FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1998-11-16** | Period of Report: **1998-09-30**
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FILER

POPULAR INC

CIK:**763901**| IRS No.: **660416582** | State of Incorp.:**PR** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **033-61601** | Film No.: **98751308**
SIC: **6022** State commercial banks

Mailing Address
P.O. BOX 362708
SAN JUAN PR 00936-2708

Business Address
209 MUNOZ RIVERA AVE
POPULAR CENTER BUILDING
HATO REY PR 00918
7877659800

1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10 - Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1998   Commission file number   0 - 13818

POPULAR, INC.

(Exact name of registrant as specified in its charter)

<TABLE>

<S>	<C>
Puerto Rico	66-041-6582
(State of incorporation)	(I.R.S. Employer Identification No.)

</TABLE>

Popular Center Building
209 Munoz Rivera Avenue, Hato Rey
San Juan, Puerto Rico 00918

(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code   (787) 765-9800

Not Applicable

(Former name, former address and former fiscal year, if changed since last report) 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<TABLE>

<S>	<C>
Common Stock $6.00 Par value	135,637,327
(Title of Class)	(Shares Outstanding as of November 13, 1998)

</TABLE>

2

POPULAR, INC.
INDEX

<TABLE>
<CAPTION>

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FORWARD LOOKING INFORMATION. This Quarterly Report on Form 10-Q 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 Popular, Inc.'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 II, Item I. 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.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF CONDITION
(UNAUDITED)

<TABLE>
<CAPTION>

(In thousands)	SEPTEMBER 30, 1998	December 31, 1997	September 30, 1997
<S>	<C>	<C>	<C>
ASSETS			
Cash and due from banks	$ 543,565	$ 463,151	$ 530,915
Money market investments:			
Federal funds sold and securities and mortgages purchased under agreements to resell	720,511	802,803	467,285
Time deposits with other banks	102,525	9,013	5,256
Banker's acceptances	360	2,274	2,871
	823,396	814,090	475,412
Investment securities available-for-sale, at market value	6,223,460	5,239,005	5,869,770
Investment securities held-to-maturity, at cost	258,032	408,993	829,105
Trading account securities, at market value	253,129	222,303	224,734
Loans held-for-sale	495,241	265,204	238,991
Loans	12,217,822	11,457,675	11,287,080
Less - Unearned income	350,536	346,272	344,010
Allowance for loan losses	245,382	211,651	205,077
	11,621,904	10,899,752	10,737,993

Premises and equipment	408,919	364,892	390,905
Other real estate	25,743	18,012	12,014
Customers' liabilities on acceptances	16,288	1,801	3,005
Accrued income receivable	141,184	118,677	144,769
Other assets	242,472	252,040	212,070
Intangible assets	220,260	232,587	227,102
	$ 21,273,593	$ 19,300,507	$ 19,896,785
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits:			
Non-interest bearing	$ 2,665,500	$ 2,546,836	$ 2,293,394
Interest bearing	9,882,250	9,202,750	8,920,773
	12,547,750	11,749,586	11,214,167
Federal funds purchased and securities sold under agreements to repurchase	3,469,382	2,723,329	3,897,110
Other short-term borrowings	1,504,316	1,287,435	1,294,693
Notes payable	1,341,530	1,403,696	1,435,763
Acceptances outstanding	16,288	1,801	3,005
Other liabilities	391,827	356,569	327,267
	19,271,093	17,522,416	18,172,005
Subordinated notes	125,000	125,000	125,000
Preferred beneficial interests in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000	150,000
Minority interest in consolidated subsidiary	30,609		
Stockholders' equity :			
Preferred stock	100,000	100,000	100,000
Common stock	825,200	412,029	411,870
Surplus	194,033	602,023	580,806
Retained earnings	510,046	395,253	376,908
Treasury stock-at cost	(39,560)	(39,560)	(39,560)
Accumulated other comprehensive income-unrealized gains on securities available-for-sale, net of deferred taxes	107,172	33,346	19,756
	1,696,891	1,503,091	1,449,780
	$ 21,273,593	$ 19,300,507	$ 19,896,785

</TABLE>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

	Quarter ended September 30,		Nine months ended September 30,	
(Dollars in thousands, except per share information)	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME:				
Loans	$302,403	$ 283,139	$ 892,096	$ 790,296
Money market investments	9,566	8,237	27,585	25,619
Investment securities	93,977	97,522	277,413	257,279
Trading account securities	4,875	4,516	12,960	13,490
	410,821	393,414	1,210,054	1,086,684

INTEREST EXPENSE:

Deposits	101,239	95,594	300,346	268,881
Short-term borrowings	66,611	66,117	181,189	169,888
Long-term debt	27,930	28,698	86,382	73,660
	195,780	190,409	567,917	512,429
Net interest income	215,041	203,005	642,137	574,255
Provision for loan losses	34,667	29,849	101,756	78,949
Net interest income after provision for loan losses	180,374	173,156	540,381	495,306
Service charges on deposit accounts	26,344	24,378	77,176	68,411
Other service fees	28,557	25,252	83,548	72,206
Gain on sale of securities	4,553	519	8,469	145
Trading account profit	506	959	2,486	2,209
Other operating income	14,261	15,201	43,379	33,820
	254,595	239,465	755,439	672,097
OPERATING EXPENSES:				
Personnel costs:				
Salaries	61,267	55,566	180,183	154,255
Profit sharing	5,618	6,164	17,565	19,392
Pension and other benefits	17,433	17,806	52,621	51,813
	84,318	79,536	250,369	225,460
Net occupancy expense	12,260	10,362	35,558	28,107
Equipment expenses	18,533	16,976	55,042	48,604
Other taxes	8,035	8,215	23,902	21,971
Professional fees	14,218	11,900	40,912	32,726
Communications	9,444	8,743	27,462	24,074
Business promotion	9,751	9,831	26,884	23,768
Printing and supplies	4,490	3,984	12,908	10,755
Other operating expenses	10,679	10,984	32,483	29,958
Amortization of intangibles	6,890	6,810	20,523	16,089
	178,618	167,341	526,043	461,512
Income before taxes	75,977	72,124	229,396	210,585
Income tax	18,397	18,511	59,560	56,342
NET INCOME	$ 57,580	$ 53,613	$ 169,836	$ 154,243
NET INCOME APPLICABLE TO COMMON STOCK	$ 55,493	$ 51,526	$ 163,574	$ 147,981
EARNINGS PER COMMON SHARE	$ 0.41	$ 0.38	$ 1.21	$ 1.11

</TABLE>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

POPULAR, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

In thousands)	Quarter ended September 30, 1998	1997	Nine months ended September 30, 1998	1997
<S>	<C>	<C>	<C>	<C>
Net Income	$ 57,580	$53,613	$169,836	$154,243
Other comprehensive income net of tax:				
Unrealized gains (losses) on securities:				

Unrealized holding gains (losses) arising during the period	69,172	13,791	80,732	18,333
Less: reclassification adjustment for gains (losses) included in net income	4,313	340	6,906	276
Total other comprehensive income	$ 64,859	$13,451	$ 73,826	$ 18,057
Comprehensive income	$122,439	$67,064	$243,662	$172,300

</TABLE>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

(In thousands)	Nine months ended September 30, 1998	1997
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 169,836	$ 154,243
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization of premises and equipment	46,020	40,073
Provision for loan losses	101,756	78,949
Amortization of intangibles	20,523	16,089
Gain on sale of investment securities available-for-sale	(8,469)	(145)
Loss on disposition of premises and equipment	46	88
Gain on sale of loans	(17,572)	(8,525)
Amortization of premiums and accretion of discounts on investments	2,057	1,033
(Increase) decrease in loans held-for-sale	(230,038)	16,138
Amortization of deferred loan fees and costs	(284)	(2,514)
Net (increase) decrease in trading securities	(30,826)	67,436
Net increase in interest receivable	(20,803)	(42,295)
Net decrease in other assets	49,343	216,544
Net (decrease) increase in interest payable	(2,150)	7,861
Net increase (decrease) in current and deferred taxes	16,363	(38,100)
Net increase in postretirement benefit obligation	6,547	6,229
Net decrease in other liabilities	(18,998)	(5,591)
Total adjustments	(86,485)	353,270
Net cash provided by operating activities	83,351	507,513
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in money market investments	68,899	347,559
Purchases of investment securities held-to-maturity	(10,081,965)	(48,463,368)
Maturities of investment securities held-to-maturity	10,236,353	48,887,010
Purchases of investment securities available-for-sale	(4,243,287)	(6,922,799)
Maturities of investment securities available-for-sale	2,471,881	2,346,508
Sales of investment securities available-for-sale	893,441	2,646,105
Net disbursements on loans	(1,122,887)	(1,111,679)

Proceeds from sale of loans	596,617	280,659
Acquisition of loan portfolios	(43,630)	(23,131)
Assets acquired, net of cash	(4,094)	(78,163)
Cash received in acquisition	51,238	
Acquisition of premises and equipment	(74,473)	(90,516)
Proceeds from sale of premises and equipment	15,297	27,570
Net cash used in investing activities	(1,236,610)	(2,154,245)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	439,009	(563,025)
Net deposits acquired	36,297	
Net increase in federal funds purchased and securities sold under agreements to repurchase	746,053	1,964,387
Net increase (decrease) in other short-term borrowings	162,064	(109,313)
Proceeds from issuance of notes payable	7,139	678,598
Payments of notes payable	(111,114)	(327,009)
Payment of senior debentures		(30,000)
Proceeds from issuance of Series A Capital Securities		150,000
Dividends paid	(50,955)	(42,065)
Proceeds from issuance of common stock	5,180	3,266
Treasury stock, acquired		(39,560)
Net cash provided by financing activities	1,233,673	1,685,279
Net increase in cash and due from banks	80,414	38,547
Cash and due from banks at beginning of period	463,151	492,368
Cash and due from banks at end of period	$ 543,565	$ 530,915

</TABLE>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share information)

NOTE 1 - CONSOLIDATION

The consolidated financial statements of Popular, Inc. include the balance sheet of the Corporation and its wholly-owned subsidiaries, Popular Securities Incorporated; Popular International Bank, Inc. and its subsidiaries ATH Costa Rica, Banco Gerencial & Fiduciario Dominicano, S.A. and Popular North America, Inc., including Banco Popular, FSB and its wholly-owned subsidiary Equity One, Inc., Banco Popular, Illinois and its wholly-owned subsidiary Popular Leasing USA, Banco Popular National Association (California), Banco Popular National Association (Florida), Banco Popular National Association (Texas) and Popular Cash Express, Inc.; Banco Popular de Puerto Rico and its wholly-owned subsidiaries, Popular Leasing and Rental, Inc., Popular Finance, Inc. and Popular Mortgage, Inc.; and Metropolitana de Prestamos, Inc., as of September 30, 1998, December 31, 1997 and September 30, 1997 and their related statements of income, comprehensive income and cash flows for the nine-month periods then ended. These statements are, in the opinion of management, a fair statement of the results of the periods presented. These results are unaudited, but include all necessary adjustments, of a normal recurring nature, for a fair presentation of such results. Certain reclassifications have been made to the prior year consolidated financial statements to conform to the 1998 presentation.

On September 30, 1998, the Corporation acquired 45% in newly issued stock of Banco Gerencial & Fiduciario (BGF), a commercial bank operating in the Dominican Republic. Based on the provisions of the stock purchase agreement, BGF is being presented as a consolidated subsidiary of the Corporation.

NOTE 2 - ACCOUNTING CHANGES

Effective January 1, 1998 the Corporation adopted SFAS 130, "Reporting Comprehensive Income". This statement establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purpose 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. This pronouncement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The pronouncement does not require a specific format for the financial statement but requires that an enterprise display an amount representing total comprehensive income for the period in that financial statement. This statement requires the reclassification of financial statements for earlier periods presented for comparative purposes.

In June 1997, the Financial Accounting Standard Board (FASB) issued SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". This statement establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders since the second year of application. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. This statement supersedes

SFAS 14, "Financial Reporting for Segments of a Business Enterprise", but retains the requirements to report information about major customers. This statement is effective for financial statements for periods beginning after December 15, 1997. Adoption in interim financial statements is not required until the year after initial adoption, however, comparative prior period information is required.

In February 1998, the FASB issued SFAS 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits". This statement supersedes the disclosure requirements in FASB statements No. 87, "Employers' Accounting for Pensions," No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", and No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". This statement revises employers' disclosures about pension and postretirement benefit plans. It does not change the measurement or recognition of those plans. It standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values on plan assets that will facilitate financial analysis, and eliminates certain disclosures that are no longer useful. The statement suggests combined formats for presentation of pension and other postretirement benefits disclosures. This statement is effective for fiscal year beginning after December 15, 1997, and requires comparative information for earlier years. Restatement of disclosures for earlier periods provided for comparative purposes is required unless the information is not readily available, in which case the notes to the financial statements should include all available information and a description of the information not available.

On June 16, 1998, the 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 that an entity recognize all derivatives as either assets or liabilities in the statement of condition and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge), a hedge of the exposure to variable cash flows of a forecasted transaction (cash flow hedge), or a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In general, the gain or loss in a fair value hedge is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. For a cash flow hedge, gains or losses are reported in other comprehensive income and subsequently reclassified into earnings. For derivatives designated as a hedge of the foreign currency exposure, the gain or loss is reported in other comprehensive income as part of the cumulative translation adjustment. This statement is effective for all quarters of fiscal years beginning after June 15, 1999. Initial application of this Statement should be as of the beginning of an entity's fiscal quarter; on that date, hedging relationships must be designated anew and documented pursuant to the provisions of this Statement. Earlier application of all the provisions of this Statement is encouraged, but it is permitted as of the beginning of any fiscal quarter that begins after issuance of the Statement. This Statement should not be applied retroactively to financial statements of prior periods. Management understands that the adoption of this Statement will not have a material effect on the consolidated financial statements of the Corporation.

9

NOTE 3 - INVESTMENT SECURITIES

The average maturities as of September 30, 1998, and market value for the following investment securities are:

Investments securities available-for-sale:

<TABLE>
<CAPTION>

	September 30, 1998 Amortized Cost	1998 Market Value	1997 Amortized Cost	1997 Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury (average maturity of 1 year and 7 months)	$3,116,113	$3,180,266	$4,027,623	$4,043,382
Obligations of other U.S. Government agencies and corporations (average maturity of 7 years and 2 months)	1,704,220	1,743,857	956,146	966,676
Obligations of Puerto Rico, States and political subdivisions (average maturity of 9 years and 5 months)	54,227	56,593	47,377	47,890
Collateralized mortgage obligations (average maturity of 1 year and 6 months)	798,904	802,746	720,600	720,880
Mortgage-backed securities (average maturity of 21 years and 5 months)	367,484	376,165	60,658	60,167
Equity securities (without contractual maturity)	28,697	52,051	18,150	18,154
Others (average maturity of 9 years and 10 months)	11,761	11,782	12,602	12,621
	$6,081,406	$6,223,460	$5,843,156	$5,869,770

</TABLE>

Investment securities held-to-maturity:

<TABLE>
<CAPTION>

	September 30, 1998 Amortized Cost	1998 Market Value	1997 Amortized Cost	1997 Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury Obligations			$ 250,122	$ 250,160
Obligations of other U.S. Government agencies and corporations (average maturity of 6 months)	$ 4,881	$ 4,881	289,704	289,500
Obligations of Puerto Rico, States and political subdivisions (average maturity of 4 years and 1 month)	69,218	70,714	74,160	75,548
Collateralized mortgage obligations (average maturity of 1 year and 8 months)	35,171	35,343	77,032	76,982
Mortgage-backed securities (average maturity of 3 years)	36,182	37,551	48,827	49,695
Equity securities (without contractual maturity)	77,730	77,730	70,360	70,360
Others (average maturity of 6 years and 2 months)	34,850	34,865	18,900	18,870
	$ 258,032	$ 261,084	$ 829,105	$ 831,115

</TABLE>

NOTE 4 - PLEDGED ASSETS

Securities and insured mortgage loans of the Corporation of $4,833,416 (1997 - $4,952,973) are pledged to secure public and trust deposits and securities and mortgages sold under repurchase agreements.

10

NOTE 5 - COMMITMENTS

In the normal course of business there are letters of credit outstanding and stand-by letters of credit which at September 30, 1998, amounted to $38,370 and $59,423. There are also outstanding other commitments and contingent liabilities, such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. No losses are anticipated as a result of these transactions.

NOTE 6 - SUBORDINATED NOTES

Subordinated notes of $125,000 as of September 30, 1998 and 1997 consisted of notes issued by the Corporation on December 12, 1995, maturing on December 15, 2005, with interest payable semi-annually at 6.75%.

NOTE 7 - STOCKHOLDERS' EQUITY

Authorized common stock is 180,000,000 shares with a par value of $6 per share of which 135,555,652 were issued and outstanding at September 30, 1998, after adjusting for the stock split described below. On April 23, 1998, the Corporation's Board of Directors authorized 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 million were transferred from surplus to common stock. All references in the financial statements to the numbers of common shares and per share amounts have been restated to reflect the stock split. On May 8, 1997, the Board of Directors approved a stock repurchase program of up to three million shares of outstanding common stock of the Corporation. A total of 1,977,600 shares, after restating for the stock split, with a cost of $39.6 million were repurchased during 1997, no additional shares were repurchased during the nine month period ended September 30, 1998.

Authorized preferred stock is 10,000,000 shares without par value of which 4,000,000, non-cumulative with a dividend rate of 8.35% and a liquidation preference value of $25 per share, were issued and outstanding at September 30, 1998.

Popular International Bank, Inc. (PIB) and Popular North America, Inc.'s (PNA) bank subsidiaries (Banco Popular, Illinois; Banco Popular National Association (California); Banco Popular National Association (Florida); Banco Popular, National Association (Texas) and Banco Popular, FSB have certain statutory provisions and regulatory requirements and policies, such as the maintenance of adequate capital, that limit the amount of dividends they can pay. Other than these limitations, no other restrictions exist on the ability of PIB and PNA to make dividend and asset distributions to the Corporation, nor on the ability of PNA's subsidiaries, except for Banco Popular FSB, to make distributions to PNA. In connection with the acquisition by Banco Popular, FSB 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 $19.5 million, which matures on January 20, 2000, but which is prepayable any time before then. Pursuant to the terms of such financing, Banco Popular, FSB may not, among other things, declare or pay any dividends on its outstanding capital stock (unless such dividends are used exclusively for payment of principal of or interest on such RTC loan) or make any distribution of its assets until payments in full of such promissory note.

11

NOTE 8 - EARNINGS PER COMMON SHARE

Earnings per common share (EPS) are calculated based on net income applicable to common stockholders which amounted to $55,493 for the third quarter of 1998 (1997 - $51,526) and $163,574 for the nine months ended September 30, 1998 (1997 - $147,981), after deducting the dividends on preferred stock. EPS are based on 135,555,652 average shares outstanding for the third quarter of 1998 (1997 - 135,732,567) and 135,496,620 average shares outstanding for the first nine months of 1998 (1997 - 135,589,283), after restating for the stock split.

NOTE 9 - SUPPLEMENTAL DISCLOSURE ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

During the nine month period ended September 30, 1998, the Corporation paid interest and income taxes amounting to $575,885 and $80,810 respectively (1997 - $469,020 and $76,077). In addition, the loans receivable transferred to other real estate and other property for the nine-month period ended September 30, 1998, amounted to $6,208 and $20,449, respectively (1997 - $4,699 and $18,022). The Corporation's stockholders' equity at September 30, 1998, includes $107,172 in unrealized holding gains on securities available-for-sale, net of deferred taxes, as compared with $19,756 as of September 30, 1997.

NOTE 10 - POPULAR INTERNATIONAL BANK, INC. (A WHOLLY-OWNED SUBSIDIARY OF POPULAR, INC.) FINANCIAL INFORMATION:

The following summarized financial information presents the unaudited consolidated financial position of Popular International Bank, Inc. (PIB) and its subsidiaries, ATH Costa Rica, Banco Gerencial & Fiduciario Dominicano, S.A. and Popular North America, Inc, including Banco Popular, FSB and its wholly-owned subsidiary Equity One, Inc., Banco Popular, Illinois and its wholly-owned subsidiary Popular Leasing, USA, Banco Popular National Association (California), Banco Popular National Association (Florida), Banco Popular National Association (Texas) and Popular Cash Express, Inc. as of August 31, 1998 and 1997, and the results of their operations for the quarters and the nine-month periods then ended.

Popular, Inc. has not presented separate financial statements and any other disclosures concerning Popular International Bank, Inc., other than the following summarized financial information, because management has determined that such information is not material to holders of debt securities issued by PIB which is guaranteed by the Corporation.

POPULAR INTERNATIONAL BANK, INC.
CONSOLIDATED STATEMENTS OF CONDITION
(In thousands)

<TABLE>
<CAPTION>

	August 31, 1998	August 31, 1997
<S>	<C>	<C>
Assets:		
Cash	$ 188,864	$ 62,360
Money market investments	160,432	67,411
Investment securities	257,265	426,065
Loans	2,807,944	2,048,109
Less: Unearned income	67,698	52,997
Allowance for loan losses	48,799	30,413
	2,691,447	1,964,699
Other assets	177,235	90,179
Intangible assets	84,441	73,934
Total assets	$3,559,684	$2,684,648
Liabilities and Stockholder's Equity:		
Deposits	$1,633,144	$1,129,594
Short-term borrowings	648,427	389,140
Notes payable	707,454	688,911
Other liabilities	63,890	40,191
Preferred beneficial interests in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000
Minority interest in consolidated subsidiary	30,609	-0-
Stockholder's equity	326,160	286,812
Total liabilities and stockholder's equity	$3,559,684	$2,684,648

==========   ==========

</TABLE>

POPULAR INTERNATIONAL BANK, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

	Quarter ended August 31,		For the nine months ended August 31,	
	1998	1997	1998	1997
Income:				
Interest and fees	$65,629	$59,435	$191,353	$157,329
Other income	11,827	10,918	34,759	18,409
Total income	77,456	70,353	226,112	175,738
Expenses:				
Interest expense	34,706	32,080	100,588	83,241
Provision for loan losses	5,608	4,395	15,765	12,502
Operating expenses	34,916	25,087	96,848	58,022
Total expenses	75,230	61,562	213,201	153,765
Income before income tax	2,226	8,791	12,911	21,973
Income tax	1,553	3,587	6,016	9,264
Net income	$ 673	$ 5,204	$ 6,895	$ 12,709

NOTE 11 - POPULAR NORTH AMERICA, INC. (A SECOND-TIER SUBSIDIARY OF POPULAR, INC.) FINANCIAL INFORMATION:

The following summarized financial information presents the unaudited consolidated financial position of Popular North America, Inc. (PNA) and its wholly-owned subsidiaries, Banco Popular, FSB and its wholly-owned subsidiary Equity One, Inc.; Banco Popular, Illinois and its wholly-owned subsidiary Popular Leasing USA; Banco Popular National Association (California); Banco Popular National Association (Florida); Banco Popular National Association (Texas);and Popular Cash Express, Inc. as of August 31, 1998 and 1997, and the results of their operations for the quarters and the nine-month periods then ended.

Popular, Inc. has not presented separate financial statements and any other disclosures concerning Popular North America, Inc., other than the following summarized financial information, because management has determined that such information is not material to holders of debt securities issued by PNA which is guaranteed by the Corporation.

POPULAR NORTH AMERICA, INC.
CONSOLIDATED STATEMENTS OF CONDITION
(In thousands)

	August 31, 1998	August 31, 1997
Assets:		
Cash	$ 107,514	$ 62,329
Money market investments	80,300	64,661
Investment securities	249,511	426,015
Loans	2,530,872	2,048,109
Less: Unearned income	67,698	52,997
Allowance for loan losses	34,467	30,413
	2,428,707	1,964,699
Other assets	104,580	87,441
Intangibles assets	83,677	73,934
Total assets	$3,054,289	$2,679,079
Liabilities and Stockholder's Equity:		
Deposits	$1,313,553	$1,129,594
Short-term borrowings	577,889	389,140
Notes payable	676,366	688,911
Other liabilities	44,342	39,793
Preferred beneficial interests in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000
Stockholder's equity	292,139	281,641
Total liabilities and stockholder's equity	$3,054,289	$2,679,079

POPULAR NORTH AMERICA, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

	Quarter ended August 31, 1998	Quarter ended August 31, 1997	For the nine months ended August 31, 1998	For the nine months ended August 31, 1997
Income:				
Interest and fees	$65,595	$60,273	$191,010	$155,796
Other income	11,721	11,133	34,820	18,462
Total income	77,316	71,406	225,830	174,258
Expenses:				
Interest expense	34,634	32,395	100,219	83,239

Provision for loan losses	5,608	4,400	15,765	12,502
Operating expenses	34,658	25,479	96,189	57,582
Total expenses	74,900	62,274	212,173	153,323
Income before income tax	2,416	9,132	13,657	20,935
Income tax	1,553	3,672	6,016	9,264
Net income	$ 863	$ 5,460	$ 7,641	$ 11,671

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TABLE A
FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

BALANCE SHEET HIGHLIGHTS (in thousands)	AT SEPTEMBER 30, 1998	1997	Change	AVERAGE FOR THE NINE MONTHS 1998	1997	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Money market investments	$ 823,396	$ 475,412	$ 347,984	$ 747,358	$ 644,595	$ 102,763
Investment and trading securities	6,734,621	6,923,609	(188,988)	6,359,326	6,001,053	358,273
Loans	12,362,527	11,182,061	1,180,466	11,671,654	10,329,862	1,341,792
Total assets	21,273,593	19,896,785	1,376,808	19,924,608	17,972,201	1,952,407
Deposits	12,547,778	11,214,167	1,333,611	12,028,881	10,808,220	1,220,661
Borrowings	6,590,229	6,902,566	(312,337)	5,892,423	5,640,541	251,882
Stockholders' equity	1,696,891	1,449,780	247,111	1,533,104	1,341,984	191,120

<CAPTION>

OPERATING HIGHLIGHTS (In thousands, except per share information)	THIRD QUARTER 1998	1997	Change	NINE MONTHS 1998	1997	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income	$ 215,041	$ 203,005	$ 12,036	$ 642,137	$ 574,255	$ 67,882
Provision for loan losses	34,667	29,849	4,818	101,756	78,949	22,807
Fees and other income	74,221	66,309	7,912	215,058	176,791	38,267
Other expenses	197,015	185,852	11,163	585,603	517,854	67,749
Net income	$ 57,580	$ 53,613	$ 3,967	$ 169,836	$ 154,243	$ 15,593
Net income applicable to common stock	$ 55,493	$ 51,526	$ 3,967	$ 163,574	$ 147,981	$ 15,593
Earnings per common share	0.41	0.38	0.03	1.21	1.11	0.10

</TABLE>

<TABLE>
<CAPTION>

SELECTED STATISTICAL INFORMATION		THIRD QUARTER 1998	1997	NINE MONTHS 1998	1997
<S>		<C>	<C>	<C>	<C>
COMMON STOCK DATA -	Market price				
	High	$36.75	$27.94	$36.75	$27.94
	Low	28.00	20.57	23.03	16.53
	End	28.38	26.50	28.38	26.50
	Book value at period ended	11.80	9.98	11.80	9.98
	Dividends declared	0.14	0.11	0.36	0.29
	Dividend payout ratio	26.86%	23.30%	27.32%	24.19%
	Price/earnings ratio	17.74x	18.21x	17.74X	18.21x
PROFITABILITY RATIOS -	Return on assets	1.12%	1.10%	1.14%	1.15%
	Return on common equity	14.94	15.46	15.26	15.93
	Net interest spread (taxable equivalent)	3.89	4.02	4.03	4.06

	Net interest yield (taxable equivalent)	4.77	4.72	4.92	4.85
	Effective tax rate	24.21	25.67	25.96	26.75
	Overhead ratio	48.55	49.77	48.43	49.58
CAPITALIZATION RATIOS -	Equity to assets	7.73%	7.35%	7.69%	7.47%
	Tangible equity to assets	6.72	6.23	6.64	6.60
	Equity to loans	13.19	12.89	13.14	12.99
	Internal capital generation	9.28	10.31	9.98	10.85
	Tier I capital to risk - adjusted assets	12.05	12.06	12.05	12.06
	Total capital to risk - adjusted assets	14.42	14.47	14.42	14.47
	Leverage ratio	7.37	6.88	7.37	6.88
CREDIT QUALITY RATIOS -	Allowance for losses to loans	1.98%	1.83%	1.98%	1.83%
	Allowance to non-performing assets	87.17	96.38	87.17	96.38
	Allowance to non-performing loans	95.94	102.15	95.94	102.15
	Non-performing assets to loans	2.28	1.90	2.28	1.90
	Non-performing assets to total assets	1.32	1.07	1.32	1.07
	Net charge-offs to average loans	0.93	1.14	0.94	0.93
	Provision to net charge-offs	1.25x	0.95x	1.24x	1.09x
	Net charge-offs earnings coverage	4.00	3.24	4.02	4.01

</TABLE>

NOTE: All common stock data has been adjusted to reflect the stock split effected in the form of a dividend on July 1,1998.

FINANCIAL REVIEW

This financial review contains the analysis of the consolidated financial position and financial performance of Popular, Inc. and its subsidiaries (the Corporation). The Corporation is a regional diversified bank holding company engaged in the following businesses through its subsidiaries:

- Commercial Banking/Savings and Loans - Banco Popular de Puerto Rico (BPPR), Banco Popular, Illinois, Banco Popular, FSB, Banco Popular National Association (California), Banco Popular National Association, (Florida), Banco Popular National Association (Texas). On September 30, 1998, the Corporation acquired 45% in newly issued stock of Banco Gerencial & Fiduciario Dominicano, S.A. (BGF) operating 22 branches in the Dominican Republic with total assets of $496 million and deposits of $320 million.

- Lease Financing - Popular Leasing and Rental, Inc. and Popular Leasing, USA.

- Mortgage Banking/Consumer Finance - Popular Mortgage, Inc., Equity One, Inc. and Popular Finance, Inc.

- Investment Banking - Popular Securities Incorporated (Popular Securities)

- ATM Processing Services - ATH Costa Rica

- Check cashing - Popular Cash Express

NET INCOME

Net income for the third quarter of 1998 was $57.6 million, compared with $53.6 million reported for the same period in 1997 and $57.5 million reported during the second quarter of 1998. Earnings per common share (EPS), after adjusting for the stock split in the form of a dividend of one share for each share outstanding effective July 1, 1998, were $0.41 based on 135,555,652 average shares outstanding, compared with EPS of $0.38 for the third quarter of 1997 based on 135,732,567 average shares outstanding and EPS of $0.41 for the second quarter of 1998 based on 135,497,786 average shares outstanding. Return on assets (ROA) and return on common equity (ROE) for the quarter ended September 30, 1998, were 1.12% and 14.94%, respectively, compared with 1.10% and 15.46% reported during the same period in 1997, and 1.16% and 15.50% for the second quarter of 1998.

For the first nine months, the Corporation reported net earnings of $169.8 million compared with $154.2 million for the same period in 1997. ROA and ROE for the nine months ended September 30, 1998 were 1.14% and 15.26%, respectively. These ratios were 1.15% and 15.93% for the same period in 1997.

On April 23, 1998, the Board of Directors authorized a two-for-one common stock split in the form of a dividend, bringing total outstanding shares to 135,497,786. The new shares were distributed on July 1, 1998 to shareholders of record as of June 12, 1998. As mentioned above, all per share data included herein has been adjusted to reflect the stock split.

The Corporation's results of operations for the quarter ended September 30, 1998 reflected increases of $12.0 million in net interest income and $4.3 million in other revenues when compared with the same quarter in 1997. These improvements were partially offset by an increase of $11.3 million in operating expenses and $4.8 million in the provision for loan losses.

NET INTEREST INCOME

Net interest income for the third quarter of 1998, amounted to $215.0 million, an increase of 5.9% over the same period in 1997. On a taxable equivalent basis, net interest income increased to $233.4 million from $218.7 million reported for the third quarter of 1997.

The increase of $14.7 million in net interest income on a taxable equivalent basis was driven by a $18.7 million increase attributable to a higher volume of earning assets partially offset by a decrease of $4.0 million due to rates, particularly in the mortgage and consumer loan portfolios, and by higher rates on some interest bearing liabilities.The latter was partially offset by a higher volume of non-interest bearing funds, such as demand deposits and capital, used to finance earning assets.

For analytical purposes, the interest earned on tax-exempt assets is adjusted to a taxable equivalent basis assuming the applicable statutory income tax rates. Table B summarizes the changes in the composition of average earning assets and interest bearing liabilities, and their respective interest income and expenses and yields and costs, on a taxable equivalent basis, for the third quarter of 1998, as compared with the same quarter in 1997.

TABLE B
ANALYSIS OF LEVELS AND YIELDS ON A TAXABLE EQUIVALENT BASIS
QUARTER ENDED ON SEPTEMBER 30,

<TABLE>
<CAPTION>

Average Volume			Average Yields				Interest			Variance Attributable to	
1998	1997	Variance	1998	1997	Variance		1998	1997	Variance	Rate	Volume
($ in millions)							($ in thousands)				
<C>	<C>	<C>	<C>	<C>	<C>	<S>	<C>	<C>	<C>	<C>	<C>
$ 777	$ 609	$ 168	4.89%	5.38%	(0.49%)	Money market investments	$ 9,567	$ 8,237	$ 1,330	$(1,280)	$ 2,610
6,199	6,386	(187)	7.39	6.91	0.48	Investment securities	110,467	110,938	(471)	1,906	(2,377)
310	286	24	6.52	6.76	(0.24)	Trading	5,098	4,876	222	(179)	401
7,286	7,281	5	6.59	6.67	(0.08)		125,132	124,051	1,081	447	634
						Loans:					
5,151	4,692	459	9.24	9.21	0.03	Commercial	119,972	108,961	11,011	320	10,691
635	560	75	13.17	13.09	0.08	Leasing	20,911	18,336	2,575	119	2,456
3,035	2,783	252	8.48	8.57	(0.09)	Mortgage	64,322	59,618	4,704	(649)	5,353
3,107	2,999	108	12.73	13.02	(0.29)	Consumer	98,880	98,179	701	(4,554)	5,255
11,928	11,034	894	10.16	10.29	(0.13)		304,085	285,094	18,991	(4,764)	23,755
$19,214	$18,315	$ 899	8.81%	8.85%	(0.04%)	TOTAL EARNING ASSETS	$429,217	$409,145	$20,072	$(4,317)	$24,389

						Interest bearing deposits:					
$ 1,431	$ 1,322	$ 109	3.38%	3.43%	(0.05%)	NOW and money market	$ 12,188	$ 11,424	$ 764	$ (155)	$ 919
3,706	3,558	148	3.09	3.07	0.02	Savings	28,890	27,577	1,313	(53)	1,366
4,444	4,107	337	5.37	5.47	(0.10)	Time deposits	60,161	56,593	3,568	(1,708)	5,276
9,581	8,987	594	4.19	4.22	(0.03)		101,239	95,594	5,645	(1,916)	7,561
4,729	4,555	174	5.59	5.76	(0.17)	Short-term borrowings	66,611	66,117	494	(1,865)	2,359
1,636	1,915	(279)	6.78	5.96	0.82	Medium and long-term debt	27,931	28,698	(767)	3,481	(4,248)
15,946	15,457	489	4.87	4.89	(0.02)	TOTAL INTEREST BEARING LIABILITIES	195,781	190,409	5,372	(300)	5,672
2,501	2,332	169				Demand deposits					
767	526	241				Other sources of funds					
$19,214	$18,315	$ 899	4.04%	4.13%	(0.09%)		$233,436	$218,736	$14,700	$(4,017)	$18,717
						Taxable equivalent adjustment	18,395	15,731	2,664		
						Net interest income per books	$215,041	$203,005	$12,036		
			4.77%	4.72%	0.05%	NET INTEREST MARGIN					
			3.94%	3.96%	(0.02%)	NET INTEREST SPREAD					

</TABLE>

The increase of $899 million in average earning assets was primarily related to the increase in loans which accounted for $894 million of the total increase. The commercial and mortgage portfolios reflected the major rises, increasing $459 million and $252 million, respectively, due to the sustained growth in the Corporation's loan portfolio, principally at BPPR, Equity One and Banco Popular, FSB.

Investment securities decreased by $187 million to $6.2 billion when compared to the third quarter of 1997. The decrease relates primarily to a lower interest rate scenario that provided less attractive investment alternatives and to the aforementioned loan growth.

The average yield on earning assets, on a taxable equivalent basis, was 8.81%, four basis points lower than the 8.85% reported in the third quarter of 1997. This decrease relates primarily to a lower yield on loans which decreased from 10.29% reported in the third quarter of 1997, to 10.16% in the same period of 1998.

The increase in average interest bearing liabilities for the quarter ended on September 30, 1998, as compared with the same quarter of 1997, was mainly reflected in average interest bearing deposits, primarily at BPPR.

The average cost of interest bearing liabilities increased by nine basis points when compared with the third quarter of 1997. The increase is mainly driven by a higher rate on medium and longer term debt related to debt issued during a higher interest rate environment and floating rate instruments resetting semiannually or quarterly.

In spite of the decrease in the yield on earning assets and the increase in the average cost of interest bearing liabilities, the higher proportion of loans, which carry a relatively higher yield, and a significantly higher amount of non-interest bearing sources, allowed the Corporation to improve its net interest margin, on a taxable equivalent basis, from 4.72% reported for the third quarter of 1997 to 4.77% reported for the same quarter of 1998. During the second quarter of 1998, the net interest yield, on a taxable equivalent basis, was 4.93%.

For the nine-month period ended September 30, 1998, net interest income, on a taxable equivalent basis, increased $75.5 million, compared with the same period of 1997. The increase in the average volume of earning assets, partially offset by an increase in the average volume of interest bearing liabilities caused a positive variance of $78.7 million, which was offset by a negative variance of $3.2 million due to changes in rates and in the mix of the portfolios.

TABLE C
ANALYSIS OF LEVELS AND YIELDS ON A TAXABLE EQUIVALENT BASIS
YEAR-TO-DATE AS OF SEPTEMBER 30,
<TABLE>
<CAPTION>

Average Volume			Average Yields				Interest			Variance Attributable to	
1998	1997	Variance	1998	1997	Variance		1998	1997	Variance	Rate	Volume
	($ in millions)							($ in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 747	$ 644	$ 103	4.94%	5.32%	(0.38)%	Money market investments	$ 27,585	$ 25,619	$ 1,966	$ (2,428)	$ 4,394
6,081	5,703	378	7.07	6.87	0.19	Investment securities	321,922	293,613	28,309	8,131	20,178
278	299	(21)	6.69	6.59	0.10	Trading	13,917	14,725	(808)	234	(1,042)
7,106	6,646	460	6.83	6.71	0.12		363,424	333,957	29,467	5,937	23,530
						Loans:					
5,043	4,286	757	9.27	9.21	0.06	Commercial	349,622	295,248	54,374	1,913	52,461
628	542	86	13.12	13.12	0.00	Leasing	60,321	53,360	6,961	(1,296)	8,257
2,937	2,694	243	8.62	8.47	0.15	Mortgage	189,756	171,069	18,687	3,077	15,610
3,064	2,808	256	12.96	13.07	(0.11)	Consumer	297,547	276,060	21,487	(7,821)	29,308
11,672	10,330	1,342	10.26	10.29	(0.03)		897,246	795,737	101,509	(4,127)	105,636
$18,778	$16,976	$1,802	8.96%	8.89%	0.07%	TOTAL EARNING ASSETS	$1,260,670	$1,129,694	$130,976	$ 1,810	$129,166
						Interest bearing deposits:					
$ 1,425	$1,245	$ 180	3.37%	3.37%	0.00 %	NOW and money market	$ 35,907	$ 31,348	$ 4,559	$ (15)	$ 4,574
3,843	3,348	495	3.09	3.07	0.02	Savings	85,378	76,811	8,567	122	8,445
4,231	3,953	278	5.47	5.44	0.03	Time deposits	179,061	160,722	18,339	(2,489)	20,828
9,499	8,546	953	4.23	4.21	0.02		300,346	268,881	31,465	(2,382)	33,847
4,378	4,023	355	5.53	5.65	(0.12)	Short-term borrowings	181,189	169,888	11,301	(2,579)	13,880
1,665	1,620	45	6.93	6.08	0.85	Medium and long-term debt	86,382	73,660	12,722	9,979	2,743
15,542	14,189	1,353	4.89	4.83	0.06	TOTAL INTEREST BEARING LIABILITIES	567,917	512,429	55,488	5,018	50,470
2,529	2,262	267				Demand deposits					
707	525	182				Other sources of funds					
$18,778	$16,976	$1,802	4.04%	4.04%	0.00 %		692,753	$ 617,265	$ 75,488	$ (3,208)	$ 78,696
						Taxable equivalent adjustment	50,616	43,010	7,606		
						Net interest income per books	$ 642,137	$ 574,255	$ 67,882		
			4.92%	4.85%	0.07 %	NET INTEREST MARGIN					
			4.07%	4.06%	0.01 %	NET INTEREST SPREAD					

</TABLE>

As shown in Table C, average earning assets for the nine months period ended September 30, 1998, increased by $1.8 billion when compared with the same period of 1997. Average loans increased $1.3 billion or 74% of the total increase. All loan portfolios reflected increases, however, the commercial portfolio was the principal contributor to the increase in average loans due to the sustained growth of the Corporation's loans portfolio in Puerto Rico and in the U.S. The increase in investment securities was mainly attained at BPPR and was comprised principally of US Agency securities and collateralized mortgage obligations.

The increase of seven basis points in the average yield on earning assets, on a taxable equivalent basis, was mainly caused by a higher rate in investment securities and a higher proportion of loans, partially offset by a lower yield in the loan portfolio of three basis points, from 10.29% in the first nine months of 1997 to 10.26% in the same period of 1998.

22

Interest bearing liabilities increased $1.4 billion of which $953 million were reflected in average interest bearing deposits, when compared to the nine-month period ended September 30, 1997. All deposit categories showed increases, reflecting the growth of the Corporation in both Puerto Rico and in the United States. Average short-term borrowings increased by $355 million, averaging $4.4 billion at September 30, 1998 compared with $4.0 billion at the same date in 1997, mostly due to higher arbitrage activities as compared with the first nine months of 1997.

The rise in the yield on earning assets, on a taxable equivalent basis, and the change in the mix of the portfolios, partially offset by the increase in the cost of interest bearing liabilities resulted in the increase in net interest margin, on a taxable equivalent basis, of seven basis points for the nine month period ended September 30, 1998, from 4.85% reported for the same period of 1997.

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. The Corporation's primary market risk exposure is that to interest rates as the interest income is affected primarily by interest rate volatility and its impact on the repricing of assets and liabilities. The Corporation maintains a formal asset and liability management process to quantify, monitor and control interest rate risk and to assist management in maintaining stability in the net interest margin under varying interest rate environments.

The Corporation uses various techniques to assess the degree of interest rate risk, including static gap analysis, simulation and duration analysis. Each focuses on different aspects of the interest rate risk that is assumed at any point in time, and are therefore used jointly to make informed judgements about the risk levels and the appropriateness of strategies under consideration. An interest rate sensitivity analysis, performed at the corporation level, is the primary tool used in expressing the potential loss in future earnings resulting from selected hypothetical changes in interest rates.

Sensitivity is calculated on a monthly basis using a simulation model which incorporates both actual balance sheet figures detailed by maturity and interest yields or costs, the expected balance sheet dynamics, reinvestments, and other non-interest related data. Simulations are run using various interest rate scenarios to determine potential changes to the future earnings of the Corporation.

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 choices are only estimates and may be different from what actually may occur in the future.

Based on the results of the sensitivity analysis as of September 30, 1998, the increase in net interest income on a hypothetical rising rate scenario for the next twelve months was $15.8 million and the decrease for the same period utilizing a hypothetical declining rate scenario was $8.3 million. Both hypothetical rate scenarios consider a gradual change of 150 basis points during the twelve-month period. This level of interest rate risk is well within the Corporation's policy guidelines.

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

23

foreign currency transactions is immaterial.

The Corporation is the owner of 45% of the common shares of BGF, by virtue of which it is BGF's largest shareholder. BGF is the Dominican Republic's fourth largest banking institution, and its primary business is offering retail and commercial banking services. Most of BGF's business is conducted in Dominican pesos ("DR$"). Local (DR) regulations limit the ability of BGF to assume unhedged foreign currency positions. The value of Corporation's investment in BGF may be affected prospectively by fluctuations in future exchange rates between the DR$ and US$. However, management does not expect future fluctuations between these two currencies to affect materially the value of the Corporation investment in BGF.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses totaled $34.7 million for the third quarter of 1998, an increase of 16.1% when compared with $29.8 million for the same quarter of 1997. For the second quarter of 1998 the provision was $33.5 million. For the nine-month period ended September 30, 1998, the provision for loan losses increased 28.9%, from $78.9 million for the same period of 1997. The growth in the loan portfolio coupled with the increase in non-performing assets were the major reasons for increase in the provision. Net charge-offs for the quarter ended September 30, 1998, reached $27.7 million or 0.93% of average loans, compared with $31.5 million or 1.14% reported for the same quarter in 1997, and $27.2 million or 0.94% for the quarter ended on June 30, 1998. Table D presents other related information for the quarter ended September 30, 1998 and 1997 and for the first nine months of 1998 and 1997.

Consumer loans net charge-offs totaled $17.6 million or 2.26% of average consumer loans in the third quarter of 1998, compared with $20.0 million or 2.65% in the second quarter of 1998 and $14.3 million or 1.90% in the third quarter of 1997. The increase in consumer loans net charge-offs as compared with the third quarter of 1997, is mostly related to higher levels of bankruptcies in the U.S. mainland and in Puerto Rico. However, the Corporation continuous collection efforts helped to offset the increase in consumer loans net charge-offs as reflected in the reduction of $2.4 million when compared with the second quarter of 1998. On the other hand, commercial loans net charge-offs decreased $6.2 million for the quarter ended September 30, 1998, when compared with the same quarter in 1997. This decrease was principally due to a higher amount of recoveries of $1.7 million or 45%, together with the Corporation conservative charge-off policy applied to loans acquired during the end of the second quarter of last year.

For the nine-month period ended September 30, 1998, net charge-offs amounted to $82.4 million or 0.94% of average loans, compared with $72.3 million or 0.93% of average loans recorded a year ago. The increase in net credit losses was mostly related to the consumer loan portfolio, that reflected a rise of $21.6 million, compared to the nine-month period ended September 30, 1997. Conversely, commercial loans net charge-offs decreased $10.9 million for the nine-month period ended September 30, 1998, when compared with the same period in 1997.

At September 30, 1998, the allowance for loan losses was $245.4 million, representing 1.98% of loans, as compared with $205 million or 1.83% one year earlier, and $224 million or 1.91% at June 30, 1998. Included in the allowance for loan losses as of September 30, 1998 are $14.3 million of BGF. Management considers that the allowance for loan losses is adequate to absorb potential write-offs of the loan portfolio, based on the process established to assess its adequacy. This process incorporates portfolio risk characteristics, results of periodic credit reviews, prior loss experience, current and anticipated economic conditions and loan impairment measurement.

Although the effect of hurricane Georges on the Corporation's Puerto Rico loan portfolio is difficult to predict at this time, management considers that it will not have a material impact on the Corporation's financial results. Also, management believes that the provision recorded this quarter is adequate to cover for future losses and keeps closely monitoring the performance of the loan portfolios on the island.

24

Table D presents the movement in the allowance for loan losses and shows selected loan loss statistics for the three and nine-month periods ended September 30, 1998.

TABLE D
ALLOWANCE FOR LOAN LOSSES AND SELECTED LOAN LOSSES STATISTICS

<TABLE>
<CAPTION>

	Third Quarter		First Nine Months	
(Dollars in thousands)	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Balance at beginning of period	$ 224,045	$206,719	$ 211,651	$185,574
Allowances purchased	14,332		14,332	12,832
Provision for loan losses	34,667	29,849	101,756	78,949
	273,044	236,568	327,739	277,355
Losses charged to the allowance:				

Commercial	13,183	17,726	32,732	41,368
Construction		300	190	600
Lease financing	5,052	5,498	16,191	17,615
Mortgage	709	848	1,990	1,854
Consumer	22,115	18,141	69,634	45,759
	41,059	42,513	120,737	107,196
Recoveries:				
Commercial	5,469	3,767	13,370	11,139
Construction	208	31	249	112
Lease financing	3,122	3,190	11,113	12,249
Mortgage	50	171	224	277
Consumer	4,548	3,863	13,424	11,141
	13,397	11,022	38,380	34,918
Net loans charged-off (recovered):				
Commercial	7,714	13,959	19,362	30,229
Construction	(208)	269	(59)	488
Lease financing	1,930	2,308	5,078	5,366
Mortgage	659	677	1,766	1,577
Consumer	17,567	14,278	56,210	34,618
	27,662	31,491	82,357	72,278
Balance at end of period	$ 245,382	$205,077	$ 245,382	$205,077
Ratios:				
Allowance for losses to loans	1.98%	1.83%	1.98%	1.83%
Allowance to non-performing assets	87.17	96.38	87.17	96.38
Allowance to non-performing loans	95.94	102.15	95.94	102.15
Non-performing assets to loans	2.28	1.90	2.28	1.90
Non-performing assets to total assets	1.32	1.07	1.32	1.07
Net charge-offs to average loans	0.93	1.14	0.94	0.93
Provision to net charge-offs	1.25x	0.95x	1.24x	1.09x
Net charge-offs earnings coverage	4.00	3.24	4.02	4.01

</TABLE>

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 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 homogenous loans are collectively evaluated for impairment based on past experience. All other loans are evaluated on a loan-by-loan basis. 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 following table shows the Corporation's recorded investment in impaired loans and the related valuation allowance calculated under SFAS No. 114 (as amended by SFAS No. 118) at September 30, 1998 and September 30, 1997.

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1998		September 30, 1997	
	RECORDED INVESTMENT	VALUATION ALLOWANCE	Recorded Investment	Valuation Allowance
		(In millions)		
<S>	<C>	<C>	<C>	<C>
Impaired loans:				
Valuation allowance required	$ 114	$ 30	$ 85	$ 19
No valuation allowance required	39		36	
Total impaired loans	$ 153	$ 30	$ 121	$ 19

</TABLE>

Average impaired loans during the third quarter of 1998 and 1997 were $138 million and $124 million, respectively. The Corporation recognized interest income on impaired loans of $1.7 million, and $2.1 million, respectively, for the quarters ended September 30, 1998 and 1997.

CREDIT QUALITY

Non-performing assets (NPA) consist of past-due loans on which no interest income is being accrued, renegotiated loans and other real estate. The Corporation reports NPA on a more conservative basis than most U.S. banks. The standard industry practice is to place non-performing commercial loans on non-accrual status when payments of principal or interest are delinquent 90 days. However, the Corporation's policy is to place commercial loans on non-accrual status when payments of principal or interest are delinquent 60 days. Lease financing, conventional mortgage and closed-end consumer loans are placed on non-accrual status when payments are delinquent 90 days. Closed-end consumer loans are charged-off against the allowance when delinquent 120 days. Open-end (revolving credit) consumer loans are charged-off when 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, closed-end consumer loans are charged-off when delinquent 120 days, but these consumer loans are not customarily placed on non-accrual status prior to being charged-off.

Table E shows information on non-performing assets as of September 30, 1998, December 31, 1997 and September 30, 1997. NPA were $224.5 million or 1.91% of loans at June 30, 1998.

TABLE E
NON-PERFORMING ASSETS

<TABLE>
<CAPTION>

<S> (Dollars in thousands)	<C> SEPTEMBER 30, 1998	<C> December 31, 1997	<C> September 30, 1997
Commercial, construction, industrial and agricultural	$149,504	$108,590	$119,069
Lease financing	3,185	1,569	1,538
Mortgage	60,248	53,449	55,635
Consumer	42,828	30,840	24,519
Other real estate	25,743	18,012	12,014
Total	$281,508	$212,460	$212,775
Accruing loans past-due 90 days or more	$ 24,427	$ 20,843	$ 16,372
Non-performing assets to loans	2.28%	1.87%	1.90%
Non-performing assets to assets	1.32	1.10	1.07

</TABLE>

Non-performing loans totaled $256 million as of September 30, 1998, compared with $201 million at the same date last year and $204 million as of June 30, 1998 and include $31MM in loans of BGF. All loans categories reflected increases as compared with September 30, 1997. The non-performing commercial, including construction, and consumer loans increased $30.4 million and $18.3 million, respectively, while the mortgage and lease financing non-performing loans increased $4.6 million and $1.6 million, respectively. The increase in non-performing commercial loans was mainly attributed to the inclusion of $25.2 million in non-performing commercial loans of BGF. Non-performing consumer loans also includes $5.7 million in loans from BGF. Aside from the loans of BGF, most of the rise in consumer was related to an increased level of personal bankruptcies in P.R. and the U.S. mainland. Bankruptcy filings in U.S. federal courts, including Puerto Rico, rose 8.5 percent in the 12-month period ending June 30, 1998. In addition, the other real estate category increased $13.7 million principally at Equity One which increased $6.9 million, followed by BPPR with an increase of $4.3 million.

Assuming standard industry practice of placing commercial loans on non-accrual status when payments of principal or interest are past due 90 days or more and excluding the closed-end consumer loans from non-accruing loans, non-performing assets as of September 30, 1998, amounted to $210 million or 1.70% of loans, and the allowance for loan losses would be 116.7% of non-performing assets. At September 30, 1997 and June 30, 1998, adjusted non-performing assets were $165 million and $166 million, respectively, or 1.47% and 1.41% of loans.

OTHER OPERATING INCOME

Other operating income, excluding securities and trading gains, amounted to $69.1 million for the three-month period ended September 30, 1998, compared with $64.8 million for the same quarter in 1997, an increase of $4.3 million or 6.7%. This rise in other income was principally driven by an increase of $3.3 million in other service fees and $2.0 million in service charges on deposit accounts. For the first nine-months, total other operating income grew 17.0% to $204.1 million in 1998 from $174.4 million in 1997.

Other service fees rose to $28.6 million for the third quarter of 1998, from $25.3 million for the same quarter in 1997. The increase in other service fees was principally attained in credit card fees and discounts which rose $1.1 million, as credit card net sales rose 22.5% and the number of credit card active accounts grew 24.5%. Check cashing fees which are included in other fees, increased $0.6 million as a result of the fees collected by the new subsidiary, Popular Cash Express, which started operations at the end of the second quarter of 1998. Also, trust fees rose $0.5 million mostly in pension plan fees due to higher number of Keogh and 401K accounts. In addition, debit card fees rose $0.4 million as a result of the sustained growth in the volume of transactions at point-of-sale (POS) terminals. The volume of transactions at POS terminals increased from a monthly average of 2.9 million in September 1997 to 4.9 million a year later.

TABLE F
OTHER OPERATING INCOME

<TABLE>
<CAPTION>

	Third Quarter			First Nine Months		
	1998	1997	Change	1998	1997	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(Dollars in thousands)						
Service charges on deposit accounts	$26,344	$24,378	$ 1,966	$ 77,176	$ 68,411	$ 8,765
Other service fees:						
Credit card fees and discounts	8,565	7,449	1,116	25,374	21,232	4,142
Credit life insurance fees	2,162	2,418	(256)	6,412	7,440	(1,028)
Debit card fees	4,441	4,036	405	13,139	11,269	1,870
Sale and administration of investment products	2,891	2,629	262	8,877	6,699	2,178
Mortgage servicing fees, net of amortization	2,157	2,443	(286)	6,836	7,147	(311)
Trust fees	2,471	1,950	521	6,708	5,137	1,571
Other fees	5,870	4,327	1,543	16,202	13,282	2,920
Subtotal	28,557	25,252	3,305	83,548	72,206	11,342
Other income	14,261	15,201	(940)	43,379	33,820	9,559
Total	$69,162	$64,831	$ 4,331	$204,103	$174,437	$ 29,666

</TABLE>

Service charges on deposit accounts totaled $26.3 million for the quarter ended September 30, 1998, compared with $24.4 million for the same quarter of 1997. This increase resulted from a higher volume of deposits and increases in fees collected on commercial deposits with account analysis. For the nine-month period ended September 30, 1998, service charges on deposit accounts amounted to $77.2 million or $8.8 million higher than $68.4 million reported for the same period in 1997.

Other income had a decrease of $0.9 million as compared with the third quarter of 1997, as a result of a loan securitization of $103 million in 1997 at Equity One, which resulted in a pretax gain of $3.4 million.

For the third quarter of 1998, the Corporation recognized a net gain of $4.6 million in the sale of securities and a net trading account profit of $0.5 million compared with profits of $0.5 million and $1.0 million, respectively, for the same quarter last year. The gain on sale of securities for the third quarter of 1998 mostly resulted from the sale of equity securities by the Corporation's holding company, which produced a gain of $4.4 million.

The reduction in non-interest revenues due to the effects of Hurricane Georges in Puerto Rico was not significant. Fees such as merchant discounts, debit card fees and other fees showed decreases in September due to business interruption and the lack of electricity in several towns of the Island.

OPERATING EXPENSES

Operating expenses for the third quarter of 1998 were $178.6 million compared with $167.3 million for the same quarter in 1997, an increase of $11.3 million principally reflecting higher personnel costs, professional fees, net occupancy and equipment expenses. For the first nine months of 1998, operating expenses rose to $526.0 million from $461.5 million for the same period in 1997.

The largest category of operating expenses, personnel costs, totaled $84.3 million for the third quarter of 1998, increasing $4.8 million from $79.5 million for the same period of 1997. Salaries accounted for a significant portion of this increase rising $5.7 million or 10.3%. This rise resulted from increased employment levels due to the Corporation's continued growth and expansion and annual merit increases. Full time equivalent employees (FTE) were 9,305 at September 30, 1998, up 609 from 8,696 FTEs as of the same date a year earlier.

Other operating expenses, excluding personnel costs, increased $6.5 million, reaching $94.3 million for the third quarter of 1998, compared with $87.8 million for the same period in 1997. The increase in other operating expenses was mostly reflected in professional fees which grew $2.3 million, reflecting expenditures associated with system developments and technical support. Equipment and net occupancy expenses increased a combined $3.5 million mostly as a result of the costs related to the expansion of the electronic payment system, and the network of automated teller machines and POS terminals, and also to the business expansion in the US mainland. During the three-month period ended September 30, 1998, a total of 2,919 new POS terminals were installed bringing the current total to 18,215 terminals. The Corporation also increased its automated teller machines (ATM) network by 561 machines when compared with 442 at the same date last year.

Income tax expense for the quarter ended September 30, 1998 amounted to $18.4 million, a decrease of $0.1 million as compared with $18.5 million recorded for the same quarter of 1997. The decrease in income tax resulted from a higher volume of tax exempt income. The effective tax rate for the third quarter of 1998 decreased to 24.2% from 25.7% for the same period in 1997. For the nine-month period ended September 30, 1998 and 1997, income tax expense amounted to $59.6 million and $56.3 million, respectively.

YEAR 2000

STATE OF READINESS

The Corporation, following the guidelines established by regulators and under the direction of the 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 during 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; and 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 millennium. Determination of resources needed, time frame and sequencing of the Year 2000 efforts,

Remediation - 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 September 30, 1998 the information technology action plan was 64% completed, slightly ahead of the 61% projection. The following is a summarized report of actual results by phase and what is expected to be achieved during the next five quarters.

INFORMATION TECHNOLOGY SYSTEMS

<TABLE>
<CAPTION>

	ACTUAL 9/30/98	9/30/98	12/31/98	3/31/99	6/30/99	9/30/99	12/31/99
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSESSMENT	96%	96%	100%	--	--	--	--
REMEDIATION	78%	79%	95%	100%	--	--	--
VALIDATION	54%	52%	82%	94%	100%	--	--
IMPLEMENTATION	41%	24%	64%	73%	87%	99%	100%

</TABLE>

The above 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 Corporation has already tested the operating system and system products of its mainframe computer and is in the process of testing applications in the Year 2000 laboratory. The principal core application, which handles the demand deposits and savings accounts of customers, has also been remediated and tested, as well as other mission critical applications.

NON-INFORMATION TECHNOLOGY

The action plan of date-sensitive operating equipment was 98% completed as of September 30, 1998. The most recent projection is to have all items Year 2000 ready and implemented by 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 is actively assessing and 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. A formal risk assessment of customers has been incorporated into the underwriting, scheduled review and credit rating process.

The Corporation is also assessing, 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 our operations in the USA mainland, which are highly dependable on a processing service bureau, several steps have been undertaken to reduce the exposure. Officers of the Corporation have an active participation in the business partner's client advisory board, 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 will use to accomplish the validation phase.

Contingency plans are being defined for each business unit in the event that vendors are not able to become Year 2000 compliant 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, remediation, 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. Business resumption plans are scheduled for testing during the fourth quarter of 1998 and the second quarter of 1999.

COSTS TO ADDRESS THE COMPANY'S YEAR 2000 ISSUES

The Corporation expects that the principal costs of the Year 2000 project are those associated with the remediation and validation phases. The major portion, however, will be met from the 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 remediation 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 $11.3 million over the two year period ending in December 31, 1999. Approximately $3.7 million has been expended to date, of which $2.1 million are related with consultants contracted, $1.2 million with additional technical employees hired, $0.2 million with new hardware and software acquired and $0.2 million with costs to contact customers, retain technical employees and other costs

of the Year 2000 project. The remaining estimated incremental costs for 1998 are $2.6 million.

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.

BALANCE SHEET COMMENTS

At September 30, 1998, the Corporation's total assets reached $21.3 billion from $19.3 billion reported at December 31, 1997 an increase of $2.0 billion or 10.22%. This rise included $496 million related to the acquisition of BGF, and the Corporation continuous business expansion. Total assets at September 30, 1997, were $19.9 billion. Earning assets increased $1.8 billion, reaching $19.9 billion as of September 30, 1998, from $18.1 billion as of December 31, 1997 and $18.6 billion at September 30, 1997.

TABLE G

LOANS ENDING BALANCES

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1998	December 31, 1997	September 30, 1997
<S>	<C>	<C>	<C>
(Dollars in thousands)			

Commercial, industrial and agricultural	$ 5,273,229	$ 4,637,409	$ 4,492,160
Construction	235,299	250,111	255,594
Lease financing	638,824	581,927	566,640
Mortgage *	3,084,325	2,833,896	2,823,022
Consumer	3,130,850	3,073,264	3,044,645
Total	$12,362,527	$11,376,607	$11,182,061

</TABLE>

* Includes loans held-for-sale

The investment portfolio totaled $6.5 billion as of September 30, 1998 an increase of $833 million from $5.6 billion as of December 31, 1997. Investment securities as of September 30, 1997 amounted to $6.7 billion. The increase in investment securities as compared with December 31, 1997, resulted mostly from arbitrage opportunities undertaken by BPPR.

As shown on Table G, the loan portfolio increased $986 million as compared with December 31, 1997, of which $621 million were in commercial and construction loans and $250 million in mortgage loans. The growth in the commercial loan portfolio resulted principally from the continued marketing efforts directed to the retail and middle market and the expansion in the United States and the Caribbean. BGF accounted for $209 million of the increase in the commercial loans.

BPPR, Equity One and Banco Popular, FSB accounted for 82% or $206 million of the total increase in the mortgage loans portfolio as compared with December 31, 1997. The acquisition of BGF also contributed $66 million in consumer loans.

Total deposits at September 30, 1998, were $12.5 billion or $798 million over the $11.7 billion at December 31, 1997. The acquisition of BGF contributed $320 million in total deposits. Savings accounts and time deposits continued their growth, increasing $233 million and $452 million, respectively, as compared with December 31,1997. At September 30, 1997, total deposits amounted

to $11.2 billion. Total deposits in Puerto Rico, the Corporation's principal place of business, increased to $8.8 billion at September 30, 1998, from $8.6 billion at December 31, 1997 and $8.1 billion at September 30, 1997.

Table H presents the distribution of assets, loans and deposits by geographical area.

TABLE H

DISTRIBUTION BY GEOGRAPHICAL AREA

(Dollars in millions)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1998		December 31, 1997		September 30, 1997	
	$	%	$	%	$	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Puerto Rico	$15,259	71.73%	$14,190	73.52%	$14,830	74.54%
United States	5,006	23.53	4,616	23.92	4,573	22.98
U.S. and British Virgin						
Islands and Latin America	1,009	4.74	495	2.56	494	2.48
	$21,274	100.00%	$19,301	100.00%	$19,897	100.00%

LOANS						
Puerto Rico	$ 7,605	61.51%	$ 7,282	64.01%	$ 7,230	64.66%
United States	4,120	33.33	3,727	32.76	3,577	31.99
U.S. and British Virgin Islands and Latin America	638	5.16	368	3.23	375	3.35
	$12,363	100.00%	$11,377	100.00%	$11,182	100.00%
DEPOSITS						
Puerto Rico	$ 8,797	70.11%	$ 8,581	73.03%	$ 8,126	72.46%
United States	2,939	23.42	2,715	23.11	2,623	23.39
U.S. and British Virgin Islands and Latin America	812	6.47	454	3.86	465	4.15
	$12,548	100.00%	$11,750	100.00%	$11,214	100.00%

</TABLE>

Borrowed funds, including subordinated notes and capital securities, amounted to $6.6 billion at September 30, 1998, compared with $5.7 billion and $6.9 billion at December 31, 1997 and September 30, 1997, respectively.

As part of the investment in BGF the Corporation recognized a minority interest of $30.6 million, which represents the beneficial interest of the minority investors of BGF.

The Corporation's stockholder's equity at September 30, 1998 reached $1.70 billion compared with $1.50 billion at December 31, 1997. This increase of $193.8 million was mostly due to earnings retention and to the unrealized holding gains on securities available-for-sale, which rose $73.8 million as compared with year-end 1997. Also, the Corporation's Dividend Reinvestment Plan contributed $5.2 million in additional capital since December 31, 1997. Stockholders' equity at September 30, 1997 amounted to $1.45 billion.

The dividend payout ratio to common stockholders for the quarter ended September 30, 1998, was 26.86% compared with 23.30% for the same quarter last year. For the nine-month periods ended

September 30, 1998 and 1997, these ratios were 27.32% and 24.19%, respectively. The increase in the ratio resulted from an increase of 22.2%, from $0.09 to $0.11 per common share (after restating for the stock split), in the Corporation's quarterly dividend, effective with the dividend paid on October 1, 1997.

On August 13, 1998, the Board of Directors of Popular, Inc. declared a cash dividend of $0.14 per common share payable on October 1, 1998, to shareholders of record as of September 11, 1998, representing a 27.3% increase over the $0.11 per share paid in previous quarterly dividends.

Under the regulatory framework for prompt corrective action, banks and bank holding companies which meet or exceed a Tier I ratio of 6%, a total capital ratio of 10% and a leverage ratio of 5% are considered well-capitalized. As shown on Table I, the Corporation exceeds those regulatory risk-based capital requirements for well-capitalized institutions by wide margins, due to the high level of capital and the conservative nature of the Corporation's assets.

The market value of the Corporation's common stock at September 30, 1998, was $28.38, compared with $24.75 at December 31, 1997 and $26.50 at September 30, 1997, after restating for the stock dividend. Market capitalization at September 30, 1998, was $3.8 billion compared with $3.4 billion as of December 31, 1997 and $3.6 billion at September 30, 1997.

TABLE I

CAPITAL ADEQUACY DATA

<TABLE>
<CAPTION>

(Dollars in thousands)	SEPTEMBER 30, 1998	December 31, 1997	September 30, 1997
Risk-based capital			
Tier I capital	$ 1,476,823	$ 1,335,391	$ 1,312,893
Supplementary (Tier II) capital	289,818	263,115	261,922
Total capital	$ 1,766,641	$ 1,598,506	$ 1,574,815
Risk-weighted assets			
Balance sheet items	$11,986,235	$10,687,847	$10,556,045
Off-balance sheet items	267,437	287,822	329,517
Total risk-weighted assets	$12,253,672	$10,975,669	$10,885,562
Ratios:			
Tier I capital (minimum required - 4.00%)	12.05%	12.17%	12.06%
Total capital (minimum required - 8.00%)	14.42	14.56	14.47
Leverage ratio (minimum required - 3.00%)	7.37	6.86	6.88

</TABLE>

Popular International Bank, Inc. (PIB) and Popular North America, Inc.'s (PNA) bank subsidiaries (Banco Popular, Illinois, Banco Popular National Association (California), Banco Popular National Association (Florida), Banco Popular, National Association (Texas) and Banco Popular, FSB) have certain statutory provisions and regulatory requirements and policies, such as the maintenance of adequate capital, that limit the amount of dividends they can pay. Other than these limitations, no other restrictions exist on the ability of PIB and PNA to make dividend and asset distributions to the Corporation, nor on the ability of PNA's subsidiaries, except for Banco Popular, FSB, to make distributions to PNA. In connection with the acquisition by Banco Popular, FSB 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 $19.5 million, which matures on January 20, 2000, but which is prepayable any time before then. Pursuant to the terms of such financing, Banco Popular, FSB may not, among other things, declare or pay any dividends on its outstanding capital stock (unless such dividends are used exclusively for payment of principal of or interest on such RTC loan) or make any distribution of its assets until payment in full of such promissory note. As of September 30, 1998 the undistributed earnings of Banco Popular, FSB totaled $62 million.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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.

ITEM 5. OTHER INFORMATION

Focusing on the objective of becoming the number one bank for the Hispanics in the United States, the Corporation continues its plan of corporate reorganization for its U.S. banking subsidiaries. The objective of this reorganization is to consolidate its banking operations in Florida, California, New York, New Jersey, and Illinois into one banking entity incorporated in New York. This new structure will facilitate the communication and geographic expansion while at the same time reduce costs, provide more flexibility and efficiency to the Corporation.

On September 21, 1998, Hurricane Georges struck the island of Puerto Rico, the Corporation's principal place of business. Economists estimate infrastructure and personal property losses to be about $3.8 billion, whereas the loss of production due to the lack of electricity, water and communications could reach $3.1 billion. In 1994, Banco Popular de Puerto Rico established a bankwide Disaster Recovery Plan that proved its effectiveness with Georges. Notwithstanding the impact this hurricane had on Puerto Rico, 86% of the branch network was fully operational seven days after the hurricane, and the operations of both the ATH network and the bank's electronic data center were never interrupted.

On October 31, 1998 the Corporation acquired First State Bank of Southern California, with $194 million in assets and $157 million in deposits and operating five branches located in Santa Fe Springs, Paramount, Lynwood and Los Angeles. Also, at the same date the Corporation acquired Gore-Bronson Bancorp and its subsidiaries Bronson-Gore Bank, Irving Bank, and Water Tower Bank with assets of $281 million and deposits of $217 million. This corporation specializes in asset-based lending and operates five branches in the Greater Chicago Metropolitan Area.

In addition, on October 31, 1998 Popular Cash Express acquired Inglewood Quick Check, Inc., a corporation that handles eight check-cashing locations and 27 mobile check-cashing operations in California.

35

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

<TABLE>
<CAPTION>

a) Exhibit No.	Description Exhibit	Reference
<S>	<C>	<C>
19	Quarterly Report to shareholders for the quarter ended September 30, 1998	Exhibit "A"
27	Financial Data Schedule for SEC use only	Exhibit "B"

</TABLE>

b) Two reports on Form 8-K were filed for the quarter ended September 30, 1998:

<TABLE>

<S>	<C>
Dated:	July 9, 1998 and August 13, 1998
Items reported:	Item 5 - Other Events
	Item 7 - Financial Statements, Pro-Forma, Financial Information and Exhibits

</TABLE>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be filed on its behalf by the undersigned thereunto duly authorized.

POPULAR, INC.

(Registrant)

Date: November 13, 1998 By: S/ Jorge A. Junquera

Jorge A. Junquera

Senior Executive Vice President

Date: November 13, 1998 By: S/ Amilcar L. Jordan

Amilcar L. Jordan, Esq.

Senior Vice President & Comptroller

[POPULAR, INC. LOGO]

3rd

Quarter Report

September 30, 1998

TO OUR STOCKHOLDERS

Popular, Inc. reflected earnings of $57.6 million for the third quarter of 1998, compared with $53.6 million for the same period in 1997, for an increase of $4.0 million or 7.4%. Earnings per common share (EPS) for the quarter ended September 30, 1998, were $0.41, compared with $0.38 for the third quarter of 1997. The performance measures of return on assets (ROA) and return on common equity (ROE) amounted to 1.12% and 14.94%, respectively, for the third quarter of 1998, from 1.10% and 15.46% for the same period a year earlier.

For the first nine months of 1998, net income was $169.8 million or $1.21 per common share, up 10.1% from the $154.2 million or $1.11 per common share for the first nine months of 1997. For the first nine months of this year, ROA was 1.14% and ROE was 15.26%, compared with 1.15% and 15.93% for the same period in 1997.

Net interest income rose $12.0 million for the quarter ended September 30, 1998, when compared with the same quarter last year, as a result of sustained growth in the average volume of earning assets, partially offset by a lower yield on earning assets. In addition, other income grew $7.9 million led by a gain realized on the sale of equity securities, a rise in other service fees coupled with an increase in service charges on deposit accounts, as a result of the Corporation's continued emphasis on diversifying sources of non-interest income.

The provision for loan losses rose $4.8 million, principally resulting from the growth in the loan portfolio and the rise in non-performing assets. The allowance for loan losses at September 30, 1998, amounted to $245 million, representing 1.98% of loans, compared with $205 million or 1.83% of loans at the same date in 1997.

Operating expenses for the three-month period ended September 30, 1998, totaled $178.6 million compared with $167.3 million for the same quarter a year earlier. The expansion of the Corporation's business activities, the implementation of strategic initiatives and the use of technology to further enhance customer convenience were some of the driving factors that resulted in higher operating expenses.

The Corporation's total assets at September 30, 1998, were $21.3 billion compared with $19.9 billion at the same date in 1997 and $20.0 billion as of June 30, 1998. Total loans reached $12.4 billion while total deposits were $12.5 billion. The Corporation's capital increased to $1.70 billion at September 30, 1998, compared with $1.45 billion a year earlier. At September 30, 1998, the market value of the Corporation's common stock amounted to $28.38.

On August 13, 1998, the Board of Directors of Popular, Inc. declared a cash dividend of $0.14 per common share for the third quarter of 1998. This represents a 27.3% increase over the $0.11 per share paid in previous quarterly cash dividends (after adjusting for the stock split effective on July 1, 1998). The dividend was paid on October 1, 1998, to shareholders of record on September 11, 1998.

In August, Banco Popular de Puerto Rico became the first bank in Puerto Rico to launch the new American Express credit card. In addition to providing revolving credit facilities, this new card will provide its holders access to over 190,000 automatic teller machines (ATM) that are part of the American Express worldwide ATM network and ATH network of Banco Popular, participation in the American Express Retail Protection and Travel Accident Insurance Programs, among others.

On September 21, 1998, Hurricane Georges struck the island of Puerto Rico, the Corporation's principal place of business. Economists estimate infrastructure and personal property losses to be about $3.8 billion, whereas the loss of production due to the lack of electricity, water and communications could reach $3.1 billion. In 1994, Banco Popular de Puerto Rico established a bankwide Disaster Recovery Plan that proved its effectiveness with Georges. Notwithstanding the impact this hurricane had on Puerto Rico, 86% of the branch network was fully operational seven days after the hurricane, and the operations of both the ATH network and the bank's electronic data center were never interrupted.

On September 30, 1998, Popular, Inc. became the principal shareholder of Banco Gerencial & Fiduciario (BGF) with the acquisition of 45% in newly issued stock. BGF is the fourth largest bank in the Dominican Republic, with $496 million in total assets and $320 million in total deposits.

During this quarter, we continued investing in our franchise as the Corporation signed an agreement to acquire First State Bank of Southern California. First State, with $180 million in assets and over $155 million in deposits, has five branches located in Santa Fe Springs, Paramount, Lynwood and Los Angeles. Also, the Corporation signed an agreement to acquire Gore-Bronson Bancorp (GBB), and its subsidiaries Bronson-Gore

Bank, Irving Bank, and Water Tower Bank with assets of $250 million and deposits of over $220 million. This corporation specializes in asset-based lending and operates five branches in the Greater Chicago Metropolitan Area.

In addition, Popular Cash Express (PCE) is in the process of acquiring Inglewood Quik Check, Inc., a corporation that handles eight check-cashing locations and 27 mobile check-cashing operations in California. Also, PCE will acquire Houston Check-Cashers, Inc., and The Telephone Center, located in Texas and Florida, respectively.

All of these acquisitions have received the approval from the regulatory agencies and are expected to close during the last quarter of 1998.

Furthermore, focusing on our objective of becoming the number one bank for the Hispanics in the United States, the Corporation continues its plan of corporate reorganization for its U.S. banking subsidiaries. The objective of this reorganization is to consolidate all banking operations within the U.S. mainland into one legal entity with corporate offices in Chicago and regional offices in Florida, California, New York, New Jersey, and Illinois. This new structure will facilitate the communication and geographic expansion while at the same time reduce costs, provide more flexibility and efficiency to the Corporation.

The Corporation is aggressively addressing the operating challenges imposed by the "Year 2000". We have been actively engaged in modifying, converting and testing our computer systems as well as working with customers and business partners to ascertain their progress toward Year 2000 compliance. Our projection is to have all mission critical items Year 2000 ready and implemented by June 30, 1999.

/s/ Richard L. Carrion

Richard L. Carrion
Chairman, President and
Chief Executive Officer

Financial Highlights

<TABLE>
<CAPTION>

BALANCE SHEET HIGHLIGHTS	AT SEPTEMBER 30,			AVERAGE FOR THE NINE MONTHS		
(In thousands)	1998	1997	Change	1998	1997	Change

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Money market investments	$ 823,396	$ 475,412	$ 347,984	$ 747,358	$ 644,595	$ 102,763
Investment and trading securities	6,734,621	6,923,609	(188,988)	6,359,326	6,001,053	358,273
Loans	12,362,527	11,182,061	1,180,466	11,671,654	10,329,862	1,341,792
Total assets	21,273,593	19,896,785	1,376,808	19,924,608	17,972,201	1,952,407
Deposits	12,547,778	11,214,167	1,333,611	12,028,881	10,808,220	1,220,661
Borrowings	6,590,229	6,902,566	(312,337	5,892,423	5,640,541	251,882
Stockholders' equity	1,696,891	1,449,780	247,111	1,533,104	1,341,984	191,120

</TABLE>

OPERATING HIGHLIGHTS
(In thousands, except per share information)

<TABLE>
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	THIRD QUARTER			NINE MONTHS		
	1998	1997	Change	1998	1997	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income	$215,041	$203,005	$12,036	$642,137	$574,255	$67,882
Provision for loan losses	34,667	29,849	4,818	101,756	78,949	22,807
Fees and other income	74,221	66,309	7,912	215,058	176,791	38,267
Other expenses	197,015	185,852	11,163	585,603	517,854	67,749
Net income	$ 57,580	$ 53,613	$ 3,967	$169,836	$154,243	$15,593
Net income applicable to common stock	$ 55,493	$ 51,526	$ 3,967	$163,574	$147,981	$15,593
Earnings per common share	0.41	0.38	0.03	1.21	1.11	0.10

</TABLE>

<TABLE>
<CAPTION>

SELECTED STATISTICAL INFORMATION	THIRD QUARTER		NINE MONTHS	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
COMMON STOCK DATA -Market price				
High	$ 36.75	$ 27.94	$ 36.75	$ 27.94
Low	28.00	20.57	23.03	16.53
End	28.38	26.50	28.38	26.50
Book value at period end	11.80	9.98	11.80	9.98
Dividends declared	0.14	0.11	0.36	0.29
Dividend payout ratio	26.86%	23.30%	27.32%	24.19%
Price/earnings ratio	17.74x	18.21x	17.74x	18.21x
PROFITABILITY RATIOS				
Return on assets	1.12%	1.10%	1.14%	1.15%
Return on common equity	14.94	15.46	15.26	15.93
Net interest spread (taxable equivalent)	3.89	4.02	4.03	4.06
Net interest yield (taxable equivalent)	4.77	4.72	4.92	4.85
Effective tax rate	24.21	25.67	25.96	26.75
Overhead ratio	48.55	49.77	48.43	49.58
CAPITALIZATION RATIOS				
Equity to assets	7.73%	7.35%	7.69%	7.47%
Tangible equity to assets	6.72	6.23	6.64	6.60
Equity to loans	13.19	12.89	13.14	12.99
Internal capital generation	9.28	10.31	9.98	10.85
Tier I capital to risk-adjusted assets	12.06	12.06	12.06	12.06
Total capital to risk-adjusted assets	14.42	14.47	14.42	14.47
Leverage ratio	7.37	6.88	7.37	6.88
CREDIT QUALITY RATIOS				
Allowance for losses to loans	1.98%	1.83%	1.98%	1.83%
Allowance to non-performing assets	87.17	96.38	87.17	96.38
Allowance to non-performing loans	95.94	102.15	95.94	102.15
Non-performing assets to loans	2.28	1.90	2.28	1.90
Non-performing assets to total assets	1.32	1.07	1.32	1.07
Net charge-offs to average loans	0.93	1.14	0.94	0.93
Provision to net charge-offs	1.25x	0.95x	1.24x	1.09x
Net charge-offs earnings coverage	4.00	3.24	4.02	4.01

</TABLE>

NOTE: All common stock data has been adjusted to reflect the stock split effected in the form of a dividend on July 1, 1998.

Consolidated Statements of Condition

<TABLE>
<CAPTION>

(In thousands)	September 30, 1998	1997
ASSETS		
Cash and due from banks	$ 543,565	$ 530,915
Money market investments:		
Federal funds sold and securities and mortgages purchased under agreements to resell	720,511	467,285
Time deposits with other banks	102,525	5,256
Bankers' acceptances	360	2,871
	823,396	475,412
Investment securities available-for-sale, at market value	6,228,354	5,869,770
Investment securities held-to-maturity, at cost	253,138	829,105
Trading account securities, at market value	253,129	224,734
Loans held-for-sale	495,241	238,991
Loans	12,217,822	11,287,080
Less--Unearned income	350,536	344,010
Allowance for loan losses	245,382	205,077
	$ 11,621,904	10,737,993
Premises and equipment	408,919	390,905
Other real estate	25,743	12,014
Customers' liabilities on acceptances	16,288	3,005
Accrued income receivable	141,184	144,769
Other assets	242,472	212,070
Intangible assets	220,260	227,102
	$ 21,273,593	$ 19,896,785
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 2,665,528	$ 2,293,394
Interest bearing	9,882,250	8,920,773
	12,547,778	11,214,167
Federal funds purchased and securities sold under agreements to repurchase	3,469,382	3,897,110
Other short-term borrowings	1,515,037	1,294,693
Notes payable	1,330,809	1,435,763
Acceptances outstanding	16,288	3,005
Other liabilities	391,799	327,267
	19,271,093	18,172,005
Subordinated notes	125,000	125,000
Preferred beneficial interests in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation	150,000	150,000
Minority interest in consolidated subsidiary	30,609	
Stockholders' equity:		
Preferred stock	100,000	100,000
Common stock	825,200	411,870
Surplus	194,033	580,806
Retained earnings	510,046	376,908
Treasury stock, at cost	(39,560)	(39,560)
Unrealized gains on securities available-for-sale, net of deferred taxes	107,172	19,756
	1,696,891	1,449,780
	$ 21,273,593	$ 19,896,785

</TABLE>

Consolidated Statements of Income

<TABLE>
<CAPTION>

(Dollars in thousands, except per share information)	Quarter ended September 30, 1998	Quarter ended September 30, 1997	Nine Months ended September 30, 1998	Nine Months ended September 30, 1997
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME:				
Loans	$ 302,403	$ 283,139	$ 892,096	$ 790,296
Money market investments	9,566	8,237	27,585	25,619
Investment securities	93,977	97,522	277,413	257,279
Trading account securities	4,875	4,516	12,960	13,490
	410,821	393,414	1,210,054	1,086,684
INTEREST EXPENSE:				
Deposits	101,239	95,594	300,346	268,881
Short-term borrowings	66,611	66,117	181,189	169,888
Long-term debt	27,930	28,698	86,382	73,660
	195,780	190,409	567,917	512,429
Net interest income	215,041	203,005	642,137	574,255
Provision for loan losses	34,667	29,849	101,756	78,949
Net interest income after provision for loan losses	180,374	173,156	540,381	495,306
Service charges on deposit accounts	26,344	24,378	77,176	68,411
Other service fees	28,557	25,252	83,548	72,206
Gain on sale of securities	4,553	519	8,469	145
Trading account profit	506	959	2,486	2,209
Other operating income	14,261	15,201	43,379	33,820
	254,595	239,465	755,439	672,097
OPERATING EXPENSES:				
Personnel costs:				
Salaries	61,267	55,566	180,183	154,255
Profit sharing	5,618	6,164	17,565	19,392
Pension and other benefits	17,433	17,806	52,621	51,813
	84,318	79,536	250,369	225,460
Net occupancy expenses	12,260	10,362	35,558	28,107
Equipment expenses	18,533	16,976	55,042	48,604
Other taxes	8,035	8,215	23,902	21,971
Professional fees	14,218	11,900	40,912	32,726
Communications	9,444	8,743	27,462	24,074
Business promotion	9,751	9,831	26,884	23,768
Printing and supplies	4,490	3,984	12,908	10,755
Other operating expenses	10,679	10,984	32,483	29,958
Amortization of intangibles	6,890	6,810	20,523	16,089
	178,618	167,341	526,043	461,512
Income before taxes	75,977	72,124	229,396	210,585
Income tax	18,397	18,511	59,560	56,342
NET INCOME	$ 57,580	$ 53,613	$ 169,836	$ 154,243
NET INCOME APPLICABLE TO COMMON STOCK	$ 55,493	$ 51,526	$ 163,574	$ 147,981
EARNINGS PER COMMON SHARE	$ 0.41	$ 0.38	$ 1.21	$ 1.11

</TABLE>

Subsidiaries

CENTRAL OFFICE
Popular Center
209 Munoz Rivera Avenue
San Juan, Puerto Rico 00918
Telephone: (787) 765-9800

ATH COSTA RICA
Cond. en Oficinas Ofiplaza del Este
Edif. D- Piso 1, San Pedro
150 metros Oeste de la
Rotonda de la Bandera
San Jose, Costa Rica
Telephone: (011) 506-280-9796

BANCO POPULAR DE PUERTO RICO

PUERTO RICO OFFICE
Popular Center
209 Munoz Rivera Avenue
San Juan, Puerto Rico 00918
Telephone: (787) 765-9800

NEW YORK OFFICE
7 West 51st St.
New York, N.Y. 10019
Telephone: (212) 315-2800

VIRGIN ISLANDS OFFICE
80 Kronprindsens Gade
Kronprindsens Quarter
Charlotte Amalie, St. Thomas
U.S. Virgin Islands 00802
Telephone: (809) 774-2300

BANCO POPULAR, FSB
500 Bloomfield Avenue
Newark, New Jersey 07107
Telephone: (201) 484-6525

BANCO POPULAR, ILLINOIS
4000 West North Avenue
Chicago, Illinois 60639
Telephone: (773) 772-8600

BANCO POPULAR, N.A. (CALIFORNIA)
6001 E. Washington Blvd.
City of Commerce
California 9004
Telephone: (213) 724-8800

BANCO POPULAR, N.A. (FLORIDA)
5551 Vanguard Street
Suite 100
Orlando, Florida 32819
Telephone: (407) 370-8000

BANCO POPULAR, N.A. (TEXAS)
9600 Long Point #300
Houston, Texas 77055
Telephone: (713) 463-2400

EQUITY ONE, INC.
523 Fellowship Road, Suite 220
Mt. Laurel, New Jersey 08054
Telephone: (609) 273-1119

METROPOLITANA DE PRESTAMOS, INC.
Carr. #2 Km. 6.8
Villa Caparra
Guaynabo, Puerto Rico 00966
Telephone: (787) 792-9292

POPULAR FINANCE, INC.
10 Salud Street
El Senorial Condominium
Suite 613
Ponce, Puerto Rico 00731
Telephone: (787) 844-2860

POPULAR MORTGAGE, INC.
268 Ponce de Leon Avenue
San Juan, Puerto Rico 00918
Telephone: (787) 753-0245

POPULAR LEASING & RENTAL, INC.
M-1046 Federico Costa St.
Tres Monjitas Industrial
Development
San Juan, Puerto Rico 00903
Telephone: (787) 751-4848

POPULAR SECURITIES INCORPORATED
Popular Center
Suite 1020
San Juan, Puerto Rico 00918
Telephone: (787) 766-4200

POPULAR CASH EXPRESS
6200 North Hiawatha
Suite 200
Chicago, Illinois 60646
Telephone: (773) 205-8300

BANCO GERENCIAL & FIDUCIARIO
27 de febrero Ave. #50
Santo Domingo
Republica Dominicana
Telephone: (809) 473-9400

Additional Information

BOARD OF DIRECTORS

Richard L. Carrion, Chairman
Alfonso F. Ballester, Vice Chairman
Antonio Luis Ferre, Vice Chairman
Juan A. Albors Hernandez *
Salustiano Alvarez Mendez *
Jose A. Bechara Bravo *
Juan J. Bermudez
Esteban D. Bird *
Francisco J. Carreras
David H. Chafey Jr.
Luis E. Dubon Jr.
Hector R. Gonzalez
Jorge A. Junquera Diez
Manuel Morales Jr.
Alberto M. Paracchini
Francisco M. Rexach Jr.
J. Adalberto Roig Jr.
Felix J. Serralles Nevares
Julio E. Vizcarrondo Jr.
Samuel T. Cespedes, Secretary

* Director of Banco Popular de Puerto Rico only

EXECUTIVE OFFICERS

Richard L. Carrion, Chairman of the Board,
President and Chief Executive Officer
David H. Chafey Jr., Senior Executive Vice President
Jorge A. Junquera Diez, Senior Executive Vice President
Maria Isabel P. de Burckhart, Executive Vice President
Roberto R. Herencia, Executive Vice President
Larry B. Kesler, Executive Vice President
Humberto Martin, Executive Vice President

Emilio E. Pinero, Executive Vice President
Carlos Rom Jr., Executive Vice President
Carlos J. Vazquez, Executive Vice President

SHAREHOLDER INFORMATION

SHAREHOLDER ASSISTANCE - Shareholders requiring a change of address, records or information about lost certificates, dividend checks or dividend reinvestment should contact:

Banco Popular de Puerto Rico
Trust Division (725)
Popular Center Building
4th Floor Suite 400
209 Munoz Rivera Ave.
Hato Rey, Puerto Rico 00918

PUBLICATIONS - For printed material (annual and quarterly reports, 10-K and 10-Q reports), contact Mr. Amilcar L. Jordan at the Comptroller's Division at (787) 765-9800 ext. 6101, or VISIT OUR WEBSITE AT HTTP://WWW.POPULARINC.COM.

DIVIDEND REINVESTMENT PLAN - The Corporation has a dividend reinvestment plan that provides the shareholder a simple, convenient and cost-effective way to acquire Popular, Inc. common stock.

- Dividends can be automatically reinvested in additional shares at 95% of the Average Market Price.

- Participants may make optional cash payments of at least $25 and not more than $10,000 per calendar month for investment in additional shares.

- No brokerage commissions are charged on purchases under this plan.

- Participant's funds will be fully invested, because the plan permits fractions of shares to be credited to a participant's account.

If you would like more information on this plan, please contact our Trust Division at (787) 756-3908, (787) 765-9800 ext. 5637, 5525 and 5897.

<TABLE> <S> <C>

<ARTICLE> 9
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF POPULAR, INC. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLARS

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-START>	JAN-01-1998
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<EXCHANGE-RATE>	1,000
<CASH>	543,565
<INT-BEARING-DEPOSITS>	102,525
<FED-FUNDS-SOLD>	720,511
<TRADING-ASSETS>	253,129
<INVESTMENTS-HELD-FOR-SALE>	6,223,460
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<LOANS>	12,362,527
<ALLOWANCE>	245,382
<TOTAL-ASSETS>	21,273,593
<DEPOSITS>	12,547,778
<SHORT-TERM>	4,984,419
<LIABILITIES-OTHER>	422,408
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<PREFERRED-MANDATORY>	0
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<COMMON>	825,200
<OTHER-SE>	771,691
<TOTAL-LIABILITIES-AND-EQUITY>	21,273,593
<INTEREST-LOAN>	892,096
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<INTEREST-DEPOSIT>	300,346
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<LOAN-LOSSES>	101,756
<SECURITIES-GAINS>	8,469
<EXPENSE-OTHER>	526,043
<INCOME-PRETAX>	229,396
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<EXTRAORDINARY>	0

<CHANGES>	0
<NET-INCOME>	169,836
<EPS-PRIMARY>	1.21
<EPS-DILUTED>	0
<YIELD-ACTUAL>	4.92
<LOANS-NON>	255,765
<LOANS-PAST>	24,427
<LOANS-TROUBLED>	0
<LOANS-PROBLEM>	116,671
<ALLOWANCE-OPEN>	211,651
<CHARGE-OFFS>	120,737
<RECOVERIES>	38,380
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<ALLOWANCE-DOMESTIC>	229,383
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