

PUBLIC DISCLOSURE

June 3, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Banco Popular de Puerto Rico
Institution's Identification Number: 940311

P.O. 2708
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: Banco Popular de Puerto Rico is rated **“OUTSTANDING.”**

The following table indicates the performance level of the institution with respect to the lending, investment and service tests.

| PERFORMANCE LEVELS | <u>BANCO POPULAR DE PUERTO RICO</u> | | |
|---------------------------|-------------------------------------|-----------------|--------------|
| | PERFORMANCE TESTS | | |
| | Lending Test | Investment Test | Service Test |
| Outstanding | X | X | X |
| High Satisfactory | | | |
| Low Satisfactory | | | |
| Needs to Improve | | | |
| Substantial Noncompliance | | | |

* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

The major factors supporting the institution's rating follow:

- The number of home purchase, refinance, home improvement, and small business loans originated by the bank represent excellent responsiveness to the credit needs in the bank's assessment areas, given the bank's capacity, recent history, and performance context issues.
- The bank had an excellent level of community development loans, totaling \$106 million in its assessment areas.
- The overall distribution of loans among geographies of different income levels was excellent.
- The bank had an excellent level of community development investments totaling \$257 million.
- The bank's service delivery systems were readily accessible to geographies and individuals of different income levels in its assessment areas.

INSTITUTION

DESCRIPTION OF INSTITUTION

Banco Popular de Puerto Rico (“BPPR”), headquartered in San Juan, Puerto Rico, is a full-service commercial bank focusing on retail financial services and commercial services to small and middle market businesses. As of December 31, 2001, the bank had total assets of \$20.5 billion, net loan and leases of \$9.3 billion, and total branch deposits of \$8.8 billion. Of total assets, approximately \$19.9 billion or 97 percent were in Puerto Rico. The holding company had total consolidated assets of approximately \$30.7 billion.

The bank is a wholly owned subsidiary of Popular, Inc. Subsidiaries of Banco Popular relevant to this examination include Popular Finance, Inc., a small loan and secondary mortgage company; Popular Mortgage Inc., a mortgage origination and secondary marketing subsidiary; Levitt Mortgage, a mortgage origination subsidiary of Popular Mortgage; Popular Auto Inc., an automobile financing and leasing company; and Popular Securities, Inc., a registered broker-dealer.

As of December 31, 2001, BPPR operated 200 retail branches in its assessment areas, including 193 in Puerto Rico and 7 in the United States Virgin Islands (“USVI”). Approximately \$8.4 billion or 95.5 percent of deposits were in Puerto Rico with the remainder in the USVI.

The bank has ten assessment areas, eight in Puerto Rico and two in the USVI. The assessment area changed slightly since the previous examination with the sale of the bank’s only branch on the island of Culebra to Banco Popular, National Association (“N.A.”). The sale was effective January 1, 2001, at which time Culebra was no longer part of the bank’s assessment area.

BPPR’s assessment areas include:

PUERTO RICO

- CMSA 7442 (San Juan-Caguas-Arecibo),
- MSA 6360 (Ponce, PR),
- MSA 4840 (Mayaguez, PR),
- MSA 0060 (Aguadilla, PR),
- Non-MSA 1 consisting of the contiguous non-MSA municipalities of Adjuntas, Aibonito, Arroyo, Barranquitas, Ciales, Coamo, Guayama, Isabela, Jayuya, Lares, Las Marias, Maunabo, Maricao, Orocovi, Patillas, Quebradillas, Salinas, San Sebastian, Santa Isabel, and Utuado.
- Non-MSA 2 consisting of the contiguous non-MSA municipalities of Guanica and Lajas.

- Non-MSA 3 consisting of the non-MSA municipality of Rincon.
- Non-MSA 4 consisting of the non-MSA island of Vieques.

UNITED STATES VIRGIN ISLANDS

- The non-MSA island of St. Thomas.
- The non-MSA island of St. Croix.

BPPR's assessment areas are in compliance with the requirements of Section 228.41 of Regulation BB and do not arbitrarily exclude any low- or moderate-income ("LMI") geographies. There are no financial or legal factors that would prevent Banco Popular from fulfilling its responsibilities under the CRA.

SCOPE OF EXAMINATION

Overall conclusions regarding the bank's CRA performance was based primarily on performance in Puerto Rico. When considering the Puerto Rico and the USVI assessment areas, 97 percent of the branches and 95.5 percent of the deposits are in the Puerto Rico assessment areas. Accordingly, performance in the USVI is not significantly weighted in the overall CRA evaluation.

A full-review analysis of the BPPR's performance was conducted using the *Interagency Procedures and Guidelines for Large Retail Institutions* in the CMSA 7442 (San Juan-Caguas-Arecibo, PR) and MSA 6360 (Ponce, PR) assessment areas of Puerto Rico and the non-MSA island of St. Croix in the USVI assessment areas. Overall performance in Puerto Rico was primarily influenced by performance in CMSA 7442 (San Juan-Caguas-Arecibo, PR), which represents 64 percent of the total population, 65 percent of LMI families, 68 percent of branches and 77 percent of deposits in the combined Puerto Rico assessment areas.

Limited reviews regarding the bank's performance in MSA 4840 (Mayaguez, PR), MSA 0060 (Aguadilla, PR) as well as all the non-MSA assessment areas in Puerto Rico and St. Thomas in the USVI are included in this evaluation. Limited review areas did not impact the overall conclusion.

The evaluation of BPPR's performance encompassed the period of January 1, 2000, through December 31, 2001. The evaluation included home purchase loans, refinancings of such loans and home improvement loans as reported under Regulation C--Home Mortgage Disclosure Act ("HMDA"), as well as small business and small farm loans as reported under the CRA. HMDA-related loans were either originated or purchased by BPPR or affiliates Popular Mortgage, Inc., Popular Finance, Inc., or Levitt Mortgage reporting under the name Newco Inc. Purchase loans represent approximately 21 percent of all HMDA-related loans.

Of total HMDA-related loans, the bank accounted for 64 percent of activity, while the combined affiliates accounted for the remaining 36 percent. Affiliate activity was concentrated in home purchase and refinance lending. As of June 1998, the bank merged its mortgage department into Popular Mortgage and began marketing home purchase and refinance mortgage loans through that subsidiary. The bank reported 98 percent of home improvement loans used for analysis. HMDA-related loans were reported for Puerto Rico only. Reporting requirements under Regulation C are not applicable with respect to dwellings in U.S. territories. Management supplied data for mortgage loans BPPR originated in the USVI.

Home improvement loans totaled 20,076 or 38 percent of all HMDA-related loan activity during the examination period. For analytical purposes, loan products were evaluated and weighted based on the overall number of loans and their relative importance to the loan program. Because of the volume of home improvement lending, the limited availability of affordable housing opportunities, and the fact that home improvement lending is an important and documented credit need in the assessment areas, home improvement lending activity was given the greatest weight in the evaluation of HMDA-related products.

For evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 Census income data. Distribution of loans to borrowers of different income levels was determined based on 2000 and 2001 estimated median family income data from the U.S. Department of Housing and Urban Development ("HUD").

HMDA-related loan performance was compared with that of the aggregate of all such reporters in the CMSA, PMSA and MSA assessment areas for 2000, the most recent year for which the information was available. Aggregate HMDA information is not available for the USVI. Small business loan performance was compared with that of the aggregate of all small business loan reporters on the same basis.

Examiners conducted interviews with four community contacts, including two government entities and two private entities engaged in activities to assist community development. All contacts were made in Puerto Rico.

As part of the CRA examination, examiners verified the integrity of the HMDA and small business loan data reported by the bank in 2000 and 2001. The review indicated that the HMDA information submitted was in compliance with the reporting requirements of Regulation C-- Home Mortgage Disclosure Act and the small business data was reported correctly pursuant to the CRA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Banco Popular's record of meeting the credit needs of its assessment areas through its lending activities is rated "outstanding" based on outstanding performance in Puerto Rico and high satisfactory performance in the USVI assessment area.

The facts and data used to evaluate the bank's lending test performance in its various assessment areas appear in the Appendix D tables. Lending activity is depicted in Table 1, geographic distribution in Tables 2-7, and borrower characteristics are depicted in Tables 8-12. Separate tables are used for the Puerto Rico and USVI assessment areas.

Lending Activity: Based on excellent lending activity in Puerto Rico and the USVI, BPPR's overall lending activity, summarized in the following Exhibit 1, showed excellent responsiveness to credit needs in the bank's assessment areas when measured in terms of the number and dollar amount of HMDA-related and small business loans originated or purchased during the examination period.

| EXHIBIT 1 | | | | |
|--|---------------|-------------|-------------------|-------------|
| Summary of Lending Activity | | | | |
| Loan Type | # | % | \$ ('000s) | % |
| HMDA home purchase | 15,612 | 20% | 2,135,665 | 32% |
| HMDA refinancings | 17,926 | 23% | 1,877,054 | 28% |
| HMDA home improvement | 20,207 | 25% | 229,336 | 4% |
| HMDA multifamily | 0 | 0% | 0 | 0% |
| Total HMDA-related | 53,745 | 68% | 4,242,055 | 64% |
| Loans to small businesses | 24,860 | 31% | 2,345,882 | 35% |
| Loans to small farms | 784 | 1% | 56,109 | 1% |
| Total small business and small farm | 25,644 | 32% | 2,401,991 | 36% |
| TOTAL LOANS | 79,389 | 100% | 6,644,046 | 100% |

Note: Affiliate loans include only loans originated or purchased within the bank's assessment areas.

In 2000, BPPR reported the largest number of home improvement, small business and small farm loans in Puerto Rico. It ranked second in volume of home purchase loans and refinancings.

Assessment Area Concentration: Substantially all the bank's lending, totaling 56,260 loans and \$3,768,732, was made in its assessment areas as shown in Exhibit 2. As discussed previously in the Scope of Examination section, most of BPPR's home purchase loans and refinancings are originated or purchased by its mortgage company affiliate and therefore not included in the analysis of assessment area concentration. Most home improvement and small business loans are originated or purchased by the bank and are part of the analysis of assessment area concentration. The numbers reflected in the lending volume tables in Appendix D represent in-assessment area loans only (both affiliate and bank).

| EXHIBIT 2 | | | | | | | | |
|--|---------------|------------|------------------|------------|-----------|----------|--------------|----------|
| Lending Inside and Outside the Assessment Area | | | | | | | | |
| | Inside | | | | Outside | | | |
| | # | % | \$('000s) | % | # | % | \$('000s) | % |
| HMDA home purchase | 3,700 | 100 | 641,109 | 100 | 2 | 0 | 371 | 0 |
| HMDA refinancings | 7,103 | 100 | 722,268 | 100 | 6 | 0 | 449 | 0 |
| HMDA home improvement | 19,813 | 100 | 3,364 | 88 | 52 | 0 | 461 | 12 |
| HMDA multifamily | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total HMDA-related | 30,616 | 100 | 1,366,741 | 100 | 60 | 0 | 1,281 | 0 |
| Small businesses | 24,860 | 100 | 2,345,882 | 100 | 35 | 0 | 5,719 | 0 |
| Small farms | 784 | 100 | 56,109 | 100 | 0 | 0 | 0 | 0 |
| Total small business | 25,644 | 100 | 2,401,991 | 100 | 35 | 0 | 5,719 | 0 |
| TOTAL LOANS | 56,260 | 100 | 3,768,732 | 100 | 95 | 0 | 7,000 | 0 |

Note: Affiliate loans not included.

Geographic and Borrower Distribution: Based on excellent performance in Puerto Rico and good performance in the USVI, the bank exhibited excellent geographic distribution of loans considering the level of lending opportunities available in LMI geographies. For HMDA-related loans, conclusions were based primarily on performance in moderate-income geographies. Very low levels of income and owner-occupied housing units make it difficult to extend housing-related credit in low-income areas.

Based on good distribution in both Puerto Rico and the USVI, the overall distribution of loans among borrowers of different income levels and businesses of different sizes was good given the wide disparity between housing prices and incomes, which generally places owner-occupied housing beyond the reach of LMI families in the bank's assessment areas. This disparity also makes the available market for refinancings to LMI families very limited. Performance relative to moderate-income borrowers was given the most weight because the income level of low-income borrowers precludes them from most housing-related loans.

Community Development Lending: BPPR's overall community development lending performance was excellent based on excellent performance in Puerto Rico and adequate performance in the USVI. During the examination period, community development loan commitments totaled \$106 million. Ninety-seven percent of community development loans were in Puerto Rico, where there are the greatest opportunities for such lending.

Community development lending was responsive to identified credit needs. Affordable housing initiatives totaled \$58 million or 55 percent of total activity. These initiatives provided for the construction and rehabilitation of at least 2,039 affordable housing units throughout the bank's assessment areas. Affordable housing was identified as a critical need in the bank's assessment area. Construction lending, which represents most of BPPR's affordable housing activity, is complex and requires considerable coordination with government agencies and developers. Community development lending in support of community service activity totaled \$46 million or

43 percent of total community development activity. Community service needs are important in both Puerto Rico and the USVI given the high levels of poverty in both assessment areas. Lending for economic development activity totaled \$2 million or 2 percent of total activity while lending targeted to revitalization/stabilization totaled \$20 thousand or less than 1 percent of total community development activity.

INVESTMENT TEST

BPPR's investment performance is rated "outstanding" based on outstanding performance in Puerto Rico and low satisfactory performance in the USVI. BPPR had an excellent level of investments that indicated strong responsiveness to the credit and community development credit needs of its assessment areas. Overall, BPPR's volume of qualified investments totaled \$257 million at this examination, which includes \$168 million made since the previous examination. Total investments consisted of \$254 million in investments in various agencies engaged in community development activity and \$3 million in charitable grants and contributions. Of total investments, virtually all were in Puerto Rico. In the USVI, investment opportunities were very limited. For details, see Table 14 for both Puerto Rico and the USVI.

BPPR's investments exhibited excellent responsiveness to the most pressing credit and community development needs in the bank's assessment areas. Fifty-seven percent or \$146 million were directed to agencies that supported the development of affordable housing. Forty percent or \$102 million of qualified investments targeted community service activity. Three percent or \$9 million targeted economic development activities.

SERVICE TEST

The overall BPPR rating on the service test is "outstanding" based on outstanding performance in Puerto Rico and high satisfactory performance in the USVI assessment areas. For details, see Table 15 for both Puerto Rico and the USVI.

Retail Services: The bank's delivery systems were readily accessible to all portions of the bank's assessment areas, and the bank's record of opening and closing branches did not adversely affect the overall accessibility of the bank's delivery systems. Products and services did not vary in a way that inconveniences portions of the assessment areas. Business hours were reasonable and tailored to the needs of the various assessment areas. Extended business hours on weekends, including Sundays, were provided.

BPPR employed several alternative delivery systems that effectively enhanced distribution of banking services throughout its assessment areas. Alternative delivery systems included a network of 509 automated teller machines ("ATMs"), 83 loan origination offices for its mortgage and finance company subsidiaries, banking by phone ("Telebanco"), telephone bill payment ("Telepago") as well as Internet services such as no-fee access to account information and loan application processing.

Community Development Services: Overall, BPPR is a leader in providing community development services. The bank sponsored and/or participated in several hundred workshops and seminars in cooperation with nonprofit and governmental organizations. Bank employees provided technical assistance to over 40 community development organizations. And, the bank offers multiple products with the primary purpose of community development.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

No credit practices were identified that violated the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, and the Home Mortgage Disclosure Act (Regulation C).

COMMONWEALTH OF PUERTO RICO

CRA RATING FOR THE COMMONWEALTH OF PUERTO RICO: Outstanding.

The lending test is rated: Outstanding.

The investment test is rated: Outstanding.

The service test is rated: Outstanding.

The major factors supporting the rating follow:

- The number of home purchase, refinance, home improvement, and small business loans originated by the bank represented excellent responsiveness to the credit needs in the bank's assessment areas, given the bank's capacity, recent history and performance context issues.
- The bank had an excellent level of community development loans, totaling \$105.7 million in its assessment areas.
- The overall distribution of loans among geographies of different income levels was excellent.
- The bank had an excellent level of community development investments totaling \$257 million.
- The bank's service delivery systems were readily accessible to geographies and individuals of different income levels in its assessment areas.

SCOPE OF EXAMINATION

For the Puerto Rico rating, a full review was conducted for the CMSA 7442 (San Juan-Caguas-Arecibo, PR) and MSA 6360 (Ponce, PR) assessment areas. A limited review of the bank's performance in the other Puerto Rico assessment areas was also included. For details, see page BB3.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN PUERTO RICO

BPPR operates in the following eight assessment areas in the commonwealth:

- CMSA 7442 (San Juan-Caguas-Arecibo, PR), consisting of PMSA 7440 (San Juan-Bayamon, PR), PMSA 1310 (Caguas, PR) and PMSA 0470 (Arecibo, PR).
- MSA 6360 (Ponce, PR).
- MSA 4840 (Mayaguez, PR)
- MSA 0060 (Aguadilla, PR)

- Non-MSA 1, consisting of the contiguous non-MSA municipalities of Adjuntas, Aibonito, Arroyo, Barranquitas, Ciales, Coamo, Guayama, Isabela, Jayuya, Lares, Las Marias, Maunabo, Maricao, Orocovis, Patillas, Quebradillas, Salinas, San Sebastian, Santa Isabel, and Utuado.
- Non-MSA 2, consisting of the contiguous non-MSA municipalities of Guanica and Lajas.
- Non-MSA 3, consisting of the non-MSA municipality of Rincon.
- Non-MSA 4, consisting of the non-MSA island of Vieques.

As of December 31, 2001, BPPR operated the largest bank branch network in Puerto Rico with 193 branches and 499 ATMs. The Puerto Rico branches account for approximately \$8 billion in deposits, or 95.5 percent of the bank's total branch deposits. Based on deposits reported to the Federal Deposit Insurance Corporation ("FDIC") as of June 30, 2001, BPPR's branch network represented 36 percent of all bank deposits in Puerto Rico out of a total of 32 banks. BPPR affiliates maintain loan origination offices in Puerto Rico as well. Popular Mortgage has 25 offices, and Popular Finance has 58 offices located throughout the island.

Of the total number of branches in Puerto Rico, 131 or 68 percent were in CMSA 7442 (San Juan-Caguas-Arecibo, PR) assessment area. These branches account for \$6.1 billion or 76 percent of the bank's deposits in Puerto Rico.

During the examination period, BPPR and its affiliates originated or purchased 15,544 home purchase loans, 17,856 refinancings, 20,118 home improvement loans, and 25,296 small business and small farm loans in the overall Puerto Rico assessment area. This activity represents 99 percent of all HMDA-related activity and small business loans analyzed at this examination in the bank's combined Puerto Rico and Virgin Island assessment areas. Of the HMDA-related and small business activity in the Puerto Rico assessment area, 74 percent was in the CMSA 7442 (San Juan-Caguas-Arecibo, PR) assessment area.

LENDING TEST

Banco Popular's record of meeting the lending needs of its assessment areas through its lending activities is rated "outstanding" based on outstanding performance in the CMSA 7442 assessment area, the bank's primary assessment area, and high satisfactory performance in MSA 6360 (Ponce, PR).

The Appendix D tables contain the facts and data used to evaluate the bank's lending test performance in its various assessment areas. Lending activity is depicted in Table 1, geographic distribution in Tables 2-7, and borrower characteristics are depicted in Tables 8-12.

Lending Activity: BPPR's lending activity showed excellent responsiveness to retail credit needs in the bank's assessment areas when measured in terms of the number and dollar amount of HMDA-related and small business loans originated or purchased in each assessment area.

This conclusion is based on excellent lending activity in CMSA 7442, which represents 74 percent of lending at this examination, and high satisfactory performance in MSA 6360 (Ponce, PR), which represents 6 percent of the lending activity. In terms of different loan products, BPPR had 21 percent of the market for home purchase and refinance lending, 66 percent of the market for home improvement lending and 51 percent of the market for small business lending in 2000. During that year, BPPR reported the largest number of home improvement, small business and small farm loans in Puerto Rico.

Geographic and Borrower Distribution: Based on excellent distribution in CMSA 7442 (San Juan-Caguas-Arecibo, PR) and good distribution in MSA 6360 (Ponce, PR), the overall analysis showed excellent geographic distribution of loans considering the level of lending opportunities available in specific geographies. For HMDA-related loans, conclusions were based primarily on performance in moderate-income geographies. Very low levels of income and owner-occupied housing units make it difficult to extend housing-related credit in low-income areas.

The distribution of loans among borrowers of different income levels and businesses of different sizes was good based on excellent distribution in CMSA 7442 (San Juan-Caguas-Arecibo, PR) and good distribution in MSA 6360 (Ponce, PR), and given the wide disparity between housing prices and incomes, which generally places owner-occupied housing beyond the reach of LMI families. This disparity also makes the available market for refinancings to LMI families very limited. Performance relative to moderate-income borrowers was given the most weight because the income level of low-income borrowers (at most \$12,200 a year) precludes them from most housing-related loans.

The availability of flexible programs, such as the Law 124 Homeownership Program and the Spot Loan Program, both administered by the Puerto Rico Housing Finance Corporation, enhanced lending to LMI borrowers. Act 124 loans offer down payment and mortgage rate subsidies for qualified LMI homeowners. During the examination period the bank originated 1,107 Act 124 loans totaling \$76 million. In addition, the bank originated 281 loans totaling \$21 million under the Spot Loan Program.

Community Development Lending: BPPR's community development lending performance was excellent based on excellent performance in CMSA 7442 (San Juan-Caguas-Arecibo, PR) and adequate performance in MSA 6360 (Ponce, PR). Opportunities for community development lending are more limited in MSA 6360. During the examination period, community development loan commitments in Puerto Rico totaled \$105.7 million.

Community development lending was responsive to identified credit needs. Affordable housing initiatives were identified as one of the primary community development needs in Puerto Rico. Affordable housing initiatives provided for the construction and rehabilitation of at least 1,987 affordable housing units throughout the bank's assessment areas. Construction lending, which represents most of BPPR's affordable housing activity, is complex and requires considerable coordination with government agencies and developers. Community development lending targeted the following activities:

| ACTIVITY | AMOUNT ('000,000s) | PERCENTAGE |
|------------------------------|--------------------|------------|
| Affordable Housing | \$58.0 | 55% |
| Community Service | \$46.0 | 43% |
| Economic Development | \$2.0 | 2% |
| Revitalization/Stabilization | \$.20 | <1% |

INVESTMENT TEST

In Puerto Rico, BPPR's investment performance is rated "outstanding" based on excellent performance in CMSA 7442 (San Juan-Caguas-Arecibo, PR) and adequate performance in MSA 6360 (Ponce, PR). Specific assessment area performance was enhanced by \$253 million in island-wide investments that benefited the island on a broader regional basis and did not target a specific MSA. Opportunities for qualified investments in specific MSAs such as MSA 6360 are limited. Overall, BPPR had an excellent level of investments that totaled \$257 million and indicated excellent responsiveness to the credit and community development credit needs of its assessment areas. Of total investments, \$168 million were new investments made since the last examination. Total investments consisted of \$254 million in investments in various agencies engaged in community development activity and \$3 million in charitable grants and contributions.

BPPR's investments exhibited excellent responsiveness to the most pressing credit and community development needs in the bank's various assessment areas. Fifty-seven percent or \$146 million of investments were directed to agencies that supported the development of affordable housing. Affordable housing investments consisted primarily of collateralized mortgage obligations issued by the Puerto Rico Housing Bank and Finance Agency, which supported the development of affordable housing throughout Puerto Rico. Forty percent or \$102 million of qualified investments targeted community service activity. Community service investments included \$100 million of Public Finance Corporation bonds that were used to support the administration of public hospitals and other health facilities in all of Puerto Rico, particularly those serving low-income families and communities. Three percent or \$9 million of investments targeted economic development activities.

SERVICE TEST

In Puerto Rico, BPPR's performance under the service test is rated "outstanding" based on an excellent level of delivery systems and community development services. The conclusions are based on excellent performance in CMSA 7442 (San Juan-Caguas-Arecibo, PR) and good performance in MSA 6360 (Ponce, PR).

Retail Services: The bank's branch delivery systems were readily accessible to geographies and individuals of different income levels in the assessment area, with branches located in virtually every municipality on the island of Puerto Rico. In addition, BPPR was effective in its use of alternative delivery systems, including ATMs and mortgage and personal loan origination affiliates to enhance delivery of its products and services.

To the extent that changes were made, the bank's record of opening and closing branches did not adversely affect the accessibility of its delivery systems, especially in LMI areas. With regard to alternative delivery systems, 74 new off-site ATMs were installed during the examination period. The bank provided extended hours on weekday evenings, Saturdays and Sundays.

Community Development Services: The bank is a leader in providing community development services throughout the assessment area. BPPR conducted or participated in numerous seminars and workshops providing instruction on financial literacy, community services and affordable housing. Technical support was provided to numerous organizations and included the following:

- Popular Mortgage joined with Rural Opportunities, Inc. ("ROI"), Local Initiatives Service Corporation ("LISC"), the U.S. Department of Agriculture ("USDA"), the Rural Development Program and six municipalities in organizing a project for the construction of 300 rental units in the central mountain region of Puerto Rico.
- The bank negotiated a financing package with the Puerto Rico Housing Finance Corporation for the creation of a home purchase program, and provided personnel to screen applicants for the homeownership program.
- BPPR provided technical briefings and acted as advisor on the creation of a home improvement loan pool and loan programs, and made recommendations with regard to the needs of low- and very low-income communities to the Senate of Puerto Rico, the Department of Housing, and the Housing Finance Corporation.

The bank initiated numerous community development programs and activities including:

- The Credit Rehabilitation Program develops a credit recovery plan that features either the renegotiation of existing loans or consolidation of debt. Over 2,000 persons have attended the program seminars under which more than 400 loans have been originated.
- The First Home Club, funded by a grant from the Federal Home Loan Bank of New York is a 3:1 matched savings program to cover the expense of down payment and/or closing costs. The bank created a special loan program ("Pronto Popular") with below-market interest rates, reduced points, no application fee and flexible underwriting criteria to sustain the program, established in September 2001. More than 50 customers have registered.
- Also in 2001, the bank initiated Banco en la Comunidad in an effort to inform persons who lack banking relationships about budgeting and available financial services. BPPR's primary research indicated that 50 percent of the population in Puerto Rico has no banking affiliations. Branch staffs made over 180 presentations, and approximately 8,000 persons attended the sessions.

- The bank participated in loan guarantee programs of the Economic Development Bank, the Consolidated Farm Services of Puerto Rico and the Rural Development Agency's Business and Industry Guaranteed Loan Program.

In addition, BPPR offers various community development products and services, including low-cost check-cashing for non-customers and free in-branch payment services whereby the bank accepts payments on behalf of over 50 companies and agencies such as telephone, electric, and cable. Through its ATM network, BPPR has a unique funds transfer service between customers in Puerto Rico and residents of the Dominican Republic. Fees are less than traditional wire transfer charges.

In order to provide financial services to those with limited resources, BPPR has created Acceso Popular, a low-cost account with both checking and savings components. Account holders can access their account and all the bank's electronic services through the bank's extensive ATM and POS networks or through the Internet. In addition, Acceso Popular customers can purchase money orders at a reduced fee and make unlimited ATM transactions for a \$1 monthly service fee.

Closely related to its Acceso Popular account, BPPR's Acceso account is an Electronic Transfer Account ("ETA") for recipients of Social Security payments or other payments from the federal government such as veterans benefits. The account allows participants to access their account through ATM and POS networks or through the Internet and receive all the benefits of other Banco Popular accounts, including reduced fee money orders.

Finally, various BPPR in-kind activities benefited local community development organizations. For example, the bank provides office space to the NHS of San Juan, and office and organizational support to the San Juan Habitat for Humanity. The bank regularly donates the use of its facilities for various meetings, conferences, and fundraisers conducted by the local nonprofit community development organizations. In addition, the bank regularly donates furniture and equipment, including computers, to local community development organizations.

METROPOLITAN AREAS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CMSA 7442 (SAN JUAN-CAGUAS-ARECIBO, PR)

Performance in this assessment area provided the greatest weight in determining BPPR's overall rating because of the concentration of deposits, lending and population. As of December 31, 2001, the bank maintained 131 branches representing 68 percent of its branches in Puerto Rico. The branches had approximately \$6.1 billion in deposits or 77 percent of the bank's total deposits in Puerto Rico. The largest number of branches was in PMSA 7440 (San Juan-Bayamon, PR) where 111 branches or 85 percent of all branches in the CMSA were located. In addition, Popular Finance operated 33 loan origination offices in the CMSA while Popular Mortgage maintained 17 loan offices.

During the examination period, BPPR and its affiliates originated or purchased 14,281 home improvement loans, 13,851 refinancings, 12,601 home purchase loans, and 17,249 small business and small farm loans in the CMSA. This activity represented approximately 76 percent of HMDA-related and 68 percent of small business loans originated or purchased by the bank and its affiliates in Puerto Rico during the examination period. Of the lending activity in the CMSA, 79 percent of HMDA-related loans and 82 percent of small business loans were in PMSA 7440 (San Juan-Bayamon, PR). PMSA 1310 (Caguas, PR) represented 16 percent of HMDA-related loans and 11 percent of small business loans, while the remainder of activity was in PMSA 0470 (Arecibo, PR), the most rural PMSA within the CMSA.

The financial services market is highly competitive in the CMSA assessment area. As of June 30, 2000, BPPR held 31 percent of deposits out of 27 banks in the CMSA assessment area. The primary competitors are Banco Santander Puerto Rico, FirstBank of Puerto Rico and Banco Bilbao Vizcaya Puerto Rico. In addition, non-bank competitors including mortgage corporations, such as Doral Financial Corporation and R&G Mortgage Corporation, play a major role in providing credit services.

Demographic and economic information also impacts the bank's performance context and is discussed below. Information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, 1990 and 2000, the U.S. Department of Labor, the Puerto Rico Department of Economic Development and Commerce, Estudios Technicos, Inc., and the Banco Popular Strategic Planning Division.

PERFORMANCE CONTEXT

Demographic Characteristics

The CMSA assessment area encompasses most of the eastern portion of the island of Puerto Rico and includes three PMSAs and 38 municipalities. According to the 2000 Census, the population of CMSA 7442 is 2.5 million, a 7.9 percent increase since 1990. The 2000 CMSA population represents approximately 65 percent of the total population of Puerto Rico. Of the total

population in the CMSA, 2 million, or 80 percent, resides in the PMSA 7440 (San Juan-Bayamon, PR) portion of the CMSA.

Income Characteristics

The 1990 median family income for CMSA 7442 is \$11,089, about 11 percent higher than the overall median family income in Puerto Rico of \$9,988. In 2000, the HUD estimated median family income for the three PMSAs in the CMSA ranged from \$17,200 in PMSA 7440 (San Juan-Bayamon, PR) to \$16,300 in PMSA 1310 (Caguas, PR) to \$12,900 in PMSA 0470 (Arecibo, PR). In 2001, the figures increased to \$18,200, \$17,100 and \$13,700, respectively. Based on the 1990 Census, of the 507 census tracts considered for housing analysis, 154 or 30 percent are LMI. Most LMI tracts are found in the San Juan-Bayamon PMSA, primarily in the municipality of San Juan.

Housing Characteristics

The CMSA contains approximately 768 thousand housing units, of which 64 percent are owner-occupied. About 26 percent of housing units are rentals and the rest are vacant. While the level of owner-occupancy among moderate-, middle-, and upper-income census tracts is consistent with the overall figure, the level of owner-occupancy in low-income census tracts is only 18 percent, with 75 percent of housing units classified as rental units, leaving little room for HMDA-related lending.

Except for the Arecibo PMSA, HUD has designated the CMSA assessment area a “Difficult Development Area” because of the high cost of construction, particularly when compared with income levels. Such factors also limit opportunities for HMDA-related lending.

Housing costs in the San Juan-Bayamon PMSA are the highest in Puerto Rico. During the examination period, the average median cost of a single-family home was estimated in the range of \$150 thousand in Bayamon and over \$300 thousand in San Juan. In other municipalities such as Dorado and Guaynabo, the median cost was in the range of \$125 thousand and over \$300 thousand, respectively. The lowest median housing costs (in the \$90 thousand range) were found in the more rural municipalities. Median housing costs in the Arecibo PMSA were under \$90 thousand while in the Caguas PMSA they were between \$125 thousand to \$150 thousand.

Labor, Employment and Economic Characteristics

As in all of Puerto Rico, the economy in the CMSA is experiencing the effects of the economic slowdown. Unemployment levels increased in 2001 after reaching their lowest levels in almost ten years in 2000. In that year, the average annual unemployment rate for the CMSA was 8.4 percent, and in 2001 the rate increased to 9.6 percent. Unemployment is highest in the Arecibo PMSA, ranging from approximately 11.8 percent in 2000 to 13.8 percent in 2001. The lowest jobless levels are in the San Juan-Bayamon PMSA, ranging from approximately 8 percent in 2000 to 9.2 percent in 2001.

EXHIBIT 3
Assessment Area Demographics
CMSA 7442 (San Juan-Caguas-Arecibo, PR)

| Income Categories | Tract Distribution | | Families by Tract Income | | Households < Poverty Level as % of Households by Tract | | Families by Family Income | | |
|------------------------------|----------------------------------|---|--------------------------|-----------------------------------|--|-------------------------|---------------------------|-----------------------------|----------|
| | # | % | # | % | # | % | # | % | |
| Low-income | 15 | 3 | 14,125 | 2 | 14,774 | 4 | 144,705 | 25 | |
| Moderate-income | 140 | 26 | 147,270 | 25 | 121,361 | 34 | 93,330 | 16 | |
| Middle-income | 198 | 38 | 247,660 | 43 | 160,973 | 44 | 96,202 | 17 | |
| Upper-income | 153 | 29 | 171,166 | 30 | 65,733 | 18 | 245,984 | 42 | |
| Tract not reported | 19 | 4 | | | | | | | |
| Total Assessment Area | 525 | 100.0 | 580,221 | 100.0 | 362,841 | 100 | 580,221 | 100.0 | |
| | Housing Units by Tract | Housing Types by Tract | | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | | |
| | | # | % | | # | % | # | % | |
| Low-income | 18,828 | 3,478 | 0 | | 14,156 | 7 | 1,194 | 2 | |
| Moderate-income | 197,318 | 123,928 | 25 | | 51,992 | 26 | 21,398 | 27 | |
| Middle-income | 323,720 | 213,180 | 44 | | 76,522 | 39 | 34,018 | 43 | |
| Upper-income | 228,622 | 150,933 | 31 | | 55,669 | 28 | 22,020 | 28 | |
| Total Assessment Area | 768,488 | 491,519 | 100.0 | | 198,339 | 100 | 78,630 | 100 | |
| | Total Businesses by Tract | Businesses by Tract & Revenue Size | | | | | | | |
| | | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | # | % | # | % | # | % | # | % |
| Low-income | 906 | 4 | 622 | 4 | 236 | 5 | 48 | 7 | |
| Moderate-income | 4,401 | 20 | 3,374 | 20 | 895 | 19 | 132 | 18 | |
| Middle-income | 6,961 | 31 | 5,385 | 32 | 1,356 | 28 | 220 | 30 | |
| Upper-income | 10,284 | 45 | 7,626 | 44 | 2,337 | 48 | 321 | 45 | |
| Tract not reported | | | | | | | | | |
| Total Assessment Area | 22,552 | 100.0 | 17,007 | 100.0 | 4,824 | 100.0 | 721 | 100.0 | |

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CMSA 7442 (SAN JUAN-CAGUAS-ARECIBO, PR)

LENDING TEST

BPPR's performance with respect to the lending test in CMSA 7442 was excellent. Lending activity, geographic distribution and community development lending were excellent. Borrower distribution was good. The facts and data used to evaluate the bank's performance in the assessment areas are shown in Appendix D, with lending activity depicted in Table 1, geographic distribution in Tables 2-7, and borrower distribution in Tables 8-12.

Lending Activity: BPPR's responsiveness to credit needs in CMSA 7442 was excellent. The bank's rank and market share of small business lending was equivalent to the bank's deposit market position. BPPR ranked first out of a total of 27 banks in terms of deposits in the CMSA,

and first in small business lending with 48 percent of the market in 2000. HMDA-related lending was slightly less consistent as the bank operates in a highly competitive market and does not directly market its mortgage loans through its branch network. The bank ranked second in home purchase lending and third in refinance lending with a 20 percent share of each of those loan markets. The bank ranked first in market share in home improvement lending with 69 percent.

Geographic Distribution: Overall, the geographic distribution of HMDA-related and small business loans reflects excellent penetration, although performance varied between HMDA-related products and small loans to businesses. For HMDA-related loans, conclusions were based on performance in moderate-income geographies. As noted in the Performance Context, very low levels of income and owner-occupied housing units generally make it difficult to extend housing-related credit in low-income areas. In addition, it was noted that in the LMI areas of the San Juan portion of the CMSA, where most of the island's LMI tracts are located, many residents do not hold title to the property where their homes are built, limiting mobility and precluding normal financing.

Home Purchase Loans

The geographic distribution of home purchase loans was good in the CMSA assessment area considering the performance context issues already discussed regarding limited opportunities and the construction of most new affordable housing units outside of LMI areas. When compared with the level of owner-occupied housing units and the performance of the aggregate in LMI tracts, the overall distribution of home purchase loans was good.

Refinance Loans

The geographic distribution of refinancings was good in the CMSA assessment area compared with the number of owner-occupied housing units and the performance of the aggregate in LMI census tracts, and in light of the performance context in which the bank operates. Refinance opportunities are more limited than home purchase opportunities because of the additional impact of liquidity issues (closing costs, for example) and the rarity of refinancing for homeowners who have received financial assistance under affordable housing programs.

Home Improvement Loans

The geographic distribution of home improvement loans was excellent. The level of lending in moderate-income census tracts exceeded the level of owner-occupied housing units and was comparable to the aggregate. In low-income tracts, performance was weaker considering the level of owner-occupied housing units and aggregate performance.

Small Loans to Businesses

The geographic distribution of small loans to businesses across census tracts of different income levels reflects excellent penetration. Within the CMSA, the distribution of loans to small businesses in moderate-income geographies was excellent. The volume of lending exceeded the volume of business establishments in moderate-income geographies and was greater than the

aggregate.

In low-income tracts, the bank's performance was comparable to the aggregate, and both lagged behind the level of businesses located there. Most such businesses are thought to be very small and would have a difficult time qualifying for bank credit.

Small Loans to Farms

Within the CMSA, the overall distribution of small loans to farms across census tracts of different income levels was excellent when compared with the level of small farms located in LMI census tracts and the performance of the aggregate. Performance in low-income tracts was weak when compared with the level of farms located in these tracts, but consistent with the aggregate.

Distribution by Borrower Income and Revenue Size of the Business: The overall distribution of loans among borrowers of different income levels and businesses of different sizes was good. HMDA-related performance was based primarily on lending to moderate-income borrowers. Low-income families were not a primary factor in the analysis because of the large gap between their income level and housing costs.

Home Purchase Loans

Overall, BPPR's distribution of home purchase loans among moderate-income borrowers was adequate when compared with the number of moderate-income families and given the large gap between housing costs and income. Performance exceeded the aggregate. Neither the bank's nor the aggregate's performance was consistent with the level of moderate-income families, supporting the contention that moderate-income borrowers have difficulty affording owner-occupied housing.

Refinance Loans

BPPR's distribution of refinancings to moderate-income borrowers was also adequate when compared with the number of moderate-income families and the performance of the aggregate, and given the performance context issues previously discussed. Also, the bank's performance in the CMSA was less than the aggregate for both low- and moderate-income families.

Home Improvement Loans

The distribution of home improvement loans to moderate-income borrowers was good when compared with the number of moderate-income families in the CMSA assessment area and the performance of the aggregate.

Small Loans to Businesses

BPPR's performance in providing small loans to businesses was good. Seventy-five percent of BPPR's loans to small businesses originated in the assessment area during the examination

period were for \$100 thousand or less. The average size for such loans was \$34,181, an amount that would typically meet the need of small businesses. BPPR's percentage of loans in CMSA 7442 to businesses with gross annual revenues ("GAR") of \$1 million or less was lower than the number of business establishments with GAR of \$1 million or less, but generally consistent with opportunities as measured by the performance of the aggregate.

Small Loans to Farms

Performance regarding small loans to farms was good based on the number of such farms in the CMSA and the performance of the aggregate.

Community Development Lending: BPPR's community development lending performance in the CMSA was excellent totaling \$95 million or 90 percent of total community development lending activity.

Most community development lending benefited PMSA 7440 (San Juan-Bayamon, PR) where commitments totaled \$70 million or 74 percent of activity. Activity in PMSA 0470 (Arecibo, PR) totaled \$25 million or 26 percent of total activity and activity in PMSA 1310 (Caguas, PR) totaled \$77 thousand or less than 1 percent of total activity.

BPPR's community development lending in CMSA 7442 targeted affordable housing, which community contacts identified as a critical need in the CMSA assessment area. Of all loans, 56 percent were for affordable housing while 44 percent targeted community service activities, another important need in the assessment area. Most of the community development lending for affordable housing consisted of construction loans, which developed over 1,800 units of affordable housing.

Examples of community development loans include:

- A \$16 million construction loan to finance 130 units of affordable housing being constructed under Law 124.
- A \$3 million construction loan to a nonprofit to construct 108 units of low-income housing in the Israel and Bitmul areas within San Juan. Both are two of the poorest communities in the city.
- A \$12 million loan to an organization providing health care services in Arecibo to residents who cannot afford them.

INVESTMENT TEST

BPPR's performance under the investment test was excellent. The bank's level of qualified investments totaled \$3.3 million in the CMSA. Investments included \$1.1 million in municipal bonds which targeted affordable housing development in PMSA 1310 (Caguas, PR) and \$2.2 million in grants to organizations targeting community service activities throughout the

CMSA. In addition, the CMSA benefited from island-wide investments in collateralized mortgage obligations that targeted affordable housing development across Puerto Rico.

SERVICE TEST

The bank's performance under the service test in CMSA 7442 was excellent based on outstanding delivery of retail services and BPPR's leadership role in providing community development services.

Retail Services: Overall, BPPR's delivery systems were readily accessible to all portions of the bank's assessment areas when compared with the percentage of the population residing in LMI geographies. For details, see Table 15 (Puerto Rico). Of the 131 branches in the CMSA assessment area, 30 or 23 percent are located in LMI geographies.

BPPR employed multiple alternative delivery systems that effectively enhanced distribution of banking services throughout the CMSA 7442 assessment area. The bank maintained 365 ATMs in the CMSA, 80 or 22 percent located in LMI geographies. Of the total number of ATMs, 183 were located at bank branches while 182 were at off-site locations, 40 or 22 percent of the latter in LMI geographies. Fifty-one of the off-site ATMs were installed since the last examination, 10 or 20 percent in LMI areas.

Further enhancing the bank's delivery system are Popular Mortgage's 17 offices, 6 of which (or 35 percent) are located in LMI geographies. In addition, Popular Finance maintained 33 offices, with 8 or 24 percent located in LMI areas.

Changes in branch locations, as detailed in Table 15 for Puerto Rico have not adversely affected the accessibility of the bank's delivery systems, particularly in LMI geographies and to LMI individuals. Seven branches in the San Juan PMSA were closed and consolidated into existing branches, generally within a mile of the original location. Two of these branches were in a moderate-income census tract. Six new branches were opened, one in a moderate-income census tract. In addition, Popular Mortgage opened eight offices, three or 38 percent in LMI geographies. Six Popular Finance offices were opened; one or 17 percent was opened in a moderate-income tract.

Bank products and services did not vary in a way that inconvenienced certain portions of the bank's assessment areas, particularly in LMI geographies and to LMI individuals. Branch hours were reasonable and tailored to the needs of the community. Twenty-three or 18 percent of the branches provided extended hours on weekdays, 22 percent in LMI locations. Forty-five percent of the branches had Saturday hours, and 18 percent maintained Sunday hours, 17 percent of the latter in LMI geographies.

Community Development Services: The bank provided an excellent level of community development services. BPPR participated in or sponsored seminars and workshops on topics ranging from financial education to informing nonprofit groups about government programs. More than 30 officers and employees represented the bank on the boards and financial

committees of community organizations such Casa Protegida Julia de Burgos (a shelter for women), the Chamber of Commerce of Puerto Rico, Puerto Rico Community Foundation, Disaster Relief Committee for Santo Domingo and San Juan Neighborhood Housing Services. For Habitat for Humanity of Puerto Rico, the bank negotiated HOME funding and a land donation, secured donations and grants from the Fannie Mae Foundation and the Puerto Rico Housing Finance Corporation.

In 2001, the bank initiated Banco en la Comunidad in an effort to inform persons who lack banking relationships about budgeting and the availability of financial services. BPPR's primary research indicated that 50 percent of the population in Puerto Rico does not have banking affiliations. Over 180 presentations were made by branch staffs. Approximately 8,000 persons attended the sessions. BPPR also conducted the Credit Rehabilitation Program described in the Institution section as well as the First Home Club.

The bank's research indicated that a sizeable percentage of small businesses are family-owned. As a result, the bank initiated seven seminars for such businesses during the examination period.

In 2001 alone, the bank donated over 500 computers, monitors and printers to nonprofit community organizations and provided the use of its offices for the meetings of governmental and community development groups.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA 6360 (PONCE, PR)

As of December 31, 2001, BPPR maintained 15 of its branches, or 8 percent, in the Ponce MSA. The branches contained approximately \$526 million in deposits or 6 percent of the bank's deposits in Puerto Rico. Most branches were concentrated in the municipality of Ponce where nine branches, or 60 percent of all branches in the MSA, were located. The branches in Ponce contained about \$330 million in deposits or 63 percent of the deposits in MSA 6360. In addition, Popular Mortgage operates two offices in the MSA, and Popular Finance operates eight loan offices in the MSA.

During the examination period, BPPR and its affiliates originated or purchased 1,374 home improvement loans, 498 home purchase loans, 736 refinancings, and 2,156 small business and small farm loans in this MSA, representing approximately 5 percent of all HMDA-related loans and 9 percent of all small business loan activity in Puerto Rico during the examination period. Of the HMDA-related and small business loans originated in MSA 6360, 60 percent and 59 percent, respectively, were originated in the municipality of Ponce.

PERFORMANCE CONTEXT

The bank's performance was evaluated in terms of the context in which it operates. The competition for financial services is high in the MSA. BPPR is the market leader in terms of deposits with a 39 percent market share out of 12 banks, based on data reported to the FDIC as of June 30, 2001. Primary BPPR competitors include Banco Bilbao Vizcaya Puerto Rico and Banco Santander Puerto Rico. Mortgage loan competitors, which dominate the market, include Doral Financial Corporation and R&G Mortgage Corporation.

Relative to demographic and economic information, the Ponce MSA encompasses the southwestern portion of the island of Puerto Rico. It contains six municipalities, the largest of which is Ponce, the second most populous municipality on the island. According to the 2000 Census, the total population of the Ponce MSA is 361,094 or about 10 percent of the total population of Puerto Rico. Approximately 78 percent of the MSA's LMI census tracts are located in the municipality of Ponce. The municipalities of Guayanilla, Yauco and Peñuelas have no LMI tracts. As in the rest of Puerto Rico, the level of owner-occupancy is high, with 73 percent of the housing units in the MSA owner-occupied. Approximately 53 percent of the MSA's owner-occupied housing units and 70 percent of owner-occupied housing units in LMI census tracts are in the municipality of Ponce. The HUD estimated 2000 median family income was \$ 12,700 and increased to \$13,500 in 2001.

Housing costs in the Ponce MSA are high. During the examination period, the median range of a home was approximately \$125 thousand in 2000 and 105 thousand in 2001. A Puerto Rico Bankers Association study shows a high level of inadequate housing, indicating a strong demand for home improvement loans. The study estimates that approximately 13,400 housing units throughout this MSA need rehabilitation. The area with the greatest need is Ponce, the second oldest city in Puerto Rico, where an estimated 5,014 housing units need rehabilitation.

Most job opportunities are found in Ponce, which is considered the business and commercial center of the southern portion of the island. The economies of the other municipalities are generally agricultural. In 2000, the annual unemployment rate in the Ponce MSA was 13.3 percent. As of 2001, the unemployment rate was 13.7 percent, one of the highest in Puerto Rico. Opportunities for lending are therefore limited.

| EXHIBIT 4 | | | | | | | | |
|------------------------------|---------------------------|------------------------------------|--------------------------|------------------|--|----------------------|---------------------------|--------------|
| Assessment Area Demographics | | | | | | | | |
| MSA 6360 (Ponce, PR) | | | | | | | | |
| Income Categories | Tract Distribution | | Families by Tract Income | | Households < Poverty Level as % of Households by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low-income | 1 | 1 | 1,330 | 2 | 1,506 | 2 | 21,753 | 26 |
| Moderate-income | 17 | 21 | 13,850 | 17 | 13,802 | 22 | 12,575 | 15 |
| Middle-income | 34 | 42 | 39,885 | 48 | 32,468 | 52 | 13,653 | 17 |
| Upper-income | 25 | 30 | 27,045 | 33 | 14,745 | 24 | 34,129 | 42 |
| Tract not reported | 5 | 6 | | | | | | |
| Total Assessment Area | 82 | 100.0 | 82,110 | 100.0 | 62,521 | 100 | 82,110 | 100.0 |
| | Housing Units by Tract | Housing Types by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % | # | % | # | % | |
| Low-income | 1,738 | 446 | 0 | | 1,244 | 5 | 48 | 0 |
| Moderate-income | 19,369 | 10,634 | 15 | | 6,420 | 25 | 2,315 | 19 |
| Middle-income | 52,552 | 35,391 | 51 | | 10,594 | 41 | 6,567 | 54 |
| Upper-income | 34,540 | 23,759 | 34 | | 7,589 | 29 | 3,192 | 27 |
| Total Assessment Area | 108,199 | 70,230 | 100.0 | | 25,847 | 100 | 12,122 | 100 |
| | Total Businesses by Tract | Businesses by Tract & Revenue Size | | | | | | |
| | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | | |
| | | # | % | # | % | # | % | |
| Low-income | 9 | 0 | 8 | 0 | 1 | 0 | 0 | 0 |
| Moderate-income | 279 | 13 | 214 | 13 | 56 | 15 | 9 | 16 |
| Middle-income | 1,257 | 59 | 983 | 58 | 244 | 65 | 30 | 53 |
| Upper-income | 587 | 28 | 493 | 29 | 76 | 20 | 18 | 31 |
| Tract not reported | | | | | | | | |
| Total Assessment Area | 2,132 | 100.0 | 1,698 | 100.0 | 377 | 100.0 | 57 | 100 |

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 6360 (PONCE, PR)

LENDING TEST

BPPR's performance with respect to the lending test in MSA 6360 was good. Lending activity was excellent. Geographic distribution, borrower distribution and community development lending were good. Appendix D contains the facts and data used to evaluate the bank's

performance in the assessment areas with lending activity depicted in Table 1, geographic distribution in Tables 2-7, and borrower distribution in Tables 8-12.

Lending Activity: BPPR's responsiveness to credit needs in MSA 6360 was good. The bank's rank and market share of small business lending were consistent with the bank's deposit market position. HMDA-related lending was slightly less consistent as the bank operates in a highly competitive market. The bank ranked either second and third in market share in home purchase and refinance lending and ranked first in home improvement lending market share. The bank ranked first in small business lending with 50 percent of the market in 2000.

Geographic Distribution: The geographic distribution of HMDA-related and small business loans reflects good penetration, although performance varied between HMDA-related products and small loans to businesses. For HMDA-related loans conclusions were based primarily on performance in moderate-income geographies. Very low levels of income and owner-occupied housing units, as noted in the Performance Context, make it difficult to extend housing-related credit in low-income areas.

HMDA-related Loans

When compared with the level of owner-occupied housing units in moderate-income census tracts, the geographic distribution of home purchase loans was poor in Ponce and inconsistent with the performance of the aggregate. The geographic distribution of refinancings was adequate considering the performance context in which the bank operates. Refinance opportunities are more limited than home purchase opportunities because of the additional impact of liquidity issues (closing costs) and the impracticality of refinancings for homeowners who have received financial assistance under affordable housing programs. When compared with the level of owner-occupied housing units, the bank's performance in moderate-income census tracts was adequate. The bank's performance was inconsistent with the performance of the aggregate.

The geographic distribution of home improvement loans in moderate-income census tracts was good when compared with the level of owner-occupied housing units. The bank's performance, however, was weaker than the aggregate.

Small Loans to Businesses

The geographic distribution of small loans to businesses across census tracts of different income levels reflected good penetration throughout the MSA when compared with the number of business establishments in LMI geographies. Performance was comparable to the aggregate.

Small Loans to Farms

Within the MSA the distribution of small loans to farms across census tracts of different income levels was adequate when compared with the number of farms in LMI geographies.

Distribution by Borrower Income and Revenue Size of the Business: The overall distribution of loans among borrowers of different income levels and businesses of different sizes was

adequate based on performance in home improvement and small business lending. Performance in home purchase and refinance lending reflected the disparity between housing costs and income within the MSA in 2001 as the average selling price of a home was at least eight times higher than the median family income of a moderate-income borrower.

Home Purchase Loans

The distribution of home purchase loans among moderate-income borrowers was poor when compared with the percentage of moderate-income families. No loans were made to moderate-income borrowers. Less than 1 percent of the aggregate's loans were to moderate-income borrowers suggesting a weak market and a significant gap between housing costs and income.

Refinance Loans

BPPR's distribution of refinancing loans to moderate-income borrowers was weak when compared with the number of moderate-income families in the MSA given performance context issues. Performance was slightly weaker than the aggregate indicating an overall weak market for refinancing loans.

Home Improvement Loans

The distribution of home improvement loans to moderate-income borrowers was adequate when compared with the number of moderate-income families in the MSA and the aggregate. BPPR underperformed the aggregate. There were more home improvement loans to moderate-income borrowers in the MSA because these loans are of lower dollar amounts, and moderate-income families who own their home are more likely to make improvements to expand their homes rather than acquire new housing.

Small Loans to Businesses

BPPR's lending to businesses of different sizes in MSA 6360 (Ponce, PR) was adequate. Eighty-one percent of small business loans originated in the assessment area during the examination period were for \$100 thousand or less. The average size of such loans was \$32,866, an amount that would typically meet the need of small businesses. The bank's performance was slightly weaker than the aggregate. BPPR's percentage of loans in MSA 6360 to businesses with GAR of \$1 million or less was also lower than the number of business establishments with GAR of \$1 million or less. Furthermore, the bank underperformed the aggregate.

Community Development Lending: BPPR's community development lending performance in MSA 6360 (Ponce, PR) was adequate, totaling \$645 thousand, and targeted community service activity. Opportunities for such activity are limited in the MSA. Few community organizations are active, and competition among banks in the market is sharp.

Examples of community development loans include:

- a \$200 thousand loan to a nonprofit that provides educational support to LMI families, and

- a \$40 thousand loan to a nonprofit that provides social services such as drug and alcohol abuse to the homeless.

INVESTMENT TEST

Given the opportunities in the assessment area, the level of qualified investments in the Ponce MSA was adequate, totaling \$158 thousand. Qualified investments consisted of community development grants that primarily targeted community service activities. In addition, the MSA benefited from statewide investments in collateralized mortgage obligations that targeted affordable housing development across Puerto Rico.

SERVICE TEST

Performance under the service test was good based on BPPR's good delivery of retail services and an adequate level of community development services in the MSA.

Retail Services: The bank's delivery systems were accessible to geographies and individuals of different income levels in MSA 6360 (Ponce, PR). For details, see Puerto Rico Table 15. Of the bank's 15 retail branches, 4 or 27 percent were located in LMI geographies. This compares favorably with the percentage of population residing in LMI geographies.

The bank provided good alternative delivery systems. BPPR maintained 39 ATMs in the MSA, 11 or 28 percent located in LMI geographies. Every branch in a low- or moderate-income area had at least one ATM. Of the 21 off-site ATMs, 5 or 24 percent were in LMI locations. Eight new ATMs were installed during the examination period, one in a moderate-income area. In addition, Popular Mortgage maintained two offices in the MSA, both in non-LMI areas, and Popular Finance operated seven offices, all in middle- and upper-income geographies. Other alternative delivery systems are discussed in the Institution section of this report on Page BB7.

No retail branches were opened or closed during the examination period. Products and services did not vary in a way that inconvenienced certain portions of the assessment area, particularly LMI geographies and LMI individuals. Branch hours were tailored to the needs of the community. The bank offered regular hours generally from 8 a.m. to 4 p.m. Five branches maintained hours on Saturdays, one in a moderate-income area, and two had hours on Sundays, one located in a moderate-income geography.

Community Development Services: BPPR provided an adequate level of community development services. The bank participated in a seminar for the homeless and presented 19 business seminars. Many of the technical assistance activities reported in CMSA 7442 were performed for organizations that operate throughout Puerto Rico. Though specific officers and employees in MSA 6360 (Ponce, PR) may not be directly involved, the activities of many of officers and employees in CMSA 7442 support other regions of Puerto Rico as well.

METROPOLITAN AREAS

(LIMITED REVIEW)

MSA 4840 (MAYAGUEZ, PR)

MSA 0060 (AGUADILLA, PR)

NON-MSA 1

NON-MSA 2

NON-MSA 3

NON-MSA 4

Facts and data reviewed, including performance and applicable demographic information, can be found in the Appendix D tables. Lending test information is depicted in Tables 1-12. Information regarding investments is in Table 14, and information about the service test is in Table 15. Conclusions regarding performance in the individual assessment areas in relation to the overall Commonwealth of Puerto Rico's performance areas are as follows:

| Assessment Area | Lending Test | Investment Test | Service Test |
|------------------------|---------------------|------------------------|---------------------|
| MSA 4840 | Consistent | Consistent | Consistent |
| MSA 0060 | Consistent | Consistent | Consistent |
| Non-MSA 1 | Consistent | Consistent | Consistent |
| Non-MSA 2 | Consistent* | Consistent | Consistent |
| Non-MSA 3 | Consistent* | Consistent | Consistent |
| Non-MSA 4 | Consistent* | Consistent | Consistent |

* Conclusions are based on low loan volumes. Such activity, however, was found to be consistent with BPPR deposit levels. Also, several municipalities contained no LMI geographies; therefore, the geographic distribution portion of the lending test was not applicable.

These conclusions did not impact the overall rating for the commonwealth.

U.S. VIRGIN ISLANDS

CRA RATING FOR THE U.S. VIRGIN ISLANDS: Satisfactory.

The lending test is rated: High satisfactory.

The investment test is rated: Low satisfactory.

The service test is rated: High satisfactory.

The major factors supporting the rating follow:

- The number of home purchase, refinance, home improvement, and small business loans originated by the bank represented excellent responsiveness to the credit needs in the assessment areas.
- The distribution of loans among borrowers of different income levels and businesses of different sizes was good.
- The bank's service delivery systems were accessible to essentially all portions of the assessment areas.
- The bank provided a good level of community services in its USVI assessment areas.
- The bank's level of community development lending totaling \$358 thousand was adequate considering the limited opportunities available for such lending.

SCOPE OF EXAMINATION

For the USVI assessment areas, a full review was conducted of the bank's performance in the non-MSA area of St. Croix, where the geographies are more economically diverse, and a limited review was conducted for the non-MSA area of St. Thomas.

As the bank's assessment area in the USVI includes only seven branches, the bank's operations and performance here are weighted less heavily in the overall CRA evaluation. The volume of HMDA-related and small business loans reviewed were too low to significantly impact overall conclusions. In addition, the bank did not provide sufficient geographic designations for a full analysis of the geographic distribution of loans. Federal Reserve Regulation C--Home Mortgage Disclosure Act does not require banks in U.S. territories to report their HMDA data.

DESCRIPTION OF THE BANK'S OPERATIONS IN THE USVI

As of December 31, 2001, BPPR operated seven retail branches in the USVI containing \$373 million in deposits, the largest branch network in the USVI. The branches represent

4 percent of the bank's total branches and 4 percent of total branch deposits in BPPR's combined Puerto Rico and USVI assessment areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE USVI

BPPR has two assessment areas in the USVI, the island of St. Thomas and the island of St. Croix. During the examination period, BPPR was one of the three primary financial institutions operating in the USVI, in addition to the Chase Manhattan Bank and FirstBank of Puerto Rico. Based on deposits reported to the FDIC as of June 30, 2001, BPPR had 52 percent of deposits in the USVI while Chase and First Bank had 28 percent and 10 percent, respectively.

PERFORMANCE CONTEXT

In addition to the competitive environment, demographic and economic information helps to explain the performance context in which the bank operates. The following information was obtained from publicly available sources including HUD, the Office of Insular Affairs ("OIA") of the U.S. Department of the Interior, the U.S. Department of Commerce Bureau of the Census, 1990 and 2000, the USVI Bureau of Economic Research, and the USVI Government Development Bank.

Demographic Characteristics

According to the 2000 Census, the total population of the bank's USVI assessment areas is approximately 109 thousand, which is about evenly divided between the islands of St. Thomas and St. Croix. The population in the USVI assessment areas represents less than 1 percent of the total population residing in all the assessment areas evaluated at this examination.

Income Characteristics

Income levels in the USVI are higher than in Puerto Rico. Based on the 1990 Census, the median family income for the entire USVI is \$24,036. Median income is somewhat higher in St. Thomas (\$26,661), but lower in St. Croix (\$20,835). The HUD estimated median family income for both 2000 and 2001 was \$42,300 for St. Thomas and \$32,300 for St. Croix. Of the 16 subdistricts used for analysis, 3, or 19 percent, are LMI and are located in St. Croix. There are no LMI subdistricts in St. Thomas. In the USVI, the Census Bureau uses subdistricts as the equivalent of census tracts and block numbering areas ("BNAs"). The Virgin Islands government created census subdistricts in 1979, and the Census Bureau first used them for the 1980 Census.

Housing Characteristics

Based on the 1990 Census, of the 37,370 housing units in the USVI assessment areas, 13,668 or 37 percent are owner-occupied. Approximately 45 percent of housing units are renter-occupied, and 18 percent are vacant. Vacant housing units generally refer to vacation homes that are not occupied year-round. Many rental units are apartments that are part of private homes. Public housing includes about 5,000 rental units.

High housing and insurance prices and low-income levels have resulted in the low level of owner-occupancy in the USVI. According to the USVI Bureau of Economic Research, the average housing price in St. Thomas in 2000, the most recent year for which data is available, is \$317 thousand, and in St. Croix, \$232 thousand. Comparing these prices with median income levels, it is apparent that owner-occupied housing is generally beyond the reach of LMI families.

In order to provide homeownership opportunities for LMI families, the Virgin Island Housing Finance Authority (“VIHFA”) administers a HOME Program that uses HUD funds to subsidize the cost of a home and down payment. The VIHFA may provide mortgage assistance in lieu of a rental subsidy or offer families a one-time down payment grant equaling up to one year’s worth of their rental assistance. Large private sector community development activity is minimal, with most funding for affordable housing and economic development originating with governmental agencies. This limits community development loans and investment opportunities in the USVI for the several banks operating there.

Community contacts noted that hazard insurance costs are a barrier to homeownership for LMI families. The monthly cost of the insurance can be more than the required monthly mortgage loan principal and interest payment. And insurance costs generally escalate after large losses on the islands.

As a result of the above issues, new and innovative home purchase loans in the USVI are needed. Also needed are home improvement loans to repair deteriorated housing and expand housing units to include rental space. In the USVI, these needs are usually financed through refinancings.

Labor, Employment and Economic Characteristics

The local economy is driven by the service sector, primarily tourism, which accounts for 70 percent of the territory’s gross domestic product (“GDP”). Tourism alone employs about 70 percent of the workforce. Agriculture accounts for about 20 percent of the GDP in the USVI. The poor quality of land generally precludes large-scale cultivation, but cattle ranching provides some agriculture opportunities.

The remaining 10 percent of the GDP derives from the industrial sector, principally petroleum refining, watch assembly, rum distilling, pharmaceuticals, textiles and electronics. Most industrial activity is found on St. Croix, where the Hess Oil Refinery is the territory’s single largest employer. For 2000, the most recent year for which information was available, the unemployment rate in the USVI is 6.9 percent.

| EXHIBIT 5 Assessment Area Demographics U.S. Virgin Islands | | | | | | | | |
|--|---------------------------|------------------------------------|--------------------------|------------------|--|----------------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Households < Poverty Level as % of Households by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low-income | 1 | 3 | 546 | 2 | 313 | 5 | 5,464 | 25 |
| Moderate-income | 7 | 21 | 5,655 | 26 | 2,618 | 41 | 3,599 | 16 |
| Middle-income | 12 | 37 | 9,151 | 41 | 2,320 | 37 | 3,977 | 18 |
| Upper-income | 11 | 33 | 6,891 | 31 | 1,045 | 17 | 9,203 | 41 |
| N/A | 2 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Assessment Area | 33 | 100.0 | 22,243 | 100.0 | 6,296 | 100 | 22,243 | 100.0 |
| | Housing Units by Tract | Housing Types by Tract | | | | | | |
| | | Owner-occupied | | Rental | | Vacant | | |
| | | # | % | # | % | # | % | |
| Low-income | 902 | 68 | 0 | | 619 | 3 | 215 | 3 |
| Moderate-income | 9,123 | 2,283 | 17 | | 5,229 | 31 | 1,611 | 24 |
| Middle-income | 14,636 | 5,393 | 40 | | 7,135 | 42 | 2,108 | 32 |
| Upper-income | 12,709 | 5,924 | 43 | | 4,039 | 24 | 2,746 | 41 |
| Total Assessment Area | 37,370 | 13,668 | 100.0 | | 17,022 | 100 | 6,680 | 100 |
| | Total Businesses by Tract | Businesses by Tract & Revenue Size | | | | | | |
| | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | | |
| | | # | % | # | % | # | % | # |
| Low-income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moderate-income | 467 | 40 | 348 | 41 | 104 | 37 | 15 | 28 |
| Middle-income | 684 | 58 | 478 | 57 | 168 | 60 | 38 | 72 |
| Upper-income | 25 | 2 | 16 | 2 | 9 | 3 | 0 | 0 |
| Tract not reported | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Assessment Area | 1,176 | 100.0 | 842 | 100.0 | 281 | 100.0 | 53 | 100.0 |

LENDING TEST

Banco Popular’s record of meeting the lending needs of its assessment areas through its lending activities is rated “high satisfactory” based on good performance in St. Croix.

The USVI tables in Appendix D present the facts and data used to evaluate the bank’s lending test performance in its various assessment areas. Lending activity is depicted in USVI Table 1, geographic distribution in Tables 2-7, and borrower characteristics are depicted in Tables 8-11.

Lending Activity: BPPR’s lending activity showed excellent responsiveness to retail credit needs in the USVI. During the examination period, 575 loans totaling approximately \$68 million were originated in the USVI. Lending activity consisted of 227 HMDA-related loans and 348 small business loans.

During the examination period, the demand for HMDA-related lending declined because repairs following damage from two hurricanes that struck the islands in prior years were generally completed. The extensive damage had required major repairs across the islands, creating the need for refinance and home improvement lending.

Geographic Distribution: Distribution of loans in the two assessment areas of St. Croix and St. Thomas was good. HMDA-related loans were well disbursed throughout the two islands, with 41 percent on St. Croix and 59 percent on St. Thomas. Approximately 82 percent of small business lending was on St. Thomas, the economic center of the USVI.

Distribution by Borrower Income and Revenue Size of the Business: In light of the high housing and insurance costs and low income levels, the distribution of loans among borrowers of different income levels and businesses of different sizes was good. Community contacts noted that hazard insurance costs hinder homeownership for LMI families as the monthly cost of this insurance can exceed the monthly mortgage and interest payment. Many LMI families rely on government subsidies to purchase a home. As in Puerto Rico, performance relative to moderate-income borrowers was given the most weight because the income level of low-income borrowers precludes them from most housing-related lending.

Community Development Lending: Based on available opportunities, BPPR's overall community development lending performance was adequate. During the examination period, community development loan commitments in the USVI totaled \$358 thousand. This lending in the USVI targeted affordable housing and community service activity.

INVESTMENT TEST

In the USVI, BPPR's investment performance is rated "low satisfactory." Opportunities for qualified community development investments are very limited in the USVI. Such investments during this examination consist entirely of grants totaling \$28 thousand. Of this amount, \$21 thousand in grants were targeted to community service activity, \$4 thousand to economic development, and \$2 thousand in grants were targeted to revitalization/stabilization activities.

SERVICE TEST

BPPR is rated "high satisfactory" in the USVI. The bank's service delivery systems were accessible to geographies and individuals of different income levels in its assessment areas. Services did not vary in a way that inconveniences the bank's assessment area. Alternative delivery systems provided access to banking services and products. The bank provided a relatively high level of community development services during the examination period.

Retail Services: The islands are small in area: St. Thomas is 32 square miles and St. Croix 84 square miles. As a result, the bank's delivery systems are accessible to geographies and individuals of different income levels in this assessment area. The bank maintained seven branches on St. Thomas and St. Croix. The St. Thomas branches are located in Charlotte Amalie,

Ft. Milner, Red Hook and Sugar Estate. The branches in St. Croix are in Sunny Isle and Christiansted.

BPPR maintained ten in-branch ATMs. Alternative systems include telephone and computer banking. No branches were opened or closed since the previous examination. The bank maintained extended hours on Friday evenings and Saturdays.

The bank provided a full range of deposit and credit services at all branches. Mortgage and business loan applications are available at all branches. Applicants may also initiate the loan process by phone from any branch or apply in person at the main branch on either island. Customers may obtain account information and apply for loans on the Internet.

Community Development Services: The bank provided a high level of community development services given the few local community organizations and opportunities for community development projects beyond those provided by various government agencies. BPPR provides technical assistance to government agencies and local community development organizations. During the examination period, the bank obtained a grant from the Federal Home Loan Bank of New York to help provide affordable housing and provided assistance to the development of a revitalization plan in St. Croix.

NON-METROPOLITAN AREAS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-MSA ST. CROIX

As of December 31, 2001, BPPR maintained two of its seven USVI retail branches in the St. Croix assessment area. The branches contain approximately \$111 million or 30 percent of the bank's total deposits in the USVI. The bank originated 92 HMDA-related loans and 64 small business loans in St. Croix during the examination period, accounting for 41 percent and 18 percent, respectively, of all loans in the USVI evaluated at this examination.

BPPR's performance was evaluated in terms of the business and demographic context in which the bank operates. In this small marketplace, competition is limited to five financial institutions. BPPR has the largest market share with 35 percent of the total of \$324 million in deposits on the island. Information to determine loan market share was unavailable.

In addition to the competitive environment, demographic and economic information helps to explain the performance context in which the bank operates. The following information was obtained from publicly available sources that include HUD, the U.S. Department of the Interior's OIA, the U.S. Department of Commerce Bureau of the Census, 1990 and 2000, the USVI Bureau of Economic Research, and the USVI Government Development Bank.

Demographic Characteristics

According to the 2000 Census, the total population of St. Croix is approximately 53 thousand, or 51 percent of the total USVI population. The Census indicates a 6 percent increase since 1990.

Income Characteristics

Based on the 1990 Census, the median family income for St. Croix is \$20,835. The HUD estimated median family income for both 2000 and 2001 is \$32,300 for St. Croix. Of the eight subdistricts on St. Croix, three, or 38 percent, are LMI. In the USVI, the Census Bureau uses subdistricts as the equivalent of census tracts and BNAs. The Virgin Islands government created census subdistricts in 1979, and the Census Bureau first used them for the 1980 Census. Twenty-nine percent of all families in 1990 had incomes below the poverty level.

Housing Characteristics

Based on the 1990 Census, of the 18,937 housing units on St. Croix, 7,271 or 38 percent are owner-occupied. Approximately 41 percent of housing units are renter-occupied, and 21 percent are vacant. Vacant housing units generally refer to vacation homes not occupied year-round.

Housing costs on the island are high. According to the USVI Bureau of Economic Research, the average housing price in St. Croix in 2000, the most recent year for which information was

available, is \$232 thousand. Comparing these prices to median income levels, it is apparent that owner-occupied housing is generally beyond the reach of LMI families.

Labor, Employment and Economic Characteristics

As in St. Thomas, the major industry in St. Croix is tourism, but St. Croix also has a sizeable number of manufacturing jobs. Most industrial activity is found on the island of St. Croix. The Hess Oil Refinery on St. Croix is the territory's single largest employer. As of 2000, the most recent year for which information is available, the USVI unemployment rate is 6.9 percent.

| EXHIBIT 6 | | | | | | | | |
|------------------------------|---------------------------|------------------------|------------------------------------|--------------|--|--------------|---------------------------|--------------|
| Assessment Area Demographics | | | | | | | | |
| St. Croix | | | | | | | | |
| Income Categories | Tract Distribution | | Families by Tract Income | | Households < Poverty Level as % of Households by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low-income | 1 | 6 | 546 | 5 | 313 | 8 | 3,373 | 30 |
| Moderate-income | 6 | 35 | 4,607 | 41 | 2,327 | 60 | 1,855 | 17 |
| Middle-income | 4 | 24 | 2,535 | 23 | 643 | 16 | 1,879 | 17 |
| Upper-income | 5 | 29 | 3,513 | 31 | 608 | 16 | 4,094 | 36 |
| N/A | 1 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Assessment Area | 17 | 100.0 | 11,201 | 100.0 | 3,891 | 100 | 11,201 | 100.0 |
| | Housing Units by Tract | Housing Types by Tract | | | | | | |
| | | Owner-occupied | | Rental | | Vacant | | |
| | | # | % | # | % | # | % | |
| Low-income | 902 | 68 | 0 | | 619 | 8 | 215 | 6 |
| Moderate-income | 7,525 | 2,003 | 28 | | 4,080 | 52 | 1,442 | 37 |
| Middle-income | 4,362 | 1,997 | 28 | | 1,391 | 18 | 974 | 25 |
| Upper-income | 6,148 | 3,203 | 44 | | 1,684 | 22 | 1,261 | 32 |
| Total Assessment Area | 18,937 | 7,271 | 100.0 | | 7,774 | 100 | 3,892 | 100 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | |
| | | | # | % | # | % | # | % |
| Low-income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Moderate-income | 467 | 95 | 348 | 96 | 104 | 92 | 15 | 100 |
| Middle-income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Upper-income | 25 | 5 | 16 | 4 | 9 | 8 | 0 | 0 |
| Tract not reported | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Assessment Area | 492 | 100.0 | 364 | 100.0 | 113 | 100.0 | 15 | 100.0 |

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. CROIX

LENDING TEST

Performance under the lending test was good based on outstanding lending activity, good borrower distribution and adequate community development lending.

Lending Activity: BPPR's lending activity showed excellent responsiveness to retail credit needs in the USVI. During the examination period, 156 loans totaling approximately \$15 million were originated on St. Croix. Lending activity consisted of 92 HMDA-related loans and 64 small business loans.

Geographic Distribution: Information supplied by BPPR does not allow for a geographical analysis of loans on St. Croix.

Distribution by Borrower Income and Revenue Size of the Business: The distribution of loans among borrowers of different income levels and businesses of different sizes was good considering the previously discussed performance context factors. Such factors generally preclude HMDA-related lending to low-income borrowers; therefore, conclusions are based primarily on performance to moderate-income borrowers. Aggregate information was unavailable for comparative purposes as banks are not required to file HMDA data for U.S. territories.

Home Purchase Loans

For the examination period, the distribution of home purchase loans to moderate-income borrowers was good when compared with the level of owner-occupied housing units, and considering the gap between housing costs and income which means LMI families generally can't afford housing without subsidies.

Refinance Loans

The distribution of refinancings to moderate-income borrowers was adequate when compared with the level of owner-occupied housing units and considering the significant gap between housing costs and incomes, as discussed in the USVI performance context section.

Home Improvement Loans

For the examination period, the distribution of home improvement loans to moderate-income borrowers was excellent when compared with the level of owner-occupied housing units. Home improvement loans are generally for smaller dollar amounts, and therefore more affordable to moderate-income borrowers.

Loans to Small Businesses

The bank's record of lending to businesses of different sizes in St. Croix was excellent. Seventy-eight percent of small business loans in the assessment area were made to businesses with GAR of \$1 million or less. Sixty-one percent of the bank's small business loans were for \$100 thousand or less. The average size for such loans was \$36,436, an amount that would typically meet the need of small businesses.

Community Development Lending: During the examination period, qualified community development lending on St. Croix was adequate and consisted of one \$15 thousand loan targeted to community service. The borrower is a school that offers young people both technical and general education. The school is located in the vicinity of a low-income housing development.

INVESTMENT TEST

Of the \$27,200 in qualified community development grants targeted to the USVI during the examination period, \$11,500 went to St. Croix. Of that total, \$5,900 was targeted to community services, \$4,000 to economic development, and \$1,600 to revitalization/stabilization.

SERVICE TEST

Performance under the service test was good based on BPPR's good delivery of retail services. No branches were opened or closed during the examination period. Services did not vary in a way that inconveniences the bank's assessment area. Alternative delivery services enhanced the bank's distribution of banking services. The bank provided a relatively high level of community development services.

Retail Services: Given the limited size of St. Croix, the bank's delivery systems were accessible to geographies and individuals of different income levels on the island. Of the two branches there, one was located in a moderate-income area. BPPR maintained three in-branch ATMs.

Services did not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies and LMI individuals. Deposit and credit services are available at both branches as well as via telephone and Internet. Both branches provided extended hours on Fridays, and one branch maintained hours on Saturdays.

Community Development Services: The bank provided a relatively high level of community development services. BPPR applied for and won a \$1 million grant from the Federal Home Loan Bank of New York for the construction of an 80-unit rental project for low- and very low-income residents sponsored by the Virgin Islands Housing Authority. The bank's participation is extensive and time-consuming. BPPR manages the funds, reviews income eligibility of renters, and is responsible for numerous progress reports to the Federal Home Loan Bank of New York. The bank also participated in the development of a revitalization plan for the Louis E. Brown Single Family Development where 124 units of housing are planned.

NON-METROPOLITAN AREAS

(LIMITED REVIEW)

NON-MSA ST. THOMAS

Facts and data reviewed, including performance and applicable demographic information, can be found in the Virgin Islands tables in Appendix D. Lending test information is depicted in Tables 1-11. Information regarding investments is in Table 14, and information about the service test is in Table 15. Conclusions regarding performance in the individual assessment areas in relation to the overall USVI performance is as follows:

| Assessment Area | Lending Test | Investment Test | Service Test |
|------------------------|---------------------|------------------------|---------------------|
| St. Thomas | Consistent | Consistent | Consistent |

These conclusions did not impact the overall rating for the U.S. Virgin Islands.

CRA APPENDIX A
SCOPE OF EXAMINATION

| SCOPE OF EXAMINATION | | | |
|---|-----------------|-------------------------------|--|
| BANCO POPULAR DE PUERTO RICO | | | |
| TIME PERIOD REVIEWED | | 1/1/2000 TO 12/31/2001 | |
| FINANCIAL INSTITUTION | | | PRODUCTS REVIEWED |
| Banco Popular de Puerto Rico, San Juan, PR | | | <ul style="list-style-type: none"> • Home Purchase • Refinancings • Home Improvement • Small Business • Small Farm • Community Development |
| AFFILIATE(S) | | AFFILIATE RELATIONSHIP | PRODUCTS REVIEWED |
| Popular Mortgage, Inc. | Bank subsidiary | | <ul style="list-style-type: none"> • Home Purchase • Refinancings |
| Levitt Mortgage | Bank Subsidiary | | |
| Popular Finance, Inc. | Bank subsidiary | | <ul style="list-style-type: none"> • Home Purchase • Refinancings • Home Improvement |

| LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION | | | |
|---|---------------------|-------------------------------|---|
| ASSESSMENT AREA | TYPE OF EXAMINATION | BRANCHES VISITED ¹ | OTHER INFORMATION |
| CMSA 7442 (San Juan-Caguas-Arecibo, PR) | On-site | | Loan and investment information was at the bank's administrative offices at 268 Ponce de Leon, Hato Rey, PR |
| MSA 6360 (Ponce, PR) MSA 4840 (Mayaguez, PR) MSA 0060 (Aguadilla, PR) Non-Metropolitan Statistical Areas | Off-site | | |
| U.S. Virgin Islands Non- MSA St. Croix Non-MSA St. Thomas | Off-site | | |
| | | | |

¹ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

CRA APPENDIX B

Summary of State and Multistate MSA Ratings

| BANCO POPULAR DE PUERTO RICO CRA Performance June 3, 2002 | | | | |
|--|--------------------------------|---------------------------------------|--------------------------------|---------------------------------|
| State or Multistate Metropolitan Area Name | Lending Test Rating | Investment Test Rating | Service Test Rating | Overall State Rating |
| Puerto Rico | Outstanding | Outstanding | Outstanding | Outstanding |
| United States Virgin Islands | High Satisfactory | Low Satisfactory | High Satisfactory | Satisfactory |

CRA APPENDIX C

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Block numbering area (“BNA”): A statistical subdivision of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full review: Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited review: Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (“MA”): Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan statistical area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such

activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

CRA APPENDIX D

CRA CORE TABLES

Table 1. Lending Volume

| LENDING VOLUME | | Geography: PUERTO RICO | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | |
|---------------------------------------|--|------------------------|------------|---------------------------|------------|--|------------|----------------------------------|------------|----------------------|------------|---|
| Metropolitan Area/ Assessment Area | % of Rated Area Loans (#) in MA/AA* | Home Mortgage | | Small Loans to Businesses | | Small Loans to Farms | | Community Development Loans** | | Total Reported Loans | | % of Rated Area Deposits in MA/AA*** |
| | | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | |
| Full Review: | | | | | | | | | | | | |
| CMSA 7442 | 73.56 | 40,733 | 3,588,918 | 16,837 | 1,703,954 | 412 | 35,699 | 111 | 95,378 | 58,093 | 5,423,949 | 76.57 |
| MSA 6360 Ponce | 6.05 | 2,608 | 118,266 | 2,113 | 164,760 | 43 | 2,114 | 13 | 645 | 4,777 | 285,785 | 6.34 |
| Limited Review: | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 5.20 | 2,693 | 167,556 | 1,374 | 127,558 | 33 | 1,724 | 5 | 1,740 | 4,105 | 298,578 | 0.35 |
| MSA 060 Aguadilla | 3.68 | 1,799 | 84,535 | 1,087 | 87,209 | 22 | 1,308 | 1 | 1,041 | 2,909 | 174,093 | 8.27 |
| NON MSA Group 1 | 10.31 | 5,029 | 226,215 | 2,824 | 190,408 | 262 | 14,524 | 26 | 6,880 | 8,141 | 438,027 | 2.83 |
| NON-MSA 2 Guanica & Lajas | 0.65 | 354 | 19,007 | 148 | 12,432 | 10 | 500 | 0 | 0 | 512 | 31,939 | 5.14 |
| NON MSA 3 Rincon | 0.27 | 150 | 13,344 | 62 | 5,427 | 1 | 225 | 0 | 0 | 213 | 18,996 | 0.14 |
| NON-MSA 4 Vieques | 0.28 | 152 | 4,071 | 67 | 6,461 | 1 | 15 | 0 | 0 | 220 | 10,547 | 0.35 |

* Loan data as of December 31, 2001. Rated area refers to either the state or multistate MA rating area.

** The evaluation period for community development loans is from January 1, 2000, to December 31, 2001.

*** Deposit data as of December 31, 2001. Rated area refers to either the state, multistate MA, or institution, as appropriate.

Table 2a. Geographic Distribution of Home Purchase Loans

| Geographic Distribution: HOME PURCHASE | | Geography: PUERTO RICO | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | | |
|--|---------------------------|------------------------|---------------------------|--------------|-----------------------------|--|---------------------------|--------------|---------------------------|--------------|---|-------|--------|-------|
| Metropolitan Area/ Assessment Area | Total Home Purchase Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Aggregate HMDA Lending (%) by Tract Income* | | | |
| | # | % of Total** | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | Low | Mod | Mid | Upper |
| Full Review: | | | | | | | | | | | | | | |
| CMSA 7442 | 12,601 | 81.07 | 0.71 | 0.88 | 25.21 | 16.82 | 43.37 | 37.46 | 30.71 | 44.84 | 1.04 | 17.07 | 37.57 | 44.27 |
| MSA 6360 Ponce | 498 | 3.20 | 0.64 | 0.20 | 15.14 | 5.82 | 50.39 | 34.14 | 33.83 | 59.84 | 0.10 | 20.05 | 38.23 | 41.62 |
| Limited Review: | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 835 | 5.37 | 1.61 | 0.12 | 11.37 | 6.23 | 64.17 | 67.78 | 22.85 | 25.87 | 1.12 | 9.03 | 62.95 | 26.90 |
| MSA 060 Aguadilla | 239 | 1.54 | 0.00 | 0.00 | 6.47 | 12.55 | 83.19 | 67.36 | 10.33 | 20.08 | 0.00 | 5.35 | 76.17 | 18.49 |
| Non MSA Group 1 | 1,197 | 7.70 | 0.00 | 0.00 | 4.76 | 1.17 | 84.90 | 90.98 | 10.34 | 7.85 | 0.00 | 1.33 | 84.69 | 13.98 |
| Non-MSA 2 Guanica | 98 | 0.63 | 0.00 | 0.00 | 10.29 | 1.02 | 79.12 | 93.88 | 10.59 | 5.10 | 0.00 | 6.29 | 84.57 | 9.14 |
| Non MSA 3 Rincon | 66 | 0.42 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 |
| Non-MSA 4 Vieques | 10 | 0.06 | 0.00 | 0.00 | 30.44 | 10.00 | 69.56 | 60.00 | 0.00 | 0.00 | 0.00 | 16.00 | 68.00 | 0.00 |

* Based on 2000 Peer Mortgage Data: Puerto Rico.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of owner-occupied units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

Table 3a. Geographic Distribution of Home Improvement Loans

| Geographic Distribution: HOME IMPROVEMENT | | Geography: PUERTO RICO | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | | |
|---|------------------------------|------------------------|---------------------------|--------------|-----------------------------|--|---------------------------|--------------|---------------------------|--------------|---|-------|--------|-------|
| Metropolitan Area/ Assessment Area | Total Home Improvement Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Aggregate HMDA Lending (%) by Tract Income* | | | |
| | # | % of Total** | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | Low | Mod | Mid | Upper |
| Full Review: | | | | | | | | | | | | | | |
| CMSA 7442 | 14,281 | 70.99 | 0.71 | 0.46 | 25.21 | 26.90 | 43.37 | 44.38 | 30.71 | 28.26 | 0.84 | 26.78 | 43.92 | 28.46 |
| MSA 6360 Ponce | 1,374 | 6.83 | 0.64 | 0.80 | 15.14 | 12.30 | 50.39 | 44.03 | 33.83 | 42.87 | 0.82 | 17.18 | 42.27 | 39.73 |
| Limited Review: | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 1,028 | 5.11 | 1.61 | 1.26 | 11.37 | 10.70 | 64.17 | 65.56 | 22.85 | 22.47 | 3.08 | 14.17 | 61.18 | 21.57 |
| MSA 060 Aguadilla | 920 | 4.57 | 0.00 | 0.00 | 6.47 | 3.04 | 83.19 | 80.00 | 10.33 | 16.96 | 0.00 | 4.13 | 81.02 | 14.86 |
| Non MSA Group 1 | 2,203 | 10.95 | 0.00 | 0.00 | 4.76 | 4.95 | 84.90 | 87.52 | 10.34 | 7.54 | 0.00 | 4.62 | 86.80 | 8.57 |
| Non-MSA 2 Guanica | 156 | 0.78 | 0.00 | 0.00 | 10.29 | 5.13 | 79.12 | 85.90 | 10.59 | 8.97 | 0.00 | 12.44 | 73.58 | 13.99 |
| Non MSA 3 Rincon | 42 | 0.21 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 |
| Non-MSA 4 Vieques | 114 | 0.57 | 0.00 | 0.00 | 30.44 | 27.19 | 69.56 | 40.35 | 0.00 | 0.00 | 0.00 | 30.14 | 42.47 | 0.00 |

* Based on 2000 Peer Mortgage Data: Puerto Rico.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of owner-occupied units is the number of owner-occupied housing units in a particular geography divided by number of owner-occupied housing units in the area based on 1990 Census information.

Table 4a. Geographic Distribution of Home Mortgage Refinance Loans (“Refinancings”)

| Geographic Distribution: HOME MORTGAGE REFINANCE | | Geography: PUERTO RICO | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | | |
|--|--------------------|------------------------|---------------------------|--------------|-----------------------------|--|---------------------------|--------------|---------------------------|--------------|---|-------|--------|-------|
| Metropolitan Area/ Assessment Area | Total Refinancings | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Aggregate HMDA Lending (%) by Tract Income* | | | |
| | # | % of Total** | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | % Owner-Occupied Units*** | % Bank Loans | Low | Mod | Mid | Upper |
| Full Review: | | | | | | | | | | | | | | |
| CMSA 7442 | 13,851 | 77.57 | 0.71 | 0.96 | 25.21 | 15.88 | 43.37 | 37.48 | 30.71 | 45.69 | 0.78 | 19.51 | 39.44 | 40.22 |
| MSA 6360 Ponce | 736 | 4.12 | 0.64 | 1.22 | 15.14 | 6.79 | 50.39 | 38.04 | 33.83 | 53.94 | 0.30 | 16.28 | 38.79 | 44.62 |
| Limited Review: | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 830 | 4.65 | 1.61 | 0.00 | 11.37 | 9.64 | 64.17 | 57.59 | 22.85 | 32.77 | 0.25 | 15.03 | 57.30 | 27.11 |
| MSA 060 Aguadilla | 640 | 3.58 | 0.00 | 0.00 | 6.47 | 2.34 | 83.19 | 73.13 | 10.33 | 24.38 | 0.00 | 4.52 | 77.68 | 16.13 |
| Non MSA Group 1 | 1,629 | 9.12 | 0.00 | 0.00 | 4.76 | 1.41 | 84.90 | 86.62 | 10.34 | 11.97 | 0.00 | 2.08 | 87.02 | 10.49 |
| Non-MSA 2 Guanica | 100 | 0.56 | 0.00 | 0.00 | 10.29 | 8.00 | 79.12 | 78.00 | 10.59 | 14.00 | 0.00 | 10.86 | 75.66 | 13.48 |
| Non MSA 3 Rincon | 42 | 0.24 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 |
| Non-MSA 4 Vieques | 28 | 0.16 | 0.00 | 0.00 | 30.44 | 35.71 | 69.56 | 39.29 | 0.00 | 0.00 | 0.00 | 15.79 | 57.89 | 0.00 |

* Based on 2000 Peer Mortgage Data: Puerto Rico.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of owner-occupied units is the number of owner-occupied housing units in a particular geography divided by number of owner-occupied housing units in the area based on 1990 Census information.

Table 6a. Geographic Distribution of Small Loans to Businesses

| Geographic Distribution: SMALL LOANS TO BUSINESSES | | Geography: PUERTO RICO | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | | |
|--|----------------------------|------------------------|------------------------|--------------|-----------------------------|--|---------------------------|--------------|--------------------------|--------------|--|-------|--------|-------|
| Metropolitan Area/ Assessment Area | Total Small Business Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Aggregate Lending (%) by Tract Income* | | | |
| | # | % of Total** | % of Businesses*** | % Bank Loans | % of Businesses*** | % Bank Loans | % of Businesses*** | % Bank Loans | % of Businesses*** | % BANK Loans | Low | Mod | Mid | Upper |
| Full Review: | | | | | | | | | | | | | | |
| CMSA 7442 | 16,837 | 68.69 | 4.03 | 2.34 | 19.50 | 23.00 | 30.80 | 37.37 | 45.66 | 37.29 | 2.03 | 19.37 | 35.92 | 42.36 |
| MSA 6360 Ponce | 2,113 | 8.62 | 0.43 | 0.05 | 13.19 | 10.41 | 58.85 | 51.02 | 27.53 | 38.52 | 0.67 | 9.68 | 43.93 | 45.31 |
| Limited Review: | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 1,374 | 5.61 | 1.70 | 5.53 | 29.02 | 9.75 | 37.98 | 45.78 | 31.29 | 38.94 | 3.76 | 7.64 | 51.72 | 36.75 |
| MSA 060 Aguadilla | 1,087 | 4.43 | 0.00 | 0.00 | 12.25 | 7.82 | 37.68 | 77.64 | 50.07 | 14.54 | 0.00 | 9.06 | 76.40 | 14.54 |
| Non MSA Group 1 | 2,824 | 11.52 | 0.00 | 0.00 | 0.24 | 1.49 | 91.33 | 88.92 | 8.43 | 9.60 | 0.00 | 1.67 | 87.04 | 11.25 |
| Non-MSA 2 Guanica | 148 | 0.60 | 0.00 | 0.00 | 23.94 | 11.49 | 19.01 | 66.89 | 57.04 | 21.62 | 0.00 | 8.62 | 59.20 | 32.18 |
| Non MSA 3 Rincon | 62 | 0.25 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 |
| Non-MSA 4 Vieques | 67 | 0.27 | 0.00 | 0.00 | 93.62 | 50.75 | 6.38 | 32.84 | 0.00 | 0.00 | 0.00 | 49.06 | 41.51 | 0.00 |

* Based on 2000 Peer Small Business Data: US&PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2001).

Table 7a. Geographic Distribution of Small Loans to Farms

| Geographic Distribution: SMALL LOANS TO FARMS | | | | | | | | | | | | | | Geography: PUERTO RICO | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | |
|---|------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|--|--------|--------|------------------------|--|--|--|--|--|
| Metropolitan Area/ Assessment Area | Total Small Farm Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Aggregate Lending (%) by Tract Income* | | | | | | | | |
| | # | % of Total** | % of Farms*** | % Bank Loans | % of Farms** | % Bank Loans | % of Farms** | % Bank Loans | % of Farms** | % Bank Loans | Low | Mod | Mid | Upper | | | | | |
| Full Review: | | | | | | | | | | | | | | | | | | | |
| CMSA 7442 | 412 | 52.55 | 2.07 | 0.49 | 21.38 | 35.19 | 40.69 | 53.16 | 35.86 | 11.17 | 0.44 | 26.43 | 65.20 | 7.93 | | | | | |
| MSA 6360 Ponce | 43 | 5.48 | 0.00 | 0.00 | 4.00 | 2.33 | 68.00 | 86.05 | 28.00 | 11.63 | 0.00 | 0.00 | 84.62 | 15.38 | | | | | |
| Limited Review: | | | | | | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 33 | 4.21 | 0.00 | 0.00 | 15.79 | 3.03 | 26.32 | 45.45 | 57.89 | 51.52 | 0.00 | 30.77 | 61.54 | 7.69 | | | | | |
| MSA 060 Aguadilla | 22 | 2.81 | 0.00 | 0.00 | 0.00 | 0.00 | 50.00 | 100.00 | 50.00 | 0.00 | 0.00 | 100.00 | 100.00 | 0.00 | | | | | |
| Non MSA Group 1 | 262 | 33.42 | 0.00 | 0.00 | 0.00 | 11.45 | 67.80 | 85.11 | 32.20 | 3.44 | 0.00 | 12.50 | 87.50 | 0.00 | | | | | |
| Non-MSA 2 Guanica | 10 | 1.28 | 0.00 | 0.00 | 55.56 | 10.00 | 11.11 | 90.00 | 33.33 | 0.00 | 0.00 | 14.29 | 85.71 | 0.00 | | | | | |
| Non MSA 3 Rincon | 1 | 0.13 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 | | | | | |
| Non-MSA 4 Vieques | 1 | 0.13 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 | | | | | |

* Based on 2000 Peer Small Business Data: US&PR.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2001).

Table 8a. Borrower Distribution of Home Purchase Loans

| Borrower Distribution: HOME PURCHASE | | | | | | | | | | | | | | Geography: PUERTO RICO | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | |
|---------------------------------------|---------------------------|--------------|----------------------|------------------|---------------------------|------------------|-------------------------|------------------|------------------------|------------------|-------------------------|------|-------|------------------------|--|--|--|--|--|
| Metropolitan Area/ Assessment Area | Total Home Purchase Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Aggregate Lending Data* | | | | | | | | |
| | # | % of Total** | % Families** | % Bank Loans**** | % Families*** | % Bank Loans**** | % Families*** | % Bank Loans**** | % Families*** | % Bank Loans**** | Low | Mod | Mid | Upper | | | | | |
| Full Review: | | | | | | | | | | | | | | | | | | | |
| CMSA 7442 | 12,601 | 81.07 | 24.94 | 0.14 | 16.09 | 2.23 | 16.58 | 9.69 | 42.39 | 87.94 | 0.12 | 1.52 | 6.96 | 91.41 | | | | | |
| MSA 6360 Ponce | 498 | 3.20 | 26.49 | 0.00 | 15.31 | 0.00 | 16.63 | 11.95 | 41.56 | 88.05 | 0.06 | 0.36 | 10.38 | 89.20 | | | | | |
| Limited Review: | | | | | | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 835 | 5.37 | 24.32 | 0.00 | 16.92 | 1.17 | 17.07 | 6.88 | 41.67 | 91.95 | 0.00 | 1.03 | 8.95 | 90.02 | | | | | |
| MSA 060 Aguadilla | 239 | 1.54 | 24.19 | 0.00 | 17.20 | 2.53 | 18.04 | 11.11 | 40.57 | 86.36 | 0.00 | 0.81 | 10.48 | 88.71 | | | | | |
| Non MSA Group 1 | 1,197 | 7.70 | 24.11 | 0.00 | 17.21 | 0.34 | 19.07 | 13.80 | 39.62 | 85.86 | 0.06 | 0.23 | 9.65 | 90.06 | | | | | |
| Non-MSA 2 Guanica | 98 | 0.63 | 23.61 | 0.00 | 17.07 | 0.00 | 19.03 | 9.52 | 40.31 | 90.48 | 0.00 | 0.00 | 7.25 | 92.75 | | | | | |
| Non MSA 3 Rincon | 66 | 0.42 | 23.19 | 0.00 | 15.21 | 0.00 | 18.94 | 0.00 | 42.69 | 100.00 | 0.00 | 0.00 | 0.00 | 100.00 | | | | | |
| Non-MSA 4 Vieques | 10 | 0.06 | 32.92 | 0.00 | 16.93 | 0.00 | 16.23 | 0.00 | 33.87 | 100.00 | 0.00 | 0.00 | 0.00 | 100.00 | | | | | |

* Based on 2000 Peer Mortgage Data: Puerto Rico.

** As a percentage of loans with borrower income information available. No information was available for 36.66% of loans originated and purchased by the bank.

*** Percentage of families is based on the 1990 Census information.

**** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 9a. Borrower Distribution of Home Improvement Loans

| Borrower Distribution: HOME IMPROVEMENT ("HI") | | Geography: PUERTO RICO | | | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | |
|--|----------------|------------------------|----------------------|------------------|---------------------------|------------------|-------------------------|--|------------------------|------------------|-------------------------|-------|-------|-------|--|
| Metropolitan Area/ Assessment Area | Total HI Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Aggregate Lending Data* | | | | |
| | # | % of Total** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | Low | Mod | Mid | Upper | |
| Full Review: | | | | | | | | | | | | | | | |
| CMSA 7442 | 14,281 | 70.99 | 24.94 | 3.70 | 16.09 | 13.44 | 16.58 | 21.03 | 42.39 | 61.83 | 5.24 | 15.31 | 19.70 | 59.75 | |
| MSA 6360 Ponce | 1,374 | 6.83 | 26.49 | 1.89 | 15.31 | 7.69 | 16.63 | 20.21 | 41.56 | 70.21 | 3.67 | 12.88 | 21.55 | 61.90 | |
| Limited Review: | | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 1208 | 5.11 | 24.32 | 1.22 | 16.92 | 11.96 | 17.07 | 22.90 | 41.67 | 63.93 | 3.20 | 17.63 | 22.28 | 56.89 | |
| MSA 060 Aguadilla | 920 | 4.57 | 24.19 | 0.66 | 17.20 | 6.16 | 18.04 | 22.11 | 40.57 | 71.07 | 0.83 | 8.17 | 25.76 | 65.24 | |
| Non MSA Group 1 | 2,203 | 10.95 | 24.11 | 1.10 | 17.21 | 5.16 | 19.07 | 18.70 | 39.62 | 75.04 | 2.40 | 6.03 | 21.96 | 69.61 | |
| Non-MSA 2 Guanica | 156 | 0.78 | 23.61 | 0.67 | 17.07 | 6.00 | 19.03 | 20.67 | 40.31 | 72.67 | 5.38 | 5.91 | 24.19 | 64.52 | |
| Non MSA 3 Rincon | 42 | 0.21 | 23.19 | 2.50 | 15.21 | 2.50 | 18.94 | 20.00 | 42.69 | 75.00 | 4.17 | 8.33 | 20.83 | 66.67 | |
| Non-MSA 4 Vieques | 114 | 0.57 | 32.92 | 3.57 | 16.93 | 6.25 | 16.23 | 23.21 | 33.87 | 66.96 | 4.17 | 6.94 | 23.61 | 65.28 | |

* Based on 2000 Peer Mortgage Data: Puerto Rico.

** As a percentage of loans with borrower income information available. No information was available for 6.7% of loans originated and purchased by the bank.

*** Percentage of families is based on the 1990 Census information.

**** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 10a. Borrower Distribution of Home Mortgage Refinance Loans

| Borrower Distribution: HOME MORTGAGE REFINANCE | | Geography: PUERTO RICO | | | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | |
|--|--------------------|------------------------|----------------------|------------------|---------------------------|------------------|-------------------------|--|------------------------|------------------|-------------------------|------|-------|-------|--|
| Metropolitan Area/ Assessment Area | Total Refinancings | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Aggregate Lending Data* | | | | |
| | # | % of Total** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | Low | Mod | Mid | Upper | |
| Full Review: | | | | | | | | | | | | | | | |
| CMSA 7442 | 13,851 | 77.57 | 24.94 | 0.37 | 16.09 | 3.25 | 16.58 | 9.31 | 42.39 | 87.07 | 0.48 | 4.08 | 11.64 | 83.81 | |
| MSA 6360 Ponce | 736 | 4.12 | 26.49 | 0.00 | 15.31 | 1.44 | 16.63 | 6.46 | 41.56 | 92.11 | 0.15 | 1.96 | 9.45 | 88.44 | |
| Limited Review: | | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 830 | 4.65 | 24.32 | 0.18 | 16.92 | 2.02 | 17.07 | 8.62 | 41.67 | 89.17 | 0.27 | 4.39 | 10.76 | 84.57 | |
| MSA 060 Aguadilla | 640 | 3.58 | 24.19 | 0.21 | 17.20 | 0.43 | 18.04 | 13.49 | 40.57 | 85.87 | 0.00 | 2.43 | 15.13 | 82.43 | |
| Non MSA Group 1 | 1,629 | 9.12 | 24.11 | 0.10 | 17.21 | 1.76 | 19.07 | 7.14 | 39.62 | 90.99 | 0.26 | 1.50 | 9.16 | 89.08 | |
| Non-MSA 2 Guanica | 100 | 0.56 | 23.61 | 0.00 | 17.07 | 4.00 | 19.03 | 8.00 | 40.31 | 88.00 | 0.50 | 3.02 | 10.55 | 85.93 | |
| Non MSA 3 Rincon | 42 | 0.24 | 23.19 | 0.00 | 15.21 | 3.45 | 18.94 | 3.45 | 42.69 | 93.10 | 0.00 | 0.00 | 9.09 | 90.91 | |
| Non-MSA 4 Vieques | 28 | 0.16 | 32.92 | 0.00 | 16.93 | 0.00 | 16.23 | 14.29 | 33.87 | 85.71 | 0.00 | 0.00 | 16.22 | 83.78 | |

* Based on 2000 Peer Mortgage Data: Puerto Rico.

** As a percentage of loans with borrower income information available. No information was available for 45.2% of loans originated and purchased by the bank.

*** Percentage of Families is based on the 1990 Census information.

**** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 11a. Borrower Distribution of Small Loans to Businesses

| Borrower Distribution: SMALL LOANS TO BUSINESSES | | | Geography: PUERTO RICO | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | |
|--|------------------------------------|-----------------|--|---------------------|--|--------------------------|-------------------------------|-------------------------|------------------------------------|--|
| Metropolitan Area/ Assessment Area | Total Small Loans to Businesses | | Businesses With Revenues of \$1 million or less | | Loans by Original Amount Regardless of Business Size | | | Aggregate Lending Data* | | |
| | # | % of Total** | % of Businesses*** | % Bank Loans**** | \$100,000 or less | > \$100,000 to \$250,000 | > \$250,000 to \$1,000,000 | All | Revenues of \$1 Million or Less | |
| Full Review: | | | | | | | | | | |
| CMSA 7442 | 16,837 | 68.69 | 75.50 | 59.36 | 75.17 | 14.43 | 10.40 | 17,328 | 11,630 | |
| MSA 6360 Ponce | 2,113 | 8.62 | 79.78 | 54.76 | 80.27 | 13.25 | 6.48 | 1,953 | 1,290 | |
| Limited Review: | | | | | | | | | | |
| MSA 4840 Mayaguez | 1,374 | 5.61 | 80.67 | 58.52 | 77.58 | 13.54 | 8.88 | 1,570 | 1,127 | |
| MSA 060 Aguadilla | 1,087 | 4.43 | 83.75 | 64.40 | 82.43 | 9.38 | 8.19 | 839 | 622 | |
| Non MSA Group 1 | 2,824 | 11.52 | 84.69 | 68.24 | 84.77 | 9.31 | 5.91 | 2,276 | 1,672 | |
| Non-MSA 2 Guanica | 148 | 0.60 | 83.10 | 66.22 | 79.05 | 12.84 | 8.11 | 174 | 141 | |
| Non MSA 3 Rincon | 62 | 0.25 | 76.60 | 61.29 | 77.42 | 12.90 | 9.68 | 61 | 39 | |
| Non-MSA 4 Vieques | 67 | 0.27 | 78.72 | 62.69 | 79.10 | 11.94 | 8.96 | 53 | 33 | |

* Based on 2000 Peer Small Business Data: US&PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2001).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 18.13% of small loans to businesses originated and purchased by the bank.

Table 12a. Borrower Distribution of Small Loans to Farms

| Borrower Distribution: SMALL LOANS TO FARMS | | | Geography: PUERTO RICO | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | |
|---|-------------------------------|-----------------|---|------------------|--|--------------------------|----------------------------|-------------------------|------------------------------------|--|
| Metropolitan Area/ Assessment Area | Total Small Loans to Farms | | Farms With Revenues of \$1 million or less | | Loans by Original Amount Regardless of Farm Size | | | Aggregate Lending Data* | | |
| | # | % of Total** | % of Farms*** | % Bank Loans**** | \$100,000 or less | > \$100,000 to \$250,000 | > \$250,000 to \$1,000,000 | All | Revenues of \$1 Million or Less | |
| Full Review: | | | | | | | | | | |
| CMSA 7442 | 412 | 52.55 | 62.07 | 72.09 | 75.00 | 17.48 | 7.52 | 227 | 187 | |
| MSA 6360 Ponce | 43 | 5.48 | 68.00 | 69.77 | 95.35 | 0.00 | 4.65 | 13 | 12 | |
| Limited Review: | | | | | | | | | | |
| MSA 4840 Mayaguez | 33 | 4.21 | 73.68 | 84.85 | 90.91 | 9.09 | 0.00 | 13 | 13 | |
| MSA 060 Aguadilla | 22 | 2.81 | 50.00 | 72.73 | 81.82 | 13.64 | 4.55 | 8 | 6 | |
| Non MSA Group 1 | 262 | 33.42 | 57.63 | 80.53 | 88.17 | 8.02 | 3.82 | 120 | 112 | |
| Non-MSA 2 Guanica | 10 | 1.28 | 44.44 | 90.00 | 90.00 | 10.00 | 0.00 | 7 | 7 | |
| Non MSA 3 Rincon | 1 | 0.13 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 | 1 | 1 | |
| Non-MSA 4 Vieques | 1 | 0.13 | 0.00 | 100.00 | 100.00 | 0.00 | 0.00 | 1 | 1 | |

* Based on 2000 Peer Small Business Data: US&PR.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 14.8% of small loans to farms originated and purchased by the bank.

Table 14. Qualified Investments

| QUALIFIED INVESTMENTS | | | | | | | | | | Geography: PUERTO RICO | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | |
|---------------------------------------|---------------------------|-----------|----------------------------|-----------|-------------------|-----------|------------|------------------------|-----------|------------------------|--|--|--|--|--|--|--|--|--|
| Metropolitan Area/ Assessment Area | Prior Period Investments* | | Current Period Investments | | Total Investments | | | Unfunded Commitments** | | | | | | | | | | | |
| | # | \$(000's) | # | \$(000's) | # | \$(000's) | % of Total | # | \$(000's) | | | | | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | | | | |
| CMSA 7442 | 5 | 1,095 | 347 | 2,241 | 352 | 3,336 | 1.30 | 0 | 0 | | | | | | | | | | |
| MSA 6360 Ponce | 0 | 0 | 22 | 158 | 22 | 158 | 0.06 | 0 | 0 | | | | | | | | | | |
| Limited Review: | | | | | | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 1 | 100 | 10 | 110 | 11 | 210 | 0.08 | 0 | 0 | | | | | | | | | | |
| MSA 060 Aguadilla | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | | | | | | | | | | |
| Non MSA Group 1 | 0 | 0 | 49 | 296 | 49 | 296 | 0.12 | 0 | 0 | | | | | | | | | | |
| Non-MSA 2 Guanica | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | | | | | | | | | | |
| Non MSA 3 Rincon | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | | | | | | | | | | |
| Non-MSA 4 Vieques | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | | | | | | | | | | |
| Island Wide Investments | 88 | 88,431 | 47 | 164,955 | 135 | 253,386 | 98.44 | 1 | 1,425 | | | | | | | | | | |

* "Prior period investments" means investments made in a previous evaluation period that are outstanding as of the examination date.

** "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM & OPENINGS/CLOSINGS | | | | | | | | | | | | | | | | | | Geography: PUERTO RICO | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | | | | | | | | |
|--|--------------------------------------|-----------------------|---|--|-------|-------|-------|--------------------------|----------------------------|--|-----|-----|-------|---------------------------------------|-------|--------|-------|------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Metropolitan Area/ Assessment Area | Deposits | Branches | | | | | | Branch Openings/Closings | | | | | | Population | | | | | | | | | | | | | | | | | | | | |
| | % of Rated Area Deposits in AA | # of Bank Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) | | | | # of Branch Openings | # of Branch Closings | Net change in Location of Branches (+ or -) | | | | % of Population within Each Geography | | | | | | | | | | | | | | | | | | | | |
| | | | | Low | Mod | Mid | Upper | | | Low | Mod | Mid | Upper | Low | Mod | Mid | Upper | | | | | | | | | | | | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CMSA 7442 | 76.57 | 131 | 68 | 2.29 | 20.61 | 32.06 | 45.04 | 6 | 7 | 0 | - 1 | - 3 | 3 | 2.53 | 26.01 | 42.88 | 28.57 | | | | | | | | | | | | | | | | | |
| MSA 6360 Ponce | 6.34 | 15 | 8 | 6.67 | 20.00 | 26.67 | 46.67 | 0 | 0 | 0 | 0 | 0 | 0 | 1.61 | 17.33 | 49.68 | 31.37 | | | | | | | | | | | | | | | | | |
| Limited Review: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MSA 4840 Mayaguez | 5.14 | 13 | 7 | 0.00 | 15.38 | 46.15 | 38.46 | 0 | 1 | 0 | 0 | 0 | - 1 | 4.06 | 10.72 | 61.86 | 23.35 | | | | | | | | | | | | | | | | | |
| MSA 060 Aguadilla | 2.83 | 6 | 3 | 0.00 | 16.67 | 50.00 | 33.33 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 6.60 | 82.02 | 11.38 | | | | | | | | | | | | | | | | | |
| Non MSA Group 1 | 8.27 | 25 | 13 | 0.00 | 0.00 | 80.00 | 20.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 5.23 | 84.95 | 9.82 | | | | | | | | | | | | | | | | | |
| Non-MSA 2 Guanica | 0.14 | 1 | 1 | 0.00 | 0.00 | 0.00 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 10.50 | 78.54 | 10.96 | | | | | | | | | | | | | | | | | |
| Non MSA 3 Rincon | 0.35 | 1 | 1 | 0.00 | 0.00 | 100 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 100.00 | 0.00 | | | | | | | | | | | | | | | | | |
| Non-MSA 4 Vieques | 0.35 | 1 | 1 | 0.00 | 100 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 33.49 | 65.62 | 0.00 | | | | | | | | | | | | | | | | | |

Table 1. Lending Volume

| LENDING VOLUME | | Geography: VIRGIN ISLANDS | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | |
|---------------------------------------|--|---------------------------|------------|---------------------------|------------|--|------------|----------------------------------|------------|----------------------|------------|---|
| Metropolitan Area/ Assessment Area | % of Rated Area Loans (#) in MA/AA* | Home Mortgage | | Small Loans to Businesses | | Small Loans to Farms | | Community Development Loans** | | Total Reported Loans | | % of Rated Area Deposits in MA/AA*** |
| | | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | |
| Full Review: | | | | | | | | | | | | |
| St. Croix | 27.16 | 92 | 7,102 | 64 | 8,091 | 0 | 0 | 1 | 15 | 157 | 15,208 | 29.87 |
| Limited Review: | | | | | | | | | | | | |
| St. Thomas | 72.84 | 135 | 13,041 | 284 | 39,582 | 0 | 0 | 2 | 343 | 421 | 52,966 | 70.13 |

* Loan data as of December 31, 2001. Rated area refers to either the state or multistate MA rating area.

** The evaluation period for Community Development Loans is from January 1, 2000, to December 31, 2001.

*** Deposit data as of December 31, 2001. Rated Area refers to either the state, multistate MA, or institution, as appropriate.

Table 8. Borrower Distribution of Home Purchase Loans

| Borrower Distribution: HOME PURCHASE | | Geography: VIRGIN ISLANDS | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | | | |
|---------------------------------------|----------------|---------------------------|----------------------|---------------------|---------------------------|--|-------------------------|---------------------|------------------------|---------------------|-------------------------|------|------|------|-------|
| Metropolitan Area/ Assessment Area | Total HP Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Aggregate Lending Data* | | | | |
| | # | % of Total** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | Overall | Low | Mod | Mid | Upper |
| Full Review: | | | | | | | | | | | | | | | |
| St. Croix | 27 | 39.71 | 30.11 | 3.70 | 16.56 | 11.11 | 16.78 | 37.04 | 36.53 | 48.15 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Limited Review: | | | | | | | | | | | | | | | |
| St. Thomas | 41 | 60.29 | 18.94 | 4.88 | 15.79 | 7.32 | 19.00 | 17.07 | 46.27 | 70.73 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

* Banks are not required to file HMDA data in U.S. territories. Data supplied by bank not geocoded

** As a percentage of loans with borrower income information available.

*** Percentage of families is based on the 1990 Census information.

**** Home purchase loans originated and purchased in the rated area.

Table 9. Borrower Distribution of Home Improvement Loans

| Borrower Distribution: HOME IMPROVEMENT | | Geography: VIRGIN ISLANDS | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | | | |
|---|----------------|---------------------------|----------------------|---------------------|---------------------------|--|-------------------------|---------------------|------------------------|---------------------|-------------------------|------|------|------|-------|
| Metropolitan Area/ Assessment Area | Total HI Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Aggregate Lending Data* | | | | |
| | # | % of Total** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | Over- all | Low | Mod | Mid | Upper |
| Full Review: | | | | | | | | | | | | | | | |
| St. Croix | 42 | 47.19 | 30.11 | 4.76 | 16.56 | 28.57 | 16.78 | 30.95 | 36.53 | 65.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Limited Review: | | | | | | | | | | | | | | | |
| St. Thomas | 47 | 52.81 | 18.94 | 12.77 | 15.79 | 21.28 | 19.00 | 29.79 | 46.27 | 36.17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

* Banks are not required to file HMDA data in U.S. territories. Data supplied by bank not geocoded.

** As a percentage of loans with borrower income information available.

*** Percentage of families is based on 1990 Census information.

**** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

| Borrower Distribution: HOME MORTGAGE REFINANCE | | Geography: VIRGIN ISLANDS | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | Aggregate Lending Data* | | | | |
|--|--------------------|---------------------------|----------------------|---------------------|---------------------------|--|-------------------------|---------------------|------------------------|---------------------|-------------------------|------|------|------|-------|
| Metropolitan Area/ Assessment Area | Total Refinancings | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Over- all | Low | Mod | Mid | Upper |
| | # | % of Total** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | % Families *** | % Bank Loans**** | | | | | |
| Full Review: | | | | | | | | | | | | | | | |
| St. Croix | 23 | 32.86 | 30.11 | 0.00 | 16.56 | 8.70 | 16.78 | 26.09 | 36.53 | 65.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Limited Review: | | | | | | | | | | | | | | | |
| St. Thomas | 47 | 67.14 | 18.94 | 0.00 | 15.79 | 8.51 | 19.00 | 21.28 | 46.27 | 70.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

* Banks are not required to file HMDA data in U.S. territories. Data supplied by bank not geocoded.

** As a percentage of loans with borrower income information available.

*** Percentage of families is based on the 1990 Census information.

**** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 11. Borrower Distribution of Small Loans to Businesses

| Borrower Distribution: SMALL LOANS TO BUSINESSES | | Geography: VIRGIN ISLANDS | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | Aggregate Lending Data* | |
|--|------------------------------------|---------------------------|--|---------------------|--|--|----------------------------|------|------------------------------------|--|-------------------------|------|
| Metropolitan Area/ Assessment Area | Total Small Loans to Businesses | | Businesses With Revenues of \$1 million or less | | Loans by Original Amount Regardless of Business Size | | | All | Revenues of \$1 Million or Less | | | |
| | # | % of Total** | % of Businesses*** | % Bank Loans**** | \$100,000 or less | > \$100,000 to \$250,000 | > \$250,000 to \$1,000,000 | | | | | |
| Full Review: | | | | | | | | | | | 0.00 | 0.00 |
| St. Croix | 64 | 18.39 | 0.00 | 78.13 | 60.94 | 25.00 | 14.06 | 0.00 | 0.00 | | | |
| Limited Review: | | | | | | | | | | | 0.00 | 0.00 |
| St. Thomas | 284 | 81.61 | 0.00 | 61.62 | 66.55 | 17.96 | 15.49 | 0.00 | 0.00 | | | |

* Based on 2000 Peer Small Business Data: US&PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2001).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

Table 14. Qualified Investments

| QUALIFIED INVESTMENTS | | Geography: VIRGIN ISLANDS | | | | Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | Unfunded Commitments** | |
|---------------------------------------|--------------------------|---------------------------|----------------------------|-----------|-------------------|--|------------|---|-----------|---|------------------------|--|
| Metropolitan Area/ Assessment Area | Prior Period Investments | | Current Period Investments | | Total Investments | | | # | \$(000's) | | | |
| | # | \$(000's) | # | \$(000's) | # | \$(000's) | % of Total | | | | | |
| Full Review: | | | | | | | | | | 0 | 0 | |
| St. Croix | 0 | 0 | 11 | 12 | 11 | 12 | 42.86 | 0 | 0 | | | |
| Limited Review: | | | | | | | | | | 0 | 0 | |
| St. Thomas | 0 | 0 | 18 | 16 | 18 | 16 | 57.14 | 0 | 0 | | | |

* "Prior period investments" means investments made in a previous evaluation period that are outstanding as of the examination date.

** "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM & OPENINGS/CLOSINGS | | | | | | | | | | | | | | | | | | |
|--|---|-----------------------|---|--|-----|-----|-------|--------------------------|-------------------------|--|-----|-----|-------|--|------|-------|-------|-------|
| Geography: VIRGIN ISLANDS Evaluation Period: JANUARY 1, 2000, TO DECEMBER 31, 2001 | | | | | | | | | | | | | | | | | | |
| Metropolitan Area/ Assessment Area | Deposits | Branches | | | | | | Branch Openings/Closings | | | | | | Population | | | | |
| | % of Rated Area Deposits in AA | # of Bank Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) | | | | # of Branch Openings | # of Branch Closings | Net change in Location Of Branches (+ or -) | | | | % of Population Within Each Geography | | | | |
| | | | | Low | Mod | Mid | Upper | | | Low | Mod | Mid | Upper | Low | Mod | Mid | Upper | |
| Full Review: | | | | | | | | | | | | | | | | | | |
| St. Croix | 29.87 | 2 | 29 | 0 | 50 | 50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4.88 | 43.08 | 22.12 | 29.90 |
| Limited Review: | | | | | | | | | | | | | | | | | | |
| St. Thomas | 70.13 | 5 | 71 | 0 | 0 | 80 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 9.64 | 61.34 | 29.02 | |

CRA APPENDIX E
ASSESSMENT AREA MAP(S)