INDUSTRY REPORT

October 8, 2003

BREAN MURRAY
RESEARCH

INDUSTRY REPORT

FINANCIAL INSTITUTIONS OF PUERTO RICO

The Compelling Investment Opportunity Continues: Equity Outperformance With Modest Valuations

- **We view the banks of Puerto Rico as offering a compelling risk/reward investment opportunity.** In the last 10 years, the group has outperformed all other groups of U.S. equities, returning 983.1% (excluding dividends) in the period 9/30/93-9/30/03, compared to a return of 176.0% for the S&P 500 Bank Index and 114.9% for the S&P 500 Index. Share prices for the Puerto Rico banks appreciated at an average CAGR of 26.9% in this period, versus 10.7% for the S&P 500 Bank Index and 7.9% for the S&P 500 Index. Since our investor conference at the end of November 2002, the equity performance has been 30.5% for the group, compared to 7.9% for the S&P 500 Bank Index and 6.4% for the S&P 500 Index. We expect this outperformance to continue.
- **We believe the group's outperformance is prompted by the secular growth dynamics of the Commonwealth of Puerto Rico.** An infrastructure build-out is attracting more corporations to establish locations in Puerto Rico. These companies can take advantage of lower operating costs; a trained, bilingual and bicultural work force; the protection of U.S. law and jurisdiction; and a reduction in U.S. corporate tax rates. As a result, the middle class in Puerto Rico is expanding as high value-added jobs are created. In our view, this economic backdrop, combined with the solid operating characteristics of the local financial institutions, create a compelling case for investment in the group.
- **Despite its impressive price performance, the group trades at a PEG of 0.54x on projected 2003 EPS**, well below its U.S. mainland commercial and mortgage bank peers. Earnings growth should average 25.6% for Puerto Rico banks this year and 24.4% in 2004, while the average for the U.S. mainland banks is expected to be 6.4% in 2003 and 9.0% in 2004. Yet the Puerto Rico banks trade at an average of just 16.3 times projected 2003 EPS and 12.3 times projected 2004 EPS — or one-third to one-half their EPS growth rates.
- **Returns on equity for the Puerto Rico banks average more than 20%, with a similar growth in dividends.** The lower tax rates on dividend income for U.S. investors, which became law this year, could be viewed as an added incentive for investment in the group.

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INVESTMENT SUMMARY

- **Puerto Rico Banks Offer Attractive Risk/Reward Profile:** In our view, the banks of Puerto Rico represent the most attractive risk/reward opportunity in the U.S. banking sector, offering consistent, secular growth of earnings, dividends, returns on assets and equity. Performance is driven by the modernization and expansion of the Puerto Rico infrastructure, which creates industry and jobs for the population of 4 million. We expect the group to continue to outperform both the overall banking sector as well as other non-financial sectors as a proxy for, and early beneficiary of, the double-digit growth in the Commonwealth.

- **Secular Trends Propel Growth**: Puerto Rico is characterized by secular, sustainable growth well above most regions of the more mature U.S. mainland given its earlier stage of development. As the key intermediaries in the development process, banks are both the creators and beneficiaries of a strong business climate. In addition, the strong financial metrics and long-term consistent records of the Puerto Rico banks indicate to us that they have high underwriting standards, are innovative in product development and delivery, and are dedicated to high levels of customer service.

- **Pro-Business Environment**: U.S. corporations operating in Puerto Rico benefit from tax shelters and far lower tax rates than on the U.S. mainland. Puerto Rico companies pay no Federal income tax, although they do pay Commonwealth tax to the municipal government. This is because, from an IRS standpoint, Puerto Rico companies are viewed as foreign corporations. However, the corporate rate paid to the Commonwealth government by local Puerto Rico companies can be lowered by investments in International Banking Entities (IBEs), where investment income on qualified investments, such as mortgage-backed securities, is tax sheltered. U.S. corporations operating in Puerto Rico pay Puerto Rico tax and U.S. Federal tax, but can lower their consolidated tax charges and can benefit from lower all-in costs of operations in Puerto Rico. For example, U.S. companies may receive a credit on their Federal returns for the local Commonwealth taxes paid in Puerto Rico, thereby lowering the consolidated rate. Additionally, both the Commonwealth and the Federal governments offer grants, financial incentives and credits to further lower taxation or costs of operations. There are tax deductions for R&D and training costs, as well as a 100% deduction on real estate and personal property taxes during initial construction and first-year operations for manufacturing industries. In addition to these tax benefits, several financing vehicles offer business lending and financial advice to industrial companies within the Commonwealth. These include the Government Development Bank, which makes long-term loans to the private sector; the Puerto Rico Economic Development Bank, which offers loans or guarantees up to $1.5 million and invests in qualified private projects; AFICA, which sells Puerto Rico tax-exempt industrial development bonds to provide low-cost project financing; the Special Fund for Economic Development, which provides for economic development in specific scientific and technical research; and risk-sharing programs. Finally, Puerto Rico offers companies duty-free and quota-free access to U.S. markets.

- **Focus on Attracting Offshore Capital, Improving Infrastructure and Creating Housing**: Both the Commonwealth and the Federal governments have committed significant effort and resources to materially raise the standard of living by assisting in the creation of affordable housing through FHA/VA mortgage programs and subsidies. This focus on housing as the natural beginning of the economic expansion has been successful for over a decade and continues to spawn related investments in retail and commercial enterprises. In addition, both Washington and San Juan, through various agencies, are dedicated to attracting U.S. mainland and foreign corporations to Puerto Rico. Initiatives such as the Puerto Rico Industrial Development Company (PRIDCO) and the proposed construction of the Port of the Americas have helped or will help to grow GDP and GNP as well as improve per-capita income levels each year since 1947. The current Commonwealth administration has pledged to spend over $4.8 billion on infrastructure in the next

18 months, including 90 new projects valued at $1.2 billion scheduled to start in the last quarter of 2003. Another set of projects will add about $200 million to the total. In addition, projects under construction totaling nearly $800 million should be completed before the end of 2003. In the last 12 months, public sector construction investment has increased 5.5%.

- **Infrastructure Improvements Lead to GDP/GNP Gains:** We believe the infrastructure build-out has helped drive a 2.8% increase in Puerto Rico's GDP, despite a two-year recession in the U.S. mainland. In 2002, GDP grew to $71.1 billion from $69.3 billion in 2001. GNP, which is lower due to the export of U.S. or foreign corporate profits, was $45.2 billion in 2002, up from $44.2 billion in 2001. GNP is estimated to have grown about 1.5% in the fiscal year ended June 2003, and local economists believe this could accelerate to 3-4% going forward. The largest sector of GDP is manufacturing, at $30.0 billion or 42% of total GDP in 2002. The financial sector is second largest, at $11.3 billion or 16% (see Appendix III on pages 68-73). In our opinion, the banks should continue to be the most important beneficiaries of the ongoing expansion of GDP and GNP.

- **Washington's Contribution and Private Monies:** The Federal government will contribute at least $4 billion to the Commonwealth government's operating budget this year, increasing it by about 50% to approximately $13 billion. Much of these Federal monies will be used for housing, education and infrastructure construction. Grants make up about one-third of the total $14 billion in direct Federal spending in the Commonwealth, which also includes Medicare, retirement payments, and procurement. The Government's Economic Development and Commerce Department (EDC) has estimated a current pipeline of $3-$4 billion in private construction investment.

- **Eleven Banks Make Up the Market:** There are 11 institutions participating in commercial banking and mortgage banking in the Commonwealth. The largest of these, in deposit size, is Banco Popular, with an estimated 34.7% share of the $39.1 billion in commercial bank deposits at June 30, 2003. Others with significant share include First Bancorp, W Holding Co., Inc., Doral Financial Corp., Banco Santander, R&G Financial Corp., Banco Bilbao Vizcaya Argent SA, and Oriental Financial Corp. We believe the local banks continue to gain share at the expense of the money center or foreign banks (see Appendix II on pages 63-67). During the past two years, we estimate that five institutions increased share of assets, loans and deposits – Doral, FirstBank, WesternBank, Oriental Financial Group, Inc., and R-G Premier Bank – while seven banks lost share including Banco Bilbao, Banco Financiero, Banco Popular, Banco Santander, ScotiaBank, Citibank, and Bank and Trust of Puerto Rico.

- **Banks Gaining Share Within the Financial System**: Total assets in the overall financial system of Puerto Rico are estimated at $142.9 billion, up about 2.3% year over year at March 31, 2003 (the latest such statistics available) following much larger increases of 7.5% in 2000, 9.6% in 2001, and 3.3% in 2002. We believe the dropoff in growth is a result of changes in the financial system, with various segments gaining and losing share, as well as the recession in the worldwide economies. Growth in bank assets, however, has been healthy. Total bank assets at June 30, 2003 (the latest such statistics available) were $72.0 billion, increasing from $64.1 billion in June 2002 and $53.1 billion in June 2001, for a two-year CAGR of nearly 10%. We believe growth in the commercial and mortgage areas is outpacing other sectors as banks gain share from leasing or finance companies, small loan shops, credit unions, and broker/dealers. Over the past five years, for example, commercial banks have gained share of just over one percentage point of total financial system assets, while mortgage banks have gained slightly less than one percentage point. International Banking Entities (IBEs) have gained share of about three percentage points, and investment companies have gained about 2.5 points. Meanwhile, small loan companies have lost about one point, broker/dealers have lost about four points, financing companies have lost nearly one point, and government banks have lost nearly two points of share of the total financial system. We believe the local banks have been able to grow without much price competition due to market share gains from the foreign or money center banks, consolidation within the ranks of the smaller banks, and share gains from other segments of the system through product consolidation. In our view, these data help to confirm the secular growth trend taking place in the Commonwealth (see figure below and Appendix III on pages 68-73).

Total Assets in the Financial System of Puerto Rico

	1999		2000			2001			2002			Q1-2003		
Company	in millions	% of total	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth
Commercial Banks*	$43,793	38.2%	$47,189	38.3%	7.8%	$49,885	37%	5.7%	$54,213	38.8%	8.7%	$56,338	39.4%	3.9%
Int'l Banking Entities	37,025	32.3%	44,255	35.9%	19.5%	51,510	38%	16.4%	50,458	36.1%	-2.0%	50,187	35.1%	-0.5%
Credit Unions	4,394	3.8%	4,493	3.6%	2.3%	5,009	4%	11.5%	5,439	3.9%	8.6%	5,604	3.9%	3.0%
Small Loan Companies	2,119	1.8%	2,259	1.8%	6.6%	1,453	1%	-35.7%	1,254	0.9%	-13.7%	1,246	0.9%	-0.6%
Broker/Dealers	7,391	6.4%	5,167	4.2%	-30.1%	3,905	3%	-24.4%	3,295	2.4%	-15.6%	3,179	2.2%	-3.5%
Mortgage Banks	4,152	3.6%	4,720	3.8%	13.7%	5,620	4%	19.1%	6,153	4.4%	9.5%	6,310	4.4%	2.6%
Investment Companies	2,170	1.9%	2,392	1.9%	10.2%	2,481	2%	3.7%	5,643	4.0%	127.4%	6,281	4.4%	11.3%
Leasing Companies	1,019	0.9%	1,235	1.0%	21.2%	1,259	1%	1.9%	1,441	1.0%	14.5%	1,502	1.1%	4.2%
Financing Companies	4,976	4.3%	4,658	3.8%	-6.4%	5,015	4%	7.7%	5,217	3.7%	4.0%	5,166	3.6%	-1.0%
Government Banks	7,725	6.7%	6,985	5.7%	-9.6%	9,103	7%	30.3%	6,586	4.7%	-27.7%	7,123	5.0%	8.2%
Total	**$114,764**	**100%**	**$123,353**	**100%**	**7.5%**	**$135,240**	**100%**	**9.6%**	**$139,699**	**100%**	**3.3%**	**$142,936**	**100%**	**2.3%**

* Excludes the International Divisions: 1999= $5,252, 2000= $7,596, 2001= $12,235, 2002 = $13,974 and **Q1-2003 =$14,251.**

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

- **Bank Competition Driven by Products, Not Prices**: As we will discuss in this report, each bank in the Commonwealth has successfully carved out its own niche, usually without much price competition. These initiatives include new product innovations and, in some cases, expansion to the U.S. mainland.

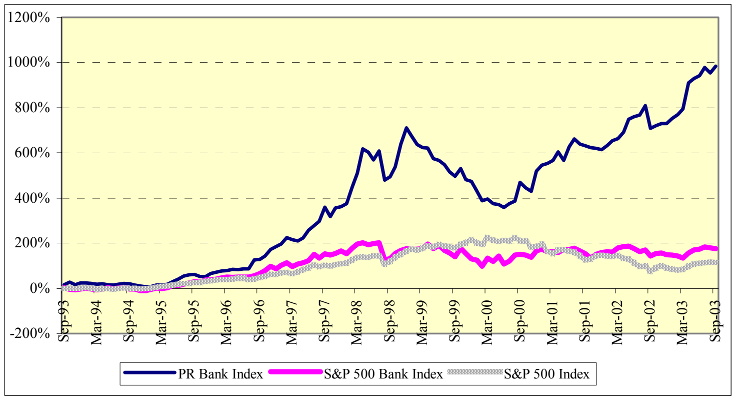
- **Consolidation Enables Banks to Expand Reach:** One would expect consolidation and integration to occur as the banks get larger and as the financial system expands and matures. It appears likely to us that the market will consolidate over the next several years to enable companies to gain scale and product breadth. The first stage of this consolidation has already taken place over the past 10 years, with the larger banks acquiring smaller regional or community banks. We expect the second stage of consolidation to develop in the next three to four years.

- **Tax Advantages Are A Key Positive:** As part of the Federal Reserve, Puerto Rico banks are subject to the same U.S. banking regulations and FDIC protection as banks on the U.S. mainland, with one exception: Puerto Rico banks are entitled to form International Banking Entities (IBEs) to tax-shelter the interest income from qualifying investments such as mortgage-backed securities, thereby lowering the overall tax rate for the bank holding company. We also note that the banks are entitled to the previously discussed tax advantages available to all Puerto Rico corporations. Given these advantages, the Commonwealth banks report average tax rates below 20% of pretax income. We view this tax-advantaged status as a significant positive for investors, as banks are able to allocate more capital to risk-free securities. This provides liquidity and lowers overall portfolio risk, as the after-tax yields on these investments are more competitive with other earning asset alternatives.

- **Higher Returns and Lower Risk Have Led to the Group's Outperformance:** As the graphs on the following pages illustrate, the banks of Puerto Rico have significantly outperformed both the S&P 500Bank Index and the S&P 500 Index for the past 10 years. In addition, the top four banks in Puerto Rico have outperformed the top four banks in the S&P Bank Index, yet they trade at lower P/Es and lower valuations, probably due to a lack of investor knowledge or awareness. We believe this outperformance is due to the secular growth drivers in the Commonwealth that are expanding lending opportunities, along with the compelling financial performance and lower risk characteristics of the Puerto Rico banks.

Chart 1A
Stock Performance of the Puerto Rico-Based Bank Index
Compared to the S&P 500 Bank Index and the S&P 500 Index, 9/30/1993-9/30/2003

Index	10-Yr Price Appreciation (2)	10-Yr CAGR (2)
Puerto Rico-Based Bank Index (1)	983.1%	26.9%
S&P 500 Bank Index	176.0%	10.7%
S&P 500 Index	114.9%	7.9%



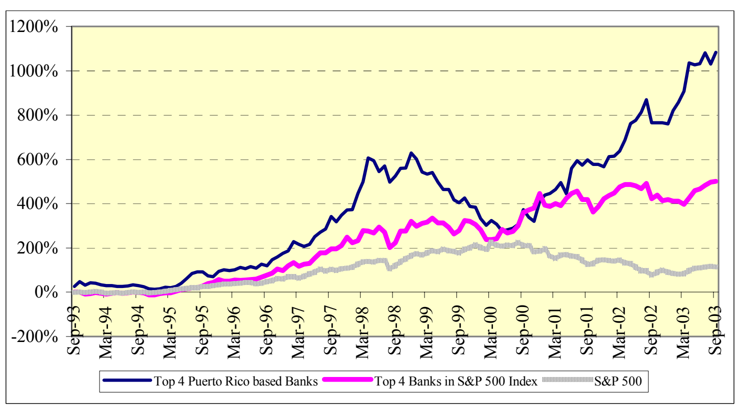
(1) Puerto Rico-Based Bank Index includes the following companies:

Banco Bilbao Vizcaya (BBV)	Popular, Inc. (BPOP)
Doral Financial Corporation (DRL)	R&G Financial Corporation (RGF)
First BanCorp (FBP)	Santander BanCorp (SBP)
Oriental Financial Group (OFG)	W Holding Company, Inc. (WHI)

(2) Excludes dividends
(3) Note: BBVA, a Madrid-based bank, is included in the PR bank index only. Its PR operations are included in the Spanish holding company and we do not include it in our discussion of the 7 Puerto Rico-based banks.
* Total return for the S&P 500 includes dividend reinvestment
Data source: Bloomberg.

Chart 2A
Stock Performance of the Top Four Banks in the Puerto Rico-Based Bank Index
Compared to Top Four Banks in the S&P 500 Bank Index and to the S&P 500, 9/30/1993-9/30/2003

Index	10-Yr Price Appreciation	10-Yr Annual Return
Top Four Puerto Rico-Based Banks (1)	1082.5%	28.0%
Top Four S&P 500 Bank Stocks (2)	501.7%	19.7%
S&P 500 Index	114.9%	7.9%

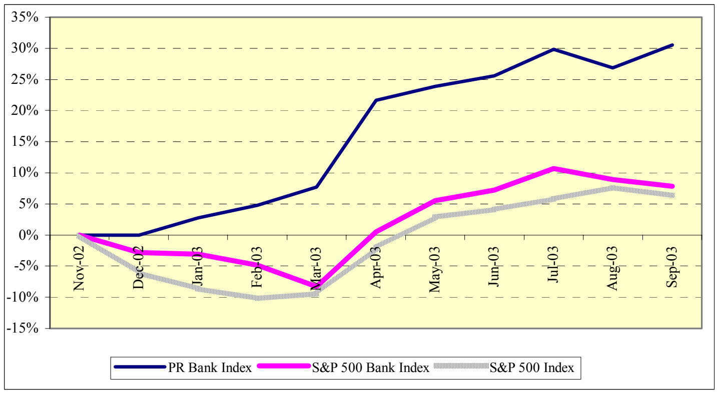


(1) Top 4 Banks in Puerto Rico-Based Bank Index:[3]	(2) Top 4 Banks in S&P 500 Bank Index:[3]
Doral Financial Corp. (DRL)	North Fork Bancorp (NFB)
First BanCorp (FBP)	Fifth Third Bancorp (FITB)
Oriental Financial Group (OFG)	Zions Bancorp (ZION)
W Holding Company (WHI)	Golden West Financial (GDW)

[3] Top four banks as measured by total stock price appreciation, excluding dividends, over the period 9/93-9/03.
Data source: Bloomberg.

Chart 1B
Stock Performance of the Puerto Rico-Based Bank Index
Compared to the S&P 500 Bank Index and the S&P 500 Index, 11/29/2002-9/30/2003

Index	11/02-9/03 Appreciation (2)
Puerto Rico-Based Bank Index (1)	30.5%
S&P 500 Bank Index	7.9%
S&P 500 Index	6.4%



(1) Puerto Rico-Based Bank Index includes the following companies:

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Oriental Financial Group (OFG)	W Holding Company, Inc. (WHI)

(2) Excludes dividends

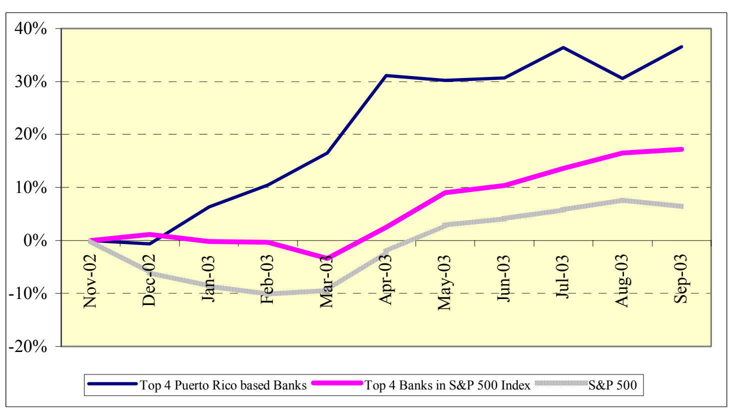
(3) Note: BBVA, a Madrid-based bank, is included in the PR bank index only. Its PR operations are included in the Spanish holding company and we do not include it in our discussion of the 7 Puerto Rico-based banks.

* Total return for the S&P 500 includes dividend reinvestment

Data source: Bloomberg.

Chart 2B
Stock Performance of the Top Four Banks in the Puerto Rico-Based Bank Index
Compared to Top Four Banks in the S&P 500 Bank Index and to the S&P 500, 11/29/2002-9/30/2003

Index	11/02-9/03 Appreciation (2)
Top Four Puerto Rico-Based Banks (1)	36.6%
Top Four S&P 500 Bank Stocks (2)	17.2%
S&P 500 Index	6.4%



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W Holding Company (WHI)	Golden West Financial (GDW)

[3] Top four banks as measured by total stock price appreciation, excluding dividends, over the period 11/02-9/03.

Data source: Bloomberg.

THE PUERTO RICO FINANCIAL MARKET

Emerging Growth Economy Bootstrapping its Commercial and Consumer Expansion, Providing Opportune Environment for Local Banks

Puerto Rico became part of the United States following the Spanish American War in 1898, with Commonwealth status introduced in 1952. The residents of Puerto Rico are, therefore, citizens of the United States, and the banking system operates under the same regulatory framework of the Federal Reserve and FDIC as in the 50 states.

Development of the infrastructure and housing markets in the Commonwealth has accelerated over the past half century due to many factors. These include 1) tax incentives to mainland U.S. companies to locate operations in the Commonwealth; 2) funds for construction of affordable housing from the Department of Housing and Urban Development in Washington and the Commonwealth government in Puerto Rico; 3) establishment of large hotels and resorts; 4) the shift from an agriculture-based economy, dominated by sugar cane production, to a manufacturing and service economy, focused on high value-added products for export; 5) the resulting growth of the middle class; 6) the growing strategic importance of the Commonwealth, along with the Caribbean and Latin America, to the economic and political interests of the mainland United States; and 7) the growing influence of the Hispanic population in the U.S., which has grown to 13% of the U.S. population and 22% of North American households. We believe all of these factors have combined to drive an increasing commitment by Federal and local officials to promote economic growth and trade in Puerto Rico. Over the past several decades, this effort has created significant opportunities for the Commonwealth's financial system to fund this development. We see growth potential for the Puerto Rico banks within the Commonwealth, on the U.S. mainland, and, ultimately, within global markets.

Economic Growth Drivers

Lower Cost, Higher Value-Added Production; U.S. Law Protections: In the 1950s and 1960s, Puerto Rico government programs such as Operation Bootstrap drove commercial development by motivating U.S. and foreign companies to establish locations in Puerto Rico. Companies were attracted to the Commonwealth by low-cost labor, duty-free access to U.S. markets, tax incentives under Puerto Rico and U.S. law, and infrastructure expansion. In the 1970s and 1980s, the Puerto Rico Industrial Development Company (PRIDCO) was created as a formal agency, which merged with the Puerto Rico Economic Development Agency (EDA) in 1998. PRIDCO helped to refocus the strategy toward attracting companies and industries manufacturing **high value-added goods and services** such as healthcare, therapeutics, software and hardware manufacturers for lower-cost offshore production. Additionally, the protection of intellectual property investments by U.S. patent and trademark laws appealed to these types of industries. Slowly the Commonwealth is shedding its commodity-type industries such as cement production (recently purchased by Mexican giant Cemex) and is adding higher-level manufacturing and service jobs requiring skilled, educated, bilingual, bicultural employees. Puerto Rico has successfully attracted such giants as Hewlett-Packard (HPQ-$19.36), IBM (IBM-$88.33), Dell Computer (DELL-$33.42), Storage Technology (STK-$24.14), Solectron (SLE-$18.36) and others. In addition, several very large pharmaceutical, biotech, and medical device manufacturers operate in Puerto Rico, as we discuss below. These mainland giants are a prime source of employment and investment in the Commonwealth as they continue to expand.

A Huge Pharmaceutical Presence Helps Drive GDP: Puerto Rico's GDP of $71.1 billion has grown by 41% since 1997, comprised of 40% manufacturing and 60% services. **The most important manufacturing industry in the Commonwealth is pharmaceutical/biotech.** Investment from the pharmaceutical industry represents 19% of GDP in Puerto Rico.

The pharmaceutical industry employs more than 30,000 people in Puerto Rico. All of the Fortune 500 pharmaceutical firms have plants here, including Abbott Labs (ABT-$42.55), Amgen (AMGN-$65.74), Baxter International (BAX-$29.06), Bristol-Myers Squibb (BMY-$25.38), Eli Lilly (LLY-$59.40), Johnson & Johnson (JNJ-$49.52), Merck (MRK-$50.62), Pfizer (PFE-$30.38), Procter & Gamble (PNG-$14.98), Schering Plough (SGP-$15.24), and Wyeth Labs (WYE-$46.10). Several European pharmaceutical companies also have plants in Puerto Rico, including Astra-Zeneca (AZN-$43.40), Aventis (AVE-$52.30), BASF Group (BF-$43.76), Glaxo SmithKline (GSK-$42.40), and Serano, N.A.

Over the past few years, biopharmaceutical companies have built and expanded operations in the Commonwealth as well, citing the advantages of access to U.S. markets, FDA regulation, a highly educated workforce, and lower costs of operations. In 2002, for example, the biotech industry invested over $2 billion in plant expansion in Puerto Rico. Three large biotechnology companies have manufacturing operations in Puerto Rico, including Amgen, Ortho (a division of JNJ) and Lilly, and late in 2002, Abbott Laboratories announced plans to build a $350 million biotechnology manufacturing plant there. Similarly, in July 2003 Eli Lilly announced a $300 million investment in plant and equipment over the next four years. Amgen has invested about $850 million in plant and equipment in Puerto Rico this year and will expand its workforce by about 500 people before the end of 2003. We believe incremental production and expansion for most of the pharmaceutical companies will occur in Puerto Rico.

Blockbuster Drugs are Manufactured in Puerto Rico: The pharmaceutical companies that have operations in Puerto Rico produce 16 of the 20 top-selling prescription drugs in the U.S. Indeed, several of the largest selling drugs in the world are manufactured in Puerto Rico, including Pfizer’s Lipitor, with annual sales of $8 billion, Norvasc, with annual sales of $4 billion, Zoloft, with annual sales of nearly $2.5 billion, Eli Lilly’s Zyprexa, with annual sales of $8 billion, Bristol-Myers Squibb’s Pravachol and Plavix, with combined annual sales of nearly $5 billion, and Amgen’s Enbrel, with annual sales of over $1 billion. Enbrel just received approval for an additional indication of arthritis, which could boost sales to over $2 billion per year. Together, sales of these leading products in the second quarter of 2003 accounted for **$14 billion, or 41% of worldwide product sales** of $34.3 billion, according to the Pharmaceutical Manufacturer’s Association of Puerto Rico. Total exports of pharmaceutical products manufactured in Puerto Rico are more than $30 billion per year.

Law 169 Helps Local Businesses Reach U.S. Markets: Law 169 was approved at the end of 2001 and went into effect fully in 2003. Negotiated by PRIDCO, the law provides for up to a 25% tax exemption for huge mega-stores that buy local products to export outside of Puerto Rico. The law provides an important means for local suppliers to become part of global distribution channels. Wal-Mart (WMT-$55.85), for example, which recently expanded its Commonwealth presence through the acquisition of Amigo Supermarkets, purchases many goods from local producers to sell within Puerto Rico as well as for export to the mainland and worldwide. The initiative is designed to tap into Hispanic and non-Hispanic markets that are underserved by Puerto Rico products. In addition, many other Fortune 500 companies, including Univision (UVN-$31.93) and Marsh McLennan (MMC-$47.61), are either building operations in Puerto Rico or purchasing local businesses in an effort to expand their presence there.

Trade Should Be Stimulated by the Port of the Americas: Puerto Rico’s Caribbean location and U.S. affiliation have created geographic and political advantages for expanding its trade infrastructure. The Commonwealth is well positioned to service clients in both North and South America and serve as a crossroads to Europe and Asia. With this is mind, for the past four years the Commonwealth government has been developing plans for a new port facility, called the Port of the Americas, to add to the capacity of the existing Port of San Juan and offer additional trans-shipment services to corporate clients. Export trade is already a $47.2 billion per year industry in the Commonwealth, while imports represent $29.0 billion annually. The Port of San Juan is already the fourth largest in the Western Hemisphere. The Commonwealth government expects the project to cost over $1 billion and will finance it with public monies.

The Port of the Americas will be built in three communities on the southwestern region of the Commonwealth, including Ponce, Penuelas and Guayanilla. These areas will be surrounded by Value Added Zones, or tax-free zones, for import/export and production and manufacturing. Each such zone will be a one-thousand-acre industrial park that is privately owned and financed. There will potentially be many of these zones. The Port will handle Post Panamax ships of up to 12,000 TEUs and is expected to be in operation by 2006-2007, after beginning construction in 2004. The project is expected to generate up to 10,000 direct jobs as it expands in four phases, and up to 20,000 indirect jobs as it stimulates economic activity in the southern region of the Commonwealth.

Roosevelt Roads Naval Base - Redevelopment Potential Could Spur Economic Growth Over Time: The U.S. Navy has recently discussed the possibility of closing its base at Roosevelt Roads in the northeastern area of the Commonwealth. This 8,700-acre base spans several towns surrounding Fajuardo and houses thousands of military personnel. The land has been appraised at a value of $1.6 billion, according to government of Puerto Rico statistics. The government is currently examining alternative uses of the facilities and the land, including housing or tourist lodging or, perhaps, a port. We believe that over time, private development of this coastline area should help to contribute to economic growth.

Housing Shortages Continue, Driving Mortgage Banking Growth: The Mortgage Banker's Association of Puerto Rico estimates a chronic housing shortage of over 100,000 units, driven by population increases and rebuilding of infrastructure. As a result, the Commonwealth government has made the creation of affordable housing a top priority. It plans to invest $1 billion this coming year for the rehabilitation and construction of 20,000 units of affordable housing. This is in addition to other private and government investment. We believe the shortage fuels strong demand for housing in the Commonwealth, providing a high degree of visibility for mortgage banking operations.

Financial Performance of Puerto Banks

Puerto Rico Banks Outperform Southeast U.S. Mainland Peers: Through June 2003, the average publicly traded local Puerto Rico bank equity had **risen 25.6%** year to date, far outpacing the U.S. mainland Southeast regional bank average appreciation of **8.0%**, as shown in the Comparative Valuation Table on the following page. For 2002, the Puerto Rico banks grew earnings at an average pace of **43.5%,** despite negative earnings growth at Santander BanCorp owing to its ongoing restructuring and turnaround. The average earnings growth of the U.S. mainland peer group for this period was **17.1%.** In other words, in 2002, the Puerto Rico banks grew earnings nearly 150% more than their Southeast U.S. peers. According to First Call consensus forecasts, earnings growth for this year (calendar 2003) is estimated at **25.6%** for the Puerto Rico banks, compared to a mere **6.4%** for the Southeast U.S. group. Similarly, as the table shows, projected 2004 earnings growth is **24.4%** for the Puerto Rico banks and **9.0%** for the peer group.

Banks in the Southeast U.S. group are larger than their Puerto Rico counterparts (with an average market cap of $4.5 billion compared to the Puerto Rico group average of less than $2.0 billion), with slower earnings growth and lower returns on average common equity and average assets. These statistics are consistent with our view that Puerto Rico banks are enjoying a period of outperformance, driven by an early stage of economic development in the Commonwealth compared to the more mature mainland U.S. Further, this secular trend is consistent with trends in other areas of the U.S. in earlier stages of development. Therefore, we believe this outperformance should continue for several more years as the Commonwealth matures and expands.

Comparative Valuation Table

Bank Holding Co. Valuation Statistics
UPDATED 9/30/03

Puerto Rico based Banks Company	Symbol	9/30/03 Price	6/30/03 Price	12/31/02 Price	% chg YTD 6/30/03	% chg YTD 9/30/03	Mkt Cap (mil)	EPS 02A	EPS 03E	EPS 04E	Y/Y Growth 02A	Y/Y Growth 03E	Y/Y Growth 04E	ROCE 02A	ROA 02A	Cmn Equity (mil)	Price/ Cmn Book	P/E 02A	P/E 03E	P/E 04E	PEG 02A	PEG 03E	PEG 04E	Govt Secs.% of Earning Assets***
Doral Financial Corp.	DRL	47.00	44.65	28.60	56.1%	64.3%	3,459.2	2.84	3.92	5.07	51.1%	38.0%	29.3%	28.5%	3.0%	816.7	4.2x	16.5x	12.0x	9.3x	0.32	0.32	0.32	39%
Santander BanCorp	SBP	18.77	16.36	13.00	25.8%	44.4%	790.2	0.38	0.41	0.71	-60.8%	9.1%	70.8%	3.2%	0.3%	505.6	1.6x	49.4x	45.3x	26.5x	nm	nm	0.37	36%
First Bancorp	FBP	30.75	27.45	22.60	21.5%	36.1%	1,251.5	2.01	2.49	2.61	16.2%	23.9%	4.8%	21.1%	1.3%	494.7	2.5x	15.3x	12.3x	11.8x	0.95	0.52	2.44	28%
Popular, Inc.	BPOP	39.80	38.54	33.80	14.0%	17.8%	5,281.5	2.41	3.26	3.45	11.1%	35.3%	5.8%	15.3%	1.1%	2,410.9	2.2x	16.5x	12.2x	11.5x	1.49	0.35	1.98	34%
Oriental Financial**	OFG	24.26	25.69	19.66	30.7%	23.4%	448.8	2.00	2.65	2.76	217.5%	32.5%	4.2%	33.9%	1.8%	132.9	3.4x	12.1x	9.2x	8.8x	0.06	nm	2.12	75%
R&G Financial Corp.	RGF	29.20	29.70	23.25	27.7%	25.6%	998.6	2.49	3.13	3.44	36.1%	25.7%	9.9%	21.3%	1.8%	449.2	2.2x	11.7x	9.3x	8.5x	0.33	nm	0.86	39%
W Holding Co., Inc.	WHI	17.90	16.92	16.41	3.1%	9.1%	1,278.1	1.11	1.27	1.85	33.7%	14.4%	45.7%	25.4%	1.3%	361.2	3.5x	16.1x	14.1x	9.7x	0.48	0.98	0.21	44%
Average					**25.6%**	**31.5%**	**1,929.7**				**43.5%**	**25.6%**	**24.4%**	**21.2%**	**1.5%**		**2.8x**	**19.7x**	**16.3x**	**12.3x**	**0.60**	**0.54**	**1.19**	**42%**

U.S. Regional Banks Company	Symbol	9/30/03 Price	6/30/03 Price	12/31/02 Price	% chg YTD 6/30/03	% chg YTD 9/30/03	Mkt Cap (mil)	EPS 02A	EPS 03E	EPS 04E	Y/Y Growth 02A	Y/Y Growth 03E	Y/Y Growth 04E	ROCE 02A	ROA 02A	Cmn Equity (mil)	Price/ Cmn Book	P/E 02A	P/E 03E	P/E 04E	PEG 02A	PEG 03E	PEG 04E	Govt Secs.% of Earning Assets***
Bancorp South	BXS	21.90	20.85	19.42	7.4%	12.8%	1,708.2	1.39	1.57	1.73	16.8%	12.9%	10.2%	13.8%	1.1%	807.8	2.1x	15.8x	13.9x	12.7x	0.94	1.08	1.24	30%
BOK Financial Corp.	BOKF	37.95	38.59	32.39	19.1%	17.2%	2,451.6	2.41	2.63	2.94	21.7%	9.1%	11.8%	15.9%	1.3%	1,078.6	2.3x	15.7x	14.4x	12.9x	0.73	1.58	1.10	35%
Colonial Banc Group	CNB	14.44	13.87	11.93	16.3%	21.0%	1,797.8	1.17	1.17	1.25	5.4%	0.0%	6.8%	14.4%	1.0%	1,071.4	1.7x	12.3x	12.3x	11.6x	2.28	nm	1.69	17%
First Tennessee Nat'l.	FTN	42.46	43.91	35.94	22.2%	18.1%	5,400.9	2.89	3.61	3.74	24.6%	24.9%	3.6%	23.9%	1.8%	1,691.2	3.2x	14.7x	11.8x	11.4x	0.60	0.47	3.15	na
Hancock Holding Co.	HBHC	49.35	46.75	44.65	4.7%	10.5%	824.1	3.15	3.17	3.52	33.5%	0.6%	11.0%	12.7%	1.3%	387.5	2.1x	15.7x	15.6x	14.0x	0.47	nm	1.27	40%
Hibernia Corp.	HIB	20.26	18.16	19.26	-5.7%	5.2%	3,174.7	1.56	1.64	1.85	15.6%	5.1%	12.8%	15.5%	1.5%	1,680.9	1.9x	13.0x	12.4x	11.0x	0.83	2.41	0.86	21%
SouthTrust Corp.	SOTR	29.36	27.00	24.85	8.7%	18.1%	10,088.1	1.85	2.05	2.25	14.9%	10.8%	9.8%	15.1%	1.3%	4,627.6	2.2x	15.9x	14.3x	13.0x	1.06	1.32	1.34	20%
SunTrust Banks, Inc.	STI	60.37	59.34	56.92	4.3%	6.1%	16,921.7	4.80	4.71	5.04	0.2%	-1.9%	7.0%	15.3%	1.2%	8,769.5	1.9x	12.6x	12.8x	12.0x	nm	nm	1.71	22%
TrustMark Corp.	TRMK	27.13	25.47	23.80	7.0%	14.0%	1,619.7	1.94	2.00	2.19	12.8%	3.1%	9.5%	17.6%	1.7%	679.5	2.4x	14.0x	13.6x	12.4x	1.09	4.39	1.30	32%
Whitney Holding Corp.	WTNY	34.00	32.00	33.33	-4.0%	2.0%	1,373.6	2.38	2.37	2.54	25.3%	-0.4%	7.2%	12.6%	1.4%	800.5	1.7x	14.3x	14.3x	13.4x	0.57	nm	1.87	30%
Average					**8.0%**	**10.6%**	**4,536.0**				**17.1%**	**6.4%**	**9.0%**	**15.7%**	**1.4%**		**2.1x**	**14.4x**	**13.5x**	**12.4x**	**0.95**	**1.87**	**1.55**	**27%**

Mortgage Banking-Diversified Company	Symbol	9/30/03 Price	6/30/03 Price	12/31/02 Price	% chg YTD 6/30/03	% chg YTD 9/30/03	Mkt Cap (mil)	EPS 02A	EPS 03E	EPS 04E	Y/Y Growth 02A	Y/Y Growth 03E	Y/Y Growth 04E	ROCE 02A	ROA 02A	Cmn Equity (mil)	Price/ Cmn Book	P/E 02A	P/E 03E	P/E 04E	PEG 02A	PEG 03E	PEG 04E
Countrywide Financial	CFC	78.28	69.57	51.65	34.7%	51.6%	10,951.4	6.49	13.74	11.44	66.8%	111.7%	-16.7%	18.3%	1.9%	5,161.1	2.1x	12.1x	5.7x	6.8x	0.18	0.05	nm
Washington Mutual	WM	39.37	41.30	34.53	19.6%	14.0%	36,590.5	4.05	4.43	4.79	12.8%	9.4%	8.1%	22.8%	1.5%	20,134.0	1.8x	9.7x	8.9x	8.2x	0.76	0.95	1.01
Average					**27.2%**	**25.4%**	**23,770.9**				**39.8%**	**60.5%**	**-4.3%**	**20.5%**	**1.7%**		**2.0x**	**10.9x**	**7.3x**	**7.5x**	**0.47**	**0.50**	**1.01**

** FY ending 6/30
*** From company 10Ks & 10Qs
Source: Bloomberg, First Call, SEC filings and Yahoo Finance

First Half 2003 Financial Results: During the first half of 2003, average earnings growth for the Puerto Rico banks was 14.3%. In some cases, the banks slowed loan or investment portfolio growth as interest rates began to rise and the yield curve began to steepen. Prepayments on mortgage-backed securities also resulted, in some cases, in impairments on mortgage servicing portfolios, or far lower than expected investment income. Some of the banks sold mortgage-backed securities to shorten durations or realize gains, remaining in cash or near cash while awaiting a pickup in rates. Others experienced short-term mark-to-market impairments in corporate bonds as rates dropped. Over the next 12 months, we anticipate that spreads should increase along with interest rates. In addition, we forecast continued strong loan demand as GDP improves and, combined with fiscal stimulus, drives commercial and retail activity.

Bank Portfolio Diversification and Collateralization of Loans Reduces Risk: Typically, the Puerto Rico banks invest about one-third to one-half of earning assets in risk-free Treasury or Agency securities. Loan portfolios are generally collateralized by real estate and are further diversified into commercial, consumer and mortgage loans. Consequently, the group has overall lower loan default rates and charge-offs than the U.S. mainland peer group. Further, we think this diversification enables these banks to outperform with lower risk in many different economic scenarios.

Comparison of Government Securities Holdings

Puerto Rico-based Banks		**Govt Securities**
Company	**Symbol**	**% of Earning Assets**
Doral Financial Corporation	DRL	39%
Santander BanCorp	SBP	36%
First Bancorp	FBP	28%
Popular, Inc.	BPOP	34%
Oriental Financial Group **	OFG	75%
R&G Financial Corp.	RGF	39%
W Holding Company, Inc.	WHI	44%
Average		**42%**

U.S. Regional Banks		**Govt Securities**
Company	**Symbol**	**% of Earning Assets**
Bancorp South	BXS	30%
BOK Financial Corp.	BOKF	35%
Colonial Banc Group	CNB	17%
Hancock Holding Co.	HBHC	40%
Hibernia Corp.	HIB	21%
SouthTrust Corp.	SOTR	20%
SunTrust Banks, Inc.	STI	22%
TrustMark Corp.	TRMK	32%
Whitney Holding Corp.	WTNY	30%
Average		**27%**

** From June 2002 10k
Source: Company reports

Local Banks Continue to Pick Up Market Share: As shown in the Appendices at the back of this report, the larger money center banks such as Citibank or Bank of Nova Scotia have lost share in commercial market loans while the local middle-market banks are gaining share. These large money center banks focused on servicing the Fortune 50 companies that located in Puerto Rico over the last decade or two to take advantage of favorable tax treatments under Section 936 of the IRS code. When Section 936 was phased out and these companies no longer were required to retain profits in Puerto Rico, the money center banks began to lose deposits. They also found that since they had not developed strong local business relationships, they lost share in commercial and local lending as well. During the past two years, according to FDIC data, five local institutions increased their share of assets, loans and deposits – Doral Bank, FirstBank of Puerto Rico, Westernbank Puerto Rico, Oriental Financial Group, and R-G Premier Bank of Puerto Rico – while seven banks lost share including Banco Bilbao, Banco Financiero, Banco Popular, Banco Santander, Scotiabank de Puerto Rico, Citibank and Bank and Trust of Puerto Rico (see Appendix I on pages 47-62). In addition, the share gains by the leaders appear to be continuing as they expand geographically across the Commonwealth and/or into the U.S. mainland.

INVESTMENT CONCLUSIONS

We view the banks of Puerto Rico as offering a compelling investment opportunity based on several factors: attractive valuations and outperformance relative to US. bank averages, strong credit quality, secular growth trends in Puerto Rico due to the ongoing infrastructure expansion, consolidation within the Commonwealth, and potential geographic expansion.

Valuations Appear Compelling

We believe the combination of an emerging growth economy, U.S. flag, Federal Reserve membership and tax incentives creates an opportune environment for the Puerto Rico banks to grow at rates above U.S. community or regional bank averages. Generally, for the Puerto Rico banks, P/Es are lower, earnings growth is higher and loan quality (as measured by charge-offs and NPLs) is higher, relative to a group of Southeast U.S. regional banks that we have chosen as a proxy. As a result, the Puerto Rico banks have outperformed the S&P 500 Index and S&P 500 Bank Index by a wide margin, returning 983.1%, versus 114.9% and 176.0%, respectively, over the past 10 years. In our view, the Puerto Rico banks could offer continued significant potential appreciation from current levels, despite significant outperformance by the group year to date.

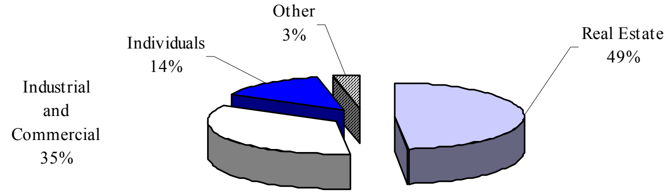
Credit Quality is Strong

Based on judicious, high-quality underwriting standards, collateralization of most commercial and residential loans, and a generous portion of earning assets invested in risk-free securities, we expect net loan charge-offs to remain stable, with average rates lower than for the U.S. group. Indeed, as a finite supply of real estate drives price appreciation an average of 5% per year, the collateralization of loans by real estate provides a growing cushion of protection against credit risk. The increasing portion of service fees and treasury gains also provides for lower-risk income streams.

Publicly Traded Banks of Puerto Rico
Loan Composition as of June 30, 2003 ($ millions)

Institution	Ticker	Total Loans	Real Estate	Commercial & Construction	Consumer	Other*
Popular, Inc.	BPOP	20,872	8,340	8,297	3,184	1,051
First BanCorp**	FBP	6,299	2,305	2,642	1,199	152
Santander BanCorp	SBP	3,678	931	2,297	451	0
W Holding Company, Inc.	WHI	4,312	3,000	506	719	87
Doral Financial Corporation	DRL	3,219	2,296	806	66	90
R&G Financial Corporation	RGF	3,322	2,971	154	197	0
Oriental Financial Group	OFG	689	656	14	18	0
Total		**42,391**	**20,499**	**14,715**	**5,835**	**1,381**

Institution Name	Ticker	Total Loans	Real Estate	Commercial & Construction	Consumer	Other*
Popular, Inc.	BPOP	100%	40.0%	39.8%	15.3%	5.0%
First BanCorp*	FBP	100%	36.6%	41.9%	19.0%	2.4%
Santander BanCorp	SBP	100%	25.3%	62.4%	12.3%	0.0%
W Holding Company, Inc.	WHI	100%	69.6%	11.7%	16.7%	2.0%
Doral Financial Corporation	DRL	100%	71.3%	25.0%	2.1%	2.8%
R&G Financial Corporation	RGF	100%	89.4%	4.6%	5.9%	0.0%
Oriental Financial Group	OFG	100%	95.3%	2.1%	2.6%	0.0%
Total		100%	48.4%	34.7%	13.8%	3.3%



Note: Some loan categories may overlap (e.g. real estate may include construction loans. Loans have not been double counted.)

Graph and tables exclude private banks or divisions of foreign banks. These include Banco Bilbao Vizcaya PR, Banco Financiero de PR, Eurobank, Scotiabank de PR, and The Bank and Trust of PR.

*Other includes loans on deposits, lease financing and other loans. **Excludes Virgin Islands acquired operations.
Source: Company 10Qs.

Infrastructure Expenditures Should Support Secular Growth Trends

With substantial investment from the Commonwealth government, together with the Federal government in Washington and private sources, we expect Puerto Rico's infrastructure and economy to continue to expand, providing a solid environment for financial institutions. Housing is a top priority to ease chronic shortages. Highway, public works and initiatives such as the planned Port of the Americas should stimulate growth as well in a predictable, secular pattern as the Commonwealth matures, much like we have seen in the 50 states. We believe the commercial and mortgage banking sectors will be prime beneficiaries as well as drivers of this growth.

Growth in commercial bank assets has been 7.8% in 2000, 5.7% in 2001 and 8.7% in 2002. In the first quarter of 2003, this growth dropped to 3.9%. Mortgage banking asset growth was 13.7% in 2000, 19.1% in 2001, and 9.5% in 2002. In the first quarter it was 2.6%. Similarly, consumer per-capita income has grown at a compound annual rate of over 6% in the past five years, according to the Government Development Bank of Puerto Rico.

Consolidation and Geographic Expansion Provide Further Upside Potential

With 11 banking institutions for a population of 4 million and a $71.1 billion GDP, we expect to see consolidation both within the Commonwealth and on the U.S. mainland. Some of the banks have already begun this process in order to gain operating efficiencies and grow market share through greater scope and customer reach. As the group consolidates, we believe investors will profit from potential appreciation on take-out valuations.

Additionally, as the group expands geographically into the U.S. and/or Caribbean and Latin America, we expect further potential share price appreciation as the banks fuel top- and bottom-line growth through enhanced lending, investment and service income opportunities.

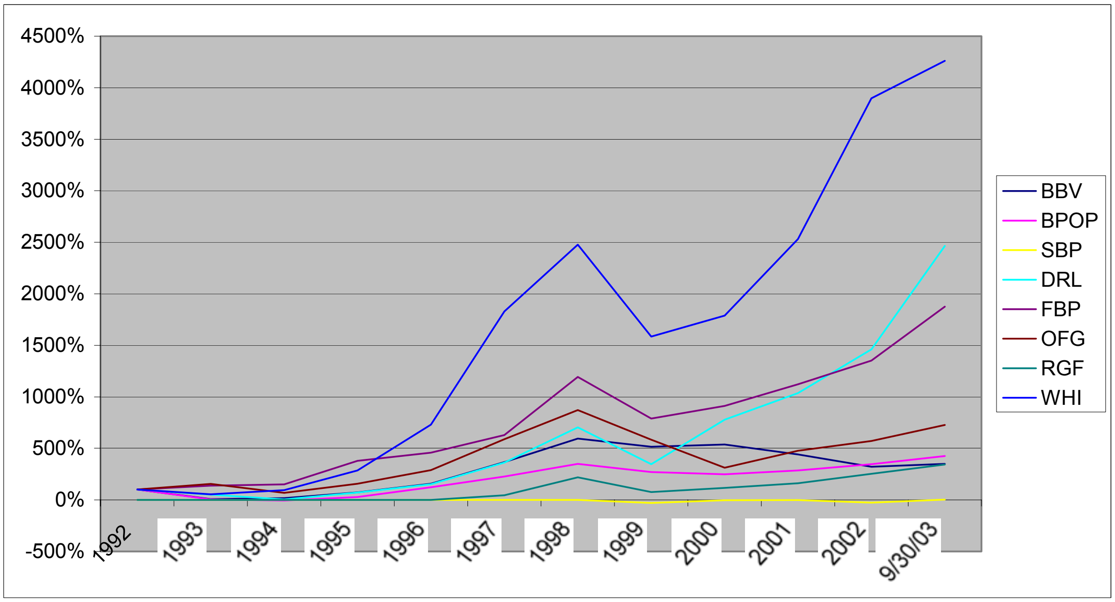
BANK PROFILES

On the following pages we profile each of the financial institutions in the Commonwealth. For the companies not under formal coverage, we have provided First Call consensus annual EPS estimates, and we note that the profiles are for informational purposes only. Where possible, September 2003 data is provided; otherwise the data covers the period through June 2003. Finally, please note that we have focused our profiles only on the local banks of Puerto Rico and have omitted those companies that operate as subsidiaries of larger foreign or U.S. institutions.

APPENDICES

At the back of the report, we have included tables and appendices that provide in-depth financial ratios, metrics and statistics of the financial institutions of Puerto Rico as a group, individually and compared to mainland banking institutions for comparative purposes.

10-Year Cumulative Stock Performance of Puerto Rico-Based Banks*



10-Year Cumulative Stock Performance*, 1993-9/30/03

Institution Name	Ticker	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	9/30/03
Banco Bilbao Vizcaya PR	BBV	7%	18%	72%	157%	367%	594%	515%	537%	440%	321%	348%
Banco Popular de PR	BPOP	4%	-7%	28%	123%	227%	350%	269%	248%	285%	347%	426%
Banco Santander PR	SBP	—	—	—	—	—	—	-30%	-3%	-3%	-28%	4%
Doral Bank	DRL	52%	5%	70%	152%	361%	705%	348%	780%	1035%	1460%	2464%
Firstbank of PR	FBP	137%	150%	379%	457%	630%	1194%	789%	912%	1121%	1353%	1877%
Oriental Bank & Trust	OFG	153%	69%	156%	288%	587%	871%	584%	313%	477%	571%	727%
R&G Premier Bank of PR	RGF	—	—	—	—	46%	218%	74%	116%	160%	252%	343%
Westernbank PR	WHI	53%	94%	284%	729%	1828%	2477%	1585%	1787%	2530%	3897%	4259%
Average		68%	55%	165%	318%	578%	916%	517%	586%	756%	1022%	1306%

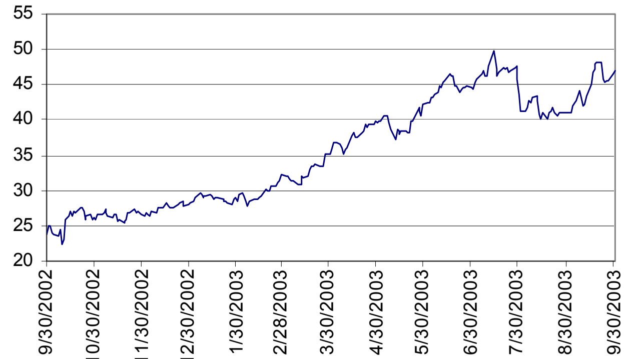
* Excludes dividends.

Note: Time period measured for RGF and SBP is less than 10 years due to the companies' shorter histories as public companies.

Data source: Bloomberg.

Doral Financial Corporation (NYSE:DRL)

Current Price:		$47.00
52-Week Range:		$50.80-21.89
Shares Out. (Mil.):		73.6
Market Cap. (Mil.):		$3,459.2
Dividend/Yield	$0.56	1.2%
Avg. Daily Vol. (000):		499.1
Relative Strength		92
Risk Profile		Moderate
LTM Revenues (Mil.):		$484.6
Market Cap./ LTM Revenues:		7.1x
LTM Net Income (Mil):		$267.4
Common Book Value 6/03		$12.77
Return on Av. Common Equity 6/03		31.6%
Return on Av. Assets 6/03		3.38%
Efficiency Ratio		33.5%
Total Assets (billions) 6/03		$9.4
Long-term debt/total capital		6.5%
5-Yr. Est. EPS Growth Rate		25%



Source: Yahoo! Finance

FYE December	Current EPS	P/E		Quarterly EPS 12/02A	12/03E
2001	$1.88	25.0x	1Q	$0.61	$0.90A
2002	$2.84	16.5x	2Q	$0.67	$0.96A
2003E	$3.92	12.0x	3Q	$0.74	$1.02
2004E	$5.07	9.3x	4Q	$0.82	$1.04

Summarized Financial Statements

(millions, except EPS)	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03E	4Q03E	2003E	2004E
Income statement items													
Mortgage loan sales & fees	134.3	187.2	46.0	58.2	53.0	63.3	220.6	77.3	98.1	104.0	108.0	387.4	446.0
Net interest income	38.2	80.0	35.1	36.7	37.2	36.0	145.0	36.5	36.3	38.0	43.3	154.1	157.6
Other income	16.0	3.9	3.6	(0.5)	15.0	16.7	34.8	14.1	1.1	1.2	3.4	20.8	93.0
Total revenue	188.5	271.1	84.7	94.4	105.2	116.0	400.4	127.9	135.5	143.2	152.7	559.3	696.6
Operating expenses	92.4	112.9	30.6	34.0	35.8	39.0	139.4	44.6	46.0	47.5	48.9	186.9	200.8
Net income to common	78.3	128.3	44.1	49.1	54.4	59.9	207.5	65.7	70.8	79.431	85.1	309.5	409.0
Shares outstanding (diluted)	63.8	68.3	72.8	72.9	73.0	73.1	73.0	73.3	73.6	73.7	73.8	73.8	74.5
EPS	**$1.24**	**$1.88**	**$0.61**	**$0.67**	**$0.74**	**$0.82**	**$2.84**	**$0.90**	**$0.96**	**$1.02**	**$1.04**	**$3.92**	**$5.07**
Balance sheet items													
Net loans	1,752.8	2,591.6	2,762.7	2,830.1	3,099.0	3,205.7	3,205.7	3,170.9	3,218.8				
Total assets	5,463.4	6,694.3	6,995.0	7,921.4	7,666.2	8,421.7	8,421.7	8,766.8	9,396.4				
Deposits	1,303.5	1,669.9	1,936.1	2,116.1	2,106.6	2,217.2	2,217.2	2,470.2	2,619.5				
Shareholders' equity	505.7	762.1	777.3	941.6	997.6	1,045.0	1,045.0	1,095.9	1,150.1				

Source: Company reports; Brean Murray & Co., Inc. estimates

Doral Financial Corporation (NYSE:DRL)

Company Profile

Doral Financial Corp. (DRL) is the largest mortgage bank and one of the largest retail and commercial banks in Puerto Rico. We estimate that approximately one-half of Doral's net income per quarter derives from commercial and retail banking activities, and one-half from mortgage banking. Doral's retail banking system in Puerto Rico closed the first half of 2003 with assets of $6.2 billion and deposits of $2.4 billion, representing year-over-year growth of 41% and 26%, respectively. The New York operations closed the first half of 2003 with assets of $473 million and deposits of $300 million, increasing over 60% and 30%, respectively, on an annual basis. Total assets, including the mortgage banking operations, were $9.4 billion at June 30, 2003.

Doral is a prime beneficiary of the boom in construction and mortgage activity in the Commonwealth. Billions of dollars in government funds are allocated each year for construction of affordable housing in Puerto Rico, which provides clear visibility on Doral's pipeline of construction and residential mortgages. In addition, unlike on the U.S. mainland, Puerto Rico borrowers are less sensitive to the level of interest rates when purchasing a home given a chronic housing shortage in the Commonwealth, which the local Mortgage Bankers Association pegs at over 100,000 units, or a backlog of about five years or more. Moreover, because home equity loans are generally not offered in Puerto Rico, mortgage refinancings are often used by the borrower as a means of cashing out a home's equity buildup to pay down revolving debt (such as credit cards) on a consistent, 5-7 year cycle, irrespective of interest rates.

Doral is currently underwriting more than $1.6 billion in residential mortgages per quarter and has a mortgage servicing portfolio of over $12 billion. The Company has a solid record of over 20% growth per year for the last 30 years, and its share is now more than 50% of the affordable housing mortgage market in the Commonwealth, by our estimates. In addition, Doral boasts the number-one share in the construction lending market and a growing presence in the higher end of the Puerto Rico housing market. Its mortgage banking network consists of 55 branches under four separate, branded divisions.

In addition to its powerful base of mortgage origination offices, Doral has accelerated the growth in its commercial and retail banking division. The commercial banking operations, which are growing at more than 40% per year, are largely focused on real estate investments, as well as a growing stream of fee income. The Company cross-sells commercial, consumer and mortgage products as well as insurance and brokerage services in its expanding network of Financial Centers that incorporate all of its products. In its insurance business, begun in 2001, Doral functions as a placement agent for large insurance underwriters and does not assume underwriting risk, thereby utilizing its growing network and franchise. It places personal lines insurance products including property and casualty, auto, title, flood and health insurance. The insurance business is growing at more than 30% per year. Additional fee income derives from broker/dealer operations, in an alliance with UBS in Puerto Rico. We believe the potential for the insurance and brokerage businesses is open-ended given the opportunities to cross-sell to its more than 250,000 client accounts. In addition, we believe these newer revenue streams will help to contribute to operating leverage and higher margins over time, as associated operating expenses are minimal.

The Company has 40 retail banking branches in Puerto Rico and 4 branches in New York. Doral plans to open another several branches in New York in the next 12-24 months in each of the five boroughs, as well as expand its integrated Financial Centers in Puerto Rico. In 2003, we estimate the Company will open seven branches in Puerto Rico and two in New York. In 2004, we estimate it will open 10-15 branches in Puerto Rico and six in New York.

Financial Performance and Outlook

We believe Doral is growing its mortgage and retail banking operations at more than 25% per year, with much room for growth in Puerto Rico and the U.S. mainland. In recent quarters, net income has been growing at more than 30%, and year to date has increased 44% over 2002's first half. Doral's net interest margin is approximately 2.0% at June 30, 2003.

We believe the chronic shortage of affordable housing in Puerto Rico can persist for many years, thereby providing Doral with a high degree of visibility. As the size of the $12 billion mortgage servicing portfolio grows, it should also contribute to positive operating leverage, as processing fee income increases while servicing costs drop as a percentage of the processing volume. A growing mortgage servicing portfolio also contributes to revenue stability, as it is a type of annuity stream and provides a base of clients for cross-selling opportunities.

The Company is also growing fee income very rapidly in allied businesses such as insurance agency operations. We expect fee income to become a larger part of the mix as Doral utilizes its very large network and recognized brand name to introduce additional products and services. We estimate fee income will total approximately $33-$35 million this year, growing to $45-50 million in 2004 and about $65 million by 2005.

Meanwhile, operating costs per dollar of revenue are declining. Doral's lending practices are conservative, with loan to value ratios averaging 60% on non-government guaranteed loans and 80% for government agency guaranteed loans such as FHA/VA. Over 99% of loans are secured by real estate, which typically appreciates at 5-8% per year in the Commonwealth due to a shortage of buildable land, especially in greater San Juan. Loan quality has remained among the highest of any U.S. bank, with mortgage loan charge-offs at less than one-half of 1%, which is the lowest in the nation among banks underwriting FHA/VA mortgages, according to FNMA.

Doral has one of the highest return structures of any bank in the U.S., with ROCE of 31.6% and ROA of 3.38% in the latest quarter (ended June 30, 2003). Its ROE has averaged more than 20% since 1996, and is estimated to be approximately 31% this year.

We believe Doral has extended its intermediate-term funding to lock in funding costs at low levels for several years. In addition, as a Puerto Rico-based institution, Doral enjoys tax exemption on U.S government obligations and certain mortgage-backed securities, which has had the effect of reducing its tax rate to approximately 15-16% of pretax income.

We recently raised our estimates for 2003 and 2004 to $3.92 and $5.07 on the continuing strength of operations, lower interest expense projections, as well as the expanding branch networks in both Puerto Rico and New York. We estimate net income will grow to $309.5 million in 2003 from $207.5 million in 2002, for a growth rate of 37%; we anticipate net income growth of 25+% to nearly $400 million or more in 2004.

Growth Strategy

Doral's strategy for growth consists of the following approaches, which we discuss in greater detail below:

- Expand the mortgage lending business to increase market share to 50%+ (currently 45% overall, and estimated at 50% on new construction).

- Continue to expand construction and bridge lending to residential construction projects in Puerto Rico.

- Grow Doral Bank New York through branch expansion in Hispanic and immigrant communities. Expand mortgage and retail lending in both New York and Puerto Rico.
- Synergize the network of operations and create new revenue streams, including fee-based revenue from an expanding line of brokerage and insurance products to sell to its large and growing customer base.
- Evolve into a larger institution (through internal growth and acquisitions) servicing all segments of the consumer and commercial real estate market in both Puerto Rico and the U.S. mainland, while maintaining the highest quality of underwriting and customer service levels.

Puerto Rico housing shortage: The Puerto Rico residential housing market continues to have chronic shortages of low and moderate income units, and a recent study (August 2001) by the Puerto Rico Bankers Association reported that over 58,000 homes are needed for lower income residents each year. According to the study, this represents an annual increase of over 18% in unmet housing needs. Lower income housing needs are estimated to increase by approximately 10,000 units per year in each of the next five years, according to the study. This is in addition to the shortfall of moderate housing, estimated at about 11,000 units each year, and the roughly 50,000 units needed to replace those lost in Hurricane Georges in 1998. According to Puerto Rico consulting group Estudios Tecnicos, Inc., a chronic shortage of housing remains due to population increases of 8% to 3.9 million in the past decade, and almost 20% increases in household formation. Altogether, it is estimated that the backlog of housing needed to satisfy demand in Puerto Rico is approximately 100,000 units.

The Government of Puerto Rico has committed to support the construction of 75,000 units of affordable housing during the Governor's current term, expiring November 2004. In addition, it is expected that private industry will fund construction of another 50,000-75,000 units in the same period. The government in the Commonwealth, along with HUD in Washington, sponsors the building of affordable housing and provides several types of subsidies to ensure that a continuous supply is constructed and is made available to purchasers. Approximately 35,000 homes are under construction or have been completed. The government provides tax incentives, FHA/VA makes affordable mortgage money available through HUD, and the government may also subsidize monthly mortgage payments or down payments on purchases. The drive is to increase the percentage of the population that can afford to own a home. Currently 73% of the population owns a home, which is higher than the 66% of the mainland U.S. population that are homeowners. We believe this steady stream of construction and mortgage funding by both governments works to reduce risks to Doral's pipeline and serves to increase its visibility, as well as the volume of loans on both construction (to developers) and mortgages (to borrowers).

We believe both the Federal government in Washington and the Commonwealth government have made a serious, long-term commitment to help to fund the emergence of a higher standard of living and the growth of a middle class in Puerto Rico, given the strategic interests of the U.S. in the island, and the fact that its residents are citizens of the U.S. Puerto Rico is a gateway to the Americas and the Caribbean, and prosperity there can assist the U.S. in two significant ways, we believe: enabling growth of U.S. economic interests in the region and especially in Latin America, and improving the standard of living for the citizens of Puerto Rico.

Construction of residential housing throughout all regions of Puerto Rico is strong and is stimulating the growth of other industries, including merchandising, banking, retail, and manufacturing. By funding housing, the government has assisted in providing seed money for the building or rebuilding of the infrastructure of Puerto Rico (roads, bridges), as well as the expansion of commercial enterprises. As we discussed in the beginning of this report, some of the largest corporations in the world have large locations there, including Sears (S-$43.73), JC Penney (JCP-$21.37), Wal-Mart and IBM. Many large U.S., European and Asian pharmaceutical companies have located manufacturing plants in Puerto Rico.

Additionally, some of the characteristics of homeowners in Puerto Rico are slightly different than on the U.S. mainland. The Puerto Rican housing and mortgage market has slower payment and higher delinquencies, but lower defaults and charge-offs than the U.S. mainland market. Refinancings are a higher proportion of mortgage loan volume than in the U.S. because Puerto Ricans typically use the equity buildup in their homes as a source of funds for debt consolidation. The typical homeowner in Puerto Rico refinances every eight years on average. Home ownership is among the most important goals of the population, is encouraged by the government, and is preferred over rental housing, which is also in short supply.

With its majority share (estimated at 45%) of the middle income mortgage market in Puerto Rico, Doral has, in effect, a large and growing pipeline of potential mortgage originations, and thus a high degree of earnings visibility and growth not dependent directly upon interest rates, housing starts or business cycles.

Growth of product lines: By leveraging its dominant franchise, Doral is attracting more areas of products and services to sell through its branches, in partnership with others. For example, in placing insurance such as homeowners' property and casualty, title, flood, auto and other personal lines, Doral acts as an agent for insurance carriers, thereby taking no underwriting risk, and leveraging the existing infrastructure in its mortgage and retail branches. The insurance carriers avail themselves of Doral's extensive customer reach, while for Doral, these additional products add scale without adding much cost. We see this business segment as an important new growth area for Doral as it expands the product sets offered to its very large branch network. The Company's mortgage and retail banking clients represent a type of "captive" customer base for Doral as it offers more products through its "one-stop shopping" branch system. This demonstrates to us the value of Doral's network and market dominance in enabling the launch of new products. Doral's network and dominant market position also provide substantial barriers to entry, we believe.

More than 75% of Doral's current mortgage borrowers are obtaining property and casualty insurance through Doral. Hazard insurance, for example, is required on all of Doral's mortgages. We believe Doral will add additional products over time, and thereby grow both revenue and margins. We do not think the benefits of scale in operating efficiencies or growth of allied products have yet fully emerged in the Company's financial performance.

New York operations: In New York, Doral is successfully entering the market providing multi-family, rehab, and bridge loans. Its four branches – on Park Avenue, Washington Heights, Astoria, and Rego Park, Queens – are expected to increase to 22 branches in the next three years. Each branch in New York will have a goal of taking in at least $100 million of deposits, although we estimate that a branch can break even at $50 million. Doral hopes to double the deposit base in New York for each of the next two years to $600 million in 2004 and $1.2 billion by the end of 2005, which it may achieve with a rapid rollout of New York branches and increased marketing. We estimate that Doral could achieve an initial 1-2% penetration rate of the $250 billion New York market, which would generate upwards of $2 billion in new deposits. We believe Doral will grow both internally and through acquisition to gain operating leverage in New York.

The Puerto Rico market is generally viewed as "deposit poor" compared to loan opportunities. It is also viewed as having higher than mainland rates of interest paid on deposits to attract a limited number of savers. Thus, Doral and other Puerto Rican institutions use repurchase agreements and FHLB borrowings to supplement a relatively small deposit base. Gathering deposits in New York and other mainland cities where there are much larger numbers of savers could benefit the entire Doral system, on the mainland and in Puerto Rico.

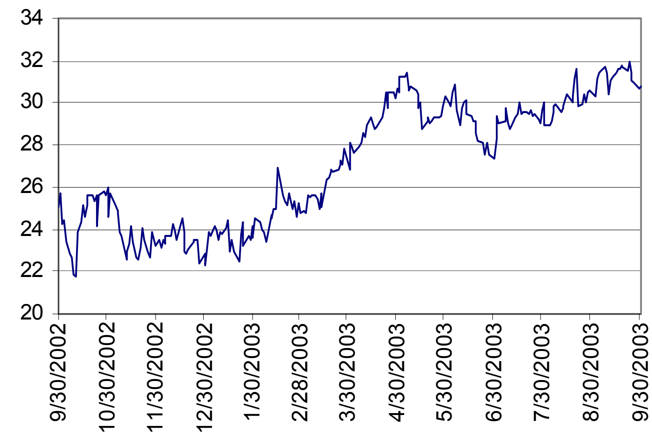
Investment Summary

We rate the shares of Doral Financial Corp. a Strong Buy with a 12-month target price of $65, which implies a modest P/E expansion to 12.5 times projected 2004 EPS. With potential appreciation of nearly 40% from present levels, plus a dividend yield of 1.2%, we believe the shares offer a compelling return to investors, with limited downside risk.

Doral is growing at a higher rate than most of its competitors. Our 2003 EPS estimate implies growth of more than 35% over 2002 EPS of $2.84. Meanwhile, its shares are selling at a lower P/E. In our view, DRL shares are undervalued at 12.0 times our 2003 estimate of $3.92 and 9.3 times our 2004 estimate of $5.07, given an earnings growth rate of 20-25%+, the lack of cyclicality in both the mortgage and commercial banking markets in Puerto Rico, and a growing stream of fee income. We believe that the equity should trade at a hybrid multiple of approximately 12-13 times our forward 12-month estimate, based on an 8-9x P/E applied to the mortgage banking business and a P/E of about 15x applied to the commercial banking and fee income operations.

First BanCorp (NYSE:FBP)

Current Price:		$30.75
52-Week Range:		$31.90-21.81
Shares Out. (Mil.):		40.7
Market Cap. (Mil.):		$1,251.5
Dividend/Yield	$0.44	1.4%
Avg. Daily Vol. (000):		87.0
Relative Strength		-
Risk Profile		Moderate
LTM Revenues (Mil.):		$345.6
Market Cap./ LTM Revenues:		3.6X
LTM Net Income (Mil):		$121.1
Book Value		$20.99
Book Value - Common		$12.37
Return on Av. Assets 6/03		1.26%
Return on Common Equity 6/03		18.47%
5-Yr. Est. EPS Growth Rate:		12%



Source: Yahoo Finance

FYE December	Current EPS	P/E
2001	$1.45	15.8x
2002	$2.01	11.5x
2003E	$2.49	10.4x
2004E	$2.61	9.4x

Quarterly EPS	12/02A	12/03E
1Q	$0.49	$0.73A
2Q	$0.50	$0.55A
3Q	$0.51	$0.60
4Q	$0.52	$0.61

Summarized Financial Statements

(millions, except EPS)	2000	2001	2002	1Q03	2Q03	3Q03E	4Q03E	2003E	2004E
Income statement items									
Total interest income	463.4	516.3	540.0	132.9	122.8	139.5	143.5	538.7	599.8
Interest expense	272.6	280.2	273.2	60.5	58.9	61	62.7	243.1	269.6
Net interest income	190.8	236.1	266.8	72.4	63.9	78.5	80.8	295.6	330.2
Loan loss provision	45.7	61.0	62.3	16.6	12.6	15.7	16.1	61.0	67.8
Net int. income after loan loss prov.	145.1	175.0	204.5	55.9	51.3	62.8	64.7	234.6	262.4
Non-interest income	50.0	53.0	54.6	26.2	23.0	14.6	14.9	78.7	65.7
Total net interest and other income	195.1	228.0	259.1	82.1	74.3	77.4	79.6	313.3	328.1
Net income to common	59.9	69.5	81.6	29.7	22.5	24.6	24.7	101.4	107
Average shares outstanding (diluted)	40.7	40.1	40.4	40.7	40.7	40.7	40.7	40.7	41.0
EPS	**$1.47**	**$1.73**	**$2.01**	**$0.73**	**$0.55**	**$0.60**	**$0.61**	**$2.49**	**$2.61**
Balance sheet items									
Net loans	3,421.3	4,217.7	5,414.0	5,814.9	6,178.5				
Total assets	5,919.7	8,197.5	9,634.9	9,767.3	9,934.3				
Deposits	3,113.8	3,858.7	5,035.8	4,866.3	5,326.8				
Shareholders' equity	434.5	602.9	798.4	829.4	855.2				

Source: Company reports; Brean Murray & Co., Inc. estimates

First BanCorp, Inc. (NYSE:FBP)

Company Profile

First BanCorp., Inc. (FBP) is the holding company for FirstBank, the second largest commercial bank in Puerto Rico, with total assets of $9.9 billion and loans of $6.2 billion at June 30, 2003. The bank has 55 full service branches throughout Puerto Rico and the U.S. Virgin Islands, and 54 loan origination offices.

We estimate that First BanCorp has grown its asset base at a CAGR of nearly 25% over the past two years, up from $6.4 billion in June 2001 and $8.6 billion in June 2002. Over that period, we estimate it has gained nearly two points of market share in Commonwealth assets, from 12.0% to 13.7%. Its two-year CAGR in loans has been 28%, up from $3.8 billion in June 2001 and $4.6 billion in June 2002. We estimate it has a market share in loans of nearly 17%, up from 12.7% in June 2001. Its deposit market share has grown from 11.7% to 14.0%.

First BanCorp funds its loans through a combination of CDs, other deposits, repurchase agreements, Federal Home Loan Bank advances, and subordinated notes. The loan portfolio consists of $2.3 billion in residential mortgage loans, or about 37%, $2.6 billion in commercial loans, or about 41%, and $1.2 billion in consumer loans, or approximately 19%. FBP's consumer portfolio is focused on auto loans and leases, personal loans and credit cards. Over the past five years, the loan mix has changed from a majority of consumer loans to a majority of commercial loans, while growing from about $2 billion since 1997. Over the past several years, it has hired seasoned bankers from JP Morgan Chase on the commercial side and Citibank in the personal lending division. It has also improved its auto dealer mix for personal auto lending. FBP's increased focus on collateralized residential and commercial lending has led to an improvement in loan quality.

First BanCorp also offers insurance products for personal lines on an agency basis, and brokerage services in its branches through a strategic alliance.

Financial Performance and Outlook

In the first half of 2003, FBP was hurt by prepayments on its mortgage-backed securities portfolio as open market interest rates dropped throughout the December-June period. In order to lock in gains on these portfolios, the bank sold $700 million of 15-year 5.5% coupon and 30-year 6.5% mortgage-backed securities when the 10-year Treasury bond yield dropped to 3.56% and bond prices surged. These sales lowered the volume of mortgage-backed securities in FBP's portfolios from approximately $2.5 billion to $1.3 billion, and yielded a gain of $16.2 million. Initially, most of the proceeds were maintained in short-term accounts, awaiting investment until open market rates climbed. This lowered yields in the first six months of the year on treasury operations and cost the bank approximately $40 million in reduced investment income, compared to last year's first half. (This impact was partially offset by a $23 million gain on investment sales as prices rose and rates dropped.) By the close of the June 2003 quarter, FBP's net interest margin on its earning assets had contracted to 3.07% from 4.04% one year before and from 3.68% in Q1.

In August 2003, First BanCorp deployed cash of $2 billion to purchase 15-year 5% coupon FNMA securities, with an estimated yield of 4.20% and an average life of 3.15 years. In addition, the bank purchased Treasury securities on a trading basis. Based on these actions, we project that interest income will increase by about $5 million per month, or $15 million per quarter, as rates on earning assets increase and prepayments on mortgage-backed securities slow. As a result, we recently raised our EPS estimates for 2003 and 2004 to $2.49 and $2.61, respectively. We believe these estimates may still be conservative.

Earnings, of course, are driven by growth of assets and loans, which have both been among the strongest in the Commonwealth over the past five years. At June 30, 2003, assets of $9.9 billion were up 14% from last June's base of $8.6 billion. The vast majority of this growth has been internal, as the bank has made only small acquisitions. Loan volumes are up 37% in the last 12 months (ended June 30) and have been picking up across the board. Sequentially, residential mortgages increased 11% for the June quarter, commercial loans rose 4%, and consumer loans were up nearly 3%. Meanwhile, charge-offs are dropping and are currently at their lowest level in 10 years, at $9.9 million (0.65% of loans).

At June 30, 2003, average deposit balances were $5.5 billion, up from $4.8 billion in June 2002. ROA was 1.26%, and return on common equity was 18.5%, down slightly from 2002's level of 22.8%. This decline is a result of the reduction in the net interest margin year over year. FBP's net interest income has been growing at an average of 11-12% over the past several years, although it was down about 7% year-over-year in June due to the volume and yield reductions in its treasury operations. As these assets have now been reinvested in longer-duration mortgage-backed securities, we believe interest margins will pick up significantly beginning in the second half of 2003.

FBP has consistently maintained good cost controls. Its efficiency ratio, at 45%, is up slightly from last year due to increased operations in the U.S. Virgin Islands but is still one of the lowest in the Commonwealth and among U.S. banking institutions. Further, FBP's capital ratios exceed the FDIC and Federal Reserve requirements for a "well-capitalized" institution, at 13.56% tier one capital and 15.81% total capital at June 30, 2003. FBP's average tax rate is 16.4%, as it utilizes its International Banking Entity (IBE) to shelter from federal taxation the income from qualifying Treasury and Agency assets (as do all of the financial institutions in Puerto Rico).

Growth Strategy

FBP's strategy over the past several years has been to emphasize commercial lending and residential mortgages and reduce its focus on consumer lending, following a poor charge-off experience in the late 1990s. The bank has pursued an aggressive commercial lending program, improving its share of commercial lending and commercial real estate loans to 15-16% from 5% or less in the period 1997-2001. In addition, First BanCorp has grown its residential mortgage portfolio through originations (about $20 million per month) and purchases. This increased focus on collateralized residential and commercial lending has led to an improvement in overall loan quality.

Additionally, the Company plans to grow through geographic expansion. Late last year it purchased the assets of J.P. Morgan Chase in the U.S. and British Virgin Islands, including seven bank branches and an ATM network, which it has linked with its Puerto Rico ATM network. The acquisition adds to FBP's four branches in the U.S. Virgin Islands, for a total branch network there of 11 locations. Total assets are approximately $800 million and core deposits are currently approximately $600 million in these combined operations. The bulk of the portfolios are residential mortgages.

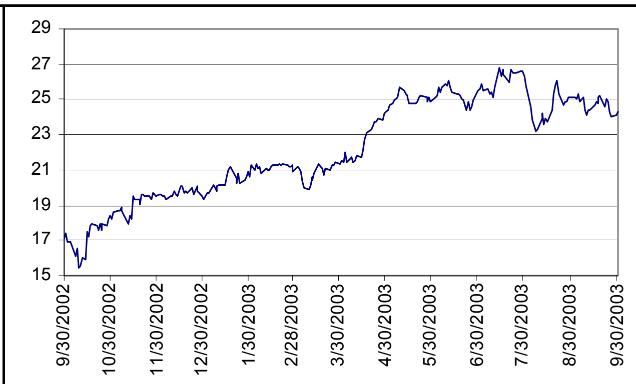
Investment Summary

We recently upgraded our rating on the shares to Strong Buy from Buy. We base our optimism on the strength of current operations and an expected pick-up in yield following the recent deployment of $2 billion into mortgage-backed securities. FBP intends to continue to outperform its peers in loan growth, through expansion into new segments and/or geographies, and by repositioning its treasury portfolios to enhance net interest margin expansion. We view FBP as a well-managed, conservative institution with the size, scope, and flexibility to grow earnings at rates of 10-15% for several years.

The equity trades at 10.4 times our 2004 EPS estimate of $2.61. Over the next 12 months, we believe our estimate may prove to be conservative as the bank grows loan and deposit volumes and as yields and spreads improve. Our 12-month target price is $35, which may also prove to be conservative over time.

Oriental Financial Group (NYSE:OFG)

Current Price:		$24.26
52-Week Range:		27.00-15.224
Shares Out. (Mil.):		18.6
Market Cap. (Mil.):		$451.2
Dividend/Yield	$0.56	2.3%
Avg. Daily Vol. (000):		35.9
LTM Revenues (Mil.):		$190.7
Market Cap./ LTM Revenues:		2.4x
LTM Net Income (Mil):		$51.3
Common Book Value 6/03		$9.52
Price/Book Value (common)		2.5x
Return on Common Equity 6/03		31.3%
Return on Assets 6/03		1.88%
Bank Assets (Bil) 6/03		$3.0
Total Assets 6/03 (Bil):		$5.7
Asset Growth 6/03 (Y/Y)		13.8%
5-Yr. Est. EPS Growth Rate		12%



Source: Yahoo! Finance

FYE June	**Current EPS***	**P/E**
2001	$0.48	50.5x
2002	$2.00	12.1x
2003	$2.65	9.2x
2004E	$2.76	8.8x

Quarterly EPS	**6/03**
1Q	$0.60
2Q	$0.65
3Q	$0.67
4Q	$0.73

* Estimates from First Call.

Summarized Financial Statements (fiscal year ends June 30)

(millions, except EPS)	06/02 **2000**	06/01 **2001**	06/02 **2002**	09/02 1Q03	12/02 2Q03	03/03 3Q03	06/03 4Q03	06/03 **2003**
Income statement items								
Total interest income	126.2	120.3	141.7	37.7	37.9	39.1	37.1	151.7
Interest expense	81.7	91.3	82.7	19.5	19.4	19.4	18.9	77.3
Net interest income	44.5	29.1	59.0	18.2	18.4	19.7	18.2	74.5
Loan loss provision	8.2	2.9	2.1	0.8	1.1	0.9	1.4	4.2
Net int. income after loan loss prov.	36.3	26.2	56.9	17.3	17.3	18.9	16.8	70.3
Non-interest income	23.2	19.4	31.3	7.6	8.6	8.6	14.2	39.0
Total net interest and other income	59.5	45.5	88.1	24.9	25.9	27.5	31.0	109.3
Net income to common	17.2	6.1	36.1	11.0	11.9	12.4	13.6	48.9
Average shares outstanding (diluted)	13.2	12.8	18.4	18.3	18.4	18.5	18.6	18.5
EPS	**$1.31**	**$0.48**	**$2.00**	**$0.60**	**$0.65**	**$0.67**	**$0.73**	**$2.65**
Balance sheet items								
Net loans	600.9	466.5	581.5	622.4	666.4	684.9	728.5	728.5
Total assets	1,851.2	2,037.7	2,489.1	2,610.6	2805.6	2806.3	3039.6	3039.6
Deposits	723.7	815.5	968.9	1,003.7	951.3	1041.2	1044.3	1044.3
Shareholders' equity	117.9	113.5	166.4	181.6	193.6	200.1	201.7	201.7

Source: Company reports.

Oriental Financial Group (NYSE:OFG)

Company Profile

Oriental Financial Group (OFG) is a $5.6 billion financial institution specializing in financial planning and pension services, insurance, brokerage, and commercial and mortgage banking through a network of 23 branches and financial planning centers throughout Puerto Rico. It plans to open an additional five branches in the next 18 months in the metro San Juan area.

The Company has been a leader in retirement planning in Puerto Rico for over 10 years, with more than $800 million in IRAs, 401K and Keogh accounts. Its goal has been to provide "one-stop shopping" in vertically integrated financial services to its individual and corporate clients, including retail and commercial banking, retirement and trust services, and brokerage and investment banking services. Growth in loans, assets and deposits has been averaging 20%+ for three years.

Bank assets, consisting of loans and investments, total $3.04 billion or 53% of OFG's total assets, while its asset management group and broker division account for assets of $2.6 billion. Its bank assets at June 30, 2003 represent a 4.2% share of total assets in the Commonwealth and have grown at a two-year CAGR rate of nearly 22% from $2 billion in June 2001.

Approximately 72.3% of the bank's assets, or $2.2 billion, are invested in liquid Government notes and agency securities, mortgage-backed securities, CMOs and Puerto Rico Government municipal bonds. More than 95% of the portfolio is rated AAA. OFG's mortgage-backed securities holdings are the largest component and consist of pools of residential loans made to consumers and then resold by GNMA, FNMA and FHLMC in the open market. OFG's funding sources are repos, branch deposits, FHLB advances, subordinated capital notes, term notes and lines of credit. Borrowings are the largest source of funds, followed by deposits. At June 30, 2003 repurchase agreement balances were about $1.4 billion.

For reporting purposes in accordance with SFAS 131, OFG segregated its businesses into the three segments of Treasury, Retail Banking and Financial Services in the third quarter of fiscal (June) 2003. OFG's largest business segment is retail banking, which offers depository accounts, equity-indexed CDs, credit cards, and electronic banking. This segment also includes the Oriental Group Mortgage division. OFG's loan activity is directed primarily toward consumers, and the mortgage division underwrites mortgage, consumer and commercial loans. On July 7, 2000, OFG sold approximately $167.5 million of its non-delinquent unsecured personal loan and lease portfolio, and refocused lending activity on mortgages and other loans secured by real estate. Its mix of loans at June 30, 2003 was $670.1 million in residential mortgage loans (91%) in which it originates and sells or retains the investment, 43.9 million in commercial loans mainly secured by real estate (6%), and $19.8 million in consumer loans (3%).

OFG's second largest business segment is Treasury operations, consisting of investment management for its own accounts and those of its asset management and brokerage and trust clients. Trust assets under management totaled approximately $1.7 billion at June 30, 2003, while brokerage assets gathered were $963 million.

OFG's third largest business segment is its financial services division, which includes the bank's trust division (Oriental Trust) and the two subsidiaries engaged in brokerage, investment banking and insurance services, called Oriental Financial Services Corp. (OFSC) and Oriental Insurance, Inc. The core operations of this segment are financial planning, money management, insurance brokerage, investment banking services, and corporate and individual trust services. Its financial advisory services include financial restructuring, operational performance improvement, and capital raising. Oriental Trust offers various types of 401K, IRA and Keogh retirement plans, custodial accounts, and corporate trust accounts. Its IRA deposit base at June 30, 2003 was $348.1 million, up 11.2% from 2002. OFSC, a member of the National Association of Securities Dealers (NASD) and SIPC, is a registered broker-dealer that provides investment planning for individuals as well as investment banking services for corporate and government accounts. Through the end of fiscal 2003 (June 2003), this unit had participated in the underwriting of more than $9 billion for the Commonwealth Government. In addition, OFG's OFSC and Oriental Insurance divisions offer a variety of investment products to its retail clients, including annuities, tax-advantaged fixed income securities, mutual funds, and stocks and bonds.

In January 2003, OFG purchased a Florida-based pension consulting and processing firm, Caribbean Pension Consultants (CPC), with $325 million in pension assets. From its Florida base, CPC services corporate clients as a third-party pension administrator in the mainland U.S., Puerto Rico and the Caribbean. This is OFG's first entry into the mainland U.S. We believe the acquisition provides a natural synergy, enabling OFG to cross-sell retirement products, investment services and pension administration to corporations. The division has grown at double-digit rates since the acquisition, and we believe these results have helped further OFG's goal of growing the corporate pension and trust department. Moreover, the retirement and financial planning services business in Puerto Rico is now emerging on a corporate level, offering longer-term growth potential.

Financial Performance and Outlook

OFG's revenues are derived from two main categories: (1) net interest income on its portfolio of loans, mortgage-backed securities, investment securities, and money market instruments (currently about 80% of the total), and (2) fee and non-interest income (about 20% of the total), consisting of trust, money management and brokerage fees, mortgage banking, gains on sales of loans, banking services revenues, and trading activities. Fee and non-interest income has been growing at an average of 10-12% per year since 1997. However, in the year ended June 2003, fee and non-interest income surged nearly 25% to its current level of $38.98 million. This surge was due to sales of securities and trading activities and a nearly 30% increase in banking service revenue, in part from the new pension administration area.

For the quarter ended June 30, 2003, investments totaled $2.32 billion, representing growth of 9.4% sequentially and 27% year over year. Loans of $728 million were up 6.4% sequentially and more than 26% year over year, driven by residential mortgage originations. Investments account for the bulk of OFG's interest-earning assets, at 75%, as the bank is investing the assets of its trust clients as well as for its own Treasury operations. Loans represent the remaining 25%.

Deposits of $1.05 billion were up 8% over fiscal 2002. Bank borrowings, including repurchase agreements and FHLB advances, were $1.58 billion, increasing almost 26% over last year. Stockholders' equity surged 21% to $201.7 million from $166.4 million. The bank's efficiency ratio improved 10% to 51.4% at June 30, 2003, as assets and profitability grew without a commensurate increase in operating costs. Net charge-offs are low, at 0.3%.

Net income has increased 89% from June 1998 through June 2002 and was up 33.5% in the past year, driven by increased net interest spreads, lower provision for loan losses, greater fee income and increased assets in OFG's financial planning division. OFG's average interest rate spread in the year ended June 30, 2003 rose to 2.91%, approximately equal to levels last seen in 1999 and much improved from the June 2001 spread of 1.21%. Its earning assets yield has dropped steadily since 1997, from 9.22% to 6.09%, reflecting a rebalancing of the portfolio away from unsecured consumer lending and toward mortgage and real estate and secured commercial lending. OFG's cost of funds in 2003 dropped nearly 77 basis points (to 3.18% from 3.95% in 2002) as a result of the flattening of the yield curve and cuts in interest rates by the Federal Reserve.

Returns on assets and equity, at 1.88% and 31.3%, have been consistently among the highest of any bank in the U.S. OFG was ranked first in ROE metrics of 100 mid-sized banks ranked by *U.S. Banker* magazine in its June 2002 issue. In our view, these results are due to both operating efficiencies and profitability, as well as OFG's unique asset structure that includes trust assets, brokerage client assets, and bank assets.

Management believes earnings can grow at a rate of 12-15% per year. Fiscal 2004 Street EPS estimates are $2.76, representing year over year growth of approximately 4%. The stock trades at a forward, calendarized 2003 P/E of 8.6x and at a P/E of 8.8x on F2004 estimates.

Growth Strategy

OFG views itself as a "one-stop shop" for total financial planning and integrated banking services for consumers and commercial customers. It is a leader in retirement planning services in the Commonwealth, and it has begun to leverage these relationships into additional products and services. The firm has recently completed a remodeling of its existing financial centers to emphasize this "one-stop shopping" approach and its focus on financial planning products and services.

Traditionally, the bank's earning asset mix has been 80% investments and 20% loans. Recently management has indicated its plans to drive loan growth – particularly mortgage and commercial loan growth – in order to rebalance this mix toward a 60/40 division of investments and loans. Typically, OFG has generated $300-$400 million in mortgage originations per year (or $35-$45 million per month), and it is currently originating a run rate of over $400 million in residential and commercial mortgages. These are conventional 30-year and 15-year loans. In the past OFG has sold most of its production and servicing rights, but it now plans to retain these originated mortgages in the future. It is also expanding its commercial loan division, in which it underwrites collateralized loans to mid-sized business borrowers. Most of these loans are variable rate. Currently 98% of loans are secured by real estate, as OFG has focused underwriting on these types of loans after a poor experience its leasing portfolio, guaranteed by the corresponding automobiles and equipment, in the late 1990s. As OFG continues to benefit from its repositioning as a secured lender and financial planner, margins should expand over time.

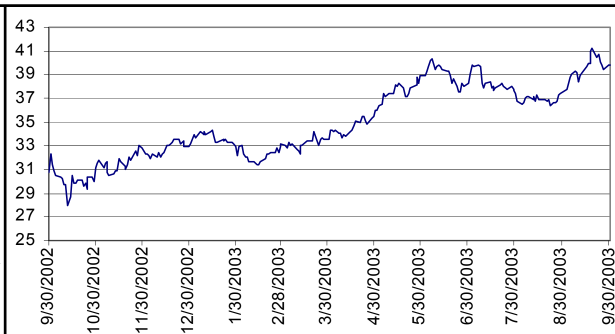
OFG is also growing its brokerage and investment banking business. The Company has recently added another 50 registered investment representatives, and it is now offering two mutual funds for Puerto Rico investors; these funds currently manage over $350 million in assets. In 4Q-01 it was selected for the Commonwealth of Puerto Rico's Bond Syndicate to serve as Senior Manager for two years, along with Bank of America. This agreement was recently renewed for an additional two years. In addition, OFG was selected in June 2002 as the book running manager for $500 million in Puerto Rico Municipal Finance Authority bonds and Co-Senior Manager for $500 million in Puerto Rico Electric Power Authority Bonds. In September 2002, OFG was selected as Co-Senior Manager for an $800 million Tax Revenue Anticipation Notes offering.

Finally, OFG is focused on innovative products to drive deposit growth. Over the past two years, the firm has had good success with its new *Amiga* integrated checking account, which combines checking, savings, investments and bill payment and has led to a doubling in the number of checking accounts since its introduction in October 2001. Management expects *Amiga*'s growth to be $25-$50 million in account balances over the next two years.

Overall, the management of OFG believes the Company can grow earnings at approximately 12-15% per year through a diverse mix of products and services in its four divisions.

Popular, Inc. (NASDAQ:BPOP)

Current Price:		$39.80
52-Week Range:		41.20-27.97
Shares Out. (Mil.):		132.7
Market Cap. (Mil.):		$5,281.5
Dividend/Yield	$1.08	2.7%
Avg. Daily Vol. (000):		272.0
LTM Revenues (Mil.):		$1,799.8
Market Cap./ LTM Revenues:		2.9x
LTM Net Income to common (Mil):		$369.3
Common Book Value 6/03		$19.80
Price/Book Value		2.0x
Return on Equity 6/30/03:		20.1%
Return on Assets 6/30/03		1.40%
Total Assets 6/30/03*		$36.10
Asset Growth		10.2%
5-Yr. Est. EPS Growth Rate		10%
*Total Assets Including North American Operations		



Source: Yahoo! Finance

FYE December	Current EPS*	P/E
2001	$2.17	18.3x
2002	$2.61	15.2x
2003E	$3.26	12.2x
2004E	$3.45	11.5x

Quarterly EPS	12/02	12/03E
1Q	$0.63	$0.74A
2Q	$0.72	$0.99A
3Q	$0.65	NA
4Q	$0.61	NA

* Estimates from First Call.

Summarized Financial Statements

(millions, except EPS)	1999	2000	2001	2002	1Q03	2Q03
Income statement items						
Total interest income	1,851.7	2,150.2	2,095.9	2,023.8	503.3	511.7
Interest expense	897.9	1,167.4	1,018.9	843.5	193.5	184.5
Net interest income	953.7	982.8	1,077.0	1,180.3	309.8	327.1
Loan loss provision	148.9	194.6	213.3	205.6	48.2	49.3
Net int. income after loan loss prov.	804.8	788.1	863.7	974.8	261.6	277.8
Non-interest income	372.9	464.1	465.5	523.7	132.2	172.2
Total net interest and other income	1,177.7	1,252.2	1,335.3	1,498.4	393.7	450.0
Net income to common	249.2	267.8	296.2	349.4	98.1	131.6
Average shares outstanding (diluted)	135.6	135.9	136.2	133.9	132.6	132.7
EPS	**$1.84**	**$1.97**	**$2.17**	**$2.61**	**$0.74**	**$0.99**
Balance sheet items						
Net loans	14,907.8	16,057.1	18,168.6	19,582.1	19,861.9	20,872.0
Total assets	25,460.5	28,057.1	30,744.7	33,660.4	33,695.3	36,073.6
Deposits	14,173.7	14,804.9	16,370.0	17,614.7	17,637.8	18,275.4
Shareholders' equity	1,661.0	1,993.6	2,272.8	2,410.9	2,672.6	2,812.9

Source: Company reports.

Popular, Inc. (NASDAQ:BPOP)

Company Profile

Banco Popular (BPOP) is the largest financial institution in the Commonwealth of Puerto Rico in asset and deposit size. Total assets were $36.1 billion at June 30, 2003, up from $32.7 billion in June 2002, including its operations in North America, the Caribbean and Central America. In Puerto Rico, its asset base was $23.6 billion, and in North America it was $11.8 billion at June 30, 2003. The Company is ranked 34th in asset size of all U.S. bank holding companies (as of December 31, 2002), and it is the largest Hispanic bank in the U.S. and the fourth largest bank in Latin America. The bank has 195 branches in Puerto Rico, 96 branches in the mainland U.S., seven in the U.S. Virgin Islands, and one in Tortola. The Company enjoys the largest retail market share in Puerto Rico, with 1.1 million customers.

BPOP's main business lines include commercial and mortgage banking, retail brokerage and investment banking, insurance, ATM and POS network management. It has one of the largest ATM networks linking transactions in the Caribbean and the U.S. mainland, as well as the largest credit card processing network in the Caribbean. Both of these areas are large sources of fee income. Non-bank subsidiaries in Puerto Rico include Popular Mortgage, with $1.4 billion in annual originations in 2002 and $866 million in total assets; Popular Securities, with $11.1 billion in deals in 2002 and over $1.2 billion in assets (which more than doubled in 2002); Popular Insurance, with $95 million in premium income and $34 million in assets; Popular Finance, with $164 million in assets; Popular Auto, with $1.2 billion in assets and 18 branches; and Popular Asset Management, with $2.7 billion under management (the largest such organization in the Commonwealth). In the U.S., its non-bank assets – including Equity One, Popular Cash Express, Popular Leasing, and Popular Insurance – total over $6.0 billion and have nearly doubled in the last 12 months. Equity One is a large and growing mortgage originator with $5.6 billion in assets and $2.7 billion in annual originations.

Over the past seven years, the Company has shifted the geographic mix of revenues toward the mainland U.S. from Puerto Rico. It now has 96 branches in six states with significant Latino populations, including New York, New Jersey, Texas, Florida, California, and Illinois. These states account for about 80% of the Latino population in the mainland U.S., according to management. U.S. operations now comprise 29% of total revenue, up from 10% in 1995, while Puerto Rico operations now make up 69% of total revenue, down from 86% in 1995. Caribbean operations have held steady at about 3-4% of revenue over the period. Net income has diversified as well, with about 61% now from commercial banking operations (down from 86% in 1998) as mortgage and consumer lending has grown to 19% from 9% and auto leasing and other has expanded to 8% from 5%.

BPOP's leading share of the Puerto Rico market is approximately 29% of total loans (or about $10.5 billion), equivalent to about 55% of the bank's total deposits and 48% of total loans. Its share of the Commonwealth deposit market was 34.7% at June 30, 2003. In addition, Banco Popular has an estimated 45% share of the Commonwealth asset management market and ranks first in this area.

Financial Performance and Outlook

Deposits (on a consolidated basis) increased to $18.3 billion at June 30, 2003 from $17.8 billion a year ago, including operations in the U.S. mainland and North America, and loan volume increased to $21.0 billion ($10.3 billion in Puerto Rico) from $18.9 billion over this period. Since 1995, asset growth has averaged 11.9%, increasing from $15.7 billion in 1995 to $36.1 billion at June 2003, while loans have grown at a compounded rate of 12.6% over the past five years.

Net loans charged off at June 30, 2003 were 0.77% of total, down from 1.05% one year ago. The loan allowance was 1.9% and non-performing assets were 2.4%. BPOP's NIM is currently 4.36%, up from

4.29% one year ago, and ROA and ROE are 1.40% and 20.1%, respectively. The bank's efficiency ratio is approximately 58.8%. Earnings per share have compounded at a rate of 15.6% from 1993 to 2003. YTD through June 30, 2003, EPS are $1.73, up 28% from $1.35 in the same period of 2002. Meanwhile, the dividend has increased 18%, to $0.27 per quarter. Through June 2003, spreads have widened a bit and net interest income has increased 10% year over year to $636.9 million on flat interest income, as liability costs have declined faster than yields on earning assets.

Consensus EPS estimates are $3.26 for 2003 and $3.45 for 2004. The equity trades at 15.2 times 2002 EPS, 12.2 times current year's estimates and 11.5 times next year's estimates. Its dividend yield is 2.7%.

Growth Strategy

Puerto Rico Fortress: In Puerto Rico, where it already has a market share of approximately 50% in retail and commercial banking, Banco Popular's focus is on account penetration through cross-selling mortgage, commercial and investment products to existing customers. It intends to maximize customer penetration through loyalty programs, advertising and brand recognition. According to management, its distribution channels service approximately 1.1 million customers in Puerto Rico.

In addition, the Company utilizes electronic access to bring financial services to the unbanked or to more locations at a lower cost. These services include POS, direct deposit and bill payment transaction networks, ACH debit transactions, ATMs, call centers and product kiosks. Electronic transactions have grown to 82% of total transactions, up from 50% in 1995, while teller transactions have diminished from 50% in 1995 to 18% currently, enabling lower costs as well as improved reach and efficiencies.

Management continues to expand the business franchise outside Puerto Rico in two areas: (1) the Caribbean and Latin/Central America and (2) the United States.

Caribbean: BPOP intends to expand its Caribbean presence beyond its U.S. Virgin Islands and Tortola operations by growing its electronic banking network and creating partnerships and alliances. It has already expanded to include operations in the Dominican Republic through equity investments (including an 18% equity investment in BHD), and it holds a membership in an electronic network consortium in Costa Rica. BPOP's Pan American revenue has averaged a CAGR of 33% over the past seven years, and annual revenues are now approximately $520 million in this segment. This growth is both internal and a result of acquisitions of processing companies. An emphasis on electronic processing should help to diminish costs per transaction and supplement its physical locations.

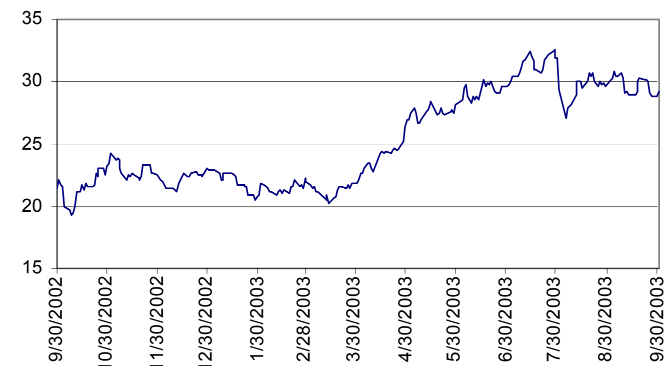
Mainland U.S.: BPOP targets a U.S. mainland market share of 5%+ in the next five years, up from 1% now. It hopes to achieve regional dominance in selected states with large Latino populations by offering a variety of products for consumer, commercial and mortgage lending. BPOP plans to target working class and unbanked communities through a mass-market advertising strategy that includes television, radio and print advertising in Spanish language outlets. Through direct mail, it hopes to identify other needed products in the U.S. Latino population. In addition, the Company is growing its SBA lending programs, and is now ranked 17th in the U.S. in small business loans.

By focusing on U.S. Latino populations, BPOP is taking advantage of the growth of this demographic. Census Bureau statistics show that this population now numbers approximately 36 million in the U.S., or about 12% of the total population. It is expected to be the fastest growing population segment over this decade, reaching an estimated 40-41 million people by 2007. Concentrations of Hispanics in BPOP's five targeted states range from 20% in the greater Chicago area to 51% in Florida. Latinos currently make up 27% of New York City's population and have become a major political and economic segment.

In all regions – Puerto Rico, the Caribbean, and the mainland U.S. – BPOP's goal is to vertically integrate and cross-sell all of its products, including leasing, consumer finance, mortgages, investment banking, ATM/POS networks, data processing, insurance, asset management, retail brokerage, check cashing and wire transfer. The goal is to build more accounts per customer relationship in both retail and commercial sectors. According to management, the bank is spending approximately $60 million annually on business promotion campaigns in the U.S. and Puerto Rico. Its premier promotion program is designed to encourage customers to increase the number of accounts through a system of points or rewards on all banking activities.

R&G Financial Corporation (NYSE:RGF)

Current Price:		$29.20
52-Week Range:		33.15-19.5
Shares Out. (Mil.):		34.2
Market Cap. (Mil.):		$998.6
Dividend/Yield	$0.46	1.6%
Avg. Daily Vol. (000):		76.9
LTM Revenues (Mil.):		$566.6
Market Cap./ LTM Revenues:		1.8x
LTM Net Income to common (Mil):		$97.0
Common Book Value 2Q03		$14.33
Price/Book Value (common)		2.0x
Return on Common Equity 2Q03:		22.9%
Return on Assets 2Q03:		1.73%
Total Assets 2Q03 (Bil):		$7,256
Asset Growth		23.5%
5-Yr. Est. EPS Growth Rate		15%



Source: Yahoo! Finance

FYE December	Current EPS*	P/E		Quarterly EPS 12/02A	12/03E
2001	$1.83	16.0x	1Q	$0.58A	$0.74A
2002	$2.49	11.7x	2Q	$0.59A	$0.80A
2003E	$3.13	9.3x	3Q	$0.63A	NA
2004E	$3.44	8.5x	4Q	$0.68A	NA

* Estimates from First Call.

Summarized Financial Statements

(millions, except EPS)	1999	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03
Income statement items										
Total interest income	163.1	235.6	270.6	72.7	77.6	88.9	91.6	330.9	88.3	92.6
Interest expense	106.6	170.6	173.5	40.7	41.6	47.6	47.9	177.8	46.0	48.0
Net interest income	56.6	65.0	97.0	32.0	36.0	41.3	43.7	153.1	42.2	44.6
Loan loss provision	4.5	5.8	11.1	5.0	4.6	4.0	4.5	18.0	4.2	4.4
Net int. income after loan loss prov.	52.1	59.2	85.9	27.0	31.5	37.3	39.2	135.1	38.0	40.1
Non-interest income	70.8	79.3	109.0	30.9	30.1	40.1	48.0	149.2	51.9	65.2
Total net interest and other income	122.9	138.5	195.0	57.9	61.6	77.5	87.3	284.2	89.9	105.3
Net income to common	37.6	38.0	56.1	18.4	18.7	21.1	23.2	81.4	25.2	27.5
Average shares outstanding (diluted)	29.3	29.3	30.6	31.7	31.7	33.3	34.1	32.7	34.2	34.2
EPS	**$1.28**	**$1.30**	**$1.83**	**$0.58**	**$0.59**	**$0.63**	**$0.68**	**$2.49**	**$0.74**	**$0.80**
Balance sheet items										
Net loans	1,563.0	1,631.3	1,802.4	1,807.9	2,438.6	2,625.9	2,759.7	2,759.7	3,005.9	3,286.8
Total assets	2,912.0	3,539.4	4,664.4	4,831.4	5,874.2	6,170.5	6,277.2	6,277.2	6,890.1	7,256.1
Deposits	1,330.5	1,676.1	2,061.2	2,014.7	2,534.7	2,814.4	2,802.3	2,802.3	3,001.9	3,240.6
Shareholders' equity	269.5	308.8	459.1	534.4	571.4	638.5	662.2	662.2	681.5	700.8

Source: Company reports.

R&G Financial Corporation (NYSE:RGF)

Company Profile

R&G Financial Corporation (RGF) is a chartered financial holding company that operates R-G Premier Bank of Puerto Rico, a commercial bank, and R&G Mortgage Corporation, the second largest mortgage company in Puerto Rico. In 2002, R-G Premier Bank accounted for 61% of the holding company's revenues, and R&G Mortgage Corp. generated 39%. R&G also operates:

- The Mortgage Store in Puerto Rico.
- Continental Capital, a New York and North Carolina-based mortgage company.
- Home & Property Insurance Agency, which offers insurance products in Puerto Rico.
- R-G Investments Corp., a licensed broker-dealer offering trust and investment services.
- R&G Capital Trust I, a Delaware business trust that recently raised $100 million in 30-year fixed rate trust preferred securities in Puerto Rico, costing 4.9% after tax.

R&G's share of the residential mortgage origination market in Puerto Rico is approximately 25%, according to management, placing it number two behind Doral Financial Corporation (whose share we estimate at 45-50%). In addition, RGF is the fourth largest commercial lender in Puerto Rico and the sixth largest in bank assets, and it has the fourth largest commercial loan portfolio in Puerto Rico

In a diversification strategy, the Company purchased Orlando, Florida-based Crown Bank in 2002, which offers full-service banking to middle market customers, including mortgage banking services. The newly renamed R-G Crown Bank operates in the Tampa-St. Petersburg-Clearwater and Orlando, Florida markets. Upon Crown's acquisition, the Company established R&G Acquisition Holdings Corporation as its holding company for all U.S. operations, thus integrating the banking and mortgage operations in the U.S. to be in line with RGF's operating structure in Puerto Rico. The Company has transferred the ownership of Continental Capital Corp. from R-G Premier Bank to R-G Crown Bank.

R-G Premier Bank and R-G Crown Bank provide commercial banking services, corporate real estate and business lending, residential construction lending, consumer lending and credit cards, and trust services through private banking. R&G has 31 retail banking branches in Puerto Rico and 15 Crown Bank branches in the Orlando/St. Petersburg area of Florida. It also has six mortgage and six commercial lending offices in the U.S. mainland and 43 mortgage offices in Puerto Rico, including 24 facilities within Premier Bank's branches. Its $11.3 billion mortgage servicing portfolio includes its own originations as well as mortgages originated by other firms in both Puerto Rico and the U.S. mainland.

Through its insurance brokerage operations, in which it acts as an agent placing property and casualty home insurance, it insures about 60% of its servicing portfolio, thereby creating upside when the remaining 40% come up for insurance renewal each year.

The 30-year-old Company was organized in 1972 as R&G Mortgage Corporation, and went public in 1996.

Financial Performance and Outlook

The mortgage and banking operations in both Puerto Rico and Florida have performed well over the last two years, with record production year to date. This strength seems to be due to a low interest rate environment, which is driving revenue in mortgage banking and construction lending, as well as market share gains in all products and locations. In addition, in this low-rate environment, the Company has extended its liabilities, locking in 2-5-year low rates through intermediate borrowings.

R&G currently has $7.3 billion in assets, up from $6.1 billion one year ago. Loan balances at June 30, 2003 were $3.3 billion versus $2.4 billion last year. Deposits stood at $3.2 billion (on a consolidated basis), compared to $2.5 billion one year ago.

The commercial banking division has grown assets at a CAGR of nearly 29% in the past two years, from $3.3 billion in June 2001, to $4.4 billion in June 2002, to $5.6 billion in June 2003. Similarly, its asset market share in Puerto Rico has increased from 6.3% to 7.7% over the same period. Its deposit base (at the bank level only) has grown 20% in the last two years, from $1.9 billion to $2.7 billion, with a corresponding market share increase from 5.9% to 6.9% over this period.

Net income has jumped 37% in the first half of this year. In addition, RGF has grown its share of the Puerto Rico loan market nearly 2% in the past two years, to nearly 8% (commercial banking). Yet net charge-offs are a mere 0.3%, well below the average of 0.5% for all the Puerto Rico banks.

Asset quality is high, with NPAs at 1.49% of total assets at June 30, 2003, about flat with year-end 2002 levels. Equity is slightly above $700 million (including about $213 million of preferred stock), advancing 23% from June 2002. The NIM at June 30, 2003 was 2.72%. Current return on common equity is 22.9%, benefiting from collateralized mortgage lending at low LTV ratios with low credit risk.

Over the past year, results from R&G's entry into Florida seem to indicate success, with consolidated loan growth of 38% year over year and 15.5% asset growth. Loan production has topped $1 billion per quarter, driving earnings growth to 25-27% currently.

Earnings per share growth has been robust, and YTD EPS are up 32% year over year to $1.54. Consensus estimates are $3.13 for 2003 and $3.44 for 2004. The equity trades at 10.2 times trailing 12-month earnings, 9.3 times current year's estimates, and 8.5 times 2004 estimates.

Growth Strategy

R&G seeks to grow its operations both organically and through acquisitions on several fronts simultaneously:

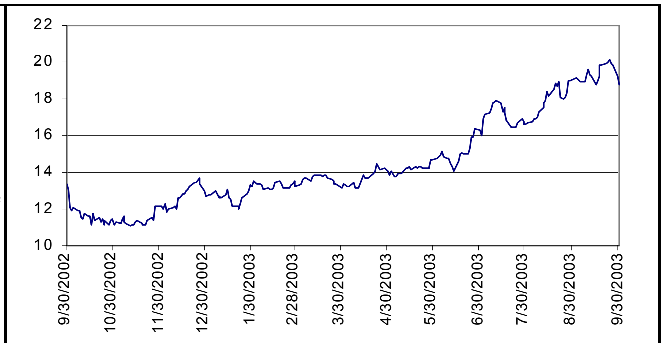
- Increase loans held for investment, particularly single family loans, to drive net interest income.
- Expand the retail banking franchise in Puerto Rico and Florida to increase market share and core deposits.
- Grow the mortgage origination operations through origination and sale of loans, and retain servicing rights to grow the servicing portfolio.
- Increase commercial business and real estate lending and grow the commercial loan division.
- Increase consumer loans, trust services, investment services, and insurance fee income and products.
- Expand the mainland U.S. operations and cross-sell products to new clients in new geographies.
- Shift the mix over time toward commercial and retail banking and away from mortgage banking to reduce the cyclicality of the revenue.

These strategies should allow the Company to diversify its income stream by building both net interest income operations and fee income operations. Management believes these strategies can help the Company expand its net interest margin and grow earnings at a CAGR of 20%+.

In the mainland U.S., R&G's strategy is to focus on growing communities that have both Hispanic and non-Hispanic populations. RGF intends to offer the same or similar products and services as it does in Puerto Rico – origination of mortgages on single family residences, securitization of mortgage-backed securities, sale of mortgages, and purchase and sale of mortgage servicing rights. The Company views Florida as a good market for expansion, as it has a sizable Hispanic population and is experiencing a strong secular housing and mortgage market.

Santander BanCorp (NYSE:SBP)

Current Price:		$18.77
52-Week Range:		19.18-11.30
Shares Out. (Mil.):		42.0
Market Cap. (Mil.):		$589.8
Dividend/Yield	$0.44	2.3%
Avg. Daily Vol. (000):		16.0
Relative Strength		49
Risk Profile		moderate
LTM Revenues (Mil.):		$398.9
Market Cap./ LTM Revenues:		1.5X
LTM Net Income (Mil):		$8.1
Long-Term Debt/Equity:		47%
Tan. Book Value, 6/03		$11.93
Return on Av. Common Equity,6/03		3.34%
Efficiency Ratio		72.54%
Assets 6/03(Billions)		$6.60
ROA 6/03		0.34%
5-Yr. Est. EPS Growth Rate:		12%



Source: Yahoo! Finance

FYE December	Current EPS	P/E		Quarterly EPS 12/02A	12/03E*
2001	$1.20	11.6X	1Q	$0.32	$0.05A
2002	$0.38	36.6X	2Q	$0.14	$0.10A
2003E	$0.41	58.0X	3Q	$0.03	$0.12
2004E	$0.71	34.8X	4Q	($0.09)	$0.15

** Note: 2003 quarterly estimates may not total to full year forecast due to rounding.*

Summarized Financial Statements

(millions, except EPS)	1999	2000	2001	2002	1Q03	2Q03	3Q03E	4Q03E	2003E	2004E
Income statement items										
Total interest income	559.8	612.0	485.4	364.3	78.8	78.8	84.2	88.2	330.0	387.0
Interest expense	306.1	365.6	242.3	158.8	35.2	32.8	35.3	37.2	140.5	165.3
Net interest income	253.7	246.4	243.1	205.5	43.6	45.9	48.9	51.0	189.5	221.7
Loan loss provision	26.4	37.0	65.4	63.6	12.1	13.7	14.0	14.5	54.3	60.5
Net int. income after loan loss prov.	227.3	209.4	177.6	141.9	31.6	32.2	34.9	36.5	135.2	161.2
Non-interest income	45.3	56.3	74.2	68.7	18.3	23.0	19.5	19.7	80.5	90.7
Total net interest and other income	272.6	265.8	251.9	210.6	49.9	55.2	54.4	56.2	215.6	251.9
Net income to common	75.9	72.0	47.8	16.4	2.1	4.2	5.0	6.0	17.3	28.7
Average shares outstanding (diluted)	42.5	42.1	40.0	43.2	42.4	42.0	41.7	41.4	42.1	40.6
EPS	**$1.79**	**$1.71**	**$1.20**	**$0.38**	**$0.05**	**$0.10**	**$0.12**	**$0.15**	**$0.41**	**$0.71**
Balance sheet items										
Net loans	4,452.8	4,340.7	4,273.0	3,655.3	3,814.6	3,666.7				
Total assets	8,038.4	7,642.7	7,659.9	7,065.2	6,793.1	6,597.1				
Deposits	4,061.3	4,921.6	4,793.7	4,519.7	4,054.7	3,765.3				
Shareholders' equity	546.6	595.8	592.0	577.3	573.3	570.9				

Source: Company reports; Brean Murray & Co., Inc. estimates

Santander BanCorp of Puerto Rico (NYSE:SBP)

Company Profile

Santander BanCorp of Puerto Rico (SBP) is the publicly traded Puerto Rico subsidiary of Santander Central Hispano (STD), a large, multinational money center banking institution headquartered in Spain. STD is the leading financial group in Spain and Latin America, the third largest by market capitalization in the Euro Zone, and among the top 15 banks in the world, with assets of over $330 billion and total managed funds of over $420 billion at the end of June 2003. SBP, the publicly traded subsidiary based in San Juan, had total assets of approximately $6.6 billion, loans of $3.9 billion and deposits of $3.8 billion at June 30, 2003. SBP boasts the second largest branch system in Puerto Rico with 66 locations, as well as a strong brand name. In addition, its Santander Securities affiliate, owned by the Madrid parent, has become the second largest asset management operation and broker/dealer in Puerto Rico, with approximately $4.5 billion in customer assets under management. This unit was founded and built by SBP's current CEO, Jose R. Gonzalez.

Santander BanCorp has two subsidiaries: Banco Santander Puerto Rico, providing retail and commercial banking products and services, and Santander Insurance Agency, which offers life, health and disability coverage on an agency basis for six major insurance companies in the Commonwealth. This is a low-cost distribution strategy for these insurers due to SBP's size and distribution capability. Santander views mortgage lending as a core business, building off the strength in its construction lending portfolio. SBP is currently originating $500-$600 million per year of residential mortgages, which it securitizes and sells while retaining servicing. It also underwrites commercial mortgages on income-producing properties.

The Company struggled with a series of problems over the last few years, including high charge-offs and underperforming treasury operations, resulting in a declining market share in Puerto Rico. Furthermore, SBP has experienced losses of key personnel and frequent changes of senior managers as it has sought to improve its Puerto Rico operations. In October 2002, Gonzalo de Las Heras was appointed Chairman of the Board of Directors, and Jose Ramon Gonzalez was appointed President and CEO of Santander Bancorp and Banco Santander Puerto Rico. The Santander Central Hispano parent also designated Mr. Gonzalez as Country Head. Earlier this year, Santander hired two seasoned commercial and retail banking officers from competitors. We believe this new, local management team can help restore profitability and grow the bank's market share.

Financial Profile & Earnings Outlook

Aggressive pricing in the late 1990s in an effort to gain market share has led to substantial charge-offs in various portfolios, primarily personal auto loans. As a result, SBP has witnessed erosion in earnings, return on average assets (currently 0.34%) and return on average equity (currently 3.34%). The net interest margin contracted to 3.19% in the first quarter of 2003, well below the 3.5-4.5% average level of the past two years. In addition, treasury operations have underperformed for most of the last three years, as previous management sold longer-term assets and shortened the duration of the treasury portfolio in the fall of 2001 in anticipation of rising interest rates. As rates dropped instead, the bank lost potential interest income on its treasury portfolio, which was largely in short-term, near-cash investments with very low yields.

The Company views its increased loan provisioning as a three-year cycle that has begun to improve in 2003, after high levels of reserving in 2H02. Following an earnings warning for the September 2002 quarter, SBP's operations have seen consistent improvement throughout 2003. The March and June quarters showed significant improvement in profitability, charge-offs, treasury yields, and lending volumes. By the second quarter of this year, the NIM had begun to rise, ending the quarter at 3.28%.

Over time, we believe it will return to 4.0-4.5%. Through the first half of 2003, SBP has reported EPS of $0.15, surpassing Street expectations.

Lending activity has also picked up in both commercial and mortgage loans as a result of the Commonwealth's improving economy. In the most recent quarter (ended June 30, 2003), loan volume increased to $4.02 billion from $3.81 billion at the end of 2002, driven by mortgage volume growth of more than 25% to $1.37 billion from $1.09 billion. Non-performing loans dropped to 2.66% of total loans from 3.20% at the close of 2002, and charge-offs dropped to 1.05% of average loans from 1.16% in the March quarter.

As interest rates have begun to rise, we believe the bank has taken modest action to increase yields and diminish the negative carry on about $1 billion of longer-term liabilities. In the June quarter, some short-term Agency paper was sold while CMOs were purchased, boosting overall investment yields to 4.46% from 4.19% in March. In addition, as commercial and mortgage lending picks up, more assets are being deployed there, resulting in a net pick-up in yields. We believe these actions should result in higher-yielding assets and profit contribution for the second half of 2003 and 2004.

After June quarter results were announced, we increased our EPS estimates to $0.41 and $0.71 for 2003 and 2004, respectively. Nonetheless, we believe our estimates may be low given our conservative assumptions with respect to the timing and extent of the Company's turnaround. We estimate the Company's potential earning power to be approximately $1.00-$2.00 per share, similar to its EPS levels in the late 1990s.

Growth Strategy

Santander plans to continue to focus its lending and branch strategy to regain share and reduce problem credits. After reorganizing its branches and expanding its lending officer staff, the Company is now positioned to drive increased levels of mortgage and commercial lending. It has also targeted the small business, middle-market commercial lending, and credit and debit card markets as future growth areas. Management hopes to offset the effect of importing deposits, as deposit growth is minimal in the Commonwealth. In addition, SBP intends to grow its fee and commission income businesses through mortgage servicing, broker/dealer activities, underwriting, and insurance agency operations.

As open market interest rates rise, we expect SBP (along with the other institutions in the Commonwealth) to benefit from increases in net interest margins, especially if the yield curve steepens, as longer rates increase faster than shorter rates. Spreads should continue to widen, especially on variable rate commercial products and as loan rates rise faster than deposit rates.

Finally, management has said it may incorporate its securities and asset management business into the Puerto Rico bank. Today this operation is a part of the Spanish holding company. It is a growing, profitable mutual fund operation with about a 20% market share, which should also benefit from improving performance in the equity markets.

Investment Summary

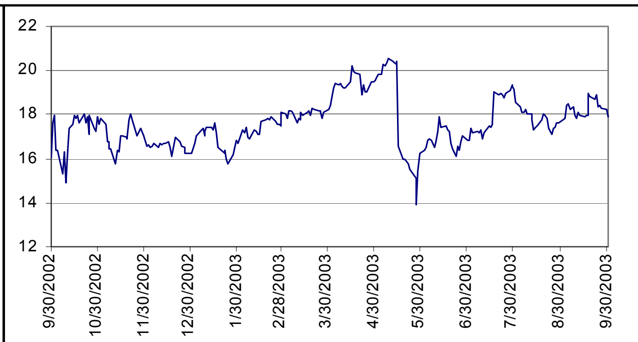
Our initial Buy rating in January 2003 was based on our belief that new, local management could restore profitability to operations and grow the bank's market share. We boosted our rating to Strong Buy in May 2003 on an initial improvement in operations, and we increased our estimates and target price after the release of June quarter results. Many of the problems that had plagued the bank in the last three years – non-performing loans, loss of market share, and loss of operating officers – are now being corrected, we believe. Operations are expanding, there is renewed lending activity in mortgage and commercial loans, SBP has made key new hires in lending officers, and charged-off and non-performing loans have been dramatically reduced.

The problems that originated at Santander over the last three years were a departure from the Company's solid long-term record since its beginnings in the Commonwealth in the 1970s. The bank grew its assets to over $8 billion in that 25-year period, established more than 60 branches and boasted the second largest branch system and deposit base in the Commonwealth. The bank successfully grew loan volumes and treasury operations without the problems of excessive charge-offs or negative carry on liabilities. In our view, the current management team's experience and relationships in the Commonwealth should enable SBP to recapture this performance and regain lost market share.

In short, we believe the bank is in the early stages of a strong turnaround, and should be able to substantially increase profitability in the next 12-18 months. We reiterate our Strong Buy rating and our 12-month target price of $25, which represents potential appreciation of more than 30% from current levels, in addition to a dividend yield of over 2%.

W Holding Company, Inc. (NYSE:WHI)

Current Price:		$17.90
52-Week Range:		$21.17-12.52
Shares Out. (Mil.):F.D.		71.4
Market Cap. (Mil.):		$1,277.3
Dividend/Yield	$0.27	1.5%
Avg. Daily Vol. (000):		236.6
Relative Strength		95
Risk Profile		Moderate
LTM revenue (Mil)		$423.2
Mkt Cap/Rev.		3.0x
LTm Net Income (MIL)		$88.5
Book Value - Common 6/03		$5.63
ROCE Quarter end 6/03		22.41%
ROA Quarter end 6/03		1.12%
Loan Growth, Quarter End 6/03		7.1%
Efficiency Ratio, 6/03		31.5%
5-Yr. Est. EPS Growth Rate		30%



Source: Yahoo! Finance

FYE December	Current EPS	P/E		Quarterly EPS 12/02A	12/03E
2001	$0.83	21.6x	1Q	$0.23	$0.16A
2002	$1.11	16.1x	2Q	$0.27	$0.30A
2003E	$1.27	14.1x	3Q	$0.30	$0.39
2004E	$1.85	9.7x	4Q	$0.31	$0.42

Summarized Financial Statements

(millions, except EPS)	2000	2001	2002	1Q03	2Q03	3Q03E	4Q03E	2003E	2004E
Income statement items									
Total interest income	290.6	343.3	385.7	103.3	110.5	119.0	122.5	455.4	574.9
Interest expense	192.1	218.3	219.4	54.2	54.7	56.8	57.905	223.4	253.1
Net interest income	98.5	125.1	166.3	49.2	55.8	62.2	64.6	231.9	280.1
Loan loss provision	8.7	12.3	15.1	6.2	6.6	6.8	6.9	26.5	32.8
Net int. income after loan loss prov.	89.8	112.8	151.2	43.0	49.2	55.4	57.7	205.4	247.3
Non-interest income	13.9	18.2	24.7	(7.8)	0.7	6.0	8.0	6.9	35.1
Total net interest and other income	103.6	131.0	176.0	35.2	49.9	61.4	65.7	212.2	285.7
Net income to common	38.8	51.9	72.1	10.8	21.1	28.4	30.4	90.7	134.2
Shares outstanding (diluted)	62.4	62.3	65.0	69.6	71.4	72.0	72.2	72.2	72.5
EPS (Fully Diluted)	**$0.62**	**$0.83**	**$1.11**	**$0.16**	**$0.30**	**$0.39**	**$0.42**	**$1.27**	**$1.85**
EPS excl. one-time CBO charge				**$0.33**	**$0.37**				
Balance sheet items									
Net loans	2,203.7	2,838.4	3,754.4	3,972.4	4,256.0				
Total assets	4,260.9	5,888.2	8,205.1	8,846.3	9,498.3				
Deposits	2,636.7	3,233.9	4,298.7	4,536.1	4,877.2				
Shareholders' equity	250.6	387.9	584.7	590.9	710.6				

Source: Company reports; Brean Murray & Co., Inc. estimates

W Holding Company, Inc. (Westernbank Puerto Rico) (NYSE:WHI)

Company Profile

W Holding Company, Inc. (WHI), based in Mayaguez, Puerto Rico, is a rapidly growing financial holding company that ranks third in asset size in Puerto Rico. As of June 30, 2003, WHI had assets of $9.4 billion, up from $8.2 billion at the end of 2002 and $5.9 billion at the end of 2001. Its loan portfolio is $4.3 billion, and its investment portfolio is nearly $5 billion. Deposits total close to $5 billion; about one-half of these deposits are purchased, brokered CDs, as is common in the very competitive Commonwealth deposit market. Deposits have grown at a CAGR of nearly 30% in the past two years, while lending growth has averaged a 28.5% CAGR. Stockholders' equity is $711 million, of which the vast majority is common.

Founded as a savings institution in the western and southwestern regions of Puerto Rico in 1958, Westernbank became the dominant local bank for the resident population. In 1985 it went public and the shares began trading on the NASDAQ. Westernbank changed its charter in 1994 to become a full-service commercial bank, and in February 1999 it adopted the holding company structure and changed its name to W Holding Company, Inc. WHI's holdings include Westernbank Puerto Rico and Westernbank Insurance Company. Its shares were listed on the New York Stock Exchange in December 2001.

WHI offers a full range of financial products and services – including residential mortgages, IRA and trust services, and consumer loans – but is primarily a commercial bank with a growing commercial lending operation, operated through its Westernbank Puerto Rico subsidiary. Westernbank participates in the commercial and construction lending and residential mortgage markets principally as a secured lender. Unlike Doral Financial Corp., it does not have a separate mortgage banking network of branches.

Since its founding 45 years ago, the 51-branch Westernbank network has dominated the western and southwestern regions of Puerto Rico, including Mayaguez and Ponce. We believe the entry five years ago into the San Juan metroplex, where it now has 11 branches (including 5 full service and 6 Expresso branches), will continue to accelerate growth because of the size and scope of the lending opportunities there. The greater San Juan market is home to half the population of Puerto Rico (about 2 million of 4 million total) and most commercial business activity. In the next 12 months, we expect the bank to gain scale in the greater San Juan area as it expands to approximately 8-10 full service branches there, in addition to its Expresso branches. In addition, WHI will open a flagship branch in early 2004 in its Westernbank World Plaza building in Hato Rey, the financial district of Puerto Rico.

The bank was ranked number 7 of the top 100 banks in the U.S. by *U.S. Banker* magazine in its May 2003 issue, based on its consistent record of 20%+ annual growth in net income, assets and loan volumes, and high loan quality. For several years, WHI has won numerous awards from banking and financial publications, such as *U.S. Banker Magazine, Money Magazine, Bank Investor, Equities Magazine and Microbanker,* for its financial performance, return on equity, efficiency and drive to utilize modern technology in banking services.

Westernbank operates four divisions: Westernbank International Division, an International Banking Entity (IBE) that offers commercial banking and related services outside of Puerto Rico; Westernbank Trust Division, which offers full-service trust products; Westernbank Business Credit, created on June 15, 2001, specializing in commercial business loans secured principally by accounts receivable, inventory and equipment; and Expresso of Westernbank, a new division created in July 2002 that offers secured and unsecured personal loans to consumers.

Financial Performance and Outlook

WHI has been consistently profitable since its founding in 1958. Net income growth has averaged 31% per year, yet its non-performing loans and charge-offs are among the lowest of any bank in the U.S. given the high percentage of loans secured by real estate. At June 30, 2003, charge-offs were 0.24% compared to a Puerto Rico bank average of 0.50%, and non-performing loans were 0.75% for the same period. Non-performing loans have been consistently below 1% for several years. Reserve coverage is generous, at more than $1.71 for every $1.00 of non-performing loans, and the efficiency ratio is a very low 33%. In our view, this combination of strong growth and low non-performing loans sets banks such as WHI apart.

Efficiency and Profitability Growth is Strong and Consistent

Profitability Ratios			
Year	**ROA**	**ROCE***	**Efficiency Ratio**
1997	1.61%	24.7%	53.8%
1998	1.42%	24.4%	49.3%
1999	1.27%	24.6%	47.2%
2000	1.17%	24.8%	47.1%
2001	1.22%	27.5%	42.0%
2002	1.22%	25.4%	39.1%
1H-2003	1.00%	17.1%	33.0%

** Return on common equity.*
Source: W Holding Company, Inc.

At June 30, 2003, total loans outstanding rose to $4.3 billion from $3.8 billion at December 30, 2002. Commercial loans were $2.5 billion (net of fees), up 20% from $2.0 billion (net of fees) at December 30, 2002. Of these, $1.9 billion, or 80%, were secured by first mortgages on real estate. Westernbank's commercial real estate and construction loan portfolio grew to $2.2 billion at June 30, 2003 from $975 million in 2000. Its portfolio of residential mortgages on one to four family residences was $821 million at June 30, 2003, about flat with 2002. Westernbank's branch system is structured to handle residential mortgage originations of $5-12 million per month, or about $100 million per year, as part of its full service product line to enhance its banking relationships.

Since June 2001, WHI has gained slightly more than three points in market share of total loans underwritten, from 8.7% to 11.7% at June 30, 2003. Its loan portfolio has increased from $2.5 billion in June 2001, for a two-year CAGR of 28.5%. In the same period, its market share of assets has risen nearly four points, from 9.5% to 13.1%, for a two-year CAGR of 36.4% from $5.1 billion to $9.4 billion. We estimate the bank will end 2003 with asset growth of 22-25%.

Although Puerto Rico banks are part of the Federal Reserve system and are insured by the FDIC, none pay any Federal tax to the U.S. Government, nor do any corporations. In addition, through International Banking Entity (IBE) subsidiaries, certain qualified investments such as mortgage-backed securities are exempt from Puerto Rico income tax. Moreover, additional investments, such as Federal Home Loan Bank stock dividends, are exempt from Puerto Rico tax as well. As a result, W Holding (along with the other Puerto Rico banks) can effectively lower its tax rate on corporate income; WHI's effective rate is currently 14-16% of pretax income. This tax-advantaged status enables WHI to allocate approximately one-half of its earning assets to its treasury operations and invest in risk-free government securities, which offer a competitive net yield because of the tax treatment. This is especially true of higher-yielding mortgage-backed securities. Consequently, WHI's treasury portfolios offer liquidity and lower the overall asset risk.

Approximately one-half of WHI's assets are invested in risk-free U.S. Government, agency or mortgage-backed securities. At June 30, 2003, Westernbank's net yield on interest earning assets was 2.50%, slightly higher than over the past six months, which saw narrowing spreads as interest rates dropped. Since most of its loans are commercial and are reset with open market rates, the bank is asset-sensitive and should show expanded spreads as rates rise.

Management has reiterated its expectations for net income of $100 million for this year, even after taking a write-down totaling $22.7 million ($17 million net) after it judged one collateralized bond portfolio (CBO) to be permanently impaired. It subsequently sold the entire $45 million portfolio. This was WHI's only such CBO portfolio, and the remaining portfolios in its treasury operations are Government and Agency securities. Thus, we believe this was likely a one-time event due to the volatility in open market pricing on these AAA corporate bonds. We estimate the charge impacted EPS by approximately $0.24 in the first half, or about $0.17 in Q1 and $0.07 in Q2. Excluding the charge, reported EPS would have been $0.33 in Q1 and $0.37 in Q2, for a first half EPS total of $0.70, or about 40% above last year's first half results.

For the year, we estimate net income of $111.5 million (before preferred dividends) and common EPS of $1.27. Our estimates for 2004 are for net income of $159.9 million (before preferred dividends) and EPS of $1.85, which assumes a resumption of its normalized growth rate of 40+%.

Growth Strategy

WHI's consistent 45-year profitability has averaged growth of more than 15% per year. In the past five years, under a new, younger management team, WHI has accelerated its growth rate to 25-30% per year. In our view, WHI can continue to grow at a 25-30% pace in net income, earnings and dividends by combining a focus on sales and marketing, customer service and innovative technology. Growth is being aided by improved access to the capital markets, expansion in commercial lending and trust services, and market share gains as the Puerto Rico banking sector consolidates. WHI is growing geographically as well, expanding its 51-branch network into the metro San Juan area from its headquarters in Mayaguez. From there, it plans to expand into the northern and northeast sectors of the island, and then to the U.S. mainland within two years, we estimate.

Penetration of new product and service areas: We believe WHI is entering a period of accelerated growth opportunities as it penetrates the **commercial banking** sector in Puerto Rico and expands its consumer and trust banking services. WHI's growth in commercial lending is among the fastest in the Commonwealth. In June 2001, Westernbank acquired the asset-based commercial lending operations of Congress Credit Corporation in Puerto Rico, a subsidiary of First Union National Bank, N.A., along with its lending officers and personnel. As a result, it has grown this division from $222 million at the time of the acquisition to $260 million at March 31, 2002. Renamed Westernbank Business Credit, this division now has over $950 million of outstanding commercial loans at the end of June 2003 and is one of the commercial engines of growth at WHI.

Another growth area at Westernbank is the **trust assets** division, established in 2001 with an active and successful IRA marketing program. This program helped grow trust assets from $211,000 in 2000 to $110 million in 2001. At June 30, 2003, IRA balances were $250.2 million, representing growth of 25.8% in the past year and 19.2% in the past six months. Westernbank now has one of the fastest growing trust management departments in Puerto Rico, offering a variety of IRA products and managing 401K and Keogh retirement plans, custodian and corporate accounts.

Westernbank management is pursuing relationships with its IRA and trust clients to solidify and grow its consumer lending division through cross-marketing. In addition, it is targeting the most affluent, professional consumers for its trust activities, and IRA accounts are its access point. The goal is account capture – whereby each client has multiple accounts and services, such as credit cards, residential or commercial mortgages, etc. Similarly, growth in the commercial division is being driven by the same "relationship" approach, whereby business construction and commercial loan growth is complemented by additional account and product growth, such as checking accounts and insurance.

On the **consumer lending** front, Westernbank opened 17 smaller branches in July 2002 to establish its Expresso of Westernbank division. Expresso is designed to offer small personal loans – up to $15,000 on an unsecured basis, and $75,000 if secured by real estate – on attractive terms and with full bank services to those customers who historically borrowed from non-bank personal loan shops. The Puerto Rico Banker's Association estimates that about one-half of the population currently has no banking relationships. Part of the bank's strategy is to reach out to this "unbanked" population.

As Westernbank has consolidated its share of this market, it has expanded its Expresso branch system to 19 locations currently. Loans at Expresso have grown to nearly $150 million at June 30, 2003, increasing by $33.3 million, or 28.6% (net of repayments) since December 31, 2002. The division has reached this level in just 14 months of operation. Low charge-off levels of about 4% (annualized) are in line with or slightly below management's expectations and reserving policy.

Now WHI is beginning to add new products to its Expresso division, beginning with a home equity loan program begun about three months ago. Over time, we expect the bank to offer more products to customers in this division and to expand its cross-selling, thereby potentially gaining market share from non-bank loan shops and dominating the segment.

Westernbank is also increasing its positioning as a full-service **financial planning** center by expanding its presence in the IRA, Keogh, 401K, pension and escrow markets. Brokerage services are also a prominent area of growth and are offered through the branch system. In mid-1999 the bank signed an agreement with Financial Network Investment Corporation (FNIC), whereby FNIC provides brokerage services at the bank's branches and makes monthly payments to Westernbank based on a percentage of the total revenues earned at Westernbank branches.

In addition, at the end of the second quarter of 2001, WHI established its own **insurance** agency, called Westernbank Insurance Corp., to sell property and casualty insurance on an agency basis to its residential and commercial accounts. Management believes the asset-based commercial lending business and the insurance division together can add $10 million to pretax income.

Commitment to service and technology: Governing its commercial and consumer banking relationships is management's commitment to service and technology. Each branch offers state-of-the-art facilities and seven-days-per-week hours of operation. Valet parking is offered, along with dozens of ATM machines, multiple drive-through facilities, and large (over 6,000 square feet), comfortable, conveniently located, modern facilities. WHI has continually opened branches in prime areas. As a result of this emphasis on customer service, Westernbank has achieved a dominant market share in each of its established regions, and we believe it is taking share from other banks. The focus on high-quality service attracts and keeps customers and relationships, enabling Westernbank to compete on product and service, not price. In addition, it drives a rapid payback for new branches, where deposit growth has been among the strongest in the Commonwealth. For example, its first branch in greater San Juan has taken in $350 million in combined loans and deposits in its first year of operation. We anticipate the larger size and modern conveniences, full product lines, and San Juan locations in affluent residential and/or high-end commercial locations will enable WHI to accelerate the growth of its deposit base and scope of lending activity in the next three years.

High-quality personnel: Management believes its cost-control abilities are due to its emphasis on high-quality personnel and its in-house training programs. The bank's growth has been accomplished without a commensurate increase in personnel; Westernbank employs approximately 1,078 people, increasing only marginally from last year's level of 1,001. We believe the bank is able to continually increase productivity through the use of technology and the attraction of key managers. Its efficiency ratio declined to 31.5% in the June 2003 quarter, among the lowest – and most productive – of any bank in the U.S. (For the first half through June 2003, the efficiency ratio was 33%.) The bank relies on numerous qualitative measurement techniques, workflow analyses, dedication to automation and IT to streamline operations, improve product offerings and eliminate duplication of effort. Senior managers are offered incentives through bonuses to meet both revenue and growth goals and to improve cost controls. Throughout the organization, managers are deeply involved in all aspects of all programs. A dynamic, young, energetic culture complete with the very latest technology is apparent throughout the system. An emphasis on proactive, longer-term and intermediate-term planning is encouraged and evident as well. Strategic moves are planned several years in advance and implemented slowly and carefully. New projects carry a minimum "hurdle rate" of at least a 24% ROE and 1.2-1.25% ROA.

Investment Summary

WHI is a well managed and innovative commercial bank, in our view, that is gaining market share in Puerto Rico as it expands its product lines and branch system. With nearly $10 billion in assets at June 30, 2003, net income growth of over 30%, and return on common equity averaging 25-27% over the past several years, we view WHI as an excellent growth vehicle and a way for investors to participate in the rapid expansion in Puerto Rico. We anticipate WHI will grow its revenue, earnings and assets at 25-30% per year for several years. It is also growing its dividend at 25% per year, paid monthly. The current yield on the common dividend is approximately 1.5% and its payout ratio is 21.9%.

Meanwhile, the shares are trading at a P/E of 14.1 times our 2003 EPS estimate of $1.27 and 9.7 times our 2004 estimate of $1.85. With a P/E to growth ratio of just 0.47x (based on our 2003 estimate and our 30% growth rate projection), we believe WHI represents a compelling value for investors. We rate the shares Strong Buy with a 12-month target price of $23, or 17.5 times our 2003 earnings estimate, equal to about one-half of WHI's projected growth rate. Our 18-month target price is $30, representing a P/E of 16.2x applied to our 2004 EPS estimate.

APPENDIX I

Appendix I: Exhibit 1-A

Total Assets Data for Puerto Rico-Based Banks, June 2001-June 2003*

BANK LEVEL DATA ONLY - Excludes Holding Co.

		Total Assets ($ millions)									2-YR
Institution Name	**Ticker**	**Jun-01**	**Sep-01**	**Dec-01**	**Mar-02**	**Jun-02**	**Sep-02**	**Dec-02**	**Mar-03**	**Jun-03**	**CAGR**
Banco Popular de PR	BPOP	18,545	18,760	20,477	19,710	21,740	21,171	21,491	21,146	22,839	11.0%
Firstbank of PR	FBP	6,366	7,642	8,143	8,429	8,571	9,140	9,583	9,702	9,889	24.6%
Westernbank PR	WHI	5,071	5,128	5,887	6,724	6,978	7,902	8,188	8,833	9,440	36.4%
Banco Santander PR	SBP	7,348	7,385	7,656	7,795	7,499	7,019	7,062	6,781	6,568	-5.5%
Banco Bilbao Vizcaya PR	BBV	4,817	4,724	4,801	4,841	5,066	4,915	5,141	5,142	5,356	5.4%
R-G Premier Bank of PR**	RGF	3,344	3,601	3,963	3,993	4,387	4,624	4,695	5,254	5,558	28.9%
Doral Bank**	DORL	2,936	3,368	3,486	4,065	4,428	4,277	5,050	5,526	6,186	45.1%
Oriental Bank and Trust	OFG	2,020	2,149	2,311	2,314	2,439	2,568	2,750	2,746	2,995	21.8%
Scotiabank de PR	—	1,345	1,359	1,361	1,391	1,410	1,393	1,366	1,374	1,337	-0.3%
Eurobank	—	529	559	608	667	754	848	1,035	1,068	1,193	50.1%
The Bank and Trust of PR	—	722	690	715	726	713	687	685	683	669	-3.7%
Banco Financiero de PR	—	90	94	93	89	89	87	0	0	0	-100.0%
Total of 12 largest banks		**53,134**	**55,458**	**59,501**	**60,742**	**64,075**	**64,630**	**67,045**	**68,255**	**72,030**	**9.5%**

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

** In the case of Doral Financial Corp. and R&G Financial Corp., mortgage banking assets are not included.

Source: FDIC Website, "Statistics on Depository Institutions." June 30, 2003.

Appendix I: Exhibit 1-B

Market Share - Percentage of Total Assets*

BANK LEVEL DATA ONLY - Excludes Holding Co.

Institution Name	Ticker	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03
Banco Popular de PR	BPOP	34.9%	33.8%	34.4%	32.4%	33.9%	32.8%	32.1%	31.0%	31.7%
Firstbank of PR	FBP	12.0%	13.8%	13.7%	13.9%	13.4%	14.1%	14.3%	14.2%	13.7%
Westernbank PR	WHI	9.5%	9.2%	9.9%	11.1%	10.9%	12.2%	12.2%	12.9%	13.1%
Banco Santander PR	SBP	13.8%	13.3%	12.9%	12.8%	11.7%	10.9%	10.5%	9.9%	9.1%
Banco Bilbao Vizcaya PR	BBV	9.1%	8.5%	8.1%	8.0%	7.9%	7.6%	7.7%	7.5%	7.4%
R-G Premier Bank of PR**	RGF	6.3%	6.5%	6.7%	6.6%	6.8%	7.2%	7.0%	7.7%	7.7%
Doral Bank**	DORL	5.5%	6.1%	5.9%	6.7%	6.9%	6.6%	7.5%	8.1%	8.6%
Oriental Bank and Trust	OFG	3.8%	3.9%	3.9%	3.8%	3.8%	4.0%	4.1%	4.0%	4.2%
Scotiabank de PR	—	2.5%	2.5%	2.3%	2.3%	2.2%	2.2%	2.0%	2.0%	1.9%
Eurobank	—	1.0%	1.0%	1.0%	1.1%	1.2%	1.3%	1.5%	1.6%	1.7%
The Bank and Trust of PR	—	1.4%	1.2%	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%	0.9%
Banco Financiero de PR	—	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

** In the case of Doral Financial Corp. and R&G Financial Corp., mortgage banking assets are not included.

Source: FDIC Website, "Statistics on Depository Institutions." June 30, 2003.

Appendix I: Exhibit 2-A
Deposit Data for Puerto Rico-Based Banks, June 2001-June 2003*

BANK LEVEL DATA ONLY - Excludes Holding Co.

		Deposits ($ millions)									2-YR
Institution Name	**Ticker**	**Jun-01**	**Sep-01**	**Dec-01**	**Mar-02**	**Jun-02**	**Sep-02**	**Dec-02**	**Mar-03**	**Jun-03**	**CAGR**
Banco Popular de PR	BPOP	11,337	11,410	11,649	11,785	13,122	12,296	12,834	12,796	13,564	9.4%
Firstbank of PR	FBP	3,706	3,894	4,117	4,442	4,751	4,696	5,505	5,347	5,485	21.6%
Banco Santander PR	SBP	4,529	4,929	4,811	4,500	4,841	4,612	4,535	4,070	3,812	-8.3%
Westernbank PR	WHI	2,997	2,962	3,214	3,360	3,778	3,906	4,286	4,523	4,869	27.5%
Banco Bilbao Vizcaya PR	BBV	2,901	2,835	2,971	2,975	3,208	2,964	2,861	2,755	2,649	-4.4%
R&G Premier Bank of PR	RGF	1,859	1,913	2,115	2,068	2,102	2,324	2,318	2,489	2,694	20.4%
Doral Bank	DORL	1,383	1,452	1,528	1,742	1,899	1,876	1,981	2,286	2,436	32.7%
Scotiabank de PR	—	1,001	941	1,005	1,119	1,101	1,126	1,094	1,126	1,102	4.9%
Oriental Bank & Trust	OFG	813	865	907	838	969	1,006	955	1,041	1,050	13.6%
Eurobank	—	437	470	486	530	603	695	843	880	946	47.1%
The Bank and Trust of PR	—	531	495	512	523	532	516	501	511	515	-1.5%
Banco Financiero de PR	—	84	88	87	85	86	84	0	0	0	-100.0%
Total of 12 largest banks		**31,580**	**32,255**	**33,403**	**33,966**	**36,991**	**36,100**	**37,711**	**37,825**	**39,123**	**5.3%**

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

Source: FDIC Website, "Statistics on Depository Institutions." June 30, 2003.

Appendix I: Exhibit 2-B
Market Share - Percentage of Total Deposits*

BANK LEVEL DATA ONLY - Excludes Holding Co.

Institution Name	**Ticker**	**Jun-01**	**Sep-01**	**Dec-01**	**Mar-02**	**Jun-02**	**Sep-02**	**Dec-02**	**Mar-03**	**Jun-03**
Banco Popular de PR	BPOP	35.9%	35.4%	34.9%	34.7%	35.5%	34.1%	34.0%	33.8%	34.7%
Firstbank of PR	FBP	11.7%	12.1%	12.3%	13.1%	12.8%	13.0%	14.6%	14.1%	14.0%
Banco Santander PR	SBP	14.3%	15.3%	14.4%	13.2%	13.1%	12.8%	12.0%	10.8%	9.7%
Westernbank PR	WHI	9.5%	9.2%	9.6%	9.9%	10.2%	10.8%	11.4%	12.0%	12.4%
Banco Bilbao Vizcaya PR	BBV	9.2%	8.8%	8.9%	8.8%	8.7%	8.2%	7.6%	7.3%	6.8%
R&G Premier Bank of PR	RGF	5.9%	5.9%	6.3%	6.1%	5.7%	6.4%	6.1%	6.6%	6.9%
Doral Bank	DORL	4.4%	4.5%	4.6%	5.1%	5.1%	5.2%	5.3%	6.0%	6.2%
Scotiabank de PR	—	3.2%	2.9%	3.0%	3.3%	3.0%	3.1%	2.9%	3.0%	2.8%
Oriental Bank & Trust	OFG	2.6%	2.7%	2.7%	2.5%	2.6%	2.8%	2.5%	2.8%	2.7%
Eurobank	—	1.4%	1.5%	1.5%	1.6%	1.6%	1.9%	2.2%	2.3%	2.4%
The Bank and Trust of PR	—	1.7%	1.5%	1.5%	1.5%	1.4%	1.4%	1.3%	1.4%	1.3%
Banco Financiero de PR	—	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico based assets.
Source: FDIC Website, "Statistics on Depository Institutions." June 30, 2003.

Appendix I: Exhibit 3-A
Net Loans and Leases Data for Puerto Rico-Based Banks, June 2001-June 2003*

BANK LEVEL DATA ONLY - Excludes Holding Co.

		Net Loans and Leases ($ millions)									2-YR
		Jun-01	**Sep-01**	**Dec-01**	**Mar-02**	**Jun-02**	**Sep-02**	**Dec-02**	**Mar-03**	**Jun-03**	**CAGR**
Banco Popular de PR	BPOP	9,951	9,960	10,184	10,117	10,610	10,581	10,498	10,399	10,535	2.9%
Firstbank of PR	FBP	3,769	3,896	4,212	4,293	4,580	4,823	5,520	5,809	6,173	28.0%
Banco Santander PR	SBP	4,402	4,329	4,389	4,244	4,071	3,899	3,796	4,035	3,961	-5.1%
Westernbank PR	WHI	2,581	2,673	2,844	2,956	3,224	3,459	3,762	3,977	4,261	28.5%
Banco Bilbao Vizcaya PR	BBV	2,802	2,808	2,883	2,697	2,750	2,740	2,687	2,721	2,753	-0.9%
Doral Bank**	DORL	1,640	1,799	2,054	2,185	2,298	2,518	2,637	2,286	2,527	24.2%
R-G Premier Bank of PR**	RGF	1,848	1,856	1,953	1,906	2,068	2,266	2,413	2,489	2,878	24.8%
Scotiabank de PR	—	1,300	1,298	1,308	1,339	1,346	1,336	1,308	1,309	1,274	-1.0%
Eurobank	—	382	423	454	509	570	633	761	808	820	46.6%
Oriental Bank and Trust	OFG	466	516	562	563	582	622	666	685	735	25.6%
The Bank and Trust of PR	—	488	489	488	500	503	492	482	474	467	-2.2%
Banco Financiero de PR	—	63	64	75	73	77	72	0	0	0	-100.0%
Total of 12 largest banks		**29,691**	**30,111**	**31,406**	**31,381**	**32,679**	**33,442**	**34,530**	**34,992**	**36,384**	**5.9%**

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

** In the case of Doral Financial Corp. and R&G Financial Corp., net loans under their mortgage banking business are not included.

Source: FDIC Website, "Statistics on Depository Institutions." June 30, 2003.

Appendix I: Exhibit 3-B
Market Share - Percentage of Total Net Loans
BANK LEVEL DATA ONLY - Excludes Holding Co.

Institution Name	Ticker	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03
Banco Popular de PR	BPOP	33.51%	33.08%	32.43%	32.24%	32.47%	31.64%	30.40%	29.72%	28.96%
Firstbank of PR	FBP	12.69%	12.94%	13.41%	13.68%	14.01%	14.42%	15.99%	16.60%	16.97%
Banco Santander PR	SBP	14.83%	14.38%	13.97%	13.52%	12.46%	11.66%	10.99%	11.53%	10.89%
Westernbank PR	WHI	8.69%	8.88%	9.05%	9.42%	9.86%	10.34%	10.89%	11.37%	11.71%
Banco Bilbao Vizcaya PR	BBV	9.44%	9.32%	9.18%	8.59%	8.41%	8.19%	7.78%	7.78%	7.57%
Doral Bank**	DORL	5.52%	5.98%	6.54%	6.96%	7.03%	7.53%	7.64%	6.53%	6.95%
R-G Premier Bank of PR**	RGF	6.22%	6.16%	6.22%	6.07%	6.33%	6.78%	6.99%	7.11%	7.91%
Scotiabank de PR	—	4.38%	4.31%	4.17%	4.27%	4.12%	4.00%	3.79%	3.74%	3.50%
Eurobank	—	1.29%	1.41%	1.45%	1.62%	1.74%	1.89%	2.20%	2.31%	2.25%
Oriental Bank and Trust	OFG	1.57%	1.71%	1.79%	1.79%	1.78%	1.86%	1.93%	1.96%	2.02%
The Bank and Trust of PR	—	1.64%	1.63%	1.55%	1.59%	1.54%	1.47%	1.40%	1.36%	1.28%
Banco Financiero de PR	—	0.21%	0.21%	0.24%	0.23%	0.24%	0.22%	0.00%	0.00%	0.00%

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

** In the case of Doral Financial Corp. and R&G Financial Corp., net loans under their mortgage banking business are not included.

Source: FDIC Website, "Statistics on Depository Institutions." June 30, 2003.

Appendix I: Exhibit 4-A
Financial Ratios for Puerto Rico-Based Banks, June 2000-June 2003*
Four Year Overview

BANK LEVEL DATA ONLY - Excludes Holding Co.

Financial Statistics as of June 30, 2003

Institution Name	Ticker	Cost of funding earning assets	Net Interest Margin	ROA	ROE	Efficiency Ratio	Net charge-offs to loans	Loan Loss allowance to loans	Loss allowance to noncurrent loans
Banco Santander Puerto Rico	SBP	2.1%	2.8%	0.2%	2.9%	78.2%	1.1%	1.5%	55.2%
Scotiabank de Puerto Rico	—	1.9%	4.9%	0.1%	0.4%	67.4%	0.7%	1.6%	46.2%
Banco Popular de Puerto Rico	BPOP	1.9%	4.1%	1.4%	18.9%	56.7%	0.9%	2.5%	97.8%
Banco Bilbao Vizcaya Puerto Rico	BBV	1.8%	3.5%	1.1%	10.7%	56.9%	0.7%	1.9%	81.3%
Westernbank Puerto Rico	WHI	2.6%	2.5%	0.9%	13.6%	31.8%	0.2%	1.3%	160.2%
Oriental Bank and Trust	OFG	2.7%	2.7%	1.9%	29.8%	49.8%	0.3%	0.7%	17.4%
Firstbank of Puerto Rico	FBP	2.6%	3.1%	1.2%	15.3%	48.4%	0.8%	1.8%	98.8%
Eurobank	—	3.0%	3.7%	1.0%	16.2%	58.2%	0.4%	1.0%	28.9%
R-G Premier Bank of Puerto Rico	RGF	3.0%	2.8%	1.3%	19.3%	40.3%	0.3%	1.0%	42.0%
Doral Bank	DORL	3.3%	2.0%	2.8%	43.5%	29.5%	0.1%	0.6%	61.5%
The Bank and Trust of Puerto Rico	—	3.8%	2.7%	1.0%	16.7%	65.1%	0.6%	1.7%	36.3%
Average		**2.7%**	**3.2%**	**1.3%**	**18.4%**	**50.4%**	**0.5%**	**1.4%**	**67.0%**

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.
Source: FDIC Website, "Statistics on Depository Institutions."

Appendix I: Exhibit 4-B

BANK LEVEL DATA ONLY - Excludes Holding Co.

Financial Statistics as of June 30, 2002

Institution Name	Ticker	Cost of funding earning assets	Net Interest Margin	ROA	ROE	Efficiency Ratio	Net charge-offs to loans	Loan Loss allowance to loans	Loss allowance to noncurrent loans
Banco Santander Puerto Rico	SBP	2.3%	3.1%	0.5%	7.0%	67.0%	1.3%	1.3%	49.6%
Scotiabank de Puerto Rico	—	2.3%	4.8%	0.4%	3.1%	61.4%	1.3%	1.1%	28.5%
Banco Popular de Puerto Rico	BPOP	2.5%	4.1%	1.3%	19.4%	52.6%	1.3%	2.2%	90.5%
Banco Bilbao Vizcaya Puerto Rico	BBV	2.7%	3.6%	0.9%	12.1%	56.6%	1.7%	1.8%	70.3%
Eurobank	—	3.6%	4.2%	0.8%	10.7%	67.3%	0.4%	0.8%	39.1%
Firstbank of Puerto Rico	FBP	3.4%	350.0%	1.2%	19.3%	40.2%	0.9%	2.1%	105.2%
Westernbank Puerto Rico	WHI	3.4%	2.5%	1.2%	19.8%	39.7%	0.1%	1.3%	234.4%
Oriental Bank and Trust	OFG	3.5%	3.0%	1.9%	33.6%	52.6%	0.3%	0.5%	15.1%
R-G Premier Bank of Puerto Rico	RGF	3.7%	2.9%	1.3%	19.2%	37.5%	0.6%	1.0%	34.8%
Doral Bank	DORL	4.1%	2.4%	1.6%	26.0%	39.3%	0.1%	0.3%	38.6%
The Bank and Trust of Puerto Rico	—	4.4%	2.3%	-0.2%	-3.4%	101.7%	0.6%	1.7%	30.7%
Average		**3.2%**	**34.8%**	**1.0%**	**15.2%**	**56.0%**	**0.8%**	**1.3%**	**67.0%**

Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).

Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

Source: FDIC Website, "Statistics on Depository Institutions."

Appendix I: Exhibit 4-C

BANK LEVEL DATA ONLY - Excludes Holding Co.

Financial Statistics as of June 30, 2001

Institution Name	Ticker	Cost of funding earning assets	Net Interest Margin	ROA	ROE	Efficiency Ratio	Net charge-offs to loans	Loan Loss allowance to loans	Loss allowance to noncurrent loans
Banco Popular de Puerto Rico	BPOP	4.0%	4.3%	1.4%	18.5%	50.5%	1.1%	2.1%	92.3%
Eurobank	—	4.7%	4.7%	1.0%	13.4%	65.4%	0.3%	1.0%	1.0%
Scotiabank de Puerto Rico	—	4.0%	4.6%	0.8%	6.6%	59.5%	0.5%	1.0%	41.8%
Banco Santander Puerto Rico	SBP	4.2%	3.5%	0.7%	8.9%	55.1%	1.4%	1.2%	99.0%
Banco Bilbao Vizcaya Puerto Rico	BBV	4.7%	3.6%	0.8%	12.3%	59.8%	1.1%	1.6%	69.1%
Doral Bank	DORL	5.3%	1.8%	1.1%	19.2%	51.1%	0.0%	0.4%	39.9%
Westernbank Puerto Rico	WHI	5.0%	2.8%	1.3%	19.9%	42.2%	0.2%	1.4%	185.0%
Firstbank of Puerto Rico	FBP	5.0%	4.0%	1.2%	18.2%	45.3%	1.6%	2.0%	98.1%
R-G Premier Bank of Puerto Rico	RGF	5.0%	2.4%	1.2%	18.0%	47.3%	0.4%	0.7%	13.7%
Oriental Bank and Trust	OFG	5.1%	1.8%	0.8%	13.7%	72.7%	0.5%	0.6%	16.9%
The Bank and Trust of Puerto Rico	—	5.8%	2.7%	0.1%	2.4%	77.4%	0.5%	1.8%	45.4%
Average		**4.8%**	**3.3%**	**0.9%**	**13.7%**	**56.9%**	**0.7%**	**1.2%**	**63.8%**

Appendix 2-B

Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).

Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

Source: FDIC Website, "Statistics on Depository Institutions."

Appendix I: Exhibit 4-D

BANK LEVEL DATA ONLY - Excludes Holding Co.

Financial Statistics as of June 30, 2000

Institution Name	Ticker	Cost of funding earning assets	Net Interest Margin	ROA	ROE	Efficiency Ratio	Net charge-offs to loans	Loan Loss allowance to loans	Loss allowance to noncurrent loans
Banco Popular de Puerto Rico	BPOP	4.3%	4.2%	1.3%	21.4%	52.4%	1.2%	2.1%	104.1%
Eurobank	—	4.3%	4.9%	0.8%	11.0%	69.8%	0.3%	1.0%	33.8%
Banco Bilbao Vizcaya Puerto Rico	BBV	4.8%	3.9%	0.7%	9.6%	64.3%	1.2%	1.9%	72.3%
Scotiabank de Puerto Rico	—	4.5%	4.8%	0.7%	6.0%	58.8%	0.9%	0.9%	36.5%
Banco Santander Puerto Rico	SBP	4.7%	3.3%	1.0%	14.0%	54.0%	0.9%	1.2%	99.0%
Westernbank Puerto Rico	WHI	5.1%	2.9%	1.3%	18.9%	45.9%	0.1%	1.4%	192.5%
Firstbank of Puerto Rico	FBP	5.1%	4.2%	1.1%	21.9%	49.0%	1.3%	2.2%	109.4%
Oriental Bank and Trust	OFG	5.3%	2.4%	-0.7%	-12.0%	137.8%	1.9%	1.1%	38.3%
R-G Premier Bank of Puerto Rico	RGF	5.2%	2.6%	0.8%	13.2%	55.4%	0.2%	0.5%	17.3%
Doral Bank	DORL	5.0%	2.3%	1.2%	19.0%	53.1%	0.1%	0.3%	45.4%
The Bank and Trust of Puerto Rico	—	5.6%	3.4%	0.6%	10.2%	65.2%	0.2%	1.2%	39.8%
Average		**4.9%**	**3.5%**	**0.8%**	**12.1%**	**64.2%**	**0.7%**	**1.3%**	**71.7%**

Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).

Data may not match figures listed in SEC filings which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

Source: FDIC Website, "Statistics on Depository Institutions."

Appendix I: Exhibit 5-A
Comparison of Puerto Rico-Based Banks
Operating Statistics, 1992-2002
BANK LEVEL DATA ONLY - Excludes Holding Co.

Efficiency ratios

Institution Name	Ticker	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	10-Yr Avg.
R-G Premier Bank of PR	RGF	60.8%	75.5%	59.5%	69.8%	59.6%	49.6%	57.5%	53.5%	47.1%	37.7%	**57.1%**
Doral Bank	DORL	106.4%	81.0%	51.3%	49.0%	40.7%	47.2%	54.0%	45.1%	46.0%	36.3%	**55.7%**
Westernbank PR	WHI	63.1%	54.9%	57.3%	59.2%	52.3%	49.2%	46.4%	46.6%	42.2%	39.0%	**51.0%**
Firstbank of PR	FBP	NA	48.2%	59.1%	49.6%	45.5%	46.5%	47.1%	48.5%	43.1%	42.9%	**47.8%**
Banco Popular de PR	BPOP	65.5%	65.1%	63.8%	60.9%	59.2%	56.5%	53.9%	50.6%	50.6%	56.0%	**58.2%**
Oriental Bank and Trust	OFG	66.3%	57.0%	54.4%	55.6%	49.7%	48.3%	69.1%	78.6%	63.4%	53.7%	**59.6%**
Banco Bilbao Vizcaya PR	BBV	90.3%	81.1%	76.6%	72.1%	77.7%	71.7%	66.8%	64.8%	61.1%	59.8%	**72.2%**
Scotiabank de PR	—	67.1%	71.9%	64.2%	61.9%	60.8%	57.9%	59.6%	59.1%	57.8%	56.5%	**61.7%**
Eurobank	—	91.6%	90.3%	85.7%	83.1%	103.8%	68.9%	72.2%	66.8%	63.5%	64.7%	**79.1%**
Banco Santander PR	SBP	61.7%	65.9%	66.2%	68.4%	60.6%	55.9%	55.3%	54.7%	60.0%	70.3%	**61.9%**
The Bank and Trust of PR	—	94.1%	66.5%	140.4%	74.0%	69.4%	65.4%	59.9%	140.9%	69.0%	93.0%	**87.2%**
Average		**76.7%**	**68.9%**	**70.8%**	**64.0%**	**61.8%**	**56.1%**	**58.3%**	**64.5%**	**54.9%**	**55.4%**	**63.1%**

Return on Total Equity**

Institution Name	Ticker	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	10-Yr Avg.
Doral Bank	DORL	-3.5%	3.3%	17.3%	12.6%	19.1%	21.3%	18.8%	20.0%	25.8%	32.9%	**16.8%**
Oriental Bank and Trust	OFG	33.7%	21.4%	19.6%	19.6%	22.1%	21.7%	19.9%	4.7%	21.2%	31.1%	**21.5%**
Firstbank of PR	FBP	NA	28.8%	30.0%	22.2%	22.7%	20.5%	24.7%	20.9%	18.3%	21.0%	**23.2%**
Westernbank PR	WHI	16.6%	20.3%	19.4%	22.5%	24.7%	22.0%	19.2%	18.8%	19.5%	19.2%	**20.2%**
R-G Premier Bank of PR	RGF	36.1%	12.3%	19.1%	7.9%	11.2%	15.2%	12.6%	14.1%	18.2%	19.5%	**16.6%**
Banco Popular de PR	BPOP	14.7%	14.5%	15.1%	16.9%	17.2%	16.5%	23.0%	20.8%	17.9%	17.7%	**17.4%**
Eurobank	—	-8.8%	-4.0%	3.6%	6.5%	-4.4%	10.9%	7.5%	14.6%	14.1%	12.9%	**5.3%**
Banco Bilbao Vizcaya PR	BBV	4.5%	5.2%	7.7%	7.7%	7.4%	7.0%	8.9%	10.0%	9.9%	11.1%	**7.9%**
Banco Santander PR	SBP	12.9%	11.1%	11.8%	7.3%	14.0%	14.4%	15.2%	13.6%	8.3%	3.5%	**11.2%**
Scotiabank de PR	—	6.5%	4.7%	6.9%	9.2%	8.1%	6.4%	6.6%	7.0%	6.7%	3.0%	**6.5%**
The Bank and Trust of PR	—	15.2%	11.2%	-9.7%	7.9%	12.6%	10.2%	11.6%	-29.0%	0.0%	2.7%	**3.3%**
Average		**12.80%**	**11.72%**	**12.81%**	**12.76%**	**14.05%**	**15.10%**	**15.26%**	**10.50%**	**14.55%**	**15.87%**	**13.28%**

Return on Assets

Institution Name	Ticker	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	10-Yr Avg.
Doral Bank	DORL	-0.5%	0.3%	1.3%	1.1%	1.5%	1.4%	1.3%	1.2%	1.6%	2.1%	**1.1%**
Oriental Bank and Trust	OFG	1.9%	1.7%	1.8%	1.7%	1.8%	1.8%	1.3%	0.3%	1.2%	1.9%	**1.5%**
Firstbank of PR	FBP	NA	1.6%	1.9%	1.5%	1.5%	1.5%	1.4%	1.1%	1.2%	1.4%	**1.5%**
Banco Popular de PR	BPOP	1.0%	1.0%	1.1%	1.2%	1.3%	1.3%	1.4%	1.3%	1.3%	1.2%	**1.2%**
R-G Premier Bank of PR	RGF	2.1%	0.7%	1.1%	0.5%	0.8%	1.1%	0.8%	0.9%	1.2%	1.3%	**1.1%**
Westernbank PR	WHI	1.2%	1.5%	1.3%	1.5%	1.6%	1.4%	1.2%	1.2%	1.2%	1.2%	**1.3%**
Eurobank	—	-0.6%	-0.3%	0.3%	0.5%	-0.3%	0.9%	0.6%	1.0%	1.1%	0.9%	**0.4%**
Banco Bilbao Vizcaya PR	BBV	0.4%	0.3%	0.4%	0.5%	0.4%	0.5%	0.6%	0.7%	0.7%	0.8%	**0.5%**
Scotiabank de PR	—	1.0%	0.7%	1.0%	1.3%	1.1%	0.8%	0.7%	0.8%	0.8%	0.4%	**0.9%**
Banco Santander PR	SBP	1.1%	1.0%	0.9%	0.8%	1.2%	1.1%	1.0%	1.0%	0.6%	0.3%	**0.9%**
The Bank and Trust of PR	—	0.8%	0.6%	-0.5%	0.4%	0.7%	0.6%	0.7%	-1.5%	0.0%	0.2%	**0.2%**
Average		**0.8%**	**0.8%**	**1.0%**	**1.0%**	**1.1%**	**1.1%**	**1.0%**	**0.7%**	**1.0%**	**1.1%**	**1.0%**

** Includes common and preferred equity

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Source: FDIC Website, "Statistics on Depository Institutions."

Appendix I: Exhibit 5-B
Comparison of Puerto Rico-Based Banks*
Operating Statistics, 1992-2002
BANK LEVEL DATA ONLY - Excludes Holding Co.

Net Charge-Offs to Loans

Institution Name	Ticker	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	10-Yr Avg.
Doral Bank	DORL	3.1%	-0.1%	0.5%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	**0.4%**
Westernbank PR	WHI	0.8%	-0.1%	0.0%	0.3%	0.2%	0.4%	0.4%	0.2%	0.2%	0.2%	**0.3%**
Eurobank	—	3.9%	0.9%	0.2%	-0.1%	0.8%	0.9%	0.6%	0.2%	0.2%	0.5%	**0.8%**
Oriental Bank and Trust	OFG	0.3%	0.5%	1.2%	0.7%	1.2%	1.8%	1.8%	2.1%	0.4%	0.3%	**1.0%**
R-G Premier Bank of PR	RGF	-0.1%	-0.1%	0.1%	0.8%	0.7%	0.4%	0.3%	0.2%	0.3%	1.0%	**0.4%**
The Bank and Trust of PR	—	1.5%	0.1%	0.2%	0.0%	0.1%	0.1%	0.1%	0.2%	1.2%	2.1%	**0.6%**
Firstbank of PR	FBP	NA	0.8%	0.8%	2.2%	3.2%	3.1%	1.9%	1.2%	1.3%	1.9%	**1.8%**
Banco Popular de PR	BPOP	0.8%	0.5%	0.6%	0.8%	1.0%	1.0%	0.9%	1.3%	1.2%	2.4%	**1.0%**
Appendix 2-B	SBP	1.0%	0.4%	0.9%	0.7%	0.4%	0.8%	0.6%	0.9%	1.4%	1.5%	**0.9%**
Scotiabank de PR	—	0.3%	0.5%	0.5%	0.4%	0.5%	1.0%	0.8%	0.9%	1.0%	1.1%	**0.7%**
Banco Bilbao Vizcaya PR	BBV	0.4%	0.2%	0.8%	1.2%	1.3%	1.3%	1.2%	1.0%	1.0%	1.8%	**1.0%**
Average		**1.2%**	**0.3%**	**0.5%**	**0.6%**	**0.9%**	**1.0%**	**0.8%**	**0.7%**	**0.8%**	**1.2%**	**0.8%**

Loss Allowance to Loans

Institution Name	Ticker	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	10-Yr Avg.
Doral Bank	DORL	1.6%	1.2%	0.3%	0.4%	0.6%	0.3%	0.4%	0.4%	0.3%	0.4%	**0.6%**
Oriental Bank and Trust	OFG	1.3%	1.0%	0.9%	0.9%	1.0%	1.7%	1.3%	0.7%	0.5%	0.6%	**1.0%**
Eurobank	—	1.6%	1.9%	1.7%	1.7%	1.6%	1.3%	1.2%	1.0%	1.0%	0.9%	**1.4%**
Scotiabank de PR	—	1.1%	0.9%	0.8%	0.7%	0.6%	0.7%	0.9%	1.0%	1.0%	1.1%	**0.9%**
R-G Premier Bank of PR	RGF	1.2%	0.9%	0.7%	0.6%	0.6%	0.7%	0.5%	0.7%	0.8%	1.0%	**0.8%**
Westernbank PR	WHI	3.0%	2.4%	2.8%	2.0%	1.9%	1.4%	1.3%	1.3%	1.3%	1.2%	**1.9%**
Banco Santander PR	SBP	2.2%	2.3%	1.5%	1.7%	1.5%	1.4%	1.2%	1.1%	1.2%	1.5%	**1.6%**
The Bank and Trust of PR	—	2.0%	1.7%	1.5%	1.5%	1.3%	1.1%	1.4%	1.7%	1.9%	2.1%	**1.6%**
Banco Bilbao Vizcaya PR	BBV	1.5%	1.6%	1.5%	1.8%	1.7%	2.2%	2.1%	1.9%	2.0%	1.8%	**1.8%**
Firstbank of PR	FBP	NA	2.5%	2.9%	2.5%	2.2%	2.7%	2.3%	2.1%	1.9%	1.9%	**2.3%**
Banco Popular de PR	BPOP	2.1%	2.0%	2.0%	2.0%	1.9%	2.0%	2.0%	2.1%	2.2%	2.4%	**2.1%**
Average		**1.7%**	**1.7%**	**1.5%**	**1.4%**	**1.4%**	**1.4%**	**1.3%**	**1.3%**	**1.3%**	**1.4%**	**1.4%**

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Source: FDIC Website, "Statistics on Depository Institutions."

Appendix I: Exhibit 6
Puerto Rico Bank Total Asset Data, 1993-June 2003
($ millions)

BANK LEVEL DATA ONLY - Excludes Holding Co.

Institution Name	Ticker	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	March 2003	June 2003	CAGR
Banco Popular de Puerto Rico	BPOP	10,987	11,559	12,931	14,005	16,025	18,468	18,258	19,820	20,477	21,491	21,146	22,839	**6.9%**
Firstbank of Puerto Rico	FBP	NA	2,080	2,446	2,835	3,327	4,017	4,674	5,870	8,143	9,583	9,702	9,889	**18.5%**
Westernbank Puerto Rico	WHI	699	861	1,039	1,285	1,556	2,481	3,375	4,261	5,887	8,188	8,833	9,440	**27.9%**
Banco Santander Puerto Rico	SBP	4,178	4,504	4,282	5,267	6,024	7,174	8,054	7,639	7,656	7,062	6,781	6,568	**5.4%**
Banco Bilbao Vizcaya Puerto Rico	BBV	762	1,048	1,225	1,205	1,322	3,574	3,670	4,861	4,801	5,141	5,142	5,356	**21.0%**
R-G Premier Bank of Puerto Rico	RGF	360	461	636	792	997	1,412	2,310	2,900	3,963	4,695	5,254	5,558	**29.3%**
Doral Bank	DORL	33	86	160	281	427	806	1,903	2,574	3,486	5,050	5,526	6,186	**65.3%**
Oriental Bank and Trust	OFG	605	695	811	977	1,214	1,461	1,694	1,785	2,311	2,750	2,746	2,995	**16.3%**
Scotiabank de Puerto Rico	—	613	654	717	812	914	1,221	1,258	1,314	1,361	1,366	1,374	1,337	**8.3%**
Eurobank	—	237	205	203	205	266	258	306	452	608	1,035	1,068	1,193	**15.9%**
The Bank and Trust of Puerto Rico	—	315	321	342	347	393	448	568	717	715	685	683	669	**8.1%**
Total Assets		**18,790**	**22,475**	**24,792**	**28,009**	**32,465**	**41,320**	**46,069**	**52,193**	**59,409**	**67,045**	**68,255**	**72,030**	**13.6%**

Annual Growth Rates

Institution Name	Ticker	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	March 2003	June 2003
Banco Popular de Puerto Rico	BPOP	-	5.2%	11.9%	8.3%	14.4%	15.2%	-1.1%	8.6%	3.3%	5.0%	-1.6%	8.0%
Firstbank of Puerto Rico	FBP	-	NA	17.6%	15.9%	17.4%	20.7%	16.3%	25.6%	38.7%	17.7%	1.3%	1.9%
Westernbank Puerto Rico	WHI	-	23.3%	20.7%	23.6%	21.1%	59.5%	36.0%	26.3%	38.2%	39.1%	7.9%	6.9%
Banco Santander Puerto Rico	SBP	-	7.8%	-4.9%	23.0%	14.4%	19.1%	12.3%	-5.2%	0.2%	-7.8%	-4.0%	-3.1%
Banco Bilbao Vizcaya Puerto Rico	BBV	-	NA	16.9%	-1.7%	9.8%	170.4%	2.7%	32.4%	-1.2%	7.1%	0.0%	4.2%
R-G Premier Bank of Puerto Rico	RGF	-	27.9%	37.9%	24.5%	25.9%	41.7%	63.6%	25.5%	36.7%	18.5%	11.9%	5.8%
Doral Bank	DORL	-	160.2%	85.7%	75.0%	52.3%	88.5%	136.2%	35.3%	35.5%	44.8%	9.4%	11.9%
Oriental Bank and Trust	OFG	-	14.8%	16.7%	20.5%	24.3%	20.3%	15.9%	5.4%	29.5%	19.0%	-0.2%	9.1%
Scotiabank de Puerto Rico	—	-	6.7%	9.7%	13.2%	12.6%	33.6%	3.0%	4.5%	3.6%	0.4%	0.6%	-2.7%
Eurobank	—	-	-13.4%	-0.8%	0.7%	29.7%	-3.0%	18.6%	47.9%	34.4%	70.4%	3.1%	11.8%
The Bank and Trust of Puerto Rico	—	-	1.8%	6.4%	1.5%	13.3%	14.2%	26.6%	26.4%	-0.4%	-4.2%	-0.3%	-2.0%
Average		-	**19.6%**	**10.3%**	**13.0%**	**15.9%**	**27.3%**	**11.5%**	**13.3%**	**13.8%**	**12.9%**	**1.8%**	**5.5%**

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June 2003 data is the latest available from the FDIC.
Source: FDIC Website, "Statistics on Depository Institutions."

Appendix I: Exhibit 7-A

Total Mortgage Loan (1-4 Family) Data for Puerto Rico-Based Banks, June 2001- June 2003*

BANK LEVEL DATA ONLY - Excludes Holding Co.

Institution Name	Ticker	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	2-YR CAGR
Banco Popular de PR	BPOP	3,188	3,194	3,429	3,471	3,560	3,574	3,406	3,417	3,539	5.4%
Doral Bank**	DORL	1,029	1,103	1,262	1,360	1,504	1,645	1,693	1,524	1,650	26.6%
Firstbank of PR	FBP	820	890	952	1,012	1,195	1,285	1,639	1,923	2,096	59.8%
Westernbank PR	WHI	1,023	1,005	1,090	1,130	1,180	1,247	1,267	1,526	1,621	25.9%
R-G Premier Bank of PR**	RGF	1,117	1,068	1,087	1,036	1,105	1,211	1,352	1,524	1,733	24.5%
Banco Santander PR	SBP	1,103	1,105	1,169	1,152	1,045	1,049	1,096	1,390	1,346	10.5%
Oriental Bank and Trust	OFG	342	384	419	414	423	462	508	536	587	31.0%
Banco Bilbao Vizcaya PR	BBV	412	418	430	327	334	354	372	408	427	1.8%
Scotiabank de PR	—	188	195	202	212	236	259	260	265	260	17.5%
The Bank and Trust of PR	—	90	69	68	66	64	45	54	53	56	-21.2%
Eurobank	—	25	27	31	31	32	34	58	62	65	60.7%
Total of 12 largest banks		**9,338**	**9,459**	**10,141**	**10,212**	**10,678**	**11,166**	**11,704**	**12,628**	**13,380**	**22.1%**

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.

** In the case of Doral Financial Corp. and R&G Financial Corp., net loans under their mortgage banking business are not included.

Source: FDIC Website, "Statistics on Depository Institutions." June 30, 2003.

Appendix I: Exhibit 7-B
Market Share - Percentage of Total Mortgage Loans (1-4 Family)*
BANK LEVEL DATA ONLY - Excludes Holding Co.

Institution Name	Ticker	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03
Banco Popular de PR	BPOP	34.1%	33.8%	33.8%	34.0%	33.3%	32.0%	29.1%	27.1%	26.5%
Doral Bank**	DORL	11.0%	11.7%	12.4%	13.3%	14.1%	14.7%	14.5%	12.1%	12.3%
Firstbank of PR	FBP	8.8%	9.4%	9.4%	9.9%	11.2%	11.5%	14.0%	15.2%	15.7%
Westernbank PR	WHI	11.0%	10.6%	10.7%	11.1%	11.0%	11.2%	10.8%	12.1%	12.1%
R-G Premier Bank of PR**	RGF	12.0%	11.3%	10.7%	10.1%	10.4%	10.8%	11.5%	12.1%	13.0%
Banco Santander PR	SBP	11.8%	11.7%	11.5%	11.3%	9.8%	9.4%	9.4%	11.0%	10.1%
Oriental Bank and Trust	OFG	3.7%	4.1%	4.1%	4.1%	4.0%	4.1%	4.3%	4.2%	4.4%
Banco Bilbao Vizcaya PR	BBV	4.4%	4.4%	4.2%	3.2%	3.1%	3.2%	3.2%	3.2%	3.2%
Scotiabank de PR	—	2.0%	2.1%	2.0%	2.1%	2.2%	2.3%	2.2%	2.1%	1.9%
The Bank and Trust of PR	—	1.0%	0.7%	0.7%	0.7%	0.6%	0.4%	0.5%	0.4%	0.4%
Eurobank	—	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.5%	0.5%	0.5%

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.
** In the case of Doral Financial Corp. and R&G Financial Corp., net loans under their mortgage banking business are not included.
Source: FDIC Website, "Statistics on Depository Institutions." June 30, 2003.

Appendix I: Exhibit 8
Peer Comparison - Profitability and Growth*
BANK LEVEL DATA ONLY - Excludes Holding Co.

		June 31, 2002		June 31, 2003		June-02 YOY Growth			June-03 YOY Growth		
Institution Name	**Ticker**	**ROA**	**ROE**	**ROA**	**ROE**	**Deposits**	**Assets**	**Loans**	**Deposits**	**Assets**	**Loans**
Banco Santander Puerto Rico	SBP	0.54%	7.04%	1.36%	18.88%	6.87%	2.06%	-7.51%	-21.24%	-12.42%	-2.70%
Banco Bilbao Vizcaya Puerto Rico	BBV	0.86%	12.05%	1.14%	10.74%	10.58%	5.17%	-1.88%	-17.43%	5.72%	0.13%
Banco Popular de Puerto Rico	BPOP	1.32%	19.39%	0.92%	13.64%	15.74%	17.23%	6.62%	3.37%	5.06%	-0.71%
Doral Bank	DORL	1.58%	26.00%	2.75%	43.53%	37.30%	50.81%	40.18%	28.27%	35.96%	9.96%
Eurobank	—	0.77%	10.67%	1.04%	16.21%	37.91%	42.43%	49.34%	56.88%	58.27%	43.82%
Firstbank of Puerto Rico	FBP	1.22%	19.25%	1.17%	15.30%	28.18%	34.64%	21.52%	15.45%	15.38%	34.78%
Oriental Bank and Trust	OFG	1.90%	33.61%	1.90%	29.78%	19.12%	20.76%	24.66%	8.40%	22.78%	26.46%
R-G Premier Bank of Puerto Rico	RGF	1.26%	19.21%	1.34%	19.26%	13.12%	31.19%	11.90%	28.15%	26.68%	39.20%
Scotiabank de Puerto Rico	—	0.36%	3.09%	0.05%	0.40%	9.94%	4.86%	3.58%	0.13%	-5.18%	-5.39%
The Bank and Trust of Puerto Rico	—	-0.19%	-3.41%	0.99%	16.69%	0.11%	-1.23%	3.16%	-3.10%	-6.19%	-7.26%
Westernbank Puerto Rico	WHI	1.16%	19.83%	0.92%	13.64%	26.05%	37.60%	24.90%	28.88%	35.28%	32.16%
Average		**0.98%**	**15.16%**	**1.23%**	**18.01%**	**18.63%**	**22.32%**	**16.04%**	**11.61%**	**16.49%**	**15.50%**

* Information reflects the performance of the Puerto Rico-based banking subsidiaries only, and does not include other divisions at the holding company level, which may include International Banking Entities (IBEs).
Data may not match figures listed in SEC filings, which may reflect the performance of non-banking and/or non-Puerto Rico-based assets.
June 2003 statistics are the latest available from the FDIC.
Source: FDIC Website, "Statistics on Depository Institutions."

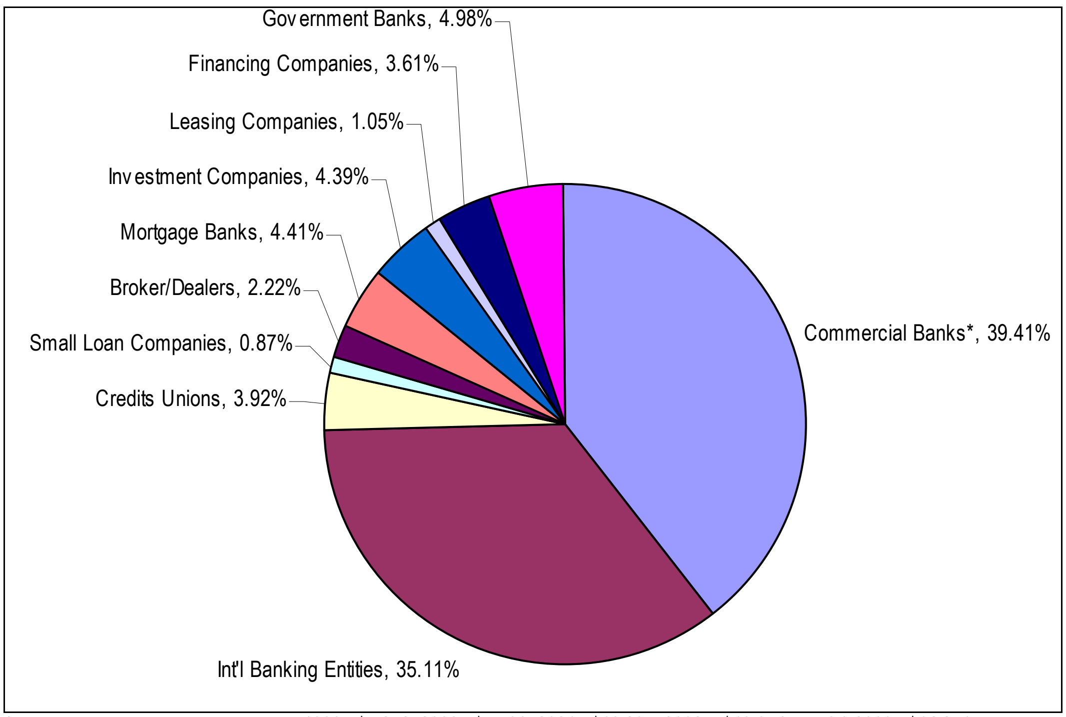
APPENDIX II

Total Assets in the Financial System of Puerto Rico

	1999		2000			2001			2002			Q1-2003		
Company	in millions	% of total	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth
Commercial Banks*	$43,793	38.2%	$47,189	38.3%	7.8%	$49,885	37%	5.7%	$54,213	38.8%	8.7%	$56,338	39.4%	3.9%
Int'l Banking Entities	37,025	32.3%	44,255	35.9%	19.5%	51,510	38%	16.4%	50,458	36.1%	-2.0%	50,187	35.1%	-0.5%
Credit Unions	4,394	3.8%	4,493	3.6%	2.3%	5,009	4%	11.5%	5,439	3.9%	8.6%	5,604	3.9%	3.0%
Small Loan Companies	2,119	1.8%	2,259	1.8%	6.6%	1,453	1%	-35.7%	1,254	0.9%	-13.7%	1,246	0.9%	-0.6%
Broker/Dealers	7,391	6.4%	5,167	4.2%	-30.1%	3,905	3%	-24.4%	3,295	2.4%	-15.6%	3,179	2.2%	-3.5%
Mortgage Banks	4,152	3.6%	4,720	3.8%	13.7%	5,620	4%	19.1%	6,153	4.4%	9.5%	6,310	4.4%	2.6%
Investment Companies	2,170	1.9%	2,392	1.9%	10.2%	2,481	2%	3.7%	5,643	4.0%	127.4%	6,281	4.4%	11.3%
Leasing Companies	1,019	0.9%	1,235	1.0%	21.2%	1,259	1%	1.9%	1,441	1.0%	14.5%	1,502	1.1%	4.2%
Financing Companies	4,976	4.3%	4,658	3.8%	-6.4%	5,015	4%	7.7%	5,217	3.7%	4.0%	5,166	3.6%	-1.0%
Government Banks	7,725	6.7%	6,985	5.7%	-9.6%	9,103	7%	30.3%	6,586	4.7%	-27.7%	7,123	5.0%	8.2%
Total	**$114,764**	**100%**	**$123,353**	**100%**	**7.5%**	**$135,240**	**100%**	**9.6%**	**$139,699**	**100%**	**3.3%**	**$142,936**	**100%**	**2.3%**

* Excludes the International Divisions: 1999= $5,252, 2000= $7,596, 2001= $12,235, 2002 = $13,974 and **Q1-2003 =$14,251.**

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico



* Excludes the International Divisions: 1999= $5,252, 2000= $7,596, 2001= $12,235, 2002 = $13,974 and Q1-2003 =$14,251.

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 2

Consolidated Assets of the Commercial Banks of Puerto Rico

	1999		2000			2001			2002			1Q-2003		
	in millions	% of total	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth
Cash & Interest Bearing	$1,560	3.6%	$1,851	3.9%	18.7%	$2,721	5.5%	47.0%	$2,430	4.5%	-10.7%	$2,757	4.9%	13.5%
Investments	13,416	30.6%	14,660	31.1%	9.3%	11,516	23.1%	-21.4%	12,931	23.9%	12.3%	13,324	23.7%	3.0%
Loans, Net	26,896	61.4%	28,726	60.9%	6.8%	33,355	66.9%	16.1%	36,454	67.2%	9.3%	37,544	66.6%	3.0%
Other Assets	1,921	4.4%	1,952	4.1%	1.6%	2,293	4.6%	17.5%	2,398	4.4%	4.6%	2,713	4.8%	13.1%
Total Assets	**$43,793**	**100.0%**	**$47,189**	**100.0%**	**7.8%**	**$49,885**	**100.0%**	**5.7%**	**$54,213**	**100.0%**	**8.7%**	**$56,338**	**100.0%**	**3.9%**

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 3

Net Income by Type of Financial Institutions of Puerto Rico

	1998		1999			2000			2001			2002		
	in millions	% of total	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth
Commercial Banks	$346	100.9%	$438	51.0%	26.6%	$424	44.0%	-3.2%	$386	31.5%	-9.0%	$456	34.3%	18.1%
Int'l Banks	129	37.6%	163	19.0%	26.4%	235	24.4%	44.2%	481	39.3%	104.7%	553	41.6%	15.0%
Financing Companies	57	16.6%	67	7.8%	17.5%	94	9.8%	40.3%	99	8.1%	5.3%	61	4.6%	-38.4%
Leasing Companies	34	9.9%	29	3.4%	-14.7%	25	2.6%	-13.8%	28	2.3%	12.0%	34	2.6%	21.4%
Mortgage Companies	105	30.6%	124	14.4%	18.1%	116	12.0%	-6.5%	199	16.2%	71.6%	316	23.8%	58.8%
Small Loan Companies	(328)	-95.6%	38	4.4%	-111.6%	69	7.2%	81.6%	32	2.6%	-53.6%	(90)	-6.8%	-381.3%
Total	**$343**	**100.0%**	**$859**	**100.0%**	**150.4%**	**$963**	**100.0%**	**12.1%**	**$1,225**	**100.0%**	**27.2%**	**$1,330**	**100.0%**	**8.6%**

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 4

Loan Portfolio of Puerto Rico Commercial Banks

	1999		2000			2001			2002			Q1-2003		
	in millions	% of total	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth
Secured by Real Estate	$12,139	44.1%	$13,926	47.6%	14.7%	$16,517	48.7%	18.6%	$18,889	51.4%	14.4%	$20,083	53.2%	6.3%
Commercial & Industrial Loans	8351	30.3%	7,984	27.3%	-4.4%	10,440	30.8%	30.8%	10,981	29.9%	5.2%	10,799	28.6%	-1.7%
Loans to Individuals	5911	21.5%	6,260	21.4%	5.9%	5,924	17.5%	-5.4%	5,762	15.7%	-2.7%	5,703	15.1%	-1.0%
Other Loans	1144	4.2%	1,080	3.7%	-5.6%	1,024	3.0%	-5.2%	1,138	3.1%	11.1%	1,182	3.1%	3.9%
Total Loans	**$27,545**	**100%**	**$29,250**	**100%**	**6.2%**	**$33,905**	**100%**	**15.9%**	**$36,770**	**100%**	**8.5%**	**$37,767**	**100%**	**2.7%**

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 5
Consolidated Liabilities & Capital of Puerto Rico's Commercial Banks

	1998		1999			2000			2001			2002		
	in millions	% of total	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth
Deposits	$ 23,864	61.4%	$ 26,589	61%	11.4%	$ 29,692	62.9%	11.7%	$ 33,728	67.6%	13.6%	$ 38,167	70.4%	13.2%
936 Funds	2,773	7.1%	2,362	5%	-14.8%	1,742	3.7%	-26.2%	957	1.9%	-45.1%	812	1.5%	-15.2%
Other Liabilities*	9,283	23.9%	11,962	27%	28.9%	13,253	28.1%	10.8%	12,147	24.4%	-8.3%	12,304	22.7%	1.3%
Capital	2,919	7.5%	2,880	7%	-1.3%	2,502	5.3%	-13.1%	3,053	6.1%	22.0%	2,930	5.4%	-4.0%
Total	**$ 38,839**	**100.0%**	**$ 43,793**	**100.0%**	**12.8%**	**$ 47,189**	**100.0%**	**7.8%**	**$ 49,885**	**100.0%**	**5.7%**	**$ 54,213**	**100.0%**	**8.7%**

* Includes short and long term debt

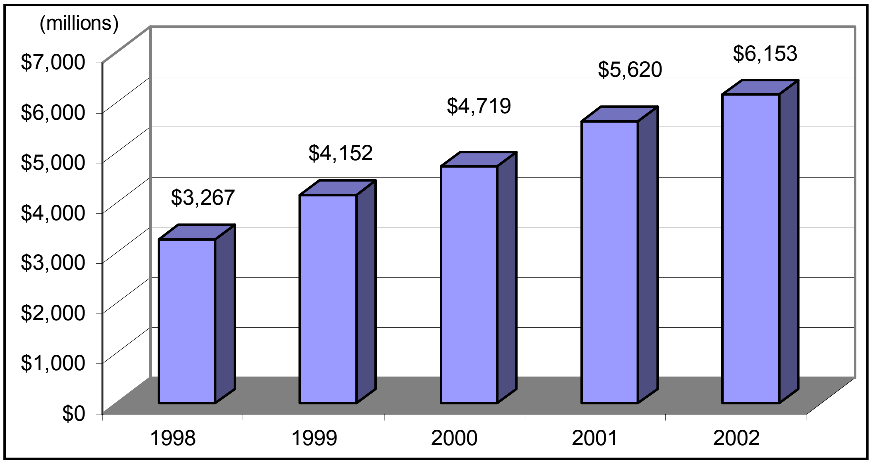
Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 6
Consolidated Schedule of Deposits in Puerto Rico's Commercial Banks

	1999		2000			2001			2002			Q1-2003		
	in millions	% of total	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth
Trans. Accounts	$9,661	33.0%	$6,837	23.0%	-29.2%	$7,996	23.7%	17.0%	$6,786	17.8%	-15.1%	$7,119	18.2%	4.9%
Savings	6155	21.0%	5360	18.1%	-12.9%	5981	17.7%	11.6%	7617	20.0%	27.4%	8838	22.6%	16.0%
Certificates	11608	39.7%	15569	52.4%	34.1%	17816	52.8%	14.4%	20724	54.3%	16.3%	19453	49.8%	-6.1%
Public Funds	1835	6.3%	1926	6.5%	5.0%	1935	5.7%	0.5%	3040	8.0%	57.1%	3648	9.3%	20.0%
Total	**$29,259**	**100.0%**	**$29,692**	**100.0%**	**1.5%**	**$33,728**	**100.0%**	**13.6%**	**$38,167**	**100.0%**	**13.2%**	**$39,058**	**100.0%**	**2.3%**

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 7
Total Assets of Puerto Rico's Mortgage Institutions



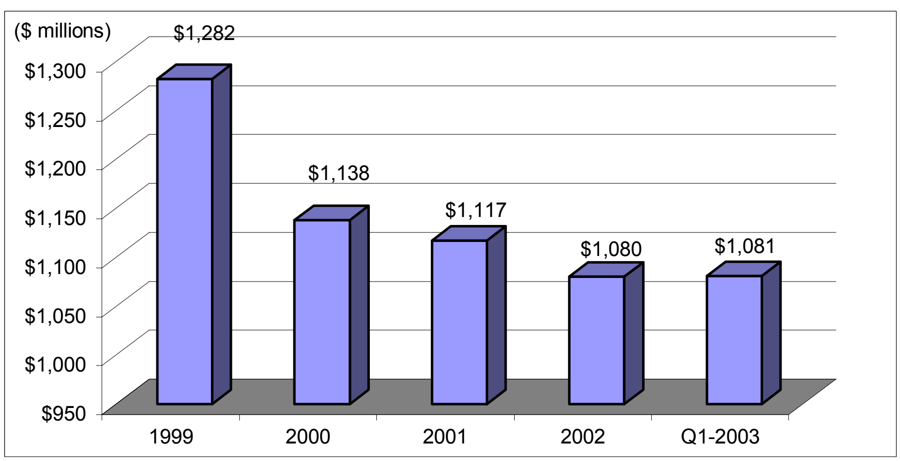
Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Growth of Total Assets of Puerto Rico Mortgage Institutions

	1999	2000	2001	2002
Assets	27.1%	13.7%	19.1%	9.5%

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 8
Puerto Rico's Small Loan Companies
Loans Net of Unearned Income



Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

% Chg. Of Puerto Rico's Small Loan Companies
Loans Net of Unearned Income

	2000	2001	2002
Loans Outstanding	**-11.2%**	**-1.8%**	**-3.3%**

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 9
Credit Union Assets of Puerto Rico

	1998		1999			2000			2001			2002		
	in millions	% of total	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth	in millions	% of total	Growth
Cash	$1,036	23.8%	$893	20.3%	-13.8%	$854	19.0%	-4.4%	$160	3.2%	-81.3%	$1,569	28.8%	880.6%
Scurities	336	7.7%	262	6.0%	-22.0%	248	5.5%	-5.3%	226	4.5%	-8.9%	208	3.8%	-8.0%
Loans	2836	65.1%	3007	68.4%	6.0%	3160	70.3%	5.1%	3276	65.4%	3.7%	3407	62.6%	4.0%
Other Assets	150	3.4%	232	5.3%	54.7%	231	5.1%	-0.4%	1347	26.9%	483.1%	255	4.7%	-81.1%
Total Assets	**$4,358**	**100%**	**$4,394**	**100%**	**0.8%**	**$4,493**	**100%**	**2.3%**	**$5,009**	**100%**	**11.5%**	**$5,439**	**100%**	**8.6%**

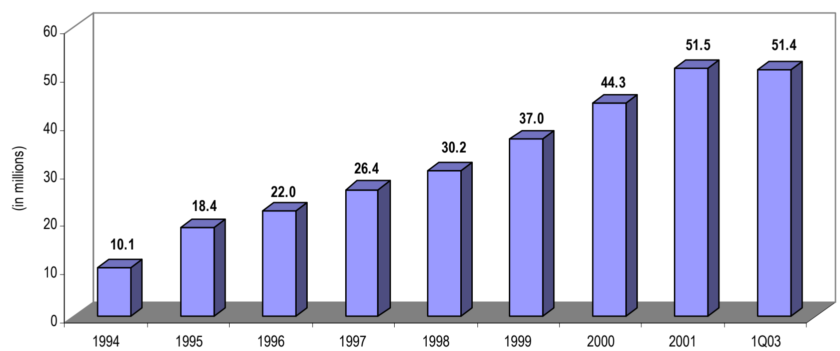
Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 10
IRA Accounts in All Puerto Rico Institutions (in millions)

	1999	2000	2001	2002	Q1-2003
Commercial Banks	$1,347	$1,518	$1,714	$1,886	$1,909
Insurance Companies & Credit Unions	95	99	99	95	96
Trust & Investment Companies	76	88	95	86	78
AEELA	26	27	26	23	24
Total	$1,544	$1,732	$1,934	$2,090	$2,107

Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

Appendix II: Exhibit 11
Total Assets in International Banking Entities in Puerto Rico



Source: Raw Data from Office of the Commissioner of Financial Institutions of Puerto Rico

APPENDIX III

Appendix III: Exhibit 1
SELECTED SERIES OF INCOME AND PRODUCT, TOTAL AND PER CAPITA: FISCAL YEARS

	1993r	1994r	1995r	1996r	1997r	1998r	1999r	2000r	2001r	2002p
Total in current dollars (In millions of dollars)										
Gross product	25,132.9	26,640.9	28,452.3	30,357.0	32,342.7	35,110.7	38,281.2	41,418.6	44,172.9	45,188.9
Net income	21,185.2	22,040.5	23,653.4	24,853.9	26,968.1	28,824.4	29,907.7	32,610.4	34,476.1	35,601.9
Personal income	24,612.4	25,863.5	27,377.6	29,914.1	32,663.3	34,340.2	36,614.5	38,855.7	41,410.6	42,630.3
Disposable personal income	23,195.2	24,247.6	25,590.9	27,975.9	30,607.2	32,065.8	34,041.7	36,238.6	38,736.3	39,842.9
Personal consumption expenditures	22,818.5	24,429.6	25,923.3	27,831.0	30,010.8	31,980.3	34,008.0	36,132.6	37,651.5	38,449.7
Gross domestic product	36,922.5	39,690.6	42,647.3	45,340.8	48,187.0	54,086.4	57,841.0	61,701.8	69,311.5	71,115.1
Gross fixed domestic investment	5,552.2	5,882.7	6,558.9	7,589.9	8,528.7	9,118.1	11,477.5	11,852.5	11,673.3	11,680.8
Total in constant 1954 dollars (In millions of dollars)										
Gross product	5,177.8	5,308.9	5,491.8	5,671.2	5,864.2	6,054.7	6,300.1	6,487.1	6,589.1	6,573.1
Personal income (1)	6,056.2	6,242.7	6,546.5	7,073.6	7,578.5	7,806.4	8,250.2	8,491.2	8,790.2	8,980.5
Disposable personal income (1)	5,707.5	5,852.7	6,119.3	6,615.3	7,101.4	7,289.3	7,670.5	7,919.3	8,222.5	8,393.3
Personal consumption expenditures	5,614.8	5,896.1	6,198.7	6,581.6	6,962.5	7,270.2	7,662.9	7,896.4	7,991.6	8,100.1
Gross domestic product	7,408.1	7,718.2	8,069.3	8,256.0	8,658.9	9,137.8	9,630.3	9,945.4	10,574.9	10,579.5
Gross fixed domestic investment	1,026.0	1,051.1	1,157.7	1,284.8	1,440.7	1,496.4	1,892.4	1,922.0	1,901.0	1,871.3
Per capita in current dollars (In dollars)										
Gross product	6,981	7,334	7,761	8,196	8,643	9,313	10,099	10,877	11,540	11,733
Net income	5,884	6,068	6,452	6,710	7,207	7,645	7,890	8,564	9,007	9,244
Personal income	6,836	7,120	7,468	8,076	8,729	9,108	9,659	10,204	10,818	11,069
Disposable personal income	6,443	6,675	6,980	7,553	8,179	8,505	8,981	9,516	10,120	10,345
Personal consumption expenditures	6,338	6,726	7,071	7,514	8,020	8,482	8,972	9,489	9,836	9,983
Gross domestic product	10,255	10,927	11,633	12,241	12,877	14,346	15,259	16,203	18,107	18,464
Per capita in constant 1954 dollars (In dollars)										
Gross product	1,438	1,462	1,498	1,531	1,567	1,606	1,662	1,704	1,721	1,707
Personal income	1,682	1,719	1,786	1,910	2,025	2,071	2,176	2,230	2,296	2,332
Disposable personal income	1,585	1,611	1,669	1,786	1,898	1,933	2,024	2,080	2,148	2,179
Personal consumption expenditures	1,560	1,623	1,691	1,777	1,861	1,928	2,022	2,074	2,088	2,103
Gross domestic product	2,058	2,125	2,201	2,229	2,314	2,424	2,541	2,612	2,763	2,747
Increase in gross product (%)										
In current prices	6.1	6.0	6.8	6.7	6.5	8.6	9.0	8.2	6.7	2.3
In constant prices	3.3	2.5	3.4	3.3	3.4	3.2	4.1	3.0	1.6	(0.2)
Average family income (2) (In dollars)										
In current dollars	24,610	25,633	26,137	28,267	30,551	30,968	32,842	34,693	36,782	37,633
In constant 1954 dollars	6,056	6,187	6,250	6,684	7,088	7,040	7,400	7,581	7,808	7,928
Average number of persons per family	3.6	3.6	3.5	3.5	3.5	3.4	3.4	3.4	3.4	3.4
Salaries and wages (In millions of dollars)	13,737.4	14,419.9	15,299.7	16,303.0	17,472.4	18,264.0	19,217.9	20,488.8	21,401.4	21,966.7
Net income originated in tourism (In millions of dollars)	441.3	469.2	498.7	526.8	553.5	597.9	577.1	615.4	663.1	644.6
Employment, total (In thousands of persons) (3)	999	1,011	1,051	1,092	1,128	1,137	1,147	1,159	1,158	1,170
Productivity (In dollars) (4)	7,416	7,634	7,678	7,560	7,676	8,037	8,396	8,581	9,132	9,042
Consumer's price index for all families (5)	125.1	128.7	133.8	140.6	148.2	156.6	164.8	174.2	188.6	197.0
Inflation Rate	3.0	2.9	4.0	5.1	5.4	5.7	5.2	5.7	8.3	4.5
Population (In thousands of persons) (6)	3,600	3,632	3,666	3,704	3,742	3,770	3,791	3,808	3,828	3,851

r- Revised figures.
(1) Deflated by implicit price deflators for personal consumption expenditures.
(2) The number of families used here represents the division of the total population by the average number of persons per family. For the purpose of the population census, a family consists of a householder and one or more other persons living in the same household who are related to the householder by birth, marriage or adoption.
(3) Department of Labor and Human Resources, Bureau of Statistics, Household Survey.
(4) Obtained from the division of gross domestic product at constant prices by total employment.
(5) 1984=100.
(6) Average of population estimates at the beginning and end of the fiscal year.
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

Appendix III: Exhibit 2
PERSONAL CONSUMPTION EXPENDITURES BY MAJOR TYPE OF PRODUCT, IN CONSTANT 1954 DOLLARS: FISCAL YEARS
(In millions of dollars)

	1993	1994	1995	1996	1997	1998	1999	2000r	2001r	2002p
PERSONAL CONSUMPTION EXPENDITURES	**5,614.8**	**5,896.1**	**6,198.7**	**6,581.6**	**6,962.5**	**7,270.2**	**7,662.9**	**7,896.4**	**7,991.6**	**8,100.1**
Food	710.1	714.4	660.9	645.4	616.0	593.9	575.4	563.8	593.2	549.3
Alcoholic beverages and tobacco products	170.8	163.6	160.5	173.6	176.3	198.5	183.3	164.6	186.0	174.8
Clothing and accessories	807.7	828.6	932.0	1,119.1	1,286.9	1,313.5	1,393.0	1,503.1	1,450.5	1,530.6
Personal care	170.0	177.1	191.6	199.5	167.0	160.1	186.2	152.1	171.9	184.8
Housing	640.3	651.7	665.5	684.3	703.6	741.2	790.8	850.5	904.2	933.6
Household operations	1,004.0	1,053.3	1,135.6	1,231.6	1,374.0	1,428.2	1,582.6	1,596.0	1,669.9	1,657.0
Medical care and funeral expenses	393.1	451.8	476.2	517.0	565.9	633.8	686.4	697.4	709.6	715.5
Business services	329.4	370.4	397.0	410.6	445.6	517.9	465.3	529.2	469.1	510.5
Transportation	658.2	732.9	796.0	824.5	868.3	907.9	942.0	894.0	825.0	877.6
Recreation	577.7	593.7	619.0	617.0	612.4	660.7	717.6	801.8	904.1	838.7
Education	150.8	151.3	160.4	164.1	164.2	161.6	172.0	184.5	188.4	187.7
Religious and nonprofit organizations, not elsewhere classified	44.9	47.4	49.8	53.1	54.2	53.1	52.6	55.1	55.5	53.1
Foreign travel	167.2	169.6	172.8	165.3	174.0	159.5	149.9	168.5	172.0	155.7
Miscellaneous purchases	106.6	113.9	114.6	106.3	100.2	97.8	92.7	87.0	70.2	69.8
Total consumption expenditures in Puerto Rico by residents and nonresidents	5,930.7	6,219.7	6,531.8	6,911.3	7,308.4	7,627.7	7,989.8	8,247.5	8,369.8	8,438.8
Less: Expenditures in Puerto Rico by nonresidents	315.9	323.7	333.1	329.7	345.9	357.5	326.9	351.0	378.2	338.6

r- Revised figures.
p- Preliminary figures.
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

Appendix III: Exhibit 3
GROSS PRODUCT AND GROSS DOMESTIC PRODUCT BY MAJOR INDUSTRIAL SECTOR: FISCAL YEARS
(In millions of dollars)

	1993	1994	1995	1996	1997	1998	1999	2000r	2001r	2002p
GROSS PRODUCT	**25,132.9**	**26,640.9**	**28,452.3**	**30,356.9**	**32,342.7**	**35,110.7**	**38,281.2**	**41,418.6**	**44,172.9**	**45,188.9**
Less: Rest of the world	(11,789.5)	(13,049.7)	(14,195.0)	(14,983.9)	(15,844.3)	(18,975.8)	(19,559.8)	(20,283.2)	(25,138.6)	(25,926.2)
Federal government	716.1	732.8	721.7	754.0	767.7	765.5	782.6	886.4	904.7	954.2
Other nonresidents	(12,505.7)	(13,782.5)	(14,916.7)	(15,737.9)	(16,612.0)	(19,741.2)	(20,342.4)	(21,169.6)	(26,043.3)	(26,880.4)
GROSS DOMESTIC PRODUCT	36,922.5	39,690.6	42,647.3	45,340.8	48,187.0	54,086.4	57,841.0	61,701.8	69,311.5	71,115.1
Agriculture	411.3	369.2	318.4	375.7	466.0	436.7	335.9	529.1	453.2	424.3
Manufacturing	15,427.6	16,748.1	17,867.3	18,466.6	19,302.1	22,994.3	23,311.5	24,078.6	28,806.4	29,990.5
Contract construction and mining(1)	873.8	927.6	1,005.5	1,076.9	1,257.3	1,482.3	1,668.1	1,874.9	1,799.8	1,842.1
Transportation and other public utilities (2)	3,009.0	3,133.9	3,276.3	3,562.7	3,750.9	3,978.4	4,032.0	4,236.5	4,687.9	5,078.2
Trade	5,303.1	5,635.0	5,989.0	6,281.1	6,724.3	7,286.9	8,111.5	8,339.7	8,656.2	8,717.8
Finance, insurance, and real estate	4,896.6	5,246.1	5,730.0	6,164.2	6,917.3	7,672.2	8,183.0	9,977.3	11,116.4	11,287.8
Services	3,908.9	4,332.3	4,723.6	5,024.8	5,313.6	5,723.3	6,140.1	6,602.7	6,975.7	7,162.5
Government	3,881.3	3,987.4	4,440.3	4,841.3	5,220.1	5,251.2	5,529.6	5,477.7	5,991.9	6,294.9
Commonwealth (3)	3,326.7	3,395.4	3,793.3	4,122.3	4,457.1	4,462.0	4,693.3	4,600.7	5,083.9	5,355.8
Municipios	554.6	592.0	647.0	719.0	763.0	789.1	836.3	877.0	908.0	939.1
Statistical discrepancy	(789.4)	(689.1)	(703.1)	(452.4)	(764.6)	(738.8)	529.2	585.3	824.0	317.0

r- Revised figures.
p- Preliminary figures.
( ) Negative figures.
(1) Mining includes only quarries.
(2) Includes radio and television broadcasting stations.
(3) Includes regular agencies, the University of Puerto Rico, the State Insurance Fund Corporation, and the Highway and Transportation Authority.
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

Appendix III: Exhibit 4

NET INCOME BY MAJOR INDUSTRIAL SECTOR: FISCAL YEARS
(In millions of dollars)

	1993	1994	1995	1996	1997	1998	1999	2000r	2001r	2002p
NET INCOME	**21,185.2**	**22,040.5**	**23,653.4**	**24,853.9**	**26,968.1**	**28,824.4**	**29,907.7**	**32,610.4**	**34,476.1**	**35,601.9**
Less: Rest of the world	(11,789.5)	(13,049.7)	(14,194.9)	(14,983.9)	(15,844.3)	(18,975.8)	(19,559.8)	(20,283.2)	(25,138.6)	(25,926.2)
Federal government	716.1	732.8	721.7	754.0	767.7	765.5	782.6	886.4	904.7	954.2
Other nonresidents	(12,505.7)	(13,782.5)	(14,916.7)	(15,737.9)	(16,612.0)	(18,210.3)	(20,342.4)	(21,169.6)	(26,043.3)	(26,880.4)
NET DOMESTIC INCOME	32,974.7	35,090.2	37,848.4	39,837.8	42,812.5	47,800.2	49,467.4	52,893.7	59,614.6	61,528.0
Agriculture	469.1	419.6	442.0	474.1	638.4	594.0	618.7	669.0	612.7	599.2
Manufacturing	14,462.2	15,687.8	16,684.5	17,210.9	17,969.1	21,529.3	21,661.7	22,348.3	27,013.4	28,088.2
Mining (1)	25.2	28.1	30.0	30.6	34.0	34.8	33.9	41.4	44.8	42.2
Contract construction	805.4	830.2	902.9	972.0	1,126.9	1,313.4	1,474.4	1,691.4	1,576.9	1,595.9
Transportation and other public utilities (2)	2,132.0	2,193.0	2,359.7	2,521.1	2,690.5	2,784.2	2,631.7	2,968.1	3,206.7	3,510.4
Trade	3,711.7	3,875.2	4,107.7	4,321.8	4,709.4	5,060.1	5,461.5	5,751.6	6,001.5	6,031.8
Finance, insurance, and real estate	4,072.5	4,294.2	4,735.2	5,077.0	5,772.5	6,250.7	6,742.9	8,263.8	9,165.2	9,239.6
Services	3,415.3	3,774.6	4,146.1	4,388.8	4,651.5	4,982.5	5,313.0	5,682.4	6,001.5	6,125.8
Government	3,881.3	3,987.4	4,440.3	4,841.2	5,220.1	5,251.2	5,529.6	5,477.7	5,991.9	6,294.9
Commonwealth (3)	3,326.7	3,395.4	3,793.3	4,122.3	4,457.1	4,462.0	4,693.3	4,600.7	5,083.9	5,355.8
Municipios	554.6	592.0	647.0	719.0	763.0	789.1	836.3	877.0	908.0	939.1

r - Revised figures.
p- Preliminary figures.
( ) Negative figures.
(1) Mining includes only quarries.
(2) Includes radio and television broadcasting stations.
(3) Includes regular agencies, the University of Puerto Rico, the State Insurance Fund Corporation, and the Highway and Transportation Authority.
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

Appendix III: Exhibit 5
EXPORTS OF RECORDED MERCHANDISE BY STANDARD INDUSTRIAL CLASSIFICATION (SIC): FISCAL YEARS
(In millions of dollars)

	1993	1994	1994	1996	1997	1998	1999	2000	2001	2002
RECORDED EXPORTS, TOTAL	19,790.7	21,752.6	23,811.3	22,944.4	23,946.8	30,272.9	34,901.8	38,465.7	46,900.8	47,172.3
Agriculture	78.4	85.9	112.6	69.3	82.6	92.5	71.8	93.1	66.8	73.9
Mining	16.0	14.9	13.6	11.3	11.2	58.8	32.3	42.1	9.1	5.9
Manufacturing	19,657.0	21,624.4	23,653.9	22,852.0	23,837.3	30,108.7	34,767.0	38,305.1	46,793.0	47,052.9
Food	3,016.6	2,902.4	2,830.4	3,319.6	3,386.4	3,645.3	4,218.8	3,854.1	3,624.0	3,698.9
Fish	446.8	361.6	350.5	352.6	203.3	202.2	180.8	250.9	262.3	149.2
Tobacco	93.9	105.8	163.1	132.1	149.0	180.0	132.6	112.2	214.2	126.4
Apparel and textiles	877.7	838.8	903.7	832.1	805.4	805.1	728.5	695.1	681.6	620.9
Wood, wood products, and furniture	34.2	31.8	43.7	39.2	30.5	21.7	29.5	27.8	29.1	29.4
Paper, printing, and publishing	107.9	131.9	145.3	117.8	89.9	104.0	86.3	101.0	87.7	87.7
Chemical products	8,532.2	10,168.3	11,170.3	9,923.9	10,627.8	15,748.9	19,551.1	22,644.7	30,795.9	33,318.4
Drugs and pharmaceutical preparations	6,420.0	7,987.7	8,868.2	7,514.1	8,328.5	13,203.6	17,330.0	20,763.1	28,623.4	31,136.4
Petroleum refining and related products	266.9	295.4	302.8	249.3	228.8	181.2	150.3	228.0	246.4	76.2
Rubber and plastic products	192.4	148.8	169.2	183.2	169.9	180.7	182.0	189.4	164.6	128.3
Leather and leather products	336.7	380.7	433.6	342.1	352.0	395.9	328.3	275.9	237.0	146.2
Stone, glass, clay, concrete products, and cement	99.4	71.4	59.2	58.2	74.4	59.3	109.7	59.7	56.3	71.8
Primary metal products	82.0	123.6	108.9	91.4	135.9	96.6	85.9	100.9	276.8	136.0
Fabricated metal products	277.4	290.9	322.3	217.0	188.9	303.9	369.0	363.0	341.3	244.5
Machinery except electrical	1,909.7	1,938.7	2,292.2	3,254.7	3,490.0	3,997.8	3,966.2	4,608.5	5,086.3	3,738.2
Electronic computers	1,583.5	1,619.8	2,033.0	2,999.6	3,062.5	3,290.2	3,385.2	3,899.0	4,125.7	2,833.6
Electrical machinery	1,976.3	2,265.2	2,761.4	2,202.3	2,204.4	2,380.6	2,422.9	2,841.6	2,419.4	1,880.5
Transportation equipment	84.6	73.4	91.5	76.9	85.0	98.1	109.7	128.2	153.7	185.9
Professional and scientific instruments	1,608.5	1,690.4	1,664.1	1,629.6	1,625.5	1,682.8	2,054.7	1,800.5	2,066.6	2,283.3
Miscellaneous manufacturing	160.6	166.9	192.2	182.6	193.5	226.8	241.5	274.5	312.1	280.3
Repair services	21.5	17.1	23.8	6.7	12.6	7.2	5.8	11.1	17.3	27.8
Merchandise not classified	17.9	10.3	7.4	5.1	3.1	5.7	24.9	14.3	14.6	11.8
Returned merchandise	0.1	0.6	0.2	0.2	0.2	1.3	16.6	11.6	0.1	0.9
Merchandise with estimated value (1)	17.8	9.7	7.2	4.8	2.9	4.4	8.3	2.7	13.6	10.9
Merchandise not enumerated	---	---	---	0.1	---	---	---	---	0.9	0.0

(1) Estimates by the U.S. Department of Commerce.
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

Appendix III: Exhibit 6
IMPORTS OF RECORDED MERCHANDISE BY STANDARD INDUSTRIAL CLASSIFICATION (SIC): FISCAL YEARS
(In millions of dollars)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
RECORDED IMPORTS, TOTAL	16,385.9	16,654.2	18,816.6	19,060.9	21,387.4	21,797.5	25,299.4	27,042.8	29,149.3	28,984.6
Agriculture	178.0	287.9	323.5	358.8	415.3	408.4	432.0	362.9	407.4	406.7
Mining	573.0	501.5	609.0	506.8	329.1	133.3	92.5	458.4	199.3	292.3
Manufacturing	15,491.6	15,720.9	17,755.5	18,103.7	20,532.2	21,165.6	24,495.5	26,069.9	28,423.4	28,159.7
Food	2,020.7	2,000.3	2,011.2	2,149.9	2,192.7	2,226.5	2,301.1	2,182.1	2,624.0	2,410.0
Fish	243.8	295.4	294.1	321.1	299.4	317.1	283.0	263.0	232.6	197.1
Tobacco	67.4	82.9	81.5	45.2	27.4	27.1	25.7	22.5	40.5	21.4
Apparel and textiles	733.3	707.8	789.3	840.3	813.8	915.9	1,003.6	1,038.5	1,042.9	990.4
Wood, wood products, and furniture	362.0	355.0	351.4	377.3	405.6	429.7	503.4	433.6	438.0	398.2
Paper, printing, and publishing	501.6	476.3	504.9	541.4	508.9	531.5	599.8	572.1	691.3	667.0
Chemical products	3,688.8	3,109.3	3,637.8	4,151.7	5,416.3	5,842.0	7,306.4	9,037.6	10,446.9	12,342.5
Drugs and pharmaceutical preparations	2,244.6	1,500.9	1,682.6	1,910.8	3,206.1	3,644.2	4,646.9	5,840.4	7,009.4	8,292.9
Petroleum refining and related products	1,027.3	890.1	989.7	1,159.4	1,572.3	1,579.2	1,379.5	1,993.3	2,339.5	1,612.1
Rubber and plastic products	589.0	596.7	585.5	509.7	516.9	508.6	606.6	570.3	641.4	614.6
Leather and leather products	219.9	280.0	296.7	330.4	396.6	335.1	301.9	266.0	288.8	270.9
Stone, glass, clay, concrete products, and cement	188.7	177.3	187.5	195.6	241.4	233.7	288.0	286.1	292.5	298.5
Primary metal products	373.0	357.7	384.9	404.5	474.7	490.0	537.0	424.2	481.2	422.5
Fabricated metal products	367.6	349.7	332.2	347.5	381.1	374.3	477.5	436.1	574.6	413.0
Machinery except electrical	1,013.9	1,128.4	1,250.5	1,382.4	1,370.4	1,489.6	2,101.1	1,848.6	1,888.9	1,686.3
Electronic computers	282.1	330.0	420.6	456.3	317.4	375.6	695.2	522.5	509.0	565.6
Electrical machinery	1,852.8	2,441.4	3,140.3	2,447.2	2,423.8	2,578.8	2,808.9	2,920.9	2,650.9	2,027.0
Transportation equipment	1,227.8	1,490.2	1,821.8	1,764.5	2,241.2	2,097.2	2,678.5	2,332.1	2,129.2	2,133.3
Professional and scientific instruments	747.4	691.9	776.2	856.7	901.8	876.2	863.9	933.5	924.5	1,043.2
Miscellaneous manufacturing	510.5	585.9	614.1	600.0	647.3	630.2	712.6	772.4	928.3	808.8
Repair services	4.2	2.7	5.2	5.0	9.6	8.2	8.4	7.8	6.8	7.8
Merchandise not classified	138.9	141.2	123.4	86.6	101.2	82.0	271.0	143.8	112.4	118.1
Returned merchandise	99.3	115.5	99.4	78.7	91.9	76.7	239.6	134.2	91.6	112.9
Merchandise with estimated value (1)	38.5	24.4	19.0	5.9	2.1	3.4	5.7	8.4	19.6	5.1
Merchandise not enumerated	---	---	---	---	---	---	0.3	0.4	0.0	0.0
Other articles	1.1	1.3	5.0	2.0	7.2	1.9	25.4	0.8	1.2	0.1

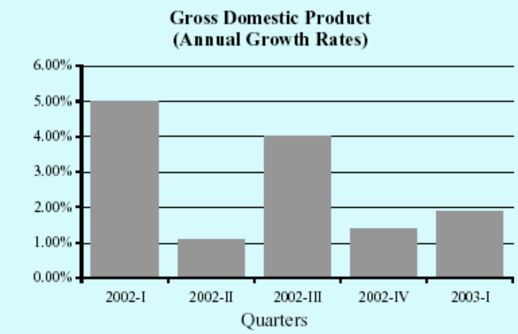
(1) Estimates by the U.S. Department of Commerce.
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

APPENDIX IV

Appendix IV: Exhibit 1
U.S. Economic Indicators

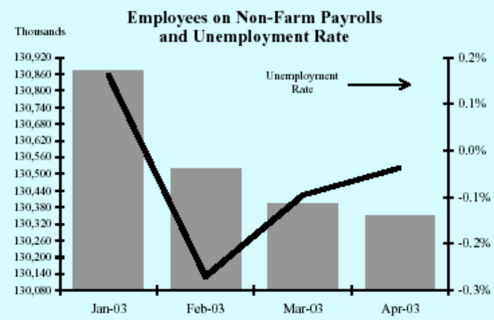
Gross Domestic Product and Components

	IV-02	I-03	Change From Preceeding Quarter IV-02	I-03
GDP (Billion Chained (1996) Dollars)	9,518.2	9,562.9	1.4%	1.9%
Private Consumption	6,637.9	6,671.6	1.7%	2.0%
Fixed Investment	1,588.5	1,587.7	4.4%	-0.2%
Residential	395.9	406.4	9.4%	11.0%
Non-Residential	1,185.3	1,170.8	2.3%	-4.8%
Change in Inventories	25.8	13.2	n.a.	n.a.
Government Spending	1,735.0	1,736.2	4.6%	0.3%
Net Exports	-532.2	-506.9	n.a.	n.a.
Exports	1,061.6	1,057.9	-5.8%	-1.4%
Imports	1,360.8	1,335.1	7.4%	-7.1%



Industrial Production and Capacity Utilization

	Jan 03	Feb 03	Mar 03	Apr 03
Industrial Production				
Total Index	110.0	110.3	110.5	108.5
Utilization Rate				
Total Industry	75.4	75.3	74.8	74.4



Employment and Unemployment

	Jan 03	Feb 03	Mar 03	Apr 03
Employees on Non-Farm				
Payrolls (Thousands)	130,873	130,520	130,396	130,348
Change (%)	0.2%	-0.3%	-0.1%	0.0%
Goods-Producing	23,563	23,463	23,439	23,366
Change (%)	0.0%	-0.4%	-0.1%	-0.3%
Service Industries	107,310	107,057	106,957	106,982
Change (%)	0.2%	-0.2%	-0.1%	0.0%
Unemployment rate (%)	5.7	5.8	5.8	6.0

Percentage Change in the Consumer Price Index (CPI) and the Producer Price Index (PPI)

	Jan 03	Feb 03	Mar 03	Apr 03
CPI - All Urban Families				
Change from Preceeding Month	0.4%	0.8%	0.6%	-0.2%
Change from Preceeding Year	2.6%	3.0%	3.0%	2.2%
CPI - Less Food and Energy				
Change from Preceeding Month	0.2%	0.4%	0.3%	0.1%
Change from Preceeding Year	1.9%	1.7%	1.7%	1.5%
PPI - Finished Goods				
Change from Preceeding Month	1.6%	0.9%	1.4%	-1.7%
Change from Preceeding Year	2.8%	3.5%	4.2%	2.4%

Percentage Change in the Consumer Price Index (CPI) and the Producer Price Index (PPI)

	Jan 03	Feb 03	Mar 03	Apr 03
CPI - All Urban Families				
Change from Preceeding Month	0.4%	0.8%	0.6%	-0.2%
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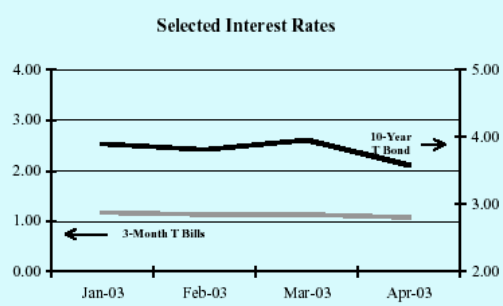
CPI - Less Food and Energy				
Change from Preceeding Month	0.2%	0.4%	0.3%	0.1%
Change from Preceeding Year	1.9%	1.7%	1.7%	1.5%
PPI - Finished Goods				
Change from Preceeding Month	1.6%	0.9%	1.4%	-1.7%
Change from Preceeding Year	2.8%	3.5%	4.2%	2.4%

Interest Rates

	Jan 03	Feb 03	Mar 03	Apr 03
Federal Funds	1.26	1.25	1.26	1.26
Three Month Treasury Bill	1.17	1.13	1.13	1.07
Prime Rate	4.25	4.25	4.25	4.25
Ten Year Treasury Bond	3.90	3.81	3.96	3.58
Moody's Seasoned Aaa Rate	5.95	5.89	5.74	5.23



Sources: U.S. Department of Commerce, Survey of Current Business, Board of Governors, Federal Reserve System, Federal Reserve Bulletin, various issues.

Source: ECONEWS, June 2003; Estudios Tecnicos, Inc.

Appendix IV: Exhibit 2
Puerto Rico Economic Indicators – 1

Employment and Unemployment

	Jan-03	Feb-03	Mar-03	Percent Change Fiscal Year to Date 03/02	02/01
Labor Force (Thous.)	1,375.0	1,384.0	1,395.0	3.4	2.2
Employment	1,218.0	1,211.0	1,226.0	3.3	0.2
Agriculture	21.0	24.0	26.0	0.0	9.1
Construction	90.0	85.0	80.0	-2.3	0.0
Manufacturing	n/a	n/a	n/a	n/a	n/a
Food & Kindred	n/a	n/a	n/a	n/a	n/a
Tobacco Products	n/a	n/a	n/a	n/a	n/a
Textiles	n/a	n/a	n/a	n/a	n/a
Apparel & Related	n/a	n/a	n/a	n/a	n/a
Paper, Printing,	n/a	n/a	n/a	n/a	n/a
Publishing & Allied	n/a	n/a	n/a	n/a	n/a
Chemicals & Allied	n/a	n/a	n/a	n/a	n/a
Petroleum, Rubber	n/a	n/a	n/a	n/a	n/a
& Plastics	n/a	n/a	n/a	n/a	n/a
Leather	n/a	n/a	n/a	n/a	n/a
Lumber & Wood	n/a	n/a	n/a	n/a	n/a
Stone, Clay & Glass	n/a	n/a	n/a	n/a	n/a
Metal Products	n/a	n/a	n/a	n/a	n/a
Non-Electrical Mchnry.	n/a	n/a	n/a	n/a	n/a
Electrical Mchnry.	n/a	n/a	n/a	n/a	n/a
Instruments	n/a	n/a	n/a	n/a	n/a
Miscellaneous	n/a	n/a	n/a	n/a	n/a
Trade	248.0	247.0	260.0	6.7	-2.1
Finance, Insurance					
& Real Estate	44.0	43.0	47.0	0.0	7.7
Transportation,					
Comm. & Utilities	59.0	58.0	55.0	-8.3	9.1
Other Services	344.0	344.0	340.0	5.7	5.3
Public Administration	270.0	274.0	280.0	5.9	0.8
Unemployment Rate (%)	11.4	12.5	12.1	1.7	16.7

Note: Employment in manufacturing industries is taken from the Establishments Survey, Puerto Rico Department of Labor and Human Resources; Employment in other industries is taken from the Survey of Households.

Consumer Price Index

	Jan-03	Feb-03	Mar-03	Percent Change Fiscal Year to Date 03/02	02/01
All Items	213.7	214.9	n/a	8.4	4.6
Food & Beverages	368.7	370.1	n/a	13.9	10.0
Housing	128.2	128.9	n/a	1.8	-1.1
Apparel & Upkeep	82.3	82.2	n/a	-1.0	-2.2
Transportation	162.8	166.2	n/a	2.9	-2.9
Medical Care	257.0	257.1	n/a	3.6	5.2
Education					
& Entertainment	150.2	150.4	n/a	1.3	3.9
Other Services	168.3	168.3	n/a	9.2	3.0

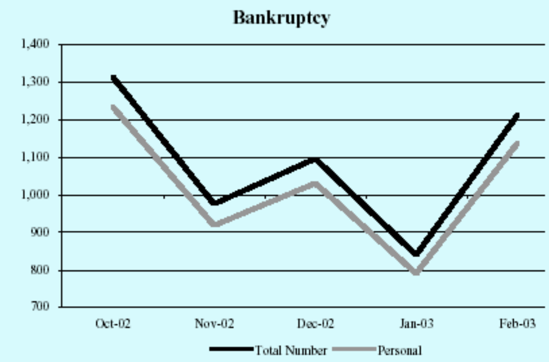
Bankruptcy

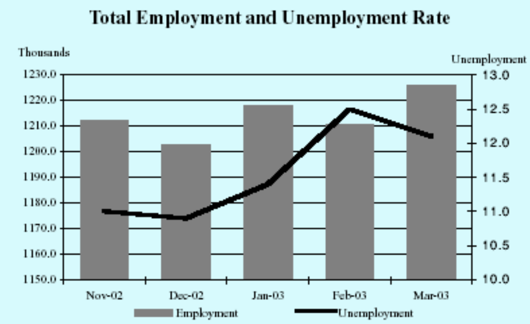
	Jan-03	Feb-03	Mar-03	Percent Change Fiscal Year to Date 03/02	02/01
Total Number	839.0	1,212.0	n/a	-1.0	-7.0
Personal	790.0	1,137.0	n/a	-1.7	7.6

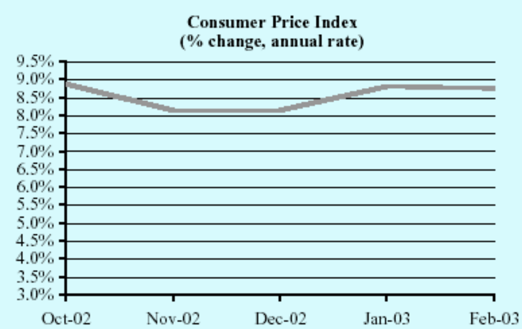
Net Revenues to the General Fund

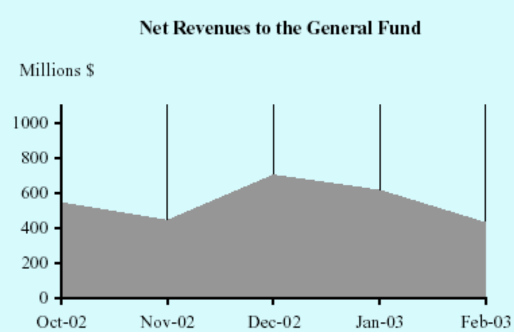
	Jan-03	Feb-03	Mar-03	Percent Change Fiscal Year to Date 03/02	02/01
Total Revenues (Mill.$)	613.2	428.9	n/a	5.1	1.7
Taxes	547.4	375.0	n/a	3.2	1.2
Income Taxes	399.7	257.6	n/a	-1.5	0.4

Sources: Puerto Rico Planning Board, Puerto Rico Department of Labor and Human Resources and Puerto Rico Treasury Department.







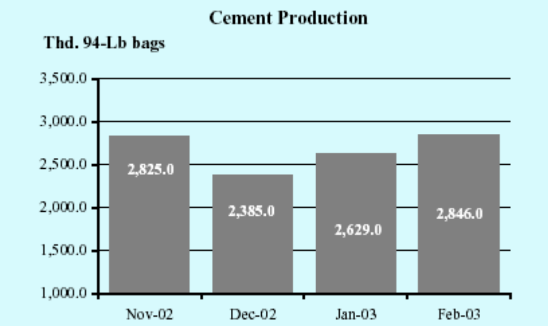


Source: ECONEWS, June 2003; Estudios Tecnicos, Inc.

Appendix IV: Exhibit 3
Puerto Rico Economic Indicators - 2

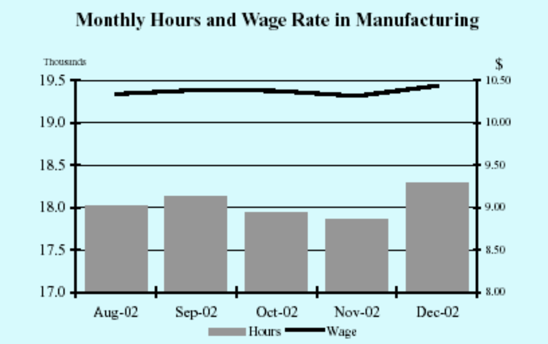
Construction

	Jan-03	Feb-03	Mar-03	Percent Change Fiscal Year to Date 03/02	02/01
Private Permits (number)	636	688	813	6.8	-2.3
Public Permits (number)	39	41	67	125.0	-51.6
Private Permits (Mill. $)	191.9	133.1	113.1	3.8	-14.5
Public Permits (Mill. $)	113.6	65.1	46.4	120.8	-68.8
New Housing Units					
Number	1,555	1,474	1,249	1.1	-16.6
Value (Mill. $)	102.5	67.9	65.8	4.6	-3.6
Cement Production					
(Thousand 94-lb Bags)	2,629	2,846	n/a	0	-4.6



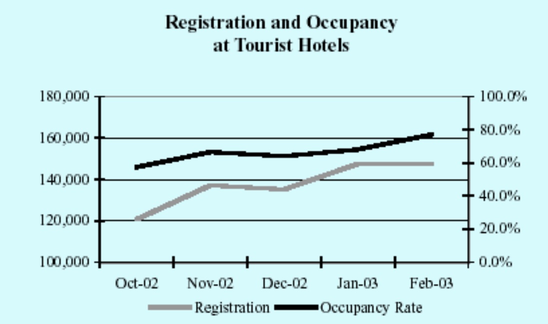
Manufacturing

	Nov-02	Dec-02	Jan-03	Percent Change Fiscal Year to Date 03/02	02/01
Prod. Payroll (Thd. $)	185.8	191.1	n/a	n/a	n/a
Monthly Hours (Thd.)	18.0	18.3	n/a	n/a	n/a
Average Hourly Wage	10.32	10.44	n/a	n/a	n/a



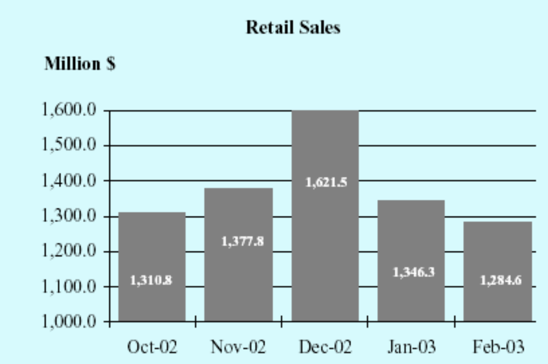
Retail Sales

	Dec-02	Jan-03	Feb-03	Percent Change Fiscal Year to Date 03/02	02/01
Total (Mill. $)	1,621.5	1,346.3	1,284.6	3.2	4.5
Department Stores	184,865.0	86,984.0	82,428.0	7.6	-4.7
Supermarkets	276,410.0	250,138.0	243,519.0	-10.4	11.0
Used and New Autos	312,190.0	304,761.0	291,022.0	2.9	-0.6
Gasoline Stations	125,228.0	125,441.0	122,553.0	9.0	9.8
Restaurants	130,971.0	125,067.0	126,849.0	4.2	4.4



Tourism

	Dec-02	Jan-03	Feb-03	Percent Change Fiscal Year to Date 03/02	02/01
Registrations					
Tourist Hotels	135,046	147,452	147,190	14.1	-2.0
Occupancy Rate (%)					
Tourist Hotels	64.0	68.0	77.0	8.3	-9.5
All Hotels	63.0	66.9	75.8	8.1	-9.5



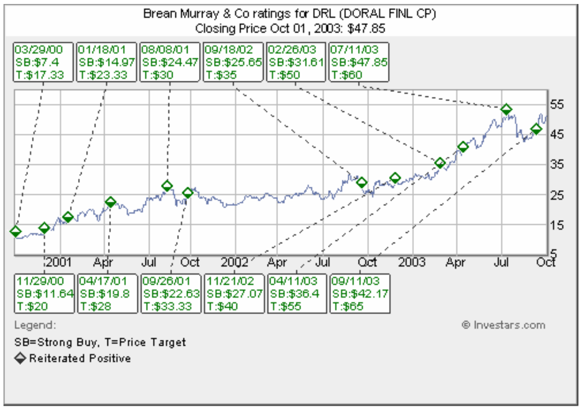
Exports and Imports

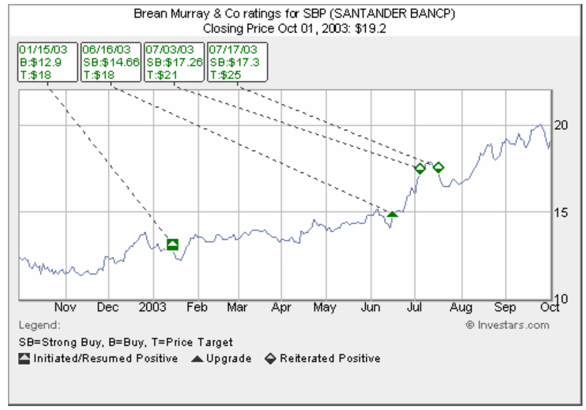
	Dec-02	Jan-03	Feb-03	Mar-03	Percent Change Fiscal Year to Date 03/02	02/01
Total Exports (Mill. $)	4,548.4	3,990.7	3,953.1	n/a	18.0	-1.8
Foreign Countries	568.1	631.6	589.3	n/a	25.2	8.0
Total Imports (Mill.$)	2,396.0	2,744.1	2,878.2	n/a	16.8	-4.5
Foreign Countries	1,023.7	1,318.9	1,478.6	n/a	17.3	1.4

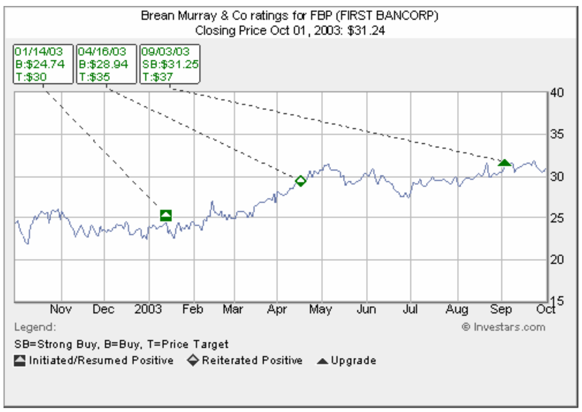
Sources: Puerto Rico Planning Board, Puerto Rico Department of Labor and Human Resources and Puerto Rico Department of Agriculture.

Source: ECONEWS, June 2003; Estudios Tecnicos, Inc.

DISCLOSURES







Source: Investars.com

DISCLOSURES

BREAN MURRAY & CO., INC. STOCK RATING SYSTEM

	Expected Performance*	Risk to Fundamentals/ or Valuation	Immediacy of Story	% of Coverage Universe with Rating	% of Ratings that are Inv. Banking Clients
Strong Buy	Expected to significantly outperform market; Good LT Investment	Low	Next 6-12 months	29.0%	22.0%
Buy	Expected to moderately outperform market	Moderate	Next 12 months	48.4%	10.0%
Hold	Expected to perform in line with market	Moderate to Substantial	Next 6-12 months	17.7%	9.1%
Sell	Expected to underperform market	High	Next 6-12 months	0.0%	0.0%
Not Rated				4.8%	66.7%

** Relative to S&P 500 for larger capitalization stocks. Russell 2000 for medium and small caps.*

All prices in this report are as of market close on 9/30/03
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