



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

July 30, 1999

Corporate Decision #99-22
August 1999

Mr. Larry B. Kesler
209 Muñoz Rivera Avenue
Hato Rey, Puerto Rico 00918

Re: Application by Popular Inc. to charter a national bank with the title "Banco Popular, National Association" Orlando, Florida and application for Banco Popular, National Association to purchase certain assets and assume certain liabilities of the "Culebra Branch" of Banco Popular de Puerto Rico, San Juan, Puerto Rico
Application Control Numbers: 99-NE-01-0005 and 99-NE-02-0007

Dear Mr. Kesler:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of Banco Popular, National Association (Banco Popular). On July 30, 1999, after a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary approval. In addition, the OCC has approved the proposal for Banco Popular to purchase certain assets and assume certain liabilities of the Culebra Branch of Banco Popular de Puerto Rico, San Juan, Puerto Rico. The purchase and assumption is permissible under 12 U.S.C. § 24(Seventh).

These approvals are granted based on a thorough review of all information available, including the representations and commitments made in the application and by the proposed bank's representatives. We also made our decision to grant preliminary approval with the understanding that the proposed national bank will apply for membership in the Federal Reserve System and will be FDIC-insured.

It is our understanding that Banco Popular proposes to establish the Culebra branch as a foreign branch of the bank under 12 U.S.C. § 601 and to establish an Agreement Corporation in Culebra, Puerto Rico, pursuant to 12 C.F.R. § 211, as a subsidiary of the bank to acquire an insurance agency and to conduct insurance agency activities. Bank counsel has represented that the activities of this insurance agency subsidiary will conform to the requirements of the *First Union* letter, dated November 4, 1996. Additionally, the insurance agency activities will be conducted in compliance with the OCC's Advisory Letter 96-8 guidance on national banks' sales of insurance and annuity products.

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The organizers represented that Banco Popular will not participate in any subprime lending program at this time. The organizers further represented that if in the future bank management decides to offer a subprime lending program it will comply with OCC Bulletin 99-15. Additionally, Banco Popular will notify the OCC in writing prior to offering any subprime loan or participating in any subprime lending program.

Banco Popular Inc., proposes to inject \$2.9 million in capital into Banco Popular prior to commencing operations. You are reminded that, pursuant to 12 C.F.R. § 5.20(I)(5)(iii), this preliminary approval expires if the bank does not raise the capital within 12 months from the date of this letter. The preliminary approval will expire if the bank has not commenced business within 18 months from the date of this letter.

This is preliminary approval only. Final approval will not be granted until and unless the Federal Reserve Board acts favorably on your applications with them to acquire this new bank, establish the Culebra branch and to establish the Agreement Corporation. You must furnish the OCC's Northeastern district office with a copy of all related filings to the Federal Reserve, including registration material.

Major deviations from the operating plan or changes in the composition of the board of directors, ownership, or chief executive officers that the OCC has not approved may result in withdrawal of preliminary approval. (see Significant Changes discussion in the Introduction of the "Corporate Organization" booklet).

Please refer to the "Corporate Organization" booklet (enclosed) in the *Comptroller's Corporate Manual* for the instructions on organizing your bank. The booklet contains all of the steps you must take to receive your charter. As detailed in the booklet, you may establish the corporate existence of and begin organizing the bank as soon as you adopt and forward acceptable Articles of Association and the Organization Certificate to the Northeastern District Office Licensing Division. As a "body corporate" or legal entity, you may begin taking those steps necessary for obtaining final approval, but you may not begin the business of banking until you fulfill all requirements for a bank in organization and you are granted final approval by the OCC. If you have questions concerning the organization phase of the bank, please contact the Northeastern District Office Licensing Division at (212) 790-4055.

Enclosed are standard requirements that must be met before the bank will be allowed to commence business. Management must ensure that the applicable policies and procedures are established and adopted by the board of directors before the bank begins operation. Applicable standard requirements also must be satisfied before the bank will be allowed to commence business.

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The OCC poses no objection to the following persons serving as executive officers and directors of the proposed bank:

<u>Name</u>	<u>Proposed Position</u>
Jorge A. Junquera	Organizer/Director/President and CEO
Richard L. Carrion	Organizer/Director
David H. Chafey, Jr.	Organizer/Director
Roberto R. Herencia	Organizer/Director/Chief Operating Officer
Larry B. Kesler	Organizer/Director
L. Gene Beube	Chief Credit Officer
Orlando Berges	Chief Financial and Administration Officer

Additional officers and directors are subject to the OCC's prior review and clearance. Also, please note that the OCC requires that you obtain prior approval of additions or changes in executive officers and directors for two years after the Bank opens for business.

The OCC also granted your waiver request of the residency requirements of 12 U.S.C. § 72 for the board of directors of Banco Popular, National Association. This waiver is granted based upon a review of all available information, including the filing, subsequent correspondence and telephone conversations, and the bank's representation that this waiver will not affect the board's responsibility to direct the bank's operations in a safe, sound, and legal manner. Please understand that the OCC reserves the right to withdraw or modify this waiver and, at its discretion, to request additional information at any time in the future.

We specifically noted that the Bank has represented to the OCC that internal systems will be Year 2000 compliant within the time frames outlined in Advisory Letter 97-6 (enclosed) or other subsequent OCC Year 2000 guidance. In addition, the Bank will perform due diligence to ensure that any third-party data processing servicers or purchased applications or systems from software vendors will also be Year 2000 compliant. In the event that the Bank selects a servicer or vendor which is not Year 2000 compliant, the Bank will ensure that the servicer or vendor has a Year 2000 compliance plan, and the financial and managerial capacity to complete its Year 2000 conversion project within the time frames outlined in Advisory Letter 97-6 or other subsequent OCC Year 2000 guidance.

The OCC will send to you under separate cover an appropriate set of OCC handbooks, manuals, issuances, and selected other publications.

Please advise our Northeastern District Office in advance of the desired effective date for the purchase and assumption so that the OCC may issue the necessary certification letter. The

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effective date of the purchase and assumption must be on or after the final approval date for the charter.

We will not issue a letter certifying consummation of the purchase and assumption until we have received:

1. A Secretary's Certificate for each applicant institution, certifying that a majority of the board of directors has agreed to the proposed purchase and assumption, and
2. An executed purchase and assumption agreement with Articles of Association for the resulting bank attached.

If the purchase and assumption is not consummated within one year from this date, the approval shall automatically terminate unless the OCC grants an extension of the time period.

You should direct any questions concerning this preliminary approval to Senior Analyst Edward Rieder in the Northeastern District Office at (212) 790-4055, or me at (202) 874-5060. Please note that after the bank opens our North Florida Field Office will provide the ongoing supervision of the bank. If you have any supervisory questions, please contact Assistant Deputy Comptroller Kennard Page in the North Florida Field Office at (904) 363-9902.

Sincerely,

/s/

Maria G. Arevalo
National Bank Examiner
Bank Organization and Structure

Enclosures: "Corporate Organization" Booklet
Minimum Policies and Procedures
Standard Requirements