits.

The following table sets forth the estimated annual benefits that would become payable under the Retirement Plan and the Benefit Restoration Plan based upon certain assumptions as to total compensation levels and years of service. The amounts payable in this table are not necessarily representative of amounts that may actually become payable under the plans. The amounts represent the benefits upon retirement on December 31, 1998, of a participant at age 65.

<TABLE>
<CAPTION>

TOTAL COMPENSATION	ESTIMATED ANNUAL BENEFITS / YEARS OF SERVICE				
	15	20	25	30	35
<S>	<C>	<C>	<C>	<C>	<C>
$1,400,000	$256,000	$357,000	$459,000	$560,000	$560,000
1,300,000	237,000	332,000	426,000	520,000	520,000
1,200,000	219,000	306,000	393,000	480,000	480,000
1,100,000	201,000	281,000	360,000	440,000	440,000
1,000,000	183,000	255,000	328,000	400,000	400,000
900,000	164,000	230,000	295,000	360,000	360,000
800,000	146,000	204,000	262,000	320,000	320,000
700,000	128,000	179,000	229,000	280,000	280,000
600,000	110,000	153,000	197,000	240,000	240,000

500,000	91,000	128,000	164,000	200,000	200,000
400,000	73,000	102,000	131,000	160,000	160,000
300,000	55,000	77,000	98,000	120,000	120,000

</TABLE>

The 1998 total compensation and estimated years of service at age 65 for the ten highest paid key policy-making Executive Officers of the Corporation are as follows.

<TABLE>
<CAPTION>

<S>	1998 TOTAL COMPENSATION <C>	ESTIMATED YEARS OF SERVICE AT AGE 65 <C>
Richard L. Carrion	$1,305,000	41.6
David H. Chafey Jr	905,000	38.6
Jorge A. Junquera	890,000	41.5
Larry B. Kesler	607,000	16.5
Maria Isabel P. de Burckhart	578,000	28.3
Humberto Martin	576,000	40.1
Emilio E. Pinero	534,000	43.2
Carlos J. Vazquez	455,000	26.4
Roberto R. Herencia	359,000	31.7
Carlos Rom Jr	318,000	35.2

</TABLE>

STOCK PLAN OF THE BANK

The Bank has adopted two Stock Plans, one covering employees of the Bank in Puerto Rico and another covering employees of the Bank in the U.S., and the British and U.S. Virgin Islands. All regular monthly salaried employees are eligible to participate in the Stock Plans following the completion of three-months of service.

The Bank may contribute a discretionary amount based on the profits of the Bank for the year, which is allocated to each officer or employee based on his or her basic salary for the year, as determined by the Board of Directors. The Stock Plans also allow employees to voluntarily elect to defer a predetermined percentage not to exceed 10% of their pre-tax base compensation (after tax in the British Virgin Islands) up to a maximum amount as determined by the applicable tax laws.

The Bank will match 50% of the amount contributed by a participant up to a maximum of 2% of the participant's annual base salary.

All contributions to the Stock Plans will be invested in shares of common stock of the Corporation which are purchased in the open market.

POPULAR, INC.
PERFORMANCE GRAPH

The graph below compares the cumulative total shareholder return during the measurement period with the cumulative total return, assuming reinvestment of dividends, of the National Association of Securities Dealers Automated Quotation (NASDAQ) Stock Market Index and the NASDAQ Bank Composite Index.

The cumulative total shareholder return was obtained by dividing (i) the cumulative amount of dividends per share, assuming dividend reinvestment, since the measurement point, December 31, 1993 plus (ii) the change in the per share price since the measurement date, by the share price at the measurement date.

Comparison of Five Year Cumulative Total Return
Total Return as of December 31,
(December 31, 1993 = 100)

<TABLE>
<CAPTION>

<S> COMPANY/INDEX	<C> BASE PERIOD	<C> 12/31/93	<C> INDEXED RETURNS ADJUSTED TO BASE PERIOD 12/21/94	<C> 12/31/95	<C> 12/31/96	<C> 12/31/97	<C> 12/31/98
POPULAR, INC.**	7.875	100	92.4404	131.2681	231.6418	345.232	481.2323
NASDAQ BANKS COMPOSITE	241.193	100	99.63598	148.3832	195.9083	328.0178	324.902
NASDAQ STOCK MARKET	249.861	100	97.75195	138.2561	170.0149	208.5796	293.209

</TABLE>

INDEPENDENT PUBLIC ACCOUNTANTS

On July 1, 1998 Price Waterhouse merged with and into Coopers & Lybrand. The name of the resulting public accountants firm is PricewaterhouseCoopers.

The Board of Directors intends to retain the services of PricewaterhouseCoopers as the independent auditors of the Corporation for the year 1999. Price Waterhouse had served as independent auditors of the Bank since 1971 and of the Corporation since May 1991, when it was appointed by the Board of Directors.

Representatives of PricewaterhouseCoopers will attend the Stockholders Meeting and will be available to answer any questions that may arise; they will also have the opportunity to make a statement if they so desire.

INCORPORATION BY REFERENCE

The audited financial statements, certain supplemental financial information and the Management Discussion and Analysis of Financial Condition and Results of Operations included in the Corporation's Annual Report to Stockholders for the year ended December 31, 1998, which accompany this Proxy Statement are hereby incorporated by reference herein. In addition, all documents filed by the Corporation pursuant to Section 13(a) of the Securities Exchange Act of 1934 subsequent to the date of this Proxy Statement and prior to the Annual Meeting shall be deemed to be incorporated by reference herein.

PROPOSALS OF SECURITY HOLDERS TO BE PRESENTED AT THE 2000
ANNUAL MEETING OF STOCKHOLDERS

Stockholders' proposals intended to be presented at the 2000 Annual Meeting of Stockholders must be received by the Corporate Secretary, at its principal executive offices, Popular Center Building, San Juan, Puerto Rico, 00918, not later than November 24, 1999 for inclusion in the Corporation's Proxy Statement and Form of Proxy relating to the 2000 Annual Meeting of Stockholders.

OTHER MATTERS

Management does not know of any other matters to be brought before the Meeting other than those described previously. Proxies in the accompanying form will confer discretionary authority to Management with respect to any such other matters presented at the meeting.

To avoid delays in ballot taking and counting, and in order to assure that your Proxy is voted in accordance with your wishes, compliance with the following instructions is respectfully requested: upon signing a Proxy as attorney, executor, administrator, trustee, guardian, authorized officer of a corporation, or on behalf of a minor, please give full title. If shares are in the name of more than one recordholder, all should sign.

Whether or not you plan to attend the Meeting, it is very important that your shares be represented and voted in the Meeting. Accordingly, you are urged to properly complete, sign, date and return your Proxy Card or vote by telephone or by Internet.

San Juan, Puerto Rico, March 22, 1999

RICHARD L. CARRION Chairman of the Board, President and Chief Executive Officer	SAMUEL T. CESPEDES Secretary

YOU MAY REQUEST A COPY OF THE FORM 10K ANNUAL REPORT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BY CALLING (787) 765-9800 OR WRITING TO AMILCAR JORDAN, SENIOR VICE PRESIDENT, BANCO POPULAR DE PUERTO RICO, PO BOX 362708, SAN JUAN, PR 00936-2708.

<TABLE>
<CAPTION>

<S>	<C>
[POPULAR, INC LOGO]	IF YOU WISH TO VOTE BY TELEPHONE, INTERNET OR MAIL, PLEASE READ THE INSTRUCTIONS BELOW

c/o BANCO POPULAR de PUERTO RICO
TRUST DIVISION
PO BOX 362708
SAN JUAN, PR 00936-2708

Popular, Inc. encourages you to take advantage of new and convenient ways to vote your shares for matters to be covered at the 1999 Annual Meeting of Stockholders. Please take the opportunity to use one of the three voting methods outlined below to cast your ballot. We've made it easier than ever.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call. You will be prompted to enter your 12-digit Control Number, which is located above, and then follow the simple instructions the Vote Voice provides you.

VOTE BY INTERNET WWW.PROXYVOTE.COM
Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site. You will be prompted to enter your 12-digit Control Number, which is located above, to obtain your records and create an electronic ballot.

VOTE BY MAIL
Please mark, sign, date and return this card promptly using the enclosed postage pre-paid envelope to: Banco Popular de Puerto Rico, Trust Division, P.O. Box 362708, San Juan, Puerto Rico 00936-2708. No postage is required if mailed in the United States, Puerto Rico or the U.S. Virgin Islands.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS; POPULA KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

[POPULAR, INC. LOGO] PROXY

The Board recommends a vote for the nominees listed below:	For All	Withhold All	For All Except	To withhold authority to vote, mark "For All Except" and write the nominee's number on the line below.
ELECTION OF DIRECTORS - Nominees: 1) Juan J. Bermudez, 2) Francisee J. Carroras, 2) Richard L. Carrion, 4) David H. Chafey Jr., 5) Antonio Luts Ferre, 6) Alberto M. Paracchini, 7) Felix J. Serralles, Jr.	[ ]	[ ]	[ ]	--

This proxy is Solicited on Behalf of the Board of Directors.

The undersigned hereby appoints Richard L. Carrion, Jorge A. Junquera and David H. Chafey Jr. or any or more of them as Proxies, each with the power to appoint his substitute, and authorizes them to represent and to vote as designated above all the shares of common stock of Popular, Inc. held of record by the undersigned on March 8, 1999, at the Annual Meeting of Shareholders to be held at the Centro Europe Building, 1492 Ponce de Leon Avenue, 3rd Floor, San Juan, Puerto Rico, on April 27, 1999, at 10:00 a.m. or at any adjournments thereof. The Proxies are further authorized to vote such shares upon any other business that may properly come before the meeting or any adjournments thereof.

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL THE NOMINEES LISTED ABOVE.

PLEASE SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.
NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES, PUERTO RICO OR THE U.S. VIRGIN ISLANDS. PLEASE SIGN AS YOUR NAMES APPEAR ON THIS FORM. IF SHARES ARE HELD JOINTLY, ALL OWNERS SHOULD SIGN.
(VEA AL DORSO TEXTO EN ESPANOL)

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Signature (PLEASE SIGN WITHIN BOX) Date Signature (Joint Owners) Date

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</TABLE>