

Edgar Filing: POPULAR INC - Form 10-Q/A

POPULAR INC
Form 10-Q/A
May 21, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For Quarter Ended March 31, 2003 Commission file number 0 - 13818

POPULAR, INC.

(Exact name of registrant as specified in its charter)

Puerto Rico
(State of incorporation)

66-041-6582
(I.R.S. Employer
Identification No.)

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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| | |
|-------------------------------|-----------------------------------------|
| Common Stock \$6.00 Par value | 132,650,737 |
| ----- | ----- |
| (Title of Class) | (Shares Outstanding as of May 14, 2003) |

Explanatory Note

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The Registrant hereby amends Item 1 of Part I of its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2003 solely to correct certain sub-totals in the Consolidated Statements of Cash Flows and the Condensed Consolidating Statement of Cash Flows included in Note 15 to the Corporation's Consolidated Financial Statements for the quarter ended March 31, 2003. These changes do not affect any other items within the financial statements and related notes included in the Quarterly Report on Form 10-Q filed on May 15, 2003.

In order to preserve the nature and character of the disclosures set forth in such items as originally filed, this Amendment No. 1 does not reflect events occurring after the filing of the original Quarterly Report on Form 10-Q on May 15, 2003, or modify or update the disclosures presented in the original Quarterly Report on Form 10-Q, except to reflect the revisions as described above.

POPULAR, INC.

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FORWARD-LOOKING INFORMATION. This Amended Quarterly Report on Form 10-Q/A contains certain forward-looking statements with respect to the adequacy of the allowance for loan losses, the Corporation's market and liquidity risks and the effect of legal proceedings on Popular, Inc.'s financial condition and results of operations, among others. 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.

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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 market and the magnitude of interest rate and foreign currency exchange rate changes.

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ITEM 1. FINANCIAL STATEMENTS

POPULAR, INC.
CONSOLIDATED STATEMENTS OF CONDITION
(UNAUDITED)

(In thousands, except share information)

| | MARCH 31, 2003 |
|------------------------------------------------------------------------|-------------------|
| | ----- |
| ASSETS | |
| Cash and due from banks | \$ 689,090 |
| | ----- |
| Money market investments: | |
| Federal funds sold and securities purchased under agreements to resell | 1,004,353 |
| Time deposits with other banks | 4,056 |
| Bankers' acceptances | 51 |
| | ----- |
| | 1,008,460 |
| | ----- |
| Investment securities available-for-sale, at market value: | |
| Pledged securities with creditors' right to repledge | 4,366,111 |
| Other investment securities available-for-sale | 5,766,363 |
| Investment securities held-to-maturity, at amortized cost | 179,737 |
| Trading account securities, at market value: | |
| Pledged securities with creditors' right to repledge | 464,278 |
| Other trading securities | 116,723 |
| Loans held-for-sale, at lower of cost or market | 317,041 |
| | ----- |
| Loans: | |
| Loans pledged with creditors' right to repledge | 373,034 |
| Other loans | 19,446,487 |
| Less - Unearned income | 274,680 |
| Allowance for loan losses | 383,517 |
| | ----- |
| | 19,161,324 |
| | ----- |
| Premises and equipment | 471,777 |
| Other real estate | 45,759 |
| Accrued income receivable | 202,491 |
| Other assets | 689,449 |
| Goodwill | 184,068 |
| Other intangible assets | 32,620 |
| | ----- |
| | \$ 33,695,291 |
| | ----- |

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LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Deposits:

Non-interest bearing
Interest bearing

\$ 3,453,971
14,183,876

17,637,847

Federal funds purchased and securities sold under agreements to repurchase
Other short-term borrowings
Notes payable
Other liabilities

6,642,379
1,296,394
4,566,492
609,343

30,752,455

Subordinated notes

125,000

Preferred beneficial interest in Popular North America's junior subordinated
deferrable interest debentures guaranteed by the Corporation

144,000

Commitments and contingencies (See Note 8)

Minority interest in consolidated subsidiaries

1,240

Stockholders' equity:

Preferred stock, \$25 liquidation value; 10,000,000 shares
authorized (7,475,000 issued and outstanding at March 31, 2003)

186,875

Common stock, \$6 par value; 180,000,000 shares authorized;
139,254,639 shares issued (December 31, 2002 - 139,133,156;
March 31, 2002 - 138,853,580) and 132,552,289 shares outstanding
(December 31, 2002 - 132,439,047; March 31, 2002 - 136,459,471)

835,528

Surplus

277,649

Retained earnings

1,372,061

Treasury stock - at cost, 6,702,350 shares (December 31, 2002 - 6,694,109;
March 31, 2002 - 2,394,109)

(205,527)

Accumulated other comprehensive income, net of tax of \$53,785
(December 31, 2002 - \$53,070; March 31, 2002 - \$17,197)

206,010

2,672,596

\$ 33,695,291

=====

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

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| | March 31, | |
|------------------------------------------------------|------------------|------------------|
| (Dollars in thousands, except per share information) | 2003 | 2002 |
| | ----- | ----- |
| INTEREST INCOME: | | |
| Loans | \$ 377,933 | \$ 372,221 |
| Money market investments | 7,363 | 7,785 |
| Investment securities | 109,801 | 112,311 |
| Trading account securities | 8,185 | 3,502 |
| | ----- | ----- |
| | 503,282 | 495,819 |
| | ----- | ----- |
| INTEREST EXPENSE: | | |
| Deposits | 94,195 | 112,931 |
| Short-term borrowings | 40,789 | 44,443 |
| Long-term debt | 58,537 | 53,030 |
| | ----- | ----- |
| | 193,521 | 210,404 |
| | ----- | ----- |
| Net interest income | 309,761 | 285,415 |
| Provision for loan losses | 48,209 | 54,454 |
| | ----- | ----- |
| Net interest income after provision for loan losses | 261,552 | 230,961 |
| Service charges on deposit accounts | 39,839 | 38,973 |
| Other service fees | 66,426 | 61,687 |
| Gain (loss) on sale of securities | 1,414 | (4,010) |
| Trading account loss | (937) | (1,030) |
| Derivatives (losses) gains | (10,655) | 511 |
| Gain on sales of loans | 19,516 | 17,943 |
| Other operating income | 16,557 | 16,334 |
| | ----- | ----- |
| | 393,712 | 361,369 |
| | ----- | ----- |
| OPERATING EXPENSES: | | |
| Personnel costs: | | |
| Salaries | 96,036 | 88,561 |
| Profit sharing | 6,245 | 4,940 |
| Pension and other benefits | 30,068 | 26,801 |
| | ----- | ----- |
| | 132,349 | 120,302 |
| Net occupancy expenses | 20,460 | 19,030 |
| Equipment expenses | 26,350 | 24,765 |
| Other taxes | 9,552 | 9,549 |
| Professional fees | 18,776 | 17,507 |
| Communications | 14,697 | 13,273 |
| Business promotion | 15,970 | 13,367 |
| Printing and supplies | 4,743 | 4,509 |
| Other operating expenses | 18,718 | 17,321 |
| Amortization of intangibles | 2,027 | 2,543 |
| | ----- | ----- |
| | 263,642 | 242,166 |
| | ----- | ----- |
| Income before income tax and minority interest | 130,070 | 119,203 |
| Income tax | 30,903 | 30,148 |
| Net gain of minority interest | (78) | (11) |
| | ----- | ----- |
| NET INCOME | \$ 99,089 | \$ 89,044 |
| | ===== | ===== |
| NET INCOME APPLICABLE TO COMMON STOCK | \$ 98,140 | \$ 86,534 |
| | ===== | ===== |
| EARNINGS PER COMMON SHARE (BASIC AND DILUTED) | \$ 0.74 | \$ 0.63 |

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| | | |
|-------------------------------------|---------|---------|
| DIVIDENDS DECLARED PER COMMON SHARE | ===== | ===== |
| | \$ 0.20 | \$ 0.20 |
| | ===== | ===== |

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

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

| (In thousands) | Quarters ended March 31, | |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------|
| | 2003 | 2002 |
| Net Income | \$ 99,089 | \$ 89,044 |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustment | (7,789) | (137) |
| Unrealized gains (losses) on securities: | | |
| Unrealized holding gains (losses) arising during the period, net of tax of \$1,678 (2002 - (\$11,663)) | 12,811 | (51,124) |
| Less: reclassification adjustment for gains (losses) included in net income, net of tax of \$539 (2002 - (\$1,562)) | 875 | (2,447) |
| Net loss on cash flow hedges | (2,302) | (1,128) |
| Less: reclassification adjustment for losses included in net income, net of tax of (\$1,059) (2002 - (\$63)) | (1,678) | (100) |
| Cumulative effect of accounting change | -- | -- |
| Less: reclassification adjustment for gains included in net income | -- | 6 |
| Total other comprehensive income (loss), net of tax | \$ 3,523 | (\$ 49,848) |
| Comprehensive income | \$ 102,612 | \$ 39,196 |

DISCLOSURE OF ACCUMULATED OTHER COMPREHENSIVE INCOME:

| (In thousands) | MARCH 31, 2003 | December 31, 2002 | March 31, 2002 |
|-----------------------------------------|-------------------|----------------------|-------------------|
| Foreign currency translation adjustment | (\$ 10,025) | (\$ 2,236) | (\$ 1,593) |
| Unrealized gains on securities | 219,561 | 207,625 | 32,499 |
| Unrealized losses on derivatives | (3,910) | (3,286) | (950) |
| Cumulative effect of accounting change | 384 | 384 | 384 |
| Accumulated other comprehensive income | \$ 206,010 | \$ 202,487 | \$ 30,340 |

The accompanying notes are an integral part of these unaudited consolidated

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financial statements.

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

| (In thousands) | For the quarters ended | |
|-----------------------------------------------------------------------------------|------------------------|----------------|
| | 2003 | March 31, 2002 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 99,089 | \$ 89,000 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of premises and equipment | 18,726 | 19,000 |
| Provision for loan losses | 48,209 | 54,000 |
| Amortization of intangibles | 2,027 | 2,000 |
| Net (gain) loss on sales of investment securities | (1,414) | 4,000 |
| Net loss (gain) on derivatives | 10,655 | (1,000) |
| Net loss (gain) on disposition of premises and equipment | 397 | (1,000) |
| Net gain on sales of loans, excluding loans held-for-sale | (8,566) | (2,000) |
| Net amortization of premiums and accretion of discounts on investments | 5,071 | 4,000 |
| Net amortization of deferred loan fees and costs | 9,402 | 4,000 |
| Stock options expense | 727 | (1,000) |
| Net decrease in loans held-for-sale | 138,281 | 39,000 |
| Net increase in trading securities | (119,365) | (29,000) |
| Net increase in accrued income receivable | (17,942) | (4,000) |
| Net increase in other assets | 183 | (29,000) |
| Net decrease in interest payable | (12,945) | (9,000) |
| Net increase in deferred and current taxes | 9,440 | 11,000 |
| Net increase in postretirement benefit obligation | 2,477 | 1,000 |
| Net (decrease) increase in other liabilities | (48,643) | 9,000 |
| Total adjustments | 36,720 | 73,000 |
| Net cash provided by operating activities | 135,809 | 162,000 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net decrease in money market investments | 86,186 | 104,000 |
| Purchases of investment securities held-to-maturity | (140,522) | (132,000) |
| Maturities of investment securities held-to-maturity | 141,628 | 524,000 |
| Purchases of investment securities available-for-sale | (1,433,982) | (2,113,000) |
| Maturities of investment securities available-for-sale | 1,720,429 | 1,111,000 |
| Proceeds from sales of investment securities available-for-sale | 38,083 | 809,000 |
| Net disbursements on loans | (266,668) | (209,000) |
| Proceeds from sales of loans | 279,750 | 221,000 |
| Acquisition of loan portfolios | (495,712) | (210,000) |
| Acquisition of premises and equipment | (29,943) | (19,000) |

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| | | |
|--------------------------------------------------------------------------------------------|------------|---------|
| Proceeds from sales of premises and equipment | 220 | 1, |
| | ----- | ----- |
| Net cash (used in) provided by investing activities | (100,531) | 85, |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase in deposits | 24,554 | 161, |
| Net decrease in federal funds purchased and securities sold under agreements to repurchase | (42,172) | (1,186, |
| Net (decrease) increase in other short-term borrowings | (407,168) | 425, |
| Net proceeds from notes payable and capital securities | 267,639 | 256, |
| Dividends paid | (27,440) | (27, |
| Proceeds from issuance of common stock | 3,916 | 2, |
| Proceeds from issuance of preferred stock | 182,244 | |
| Redemption of preferred stock | -- | (102, |
| Treasury stock acquired | (317) | (|
| | ----- | ----- |
| Net cash provided by (used in) financing activities | 1,256 | (470, |
| | ----- | ----- |
| Net increase (decrease) in cash and due from banks | 36,534 | (222, |
| Cash and due from banks at beginning of period | 652,556 | 606, |
| | ----- | ----- |
| Cash and due from banks at end of period | \$ 689,090 | \$ 383, |
| | ----- | ----- |
| | ===== | ===== |

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

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

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Popular, Inc. (the Corporation) is a financial holding company offering a full range of financial products and services to consumer and corporate customers through its offices in Puerto Rico, the United States, the Caribbean, including the U.S. and British Virgin Islands, and Central America. The Corporation's subsidiaries are engaged in the following businesses: commercial banking, auto loans and lease financing, mortgage and consumer lending, broker/dealer activities, retail financial services, insurance agency services and information technology, ATM and data processing services through its subsidiaries in Puerto Rico, the United States, the Caribbean and Central America. Note 14 to the unaudited consolidated financial statements presents further information about the Corporation's business segments.

The unaudited consolidated financial statements include the accounts of Popular, Inc. and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. These statements are, in the opinion of management, a fair statement of the results for the periods presented. These results are unaudited, but include all necessary adjustments, of a normal recurring nature, for a fair statement of such results. Certain minor reclassifications have been made to the prior period consolidated financial statements to conform with the 2003 presentation.

NOTE 2 - ACCOUNTING CHANGES

FIN No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees,

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Including Indirect Guarantees of Indebtedness of Others"

FASB's Interpretation No. 45 (FIN No. 45) requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The provisions for initial recognition are effective for guarantees that are issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have a material impact on the Corporation's financial position and results of operations for the quarter ended March 31, 2003. Refer to Note 8 to the unaudited consolidated financial statements for further information.

FIN No. 46 "Consolidation of Variable Interest Entities"

FASB's Interpretation No. 46 (FIN No. 46) expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. A variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN No. 46 apply to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. The adoption of this Interpretation did not have a significant impact on the Corporation's financial position or results of operations.

SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities"

SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative discussed in paragraph 6(b) of SFAS No. 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to language used in FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", and (4) amends certain

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other existing pronouncements. Those changes will result in more consistent reporting of contracts as either derivatives or hybrid instruments. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. In addition, except for certain situations, all provisions of this Statement should be applied prospectively. Also, the provisions related to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to both existing contracts and new contracts entered into after June 30, 2003. Management is currently evaluating the impact that SFAS No. 149 may have on the Corporation's financial condition or results of operations.

NOTE 3 - INVESTMENT SECURITIES AVAILABLE-FOR-SALE

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The amortized cost, gross unrealized gains and losses, approximate market value (or fair value for certain investment securities where no market quotations are available), and contractual maturities of investment securities available-for-sale as of March 31, 2003, December 31, 2002 and March 31, 2002 were as follows:

| (In thousands) | AS OF MARCH 31, 2003 | | |
|-----------------------------------------------------------------------------------------------------------|----------------------|------------------------|-------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses |
| U.S. Treasury securities (average maturity of 3 months) | \$ 354,931 | \$ 1,783 | - |
| Obligations of other U.S. Government agencies and corporations (average maturity of 5 years and 9 months) | 6,070,056 | 121,168 | \$ 24 |
| Obligations of Puerto Rico, States and political subdivisions (average maturity of 7 years and 10 months) | 82,541 | 5,081 | |
| Collateralized mortgage obligations (average maturity of 21 years and 1 month) | 2,008,239 | 9,340 | 1,53 |
| Mortgage-backed securities (average maturity of 21 years and 7 months) | 992,061 | 37,850 | 4 |
| Equity securities (without contractual maturity) | 247,162 | 101,371 | 2 |
| Others (average maturity of 14 years and 11 months) | 101,415 | 1,330 | |
| | <u>\$ 9,856,405</u> | <u>\$ 277,923</u> | <u>\$ 1,85</u> |

| (In thousands) | AS OF DECEMBER 31, 2002 | | |
|-----------------------------------------------------------------------------------------------------------|-------------------------|------------------------|-------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses |
| U.S. Treasury securities (average maturity of 6 months) | \$ 354,957 | \$ 5,262 | - |
| Obligations of other U.S. Government agencies and corporations (average maturity of 5 years and 4 months) | 6,192,871 | 125,675 | \$ 38 |
| Obligations of Puerto Rico, States and political subdivisions (average maturity of 7 years and 10 months) | 79,004 | 4,915 | 1 |
| Collateralized mortgage obligations (average maturity of 20 years and 6 months) | 2,172,117 | 11,964 | 27 |
| Mortgage-backed securities (average maturity of 23 years and 5 months) | 1,094,276 | 36,556 | 15 |
| Equity securities (without contractual maturity) | 263,342 | 77,677 | 2 |
| Others (average maturity of 16 years and 8 months) | 112,342 | 1,800 | |
| | <u>\$10,268,909</u> | <u>\$ 263,849</u> | <u>\$ 85</u> |

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| (In thousands) | AS OF MARCH 31, 2002 | | |
|-----------------------------------------------------------------------------------------------------------|----------------------|------------------------|-------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses |
| U.S. Treasury securities (average maturity of 9 months) | \$ 560,091 | \$ 11,706 | \$ 13,706 |
| Obligations of other U.S. Government agencies and corporations (average maturity of 4 years and 8 months) | 5,070,786 | 28,385 | 66,048 |
| Obligations of Puerto Rico, States and political subdivisions (average maturity of 8 years and 8 months) | 96,806 | 3,477 | 188 |
| Collateralized mortgage obligations (average maturity of 20 years and 5 months) | 2,449,183 | 12,097 | 7,392 |
| Mortgage-backed securities (average maturity of 22 years and 5 months) | 826,041 | 9,167 | 6,706 |
| Equity securities (without contractual maturity) | 258,313 | 55,705 | 14,000 |
| Others (average maturity of 17 years and 9 months) | 97,591 | 2,175 | 4,000 |
| | ----- | ----- | ----- |
| | \$9,358,811 | \$ 122,712 | \$ 80,365 |
| | ===== | ===== | ===== |

Securities not due on a single contractual maturity date, such as mortgage-backed securities and collateralized mortgage obligations, are classified in the period of final maturity.

The expected maturities of collateralized mortgage obligations, mortgage-backed securities and certain other securities may differ from their contractual maturities because they may be subject to prepayments or callable features.

Stock that is owned by the Corporation to comply with regulatory requirements, such as Federal Reserve Bank and Federal Home Loan Bank stock, is included as equity securities available-for-sale, at cost.

NOTE 4 - INVESTMENT SECURITIES HELD-TO-MATURITY

The amortized cost, gross unrealized gains and losses, approximate market value (or fair value for certain investment securities where no market quotations are available), and contractual maturities of investment securities held-to-maturity as of March 31, 2003, December 31, 2002 and March 31, 2002 were as follows:

AS OF MARCH 31, 2002

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| (In thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses |
|-----------------------------------------------------------------------------------------------------------|-------------------|------------------------------|-------------------------------|
| | ----- | ----- | ----- |
| Obligations of other U.S. Government agencies and corporations (average maturity of 1 month) | \$ 37,996 | -- | -- |
| Obligations of Puerto Rico, States and political subdivisions (average maturity of 11 years and 2 months) | 69,809 | \$ 344 | \$ 836 |
| Collateralized mortgage obligations (average maturity of 21 years and 5 months) | 1,073 | -- | 107 |
| Others (average maturity of 3 years and 11 months) | 70,859 | 351 | 45 |
| | ----- | ----- | ----- |
| | \$179,737 | \$ 695 | \$ 988 |
| | ===== | ===== | ===== |

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| AS OF DECEMBER 31, | | | |
|----------------------------------------------------------------------------------------------------------|-------------------|------------------------------|-------------------------------|
| (In thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses |
| | ----- | ----- | ----- |
| Obligations of other U.S. Government agencies and corporations (average maturity of 1 month) | \$ 28,618 | \$ 4 | -- |
| Obligations of Puerto Rico, States and political subdivisions (average maturity of 10 years and 1 month) | 80,174 | 933 | \$ 186 |
| Collateralized mortgage obligations (average maturity of 21 years and 7 months) | 1,126 | -- | 112 |
| Others (average maturity of 2 years and 9 months) | 70,833 | 793 | -- |
| | ----- | ----- | ----- |
| | \$180,751 | \$ 1,730 | \$ 298 |
| | ===== | ===== | ===== |

| AS OF MARCH 31, | | | |
|-----------------------------------------------------------------------------------------------------------|-------------------|------------------------------|-------------------------------|
| (In thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses |
| | ----- | ----- | ----- |
| Obligations of other U.S. Government agencies and corporations (average maturity of 1 month) | \$ 19,902 | -- | \$ 4 |
| Obligations of Puerto Rico, States and political subdivisions (average maturity of 9 years and 10 months) | 99,144 | \$ 2,049 | 34 |
| Collateralized mortgage obligations (average maturity of | | | |

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| | | | |
|--------------------------------------|-----------|----------|--------|
| 22 years and 5 months) | 1,354 | -- | 82 |
| Others (average maturity of 3 years) | 81,622 | 639 | 291 |
| | ----- | ----- | ----- |
| | \$202,022 | \$ 2,688 | \$ 411 |
| | ===== | ===== | ===== |

Securities not due on a single contractual maturity date, such as mortgage-backed securities and collateralized mortgage obligations, are classified in the period of final maturity.

The expected maturities of collateralized mortgage obligations, mortgage-backed securities and certain other securities may differ from their contractual maturities because they may be subject to prepayments or callable features.

NOTE 5 - PLEDGED ASSETS

Securities and loans were pledged to secure public and trust deposits, securities sold under agreements to repurchase, other borrowings and credit facilities available. The classification and carrying amount of the Corporation's pledged assets, which the secured parties are not permitted to sell or repledge the collateral, were as follows:

| (In thousands) | MARCH 31, 2003 | December 31, 2002 | March 31, 2002 |
|------------------------------------------|-------------------|----------------------|-------------------|
| | ----- | ----- | ----- |
| Investment securities available-for-sale | \$2,264,548 | \$2,046,100 | \$1,939,364 |
| Investment securities held-to-maturity | 2,309 | 3,278 | 4,215 |
| Loans | 3,829,097 | 3,402,042 | 2,347,455 |
| | ----- | ----- | ----- |
| | \$6,095,954 | \$5,451,420 | \$4,291,034 |
| | ===== | ===== | ===== |

Pledged securities and loans that the creditor has the right by custom or contract to repledge are presented separately in the consolidated statements of condition.

NOTE 6 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In managing its market risk the Corporation enters, to a limited extent, into certain derivatives primarily interest rate swaps, interest rate forwards and future contracts, interest rate caps, swaptions, foreign exchange contracts and interest-rate caps, floors and options embedded in financial contracts.

Futures and forwards are contracts for the delayed delivery of securities in which the seller agrees to deliver on a specified future date, a specified instrument, at a specified price or yield. The Corporation's use of these contracts qualifies for cash flow hedge accounting in accordance with SFAS No. 133, as amended, and therefore changes in the fair value of the derivative are recorded in other comprehensive income. As of March 31, 2003 the total amount (net of tax) included in accumulated other comprehensive income pertaining to

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forward contracts was an unrealized loss of \$367. These contracts have a maximum maturity of 49 days. As of March 31, 2002, the total amount (net of tax) included in accumulated other comprehensive income pertaining to forward contracts was an unrealized loss of \$379.

The Corporation purchased interest rate caps as part of securitization transactions in order to limit the interest rate payable to the security holders. The Corporation's use of these contracts qualifies for cash flow hedge accounting in accordance with SFAS No. 133, as amended. As of March 31, 2003, the fair market value of these interest rate caps was \$2,140 included in other assets and the amount included in accumulated other comprehensive income was a loss of \$3,362. These contracts have a maximum maturity of 6.8 years. As part of these contracts, during the first quarter of 2003 the Corporation reclassified a loss of \$414 from other comprehensive income into earnings related to the ineffective portion of changes in fair value of the cash flow hedge and \$440 pertaining to the caplets expiration, as referred to in DIG G20, both amounts are included as an increase to interest expense. Assuming no change in interest rates, \$1,920 net of tax, of accumulated other comprehensive loss is expected to be reclassified to earnings over the next twelve months as contractual payments are made. As of March 31, 2002, the fair market value of these interest rate caps included in other assets was \$3,370, and the amount included in accumulated other comprehensive income was a loss of \$571.

During the last quarter of 2002, the Corporation entered into a \$25,000 notional amount interest rate swap to convert floating rate debt to fixed rate debt in order to fix the cost of short-term borrowings. This contract qualified for cash flow hedge accounting in accordance with SFAS No. 133, as amended. As of March 31, 2003, the fair market value of the interest rate swap included in other liabilities was a loss of \$390, and the amount included in accumulated other comprehensive income was a loss of \$181. This contract matures on October 17, 2005.

For cash flow hedges, gains and losses on derivative contracts that are reclassified from accumulated other comprehensive income to current-period earnings are included in the line item in which the hedged item is recorded and in the same period in which the forecasted transaction affects earnings.

The Corporation enters into options on swaps ("swaption") derivative securities, which combine the characteristics of interest rate swaps and options. These swaptions are related to certificates of deposit with returns linked to the Standard & Poor's 500 index through an embedded option, which has been bifurcated from the host contract, and in accordance with SFAS No. 133, as amended, does not qualify for hedge accounting. As of March 31, 2003, the Corporation had a derivative liability of \$15,812 representing the fair value of the swaptions, which is included in other liabilities. Also, a derivative liability of \$968 which is the fair value of the embedded option and a discount on the certificates of deposit of \$13,920 are included in deposits and the changes in the value of these derivatives are recorded in the Statement of Income. As of March 31, 2002, the Corporation had recognized a derivative asset of \$5,901 based on the fair value of the swaptions and a derivative liability of \$7,586 based on the fair value of the bifurcated option; these amounts are included in other assets and deposits, respectively.

The Corporation uses interest rate swaps to convert floating rate debt to fixed rate debt in order to fix the future cost of the portfolio of short-term borrowings. The specific term and notional amounts of the swaps are determined based on management's assessment of future interest rates, as well as other factors. These swaps do not qualify as hedges in accordance with SFAS No. 133, as amended, and therefore changes in fair value of the derivatives are recorded in the statement of income. For the quarters ended March 31, 2003 and March 31, 2002, the Corporation recognized a loss of \$10,655 and a gain of \$511,

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respectively, as a result of the changes in fair value of the non-hedging derivatives.

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The interest-rate caps and floors embedded in the interest bearing contracts are clearly and closely related to the economic characteristics of the contracts and therefore, as stated in SFAS No. 133, are not bifurcated from the host contracts.

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

SFAS No. 142 requires that goodwill and other indefinite-life intangible assets be tested for impairment at least annually using a two-step process at each reporting unit level. The Corporation's management has defined the reporting units based on legal entity, which is the way that operating decisions are made and performance is measured. For presentation purposes, these reporting units have been aggregated by reportable segments based on the provisions of SFAS No. 131 "Segment Reporting." These segments have been defined as follows: Commercial Banking, Mortgage and Consumer Lending, Auto and Lease Financing and Other. All the operating segments and components that constitute reporting units were determined evaluating the nature of the products and services offered, types of customers, methods used to distribute their products and provide their services, and the nature of their regulatory environment, as well as other similar economic characteristics. Goodwill is assigned to each reporting unit at the time of acquisition.

The changes in the carrying amount of goodwill for the three months ended March 31, 2003, are as follows:

| (In thousands) | Commercial Banking | Mortgage and Consumer Lending | Auto and Lease Financing | Other |
|----------------------------------------|-----------------------|-------------------------------------|--------------------------------|-----------|
| | ----- | ----- | ----- | ----- |
| Balance as of January 1, 2003 | \$110,482 | \$ 11,247 | \$ 6,727 | \$ 54,509 |
| Goodwill acquired during the period | -- | 990 | -- | 113 |
| Goodwill written-off during the period | -- | -- | -- | -- |
| Balance as of March 31, 2003 | \$110,482 | \$ 12,237 | \$ 6,727 | \$ 54,622 |
| | ===== | ===== | ===== | ===== |

As of March 31, 2003, December 31, 2002 and March 31, 2002, goodwill totaled \$184,068, \$182,965 and \$178,501, respectively. The Corporation has no other intangible assets not subject to amortization.

The following table reflects the components of other intangible assets subject to amortization as of March 31, 2003, December 31, 2002 and March 31, 2002:

| MARCH 31, 2003 | | December 31, 2002 | | March 31, | |
|----------------|-------------|-------------------|-------------|-----------|-------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| GROSS | ACCUMULATED | Gross | Accumulated | Gross | Ac |

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| (In thousands) | AMOUNT | AMORTIZATION | Amount | Amortization | Amount | Am |
|-------------------------------------|----------|--------------|----------|--------------|----------|-----|
| | ----- | ----- | ----- | ----- | ----- | --- |
| Core Deposits | \$87,739 | \$58,197 | \$87,739 | \$56,263 | \$87,739 | |
| Credit-based customer relationships | -- | -- | -- | -- | 7,946 | |
| Other customer relationships | 2,886 | 192 | 2,886 | 120 | -- | |
| Other intangibles | 509 | 125 | 509 | 104 | 202 | |
| | ----- | ----- | ----- | ----- | ----- | |
| Total | \$91,134 | \$58,514 | \$91,134 | \$56,487 | \$95,887 | |
| | ===== | ===== | ===== | ===== | ===== | |

During the quarter ended March 31, 2003, the Corporation recognized \$2,027 in amortization expense related to other intangible assets with definite lives (March 31, 2002 - \$2,543).

Certain credit-based customer relationships were fully amortized during the quarter ended June 30, 2002, and as such, their gross amount and accumulated amortization were excluded in that quarter from the accounting records and the tabular disclosure presented above.

The following table presents the estimated aggregate amortization expense of the intangible assets with definite lives that the Corporation has as of March 31, 2003, for each of the following fiscal years:

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(In thousands)

| | |
|------|---------|
| 2003 | \$7,836 |
| 2004 | 7,145 |
| 2005 | 5,543 |
| 2006 | 5,394 |
| 2007 | 3,693 |

No significant events or circumstances have occurred that would reduce the fair value of any reporting unit below its carrying amount.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In the normal course of business there are commercial letters of credit and stand-by letters of credit outstanding, which contract amounts at March 31, 2003 were \$28,536 and \$139,551, respectively (March 31, 2002 - \$13,651 and \$78,087; December 31, 2002 - \$19,564 and \$126,383). There are also other commitments outstanding and contingent liabilities, such as commitments to extend credit, which are not reflected in the accompanying financial statements.

In accordance with the recognition provisions of FIN No. 45, during the first quarter of 2003, the Corporation recorded a liability of \$300, which represents the fair value of the obligations undertaken in issuing the guarantees under the stand-by letters of credit issued or modified after December 31, 2002. This liability was included as part of "other liabilities" in the Statement of

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Condition. The stand-by letters of credit were issued to guarantee the performance of various customers to third parties. The contract amounts in stand-by letters of credit outstanding as of March 31, 2003 and 2002, and December 31, 2002 represent the maximum potential amount of future payments the Corporation could be required to make under the guarantees in the event of nonperformance by the customers. These stand-by letters of credit are used by the customer as a credit enhancement and typically expire without being drawn upon, normally within a year. The Corporation's stand-by letters of credit are secured and in the event of nonperformance by the customers, the Corporation has rights to the underlying collateral provided, which normally includes cash and marketable securities, real estate, receivables and others.

As of March 31, 2003, the Corporation has two outstanding commitments to purchase mortgage loans from other institutions. In 2002, the Corporation entered into a commitment to purchase \$100,000 of mortgage loans with the option of purchasing \$75,000 in additional loans. The commitment expires on June 30, 2004. As of March 31, 2003, \$25,000 in loans had been purchased under this agreement. The other commitment, entered into by the Corporation during the first quarter of 2003, provides for the purchase of \$150,000 of mortgage loans with the option of purchasing \$50,000 in additional loans. This commitment expires on September 30, 2004. As of March 31, 2003, \$50,000 in loans had been purchased under this agreement.

The Corporation fully and unconditionally guarantees certain borrowing obligations issued by certain of the Corporation's wholly-owned subsidiaries approximating \$3,491,505 at March 31, 2003 (December 31, 2002 - \$3,382,800).

The Corporation is a defendant in a number of legal proceedings arising in the normal course of business. Based on the opinion of legal counsel, management believes that the final disposition of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. Refer to Item 1- Legal Proceedings in Part II - Other Information in this Form 10-Q for further information.

NOTE 9 - STOCK OPTION PLAN

In September 2002, the Corporation opted to use the fair value method for recording stock options as described in SFAS No. 123 "Accounting for Stock-Based Compensation." During the quarter ended March 31, 2003, the Corporation recognized \$727 in stock option expense.

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The following table summarizes information about stock options outstanding at March 31, 2003:

(Not in thousands)

| Exercise Price Range per Share ----- | Options Outstanding ----- | Weighted Average Exercise Price of Options Outstanding ----- | Weighted- Average Remaining Life of Options Outstanding ----- | Options Exercisable ----- |
|--------------------------------------------|---------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------|
| \$28.78 - \$35.65 | 892,049 | \$31.38 | 9.42 years | 149,955 |

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The following table summarizes the stock option activity and related information:

| (Not in thousands) | Options Outstanding | Weighted Average Exercise Price |
|----------------------------------|------------------------|------------------------------------|
| ----- | ----- | ----- |
| Outstanding at January 1, 2002 | 26,416 | \$ 31.39 |
| Granted | 423,647 | 29.11 |
| Exercised | (199) | 32.60 |
| Forfeited | (4,789) | 28.84 |
| | ----- | ----- |
| Outstanding at December 31, 2002 | 445,075 | 29.25 |
| Granted | 451,029 | 33.46 |
| Exercised | -- | -- |
| Forfeited | (4,055) | 28.84 |
| | ----- | ----- |
| Outstanding at March 31, 2003 | 892,049 | \$ 31.38 |
| | ===== | ===== |

The fair value of these options was estimated on the date of the grants using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the grants issued during 2003 were the following: an expected dividend yield of 2.42% (2002 - 2.16%), an average expected life of options of 10 years (2002 - 10 years), an expected volatility of 24.02% (2002- 26.48%) and a risk-free interest rate of 3.76% (2002 - 4.91%). The weighted average fair value of options granted during 2003 was \$9.01 per option (2002 - \$9.80).

NOTE 10 - SUBORDINATED NOTES AND PREFERRED BENEFICIAL INTEREST IN POPULAR NORTH AMERICA'S JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES GUARANTEED BY THE CORPORATION

Subordinated notes of \$125,000 consist of notes issued by the Corporation on December 12, 1995, maturing on December 15, 2005, with interest payable semi-annually at 6.75%.

On February 5, 1997, BanPonce Trust I, a statutory business trust created under the laws of the State of Delaware that is wholly-owned by Popular North America, Inc. (PNA) and indirectly wholly-owned by the Corporation, sold to institutional investors \$150,000 of BanPonce Trust I's 8.327% Capital Securities Series A (liquidation amount one thousand dollars per Capital Security) through certain underwriters. The proceeds of the issuance, together with the proceeds of the purchase by PNA of \$4,640 of BanPonce Trust I's 8.327% common securities (liquidation amount one thousand dollars per common security) were used to purchase \$154,640 aggregate principal amount of PNA 8.327% Junior Subordinated Deferrable Interest Debentures, Series A (the "Junior Subordinated Debentures"). As of March 31, 2003, the Corporation had reacquired \$6,000 of the capital securities. BanPonce Trust I is a 100% owned finance subsidiary of the Corporation. The capital securities qualify as Tier 1 capital, are fully and unconditionally guaranteed by the Corporation, and are presented in the Consolidated Statements of Condition as "Preferred Beneficial Interests in Popular North America's Junior Subordinated Deferrable Interest Debentures Guaranteed by the Corporation." The obligations of PNA under the Junior Subordinated Debentures and its guarantees of the obligations of BanPonce Trust I are fully and unconditionally guaranteed by the Corporation. The assets of BanPonce Trust I consisted of \$148,640 of Junior Subordinated Debentures at March 31, 2003 (March 31, 2002 - \$154,640; December 31, 2002 - \$148,640) and a related accrued interest receivable of \$1,031 (March 31, 2002 - \$1,073; December

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31, 2002 - \$4,126). The Junior Subordinated Debentures mature on February 1, 2027; however, under certain circumstances, the maturity of the Junior Subordinated Debentures may be shortened (which shortening would result in a mandatory redemption of the Capital Securities).

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NOTE 11- STOCKHOLDERS' EQUITY

During the quarter ended March 31, 2003, the Corporation issued 7,475,000 shares of its 6.375% noncumulative monthly income preferred stock, Series A, at a price of \$25 per share. The net proceeds to the Corporation, after the underwriting discounts and expenses, amounted to \$182,244. Dividends declared during the quarter on the preferred stock amounted to \$949.

For the quarter ended March 31, 2003, the Corporation declared cash dividends on common stock amounting to \$26,515 (March 31, 2002 - \$27,295).

NOTE 12 - EARNINGS PER COMMON SHARE

A computation of earnings per common share follows:

| | Quarter ended March 31, | |
|------------------------------------------------------------------|----------------------------|-------------|
| (Dollars in thousands, except share information) | 2003 | 2002 |
| Net income | \$ 99,089 | \$ 89,044 |
| Less: Preferred stock dividends (and redemption premium in 2002) | 949 | 2,510 |
| Net income applicable to common stock | \$ 98,140 | \$ 86,534 |
| Average common shares outstanding | 132,576,589 | 136,475,530 |
| Average potential common shares - stock options | 16,499 | -- |
| Average common shares outstanding - assuming dilution | 132,593,088 | 136,475,530 |
| Basic earnings per common share | \$ 0.74 | \$ 0.63 |
| Diluted earnings per common share | \$ 0.74 | \$ 0.63 |

Potential common shares consist of common stock issuable under the assumed exercise of stock options granted under the Corporation's stock option plan, using the treasury stock method. This method assumes that the potential common shares are issued and the proceeds from exercise in addition to the amount of compensation cost attributed to future services are used to purchase common stock at the exercise date. The difference between the number of potential shares issued and the shares purchased will be added as incremental shares to the actual number of shares outstanding to compute diluted earnings per share.

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Options with an exercise price greater than the average market price of the Corporation's common stock are antidilutive and, therefore, are not included in the computation of diluted earnings per common share. As of March 31, 2003, there were 415,738 weighted average antidilutive stock options outstanding (2002 - 228,107). No dilutive potential common shares were outstanding during the quarter ended March 31, 2002.

NOTE 13 - SUPPLEMENTAL DISCLOSURE ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

During the quarter ended March 31, 2003, the Corporation paid interest and income taxes amounting to \$206,466 and \$19,815, respectively (2002 - \$220,238 and \$11,737). In addition, the loans receivable transferred to other real estate and other property for the quarter ended March 31, 2003 amounted to \$19,882 and \$6,918, respectively (2002 - \$10,740 and \$9,267).

During the quarter ended March 31, 2003, the Corporation transferred \$637,605 of loans held-for-sale to the loan portfolio (held-for investment) based on management intent and ability.

In addition, \$83,345 in mortgage backed securities were sold with a settlement date on April 2003. On the other hand, there were \$48,710 in trading securities purchased in March 2003, with a settlement date on April 2003.

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NOTE 14 - SEGMENT REPORTING

Popular, Inc. operates three major reportable segments: commercial banking, mortgage and consumer lending, and auto and lease financing. Management has determined its reporting units based on legal entity, which is the way that operating decisions are made and performance is measured. These reporting units have then been aggregated into segments by products, services and markets with similar characteristics.

The Corporation's commercial banking segment includes all banking subsidiaries, which provide individuals, corporations and institutions with commercial and retail banking services, including loans and deposits, trust, mortgage banking and servicing, asset management, credit cards and other financial services. These services are offered through a delivery system of branches throughout Puerto Rico, the U.S. and British Virgin Islands and the United States.

The Corporation's mortgage and consumer lending segment includes those non-banking subsidiaries whose principal activity is originating mortgage and consumer loans such as Popular Mortgage, Popular Finance, Equity One and Levitt Mortgage.

The Corporation's auto and lease financing segment provides financing for vehicles and equipment through Popular Auto, Inc. in Puerto Rico and Popular Leasing, USA in the U.S. mainland. The "Other" category includes all holding companies and non-banking subsidiaries which provide insurance agency services, retail financial services, broker/dealer activities, as well as those providing ATM processing services, electronic data processing and consulting services, sale and rental of electronic data processing equipment and selling and maintenance of computer software.

The accounting policies of the segments are the same as those followed by the Corporation in the ordinary course of business and conform with generally

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accepted accounting principles and with general practices within the financial industry. Following are the results of operations and selected financial information by operating segments for the quarters ended March 31, 2003 and 2002.

| (In thousands) | MARCH 31, 2003 | | | |
|-------------------------------|-----------------------|-------------------------------------|--------------------------------|-------------|
| | Commercial Banking | Mortgage and Consumer Lending | Auto and Lease Financing | Other |
| Net interest income | \$228,232 | \$61,546 | \$18,682 | \$427 |
| Provision for loan losses | 31,023 | 12,211 | 4,975 | |
| Other income | 69,690 | 22,114 | 5,172 | 41,929 |
| Amortization of intangibles | 1,937 | | | 90 |
| Depreciation expense | 12,768 | 1,184 | 2,898 | 1,876 |
| Other operating expenses | 163,603 | 34,361 | 7,821 | 37,395 |
| Net gain of minority interest | | (78) | | |
| Income tax | 16,517 | 12,916 | 3,209 | (39) |
| Net income | \$72,074 | \$22,910 | \$4,951 | \$3,034 |
| Segment Assets | \$26,212,292 | \$6,192,431 | \$1,294,593 | \$7,292,138 |

| (In thousands) | MARCH 31, 2002 | | | |
|-------------------------------|-----------------------|-------------------------------------|--------------------------------|-------------|
| | Commercial Banking | Mortgage and Consumer Lending | Auto and Lease Financing | Other |
| Net interest income (loss) | \$223,018 | \$48,034 | \$15,254 | (\$950) |
| Provision for loan losses | 37,441 | 10,268 | 6,745 | |
| Other income | 66,675 | 17,096 | 4,737 | 45,451 |
| Amortization of intangibles | 2,541 | | | 2 |
| Depreciation expense | 13,792 | 1,026 | 2,878 | 1,512 |
| Other operating expenses | 152,091 | 29,718 | 7,152 | 31,673 |
| Net gain of minority interest | | (11) | | |
| Income tax | 18,121 | 8,331 | 1,157 | 3,440 |
| Net income | \$65,707 | \$15,776 | \$2,059 | \$7,874 |
| Segment Assets | \$24,705,291 | \$4,595,582 | \$1,089,577 | \$6,815,654 |

INTERSEGMENT REVENUES *

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| (In thousands) | Three months ended | |
|-------------------------------|--------------------|----|
| | 2003 | |
| Commercial Banking | \$ 16,184 | \$ |
| Mortgage and Consumer Lending | (38,247) | |
| Auto and Lease Financing | (13,071) | |
| Other | 41,005 | |
| Total Intersegment Revenues | \$ 5,871 | \$ |

* For purposes of the intersegment revenues disclosure, revenues include interest income (expense) related to internal funding and other income derived from intercompany transactions, mainly related to gain on sales of loans.

GEOGRAPHIC INFORMATION

| (In thousands) | Three months ended | |
|-----------------------------|--------------------|------------|
| | MARCH 31, 2003 | March 2002 |
| Revenues* | | |
| Puerto Rico | \$302,945 | \$28 |
| Mainland United States | 126,283 | 11 |
| Other | 12,693 | 1 |
| Total consolidated revenues | \$441,921 | \$41 |

* Total revenues include net interest income, service charges on deposit accounts, other service fees, gain (loss) on sale of securities, derivatives (losses) gains, trading account loss, gain on sales of loans and other operating income.

| (In thousands) | MARCH 31, 2003 | December 31, 2002 | March 31, 2002 |
|-------------------------------------|----------------|-------------------|----------------|
| Selected Balance Sheet Information: | | | |
| Puerto Rico | | | |
| Total assets | \$21,946,636 | \$22,307,784 | \$20,095,9 |
| Loans | 10,008,443 | 10,065,646 | 9,870,6 |
| Deposits | 11,978,409 | 12,036,491 | 10,970,8 |
| Mainland United States | | | |
| Total assets | \$11,034,161 | \$10,637,293 | \$9,460,6 |
| Loans | 9,473,139 | 9,140,382 | 8,034,5 |
| Deposits | 4,839,951 | 4,778,234 | 4,736,8 |

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Other

| | | | |
|--------------|-----------|-----------|---------|
| Total assets | \$714,494 | \$715,275 | \$760,8 |
| Loans | 380,300 | 376,091 | 351,7 |
| Deposits | 819,487 | 800,015 | 816,4 |

NOTE 15 - CONDENSED CONSOLIDATING FINANCIAL INFORMATION OF GUARANTOR AND ISSUERS OF REGISTERED GUARANTEED SECURITIES:

The following condensed consolidating financial information presents the financial position of Popular, Inc. Holding Company (PIHC), (parent only) Popular International Bank, Inc. (PIBI), Popular North America, Inc. (PNA) and all other subsidiaries of the Corporation as of March 31, 2003, December 31, 2002 and March 31, 2002, and the results of their operations and cash flows for periods ended March 31, 2003 and 2002. PIBI, PNA, and their wholly-owned subsidiaries, except Banco Popular North America (BPNA) and Banco Popular, National Association (BP, N.A.), have a fiscal year that ends on November 30. Accordingly, the consolidated financial information of PIBI and PNA as of February 28, 2003, November 30, 2002 and February 28, 2002, corresponds to their financial information included in the consolidated financial statements of Popular, Inc. as of March 31, 2003, December 31, 2002 and March 31, 2002, respectively.

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PIHC, PIBI and PNA are authorized issuers of debt securities and preferred stock under various shelf registrations filed with the SEC.

PIBI is an operating subsidiary of PIHC and is the holding company of its wholly-owned subsidiaries, ATH Costa Rica, CreST, S.A., Popular Insurance, V.I., Inc. and PNA.

PNA is an operating subsidiary of PIBI and is the holding company of its wholly-owned subsidiaries, Popular Cash Express, Inc., Equity One, Inc., BPNA, including its wholly-owned subsidiaries Popular Leasing, U.S.A. and Popular Insurance, U.S.A.; and BP, N.A., including its wholly-owned subsidiary Popular Insurance, Inc.

PIHC fully and unconditionally guarantees all registered debt securities and preferred stock issued by PIBI and PNA. The principal source of cash flows for PIHC consists of dividends from Banco Popular de Puerto Rico.

As a member subject to the regulations of the Federal Reserve Board, BPPR must obtain the approval of the Federal Reserve Board for any dividend if the total of all dividends declared in any calendar year would exceed the total of net profits for that year, as defined by the Federal Reserve Board, combined with its retained net profits for the preceding two years. The payment of dividends may also be affected by other regulatory requirements and policies, such as the maintenance of certain minimum capital levels. At March 31, 2003, BPPR could have declared a dividend of approximately \$68,885 without the approval of the Federal Reserve Board.

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POPULAR, INC.
 CONDENSED CONSOLIDATING STATEMENT OF CONDITION
 MARCH 31, 2003
 (UNAUDITED)

| (In thousands) | Popular, Inc. Holding Co. | PIBI Holding Co. | PNA Holding Co. | All ot Subsid |
|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------|--------------------|------------------|
| | ----- | ----- | ----- | ----- |
| ASSETS | | | | |
| Cash and due from banks | \$423 | \$11 | \$379 | \$727 |
| Money market investments | 34,707 | 300 | 46,643 | 1,097 |
| Investment securities available-for-sale, at market value | 245,047 | 30,611 | 7,067 | 9,852 |
| Investment securities held-to-maturity, at amortized cost | | | | 328 |
| Trading account securities, at market value | | | | 581 |
| Investment in subsidiaries | 2,560,556 | 793,749 | 869,816 | 213 |
| Loans held-for-sale, at lower of cost or market | | | | 332 |
| Loans | 86,380 | | 2,618,106 | 21,429 |
| Less - Unearned income | | | | 274 |
| Allowance for loan losses | | | | 383 |
| | 86,380 | | 2,618,106 | 20,771 |
| Premises and equipment | 10,988 | | | 460 |
| Other real estate | | | | 45 |
| Accrued income receivable | 312 | 1 | 11,891 | 208 |
| Other assets | 25,744 | 30,349 | 19,084 | 609 |
| Goodwill | | | | 184 |
| Other intangible assets | | | | 32 |
| | \$2,964,157 | \$855,021 | \$3,572,986 | \$35,444 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Liabilities: | | | | |
| Deposits: | | | | |
| Non-interest bearing | | | | \$3,493 |
| Interest bearing | | | | 14,207 |
| | | | | 17,700 |
| Federal funds purchased and securities sold under agreements to repurchase | | | \$365,733 | 6,434 |
| Other short-term borrowings | \$7,496 | \$115 | 497,944 | 1,847 |
| Notes payable | 119,157 | 8,788 | 1,850,153 | 5,987 |
| Other liabilities | 39,908 | 155 | 73,599 | 518 |
| | 166,561 | 9,058 | 2,787,429 | 32,489 |
| Subordinated notes | 125,000 | | | |
| Preferred beneficial interest in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation | | | | 144 |
| Minority interest in consolidated subsidiary | | | | |

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| Stockholders' equity: | | | | |
|----------------------------------------------------|--------------------|------------------|--------------------|-----------------|
| Preferred stock | 186,875 | | | |
| Common stock | 835,528 | 3,962 | 2 | 72 |
| Surplus | 276,056 | 649,543 | 596,964 | 1,335 |
| Retained earnings | 1,373,654 | 186,266 | 184,622 | 1,272 |
| Treasury stock, at cost | (205,527) | | | |
| Accumulated other comprehensive income, net of tax | 206,010 | 6,192 | 3,969 | 131 |
| | <u>2,672,596</u> | <u>845,963</u> | <u>785,557</u> | <u>2,811</u> |
| | <u>\$2,964,157</u> | <u>\$855,021</u> | <u>\$3,572,986</u> | <u>\$35,444</u> |

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POPULAR, INC.
CONDENSED CONSOLIDATING STATEMENT OF CONDITION
DECEMBER 31, 2002
(UNAUDITED)

| (In thousands) | Popular, Inc. Holding Co. | PIBI Holding Co. | PNA Holding Co. | All o Subsid |
|--------------------------------------------------------------|------------------------------|---------------------|--------------------|-----------------|
| ASSETS | | | | |
| Cash and due from banks | \$324 | \$70 | \$1,161 | \$69 |
| Money market investments | 2,937 | 300 | 9,708 | 1,25 |
| Investment securities available-for-sale, at market value | 223,661 | 28,290 | 6,720 | 10,27 |
| Investment securities held-to-maturity, at amortized cost | | | | 32 |
| Trading account securities, at market value | | | | 51 |
| Investment in subsidiaries, at equity | 2,322,470 | 624,306 | 850,071 | 19 |
| Loans held-for-sale, at lower of cost or market value | | | | 1,10 |
| Loans | 167,523 | | 2,573,222 | 20,34 |
| Less - Unearned income | | | | 28 |
| Allowance for loan losses | | | | 37 |
| | <u>167,523</u> | | <u>2,573,222</u> | <u>19,68</u> |
| Premises and equipment | 11,192 | | | 44 |
| Other real estate | | | | 3 |
| Accrued income receivable | 294 | 2 | 11,891 | 19 |
| Other assets | 21,781 | 36,409 | 15,068 | 50 |
| Goodwill | | | | 18 |
| Other intangible assets | | | | 3 |
| | <u>\$2,750,182</u> | <u>\$689,377</u> | <u>\$3,467,841</u> | <u>\$35,45</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |

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Liabilities:

Deposits:

Non-interest bearing

\$3,41

Interest bearing

14,27

17,68

Federal funds purchased and securities

sold under agreements to repurchase

\$10,300

\$498,883

6,30

Other short-term borrowings

29,191

\$90

439,052

2,47

Notes payable

137,777

8,788

1,849,017

5,51

Other liabilities

37,035

166

64,705

60

214,303

9,044

2,851,657

32,58

Subordinated notes

125,000

Preferred beneficial interests in Popular

North America's junior subordinated

deferrable interest debentures guaranteed

by the Corporation

14

Minority interest in consolidated subsidiaries

Stockholders' equity:

Common stock

834,799

3,962

2

7

Surplus

278,366

492,543

439,964

1,33

Retained earnings

1,300,437

170,874

170,956

1,17

Treasury stock, at cost

(205,210)

Accumulated other comprehensive income,

net of tax

202,487

12,954

5,262

14

2,410,879

680,333

616,184

2,72

\$2,750,182

\$689,377

\$3,467,841

\$35,45

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POPULAR, INC.

CONDENSED CONSOLIDATING STATEMENT OF CONDITION

MARCH 31, 2002

(UNAUDITED)

(In thousands)

ASSETS

Cash and due from banks

\$ 319

\$ 27

\$ 673

\$ 4

Money market investments

5,436

301

47

9

Investment securities available-for-sale,

at market value

206,696

22,233

6,580

9,1

Investment securities held-to-maturity, at

amortized cost

3

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| | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|--------------|--------|
| Trading account securities, at market value | | | | 3 |
| Investment in subsidiaries | 2,137,166 | 571,625 | 784,124 | 1 |
| Loans held-for-sale, at lower of cost or market value | | | | 8 |
| Loans | 261,591 | | 2,603,774 | 18,9 |
| Less - Unearned income | | | | 3 |
| Allowance for loan losses | | | | 3 |
| | 261,591 | | 2,603,774 | 18,3 |
| Premises and equipment | 11,802 | | | 3 |
| Other real estate | | | | |
| Accrued income receivable | 451 | 1 | 12,142 | 1 |
| Other assets | 22,489 | 33,511 | 9,054 | 4 |
| Goodwill | | | | 1 |
| Other intangible assets | | | | |
| | \$ 2,645,950 | \$ 627,698 | \$ 3,416,394 | \$31,9 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Liabilities: | | | | |
| Deposits: | | | | |
| Non-interest bearing | | | | \$ 3,1 |
| Interest bearing | | | | 13,4 |
| | | | | 16,6 |
| Federal funds purchased and securities sold under agreements to repurchase | \$ 40,300 | | \$ 399,038 | 4,3 |
| Other short-term borrowings | 59,975 | \$ 4,297 | 426,568 | 2,8 |
| Notes payable | 191,733 | | 1,980,974 | 5,0 |
| Other liabilities | 44,115 | 81 | 46,582 | 4 |
| | 336,123 | 4,378 | 2,853,162 | 29,2 |
| Subordinated notes | 125,000 | | | |
| Preferred beneficial interests in Popular North America's junior subordinated deferrable interest debentures guaranteed by the Corporation | | | | 1 |
| Minority interest in consolidated subsidiary | | | | |
| Stockholders' equity: | | | | |
| Common stock | 833,121 | 3,962 | 2 | |
| Surplus | 270,766 | 492,494 | 439,964 | 1,3 |
| Retained earnings | 1,116,963 | 122,542 | 125,942 | 1,1 |
| Treasury stock, at cost | (66,363) | | | |
| Accumulated other comprehensive income (loss), net of tax | 30,340 | 4,322 | (2,676) | (|
| | 2,184,827 | 623,320 | 563,232 | 2,4 |
| | \$ 2,645,950 | \$ 627,698 | \$ 3,416,394 | \$31,9 |

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POPULAR, INC.
 CONDENSED CONSOLIDATING STATEMENT OF INCOME
 FOR THE QUARTER ENDED MARCH 31, 2003
 (UNAUDITED)

| (In thousands) | Popular, Inc. Holding Co. | PIBI Holding Co. | PNA Holding Co. | All o Subsid |
|---------------------------------------------------------------|------------------------------|---------------------|--------------------|-----------------|
| INTEREST INCOME: | | | | |
| Loans | \$1,538 | | \$ 36,450 | \$394 |
| Money market investments | 47 | \$ 2 | 39 | 18 |
| Investment securities | 444 | | 198 | 112 |
| Trading account securities | | | | 8 |
| | ----- | ----- | ----- | ----- |
| | 2,029 | 2 | 36,687 | 533 |
| | ----- | ----- | ----- | ----- |
| INTEREST EXPENSE: | | | | |
| Deposits | | | | 94 |
| Short-term borrowings | 203 | | 5,094 | 54 |
| Long-term debt | 4,582 | 57 | 32,091 | 71 |
| | ----- | ----- | ----- | ----- |
| | 4,785 | 57 | 37,185 | 220 |
| | ----- | ----- | ----- | ----- |
| Net interest (loss) income | (2,756) | (55) | (498) | 312 |
| Provision for loan losses | | | | 48 |
| | ----- | ----- | ----- | ----- |
| Net interest (loss) income after provision for loan losses | (2,756) | (55) | (498) | 263 |
| Service charges on deposit accounts | | | | 39 |
| Other service fees | | | | 67 |
| (Loss) gain on sale of securities | | | (27) | 1 |
| Trading account loss | | | | |
| Derivatives (losses) gains | | | (10,813) | |
| Gain on sales of loans | | | | 23 |
| Other operating income | 4,320 | 1,633 | | 11 |
| | ----- | ----- | ----- | ----- |
| | 1,564 | 1,578 | (11,338) | 40 |
| | ----- | ----- | ----- | ----- |
| OPERATING EXPENSES: | | | | |
| Personnel costs: | | | | |
| Salaries | | 78 | | 95 |
| Profit sharing | | | | 6 |
| Pension and other benefits | | 17 | | 30 |
| | | ----- | | ----- |
| | | 95 | | 132 |
| Net occupancy expenses | | 3 | | 20 |
| Equipment expenses | | | | 26 |
| Other taxes | 291 | | | 9 |
| Professional fees | 209 | 5 | 71 | 18 |
| Communications | 8 | | | 14 |
| Business promotion | | | | 15 |
| Printing and supplies | | | | 4 |
| Other operating expenses | 66 | 23 | 131 | 18 |
| Amortization of intangibles | | | | 2 |
| | ----- | ----- | ----- | ----- |
| | 574 | 126 | 202 | 263 |
| | ----- | ----- | ----- | ----- |
| Income (loss) before income tax, minority interest | | | | |

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| | | | | |
|---------------------------------------------------------|----------|----------|-----------|-------|
| and equity in earnings of subsidiaries | 990 | 1,452 | (11,540) | 144 |
| Income tax | | | (4,051) | 36 |
| Net gain of minority interest | | | | |
| | ----- | ----- | ----- | ----- |
| Income (loss) before equity in earnings of subsidiaries | 990 | 1,452 | (7,489) | 108 |
| Equity in earnings of subsidiaries | 98,099 | 13,940 | 21,154 | 12 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$99,089 | \$15,392 | \$ 13,665 | \$120 |
| | ===== | ===== | ===== | ===== |

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POPULAR, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
FOR THE QUARTER ENDED MARCH 31, 2002
(UNAUDITED)

| (In thousands) | Popular, Inc. Holding Co. | PIBI Holding Co. | PNA Holding Co. | Other Subsidiaries |
|------------------------------------------------------------|------------------------------|---------------------|--------------------|-----------------------|
| | ----- | ----- | ----- | ----- |
| INTEREST INCOME: | | | | |
| Loans | \$ 3,444 | | \$38,186 | \$388,8 |
| Money market investments | 121 | \$ 3 | 6 | 18,5 |
| Investment securities | 192 | | 189 | 115,2 |
| Trading account securities | | | | 3,5 |
| | ----- | ----- | ----- | ----- |
| | 3,757 | 3 | 38,381 | 526,1 |
| | ----- | ----- | ----- | ----- |
| INTEREST EXPENSE: | | | | |
| Deposits | | | | 113,1 |
| Short-term borrowings | 317 | 22 | 5,776 | 57,2 |
| Long-term debt | 5,248 | | 33,014 | 68,1 |
| | ----- | ----- | ----- | ----- |
| | 5,565 | 22 | 38,790 | 238,5 |
| | ----- | ----- | ----- | ----- |
| Net interest (loss) income | (1,808) | (19) | (409) | 287,5 |
| Provision for loan losses | | | | 54,4 |
| | ----- | ----- | ----- | ----- |
| Net interest (loss) income after provision for loan losses | (1,808) | (19) | (409) | 233,1 |
| Service charges on deposit accounts | | | | 38,9 |
| Other service fees | | | | 61,7 |
| Loss on sale of securities | | | | (4,0) |
| Trading account loss | | | | (1,0) |
| Derivatives gains (losses) | | | 645 | (1) |
| Gain on sales of loans | | | | 20,6 |
| Other operating income | 2,135 | 1,614 | | 13,4 |
| | ----- | ----- | ----- | ----- |
| | 327 | 1,595 | 236 | 362,7 |
| | ----- | ----- | ----- | ----- |
| OPERATING EXPENSES: | | | | |
| Personnel costs: | | | | |
| Salaries | | 78 | | 88,4 |
| Profit sharing | | | | 4,9 |

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| | | | | |
|-------------------------------------------------------------------------------------------|----------|----------|----------|---------|
| Pension and other benefits | | 16 | | 26,7 |
| | ----- | ----- | ----- | ----- |
| | | 94 | | 120,2 |
| Net occupancy expenses | | 3 | | 19,0 |
| Equipment expenses | | | | 24,7 |
| Other taxes | 245 | | | 9,3 |
| Professional fees | 146 | 4 | 46 | 17,3 |
| Communications | 8 | | | 13,2 |
| Business promotion | | | | 13,3 |
| Printing and supplies | | | | 4,5 |
| Other operating expenses | 53 | 20 | 107 | 17,2 |
| Amortization of intangibles | | | | 2,5 |
| | ----- | ----- | ----- | ----- |
| | 452 | 121 | 153 | 241,6 |
| | ----- | ----- | ----- | ----- |
| (Loss) income before income tax, minority interest and equity in earnings of subsidiaries | (125) | 1,474 | 83 | 121,0 |
| Income tax | (13) | | 17 | 31,0 |
| Net gain of minority interest | | | | (|
| | ----- | ----- | ----- | ----- |
| (Loss) income before equity in earnings of subsidiaries | (112) | 1,474 | 66 | 89,9 |
| Equity in earnings of subsidiaries | 89,156 | 15,320 | 15,189 | 6,9 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$89,044 | \$16,794 | \$15,255 | \$ 96,9 |
| | ===== | ===== | ===== | ===== |

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POPULAR, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED MARCH 31, 2003
(UNAUDITED)

| (In thousands) | Popular, Inc. Holding Co. | PIBI Holding Co. | PNA Holding Co. | All Subsi |
|---------------------------------------------------------------------------------------------|------------------------------|---------------------|--------------------|--------------|
| | ----- | ----- | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income | \$ 99,089 | \$ 15,392 | \$ 13,665 | \$ 1 |
| | ----- | ----- | ----- | ----- |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | | | |
| Equity in undistributed earnings of subsidiaries | (98,099) | (13,940) | (21,154) | (|
| Depreciation and amortization of premises and equipment | 203 | | | |
| Provision for loan losses | | | | |
| Amortization of intangibles | | | | |
| Net loss (gain) on sales of investment securities | | | 27 | |
| Net loss (gain) on derivatives | | | 10,813 | |
| Net loss on disposition of premises and equipment | | | | |
| Net gain on sales of loans, excluding loans held-for-sale | | | | |
| Net amortization of premiums and accretion of | | | | |

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| | | | | |
|-------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-------|
| discounts on investments | | | | |
| Net amortization of deferred loan fees and costs | | | | |
| Stock options expense | 33 | | | |
| Net decrease in loans held-for-sale | | | | 1 |
| Net increase in trading securities | | | | (1) |
| Net (increase) decrease in accrued income receivable | (18) | 1 | | (|
| Net increase in other assets | (6,635) | (1,525) | (28) | (|
| Net increase (decrease) in interest payable | 135 | 57 | (1,152) | (|
| Net increase (decrease) in deferred and current taxes | 2,672 | | (1,076) | |
| Net increase in postretirement benefit obligation | | | | |
| Net increase (decrease) in other liabilities | 734 | (69) | (3,740) | (|
| | ----- | ----- | ----- | ----- |
| Total adjustments | (100,975) | (15,476) | (16,310) | |
| | ----- | ----- | ----- | ----- |
| Net cash (used in) provided by operating activities | (1,886) | (84) | (2,645) | 1 |
| | ----- | ----- | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Net (increase) decrease in money market investments | (31,770) | | (36,935) | 1 |
| Purchases of investment securities held-to-maturity | | | | (1) |
| Maturities of investment securities held-to-maturity | | | | 1 |
| Purchases of investment securities available-for-sale | | | (13,779) | (1,4 |
| Maturities of investment securities available-for-sale | | | | 1,7 |
| Proceeds from sales of investment securities available-for-sale | | | 13,583 | (3 |
| Net collections (disbursements) on loans | 81,143 | | (44,884) | 2 |
| Proceeds from sales of loans | | | | (4 |
| Acquisition of loan portfolios | | | | (|
| Capital contribution to subsidiary | (180,000) | (157,000) | | |
| Acquisition of premises and equipment | | | | |
| Proceeds from sale of premises and equipment | | | | |
| Dividends received from subsidiary | 26,100 | | | |
| | ----- | ----- | ----- | ----- |
| Net cash (provided by) used in investing activities | (104,527) | (157,000) | (82,015) | (|
| | ----- | ----- | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Net increase in deposits | | | | |
| Net (decrease) increase in federal funds purchased and securities sold under agreements to repurchase | (10,300) | | (133,150) | 1 |
| Net (decrease) increase in other short-term borrowings | (21,695) | 25 | 58,892 | (6 |
| Net (payments of) proceeds from notes payable and capital securities | (18,620) | | 1,136 | 4 |
| Dividends paid to parent company | | | | (|
| Dividends paid | (27,440) | | | |
| Proceeds from issuance of common stock | 3,916 | | | |
| Net proceeds from issuance of preferred stock | 180,651 | | | |
| Treasury stock acquired | | | | |
| Capital contribution from parent | | 157,000 | 157,000 | |
| | ----- | ----- | ----- | ----- |
| Net cash provided by (used in) financing activities | 106,512 | 157,025 | 83,878 | (|

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| | | | | |
|----------------------------------------------------|--------|-------|--------|------|
| Net increase (decrease) in cash and due from banks | 99 | (59) | (782) | |
| Cash and due from banks at beginning of period | 324 | 70 | 1,161 | 6 |
| Cash and due from banks at end of period | \$ 423 | \$ 11 | \$ 379 | \$ 7 |

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POPULAR, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED MARCH 31, 2002
(UNAUDITED)

| (In thousands) | Popular, Inc. Holding Co. | PIBI Holding Co. | PNA Holding Co. | All o Subsid |
|---------------------------------------------------------------------------------------------|------------------------------|---------------------|--------------------|-----------------|
| Cash flows from operating activities: | | | | |
| Net income | \$ 89,044 | \$ 16,794 | \$ 15,255 | \$ 9 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | | | |
| Equity in undistributed earnings of subsidiaries | (89,156) | (15,320) | (15,189) | (|
| Depreciation and amortization of premises and equipment | 203 | | | 1 |
| Provision for loan losses | | | | 5 |
| Amortization of intangibles | | | | |
| Net loss on sale of investment securities | | | | |
| Net (gain) loss on derivatives | | | (645) | |
| Net gain on disposition of premises and equipment | | | | |
| Net gain on sale of loans, excluding loans held-for-sale | | | | (|
| Net amortization of premiums and accretion of discounts on investments | | | | |
| Net decrease in loans held-for-sale | | | | 8 |
| Net amortization of deferred loan fees and costs | | | | |
| Net increase in trading securities | | | | (3 |
| Net (increase) decrease in accrued income receivable | (127) | 1 | 121 | (|
| Net (increase) decrease in other assets | (1,663) | (1,501) | 261 | (2 |
| Net increase (decrease) in interest payable | 754 | 14 | (1,709) | (|
| Net increase (decrease) in deferred and current taxes | (45) | | (54) | 1 |
| Net increase in postretirement benefit obligation | | | | |
| Net increase (decrease) in other liabilities | 1,271 | (5) | 709 | |
| Total adjustments | (88,763) | (16,811) | (16,506) | 10 |
| Net cash provided by (used in) operating activities | 281 | (17) | (1,251) | 20 |
| Cash flows from investing activities: | | | | |
| Net decrease in money market | | | | |

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| | | | | |
|-------------------------------------------------------------------------------------------------------|-----------|-------|-----------|--------|
| investments | 107,500 | 1 | 395 | 10 |
| Purchases of investment securities held-to-maturity | | | | (13) |
| Maturities of investment securities held-to-maturity | | | | 52 |
| Purchases of investment securities available-for-sale | (36,197) | | (38) | (2,07) |
| Maturities of investment securities available-for-sale | | | | 1,11 |
| Proceeds from sales of investment securities available-for-sale | | | | 80 |
| Net disbursements on loans | (65,180) | | (66,753) | (19) |
| Proceeds from sale of loans | | | | 22 |
| Acquisition of loan portfolios | | | | (21) |
| Acquisition of premises and equipment | | | | (1) |
| Proceeds from sale of premises and equipment | | | | |
| Dividends received from subsidiary | 27,500 | | | |
| | ----- | ----- | ----- | ----- |
| Net cash provided by (used in) investing activities | 33,623 | 1 | (66,396) | 13 |
| | ----- | ----- | ----- | ----- |
| Cash flows from financing activities: | | | | |
| Net increase in deposits | | | | 17 |
| Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase | 40,300 | | (22,580) | (1,22) |
| Net increase (decrease) in other short-term borrowings | 59,975 | 25 | (109,874) | 14 |
| Net (payments) proceeds from issuance of notes payable and capital securities | (7,184) | | 200,522 | 35 |
| Dividends paid | (27,785) | | | (2) |
| Proceeds from issuance of common stock | 2,846 | | | |
| Redemption of preferred stock | (102,000) | | | |
| Treasury stock acquired | | | | |
| | ----- | ----- | ----- | ----- |
| Net cash (used in) provided by financing activities | (33,848) | 25 | 68,068 | (56) |
| | ----- | ----- | ----- | ----- |
| Net increase (decrease) in cash and due from banks | 56 | 9 | 421 | (22) |
| Cash and due from banks at beginning of year | 263 | 18 | 252 | 65 |
| | ----- | ----- | ----- | ----- |
| Cash and due from banks at end of year | \$ 319 | \$ 27 | \$ 673 | \$ 42 |
| | ===== | ===== | ===== | ===== |

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PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS

| a) Exhibit No. | Exhibit Description | Referenc |
|----------------|---------------------------------------------------------------------------------------------------------------------------|-------------|
| ----- | ----- | ----- |
| 99.1 | Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes -Oxley Act of 2002. | Exhibit A a |

SIGNATURES

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

POPULAR, INC.
(Registrant)

Date: May 20, 2003

By: /s/ Jorge A. Junquera

Jorge A. Junquera
Senior Executive Vice President

Date: May 20, 2003

By: /s/ Amilcar L. Jordan

Amilcar L. Jordan, Esq.
Senior Vice President & Comptroller

CERTIFICATION

I, Richard L. Carrion, certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of Popular, Inc.;
2. Based on my knowledge, this amended quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this amended quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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- a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

By: /s/ Richard L. Carrion

Richard L. Carrion
Chief Executive Officer

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CERTIFICATION

I, Jorge A. Junquera, certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of Popular, Inc.;

2. Based on my knowledge, this amended quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial

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information included in this amended quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

By: /s/ Jorge A. Junquera

Jorge A. Junquera
Chief Financial Officer