POPULAR INC
Form 424B5
April 12, 2010

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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-159960

SUBJECT TO COMPLETION, DATED APRIL 12, 2010
Prospectus Supplement to Prospectus dated June 12, 2009

Shares
DEPOSITARY SHARES, EACH REPRESENTING 1/40TH OF A SHARE OF CONTINGENT CONVERTIBLE PERPETUAL NON-CUMULATIVE PREFERRED STOCK, SERIES D

We are offering depositary shares, each of which represents a 1/40th interest in a share of our Contingent Convertible Perpetual Non-Cumulative Preferred Stock, Series D, no par value, $1,000 liquidation preference per share (Preferred Stock). The Preferred Stock is not redeemable. Each depositary share entitles the holder, through the depositary, to a proportional fractional interest in all rights and preferences of the Preferred Stock represented thereby, including conversion, dividend, liquidation and voting rights.

On the fifth business day after which holders of our common stock, par value $0.01 per share (Common Stock), approve an amendment to our certificate of incorporation to increase the number of authorized shares of Common Stock to permit the full conversion of the Preferred Stock into Common Stock, the Preferred Stock will automatically convert into shares of our Common Stock at a conversion rate of shares of Common Stock for each share of Preferred Stock (equivalent to a conversion rate of shares of Common Stock for each depositary share), subject to adjustment as described herein.

Dividends on the Preferred Stock represented by the depositary shares will be payable on a non-cumulative basis, when, as and if declared by our Board of Directors. Our Board of Directors may not declare and pay any dividend or make any distribution (including, but not limited to, regular quarterly dividends) in respect of our Common Stock, whether in the form of cash or securities or any other form of property or assets, unless our Board of Directors declares and pays a dividend or makes a distribution, as applicable, to the holders of the Preferred Stock represented by the depositary shares at the same time and on the same terms as holders of the Common Stock, in an amount per share of Preferred Stock represented by the depositary shares equal to the product of (i) the dividend or distribution, as applicable, declared and paid or made in respect of each share of Common Stock and (ii) the number of shares of Common Stock into which such share of Preferred Stock represented by the depositary shares is then convertible (as-if-converted dividends). If the Preferred Stock represented by the depositary shares has not been converted in full into Common Stock by September 15, 2010, special dividends thereafter will be payable on the Preferred Stock represented by the depositary shares, in addition to the as-if-converted dividends described above, when, as and if declared by our Board of Directors, on the terms described herein under Description of the Preferred Stock Dividends. Currently, we have suspended paying dividends on our Common Stock and existing preferred stock. We have no plans to resume these dividend payments. As a result, as an investor in the depositary shares representing the Preferred Stock, you should not expect to receive any dividends in connection with your investment in the depositary shares or any Common Stock issued upon conversion of the Preferred Stock. See Risk Factors Risks Related to the Offering Dividends on our Common Stock and existing preferred stock have been suspended and you should not expect to receive funds in connection with your investment in the depositary shares representing the Preferred Stock or any Common Stock issued upon conversion

without selling your shares.

There is currently no public market for the depositary shares or the Preferred Stock. We intend to apply to list the depositary shares representing the Preferred Stock on the Nasdaq Stock Market (Nasdaq) under the symbol . Our Common Stock trades on Nasdaq under the symbol BPOP . As of April 9, 2010, the last reported sale price for our Common Stock on Nasdaq was $3.08 per share.

Investing in the depositary shares, the Preferred Stock and the Common Stock issuable upon conversion of the Preferred Stock involves significant risks. See Risk Factors beginning on page S-7 of this prospectus supplement.

None of the depositary shares, the shares of Preferred Stock that they represent or the shares of Common Stock issuable upon conversion of the Preferred Stock are savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and none are insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission, any state or Commonwealth of Puerto Rico securities commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System nor any other regulatory body has approved or disapproved of these securities or the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	***Total***
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Popular, Inc.	$	$

To the extent the underwriters sell more than depositary shares, the underwriters have the option to purchase up to additional depositary shares from us at the initial public offering price less the underwriting discount within 30 days of the date of this prospectus supplement solely to cover over-allotments.

The underwriters expect to deliver the depositary shares against payment through the facilities of The Depository Trust Company in New York, New York on April , 2010.

Sole Bookrunning Manager

MORGAN STANLEY

KEEFE, BRUYETTE & WOODS *POPULAR SECURITIES* *UBS INVESTMENT BANK*

Prospectus Supplement dated April , 2010

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Prospectus Supplement

Prospectus

You should rely only on the information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with any

additional or different information. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the respective dates thereof. We are not making an offer of these securities in any jurisdiction where such offer is not permitted.

In this prospectus, unless otherwise stated or the context otherwise requires, Corporation, Popular, we, us and our refer to Popular, Inc. and its subsidiaries.

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FORWARD-LOOKING STATEMENTS

The information included or incorporated by reference in this prospectus supplement and the accompanying prospectus contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management s current expectations and involve certain risks and uncertainties that may cause actual results to differ materially from those expressed in forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- the rate of growth in the economy and employment, as well as general business and economic conditions;
- changes in interest rates, as well as the magnitude of such changes;
- the fiscal and monetary policies of the federal government and its agencies;
- changes in federal bank regulatory and supervisory policies, including required levels of capital;
- regulatory approvals that may be necessary to undertake certain actions or consummate strategic transactions such as acquisitions and dispositions;
- the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets in Puerto Rico and the other markets in which borrowers are located;
- the performance of the stock and bond markets;
- competition in the financial services industry;
- additional Federal Deposit Insurance Corporation (FDIC) assessments;
- possible legislative, tax or regulatory changes; and
- difficulties in combining the operations of acquired entities.

Investors should refer to the section entitled Risk Factors in this prospectus supplement and in the documents we file with the Securities and Exchange Commission (the SEC) that are incorporated by reference herein for a discussion of such factors and certain risks and uncertainties to which we are subject.

Moreover, the outcome of legal proceedings is inherently uncertain and depends on judicial interpretations of law and the findings of regulators, judges and juries.

All forward-looking statements included or incorporated by reference in this prospectus supplement or the accompanying prospectus are based upon information available to Popular as of the date of the document that includes the particular forward-looking statement, and other than as required by law, including the requirements of applicable securities laws, we assume no obligation to update or revise any such forward-looking statement to reflect occurrences or unanticipated events or circumstances after the date of such statement.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC s website at http://www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities located at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus, and later information that we file with the SEC prior to termination of the offering of the depositary shares contemplated hereby will automatically update and supersede this information. We incorporate by reference the following documents:

Our Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K).

Our Current Reports on Form 8-K filed with the SEC on January 28, 2010, February 23, 2010 and March 19, 2010.

The descriptions of our Common Stock set forth in our Registration Statements filed pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and any amendment or report filed for the purpose of updating those descriptions.

All documents that we file subsequent to the date of this prospectus supplement and prior to the termination of the offering of the depositary shares contemplated hereby pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act will be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus and to be a part hereof and thereof from the date of filing of such documents. Information in documents that is deemed, in accordance with SEC rules, to be furnished and not filed will not be deemed to be incorporated by reference into this prospectus supplement or the accompanying prospectus.

To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information contained in this prospectus supplement shall control. If any statement in this prospectus supplement or the accompanying prospectus conflicts with any statement in a document that has been incorporated herein by reference, then you should consider only the statement in the more recent document. You should not assume that the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of any date other than their respective dates.

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to us at the following address: Enrique Martel, Corporate Communications, Popular, Inc., P.O. Box 362708, San Juan, Puerto Rico 00936-2708. Telephone requests may also be directed to: (787) 765-9800. You may also access this information at our website at http://www.popularinc.com. No additional information on our website is deemed to be part of or incorporated by reference in this prospectus supplement or the accompanying prospectus.

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SUMMARY

The following summary highlights selected information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. It may not contain all of the information that is important to you and is qualified in its entirety by the more detailed information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Before making an investment decision, you should carefully consider the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the information set forth under the heading Risk Factors in this prospectus supplement and the 2009 Form 10-K.

The Company

Popular, Inc. is a full service financial institution with operations in Puerto Rico, the mainland United States, the Caribbean and Latin America. Headquartered in San Juan, Puerto Rico, Popular offers financial services in Puerto Rico and the mainland United States, and processing and other technology services in the Caribbean and Latin America. As of December 31, 2009, Popular had approximately $34.7 billion in assets, $25.9 billion in deposits and $2.5 billion in stockholders equity.

We operate in three target markets: Puerto Rico, the mainland United States and processing and other technology services in Puerto Rico, Venezuela, Florida and the Dominican Republic. Our strategic objectives in our target markets consist of the following:

Puerto Rico: strengthen our competitive position in our main market by offering, through our subsidiary Banco Popular de Puerto Rico, the best and most complete financial services in an efficient and convenient manner. Our services respond to the needs of all segments of the market in order to earn their trust, satisfaction and loyalty.

Mainland United States: increase our profitability in the mainland United States by offering financial services to the communities we serve while capitalizing on our strengths in the Hispanic market.

Processing and Other Technology Services: provide added value by offering integrated technology solutions and transaction processing through our subsidiary EVERTEC, Inc. with an emphasis on the Caribbean and Latin America.

Popular s principal executive offices are located at 209 Muñoz Rivera Avenue, Hato Rey, Puerto Rico 00918, and our telephone number is (787) 765-9800.

Recent Developments

Consideration of a Strategic Transaction Involving EVERTEC and Certain Other Businesses

We are considering a strategic transaction involving our EVERTEC subsidiary, Banco Popular s merchant banking business and certain other of our financial transaction processing and technology services operations in Puerto Rico, the United States mainland, and elsewhere in the Caribbean and Latin America. A strategic transaction involving EVERTEC and these other businesses could involve a sale to a third party or a strategic investment by a third party with our retaining an ownership interest. We have received a number of non-binding indications of interest for a strategic transaction involving these businesses and those non-binding indications of interest contemplate an average sale price for all of EVERTEC and these other businesses of approximately $1.0 billion. If we were to sell all of EVERTEC and these other businesses for consideration of $1.0 billion, we would increase our capital by approximately $750 million.

There can be no assurances that we will be able to effect a strategic transaction with respect to these businesses based on the average sale price contemplated by the non-binding indications of interest, or that a strategic transaction involving these businesses will be consummated at all. See also Risk Factors Risks Relating to our Business If we were to sell all or a controlling interest in our EVERTEC business to a third party, we may no longer have access to the financial transaction processing and technology services that EVERTEC provides or may be obligated to obtain those services at a higher cost.

Preliminary First Quarter Financial Results

Based on management s analysis for the quarter ended March 31, 2010, the Corporation expects to report a preliminary net loss of approximately $85 million for the quarter ended March 31, 2010, compared with a net loss of

$213.2 million for the quarter ended December 31, 2009 and a net loss of $52.5 million for the quarter ended March 31, 2009. The principal items impacting our unaudited preliminary financial results for the quarter ended March 31, 2010, when compared with the quarters ended December 31, 2009 and March 31, 2009, were as follows:

Net interest income for the first quarter of 2010 is estimated at approximately $269 million, compared with net interest income of $269.3 million for the quarter ended December 31, 2009 and $272.5 million for the quarter ended March 31, 2009. The net interest margin is estimated at 3.43% for the quarter ended March 31, 2010, compared with 3.28% for the quarter ended December 31, 2009 and 3.07% for the quarter ended March 31, 2009. Average earning assets for the quarter ended March 31, 2010 are estimated at approximately $31.5 billion, compared with $32.7 billion for the quarter ended December 31, 2009 and $35.6 billion for the quarter ended March 31, 2009.

The provision for loan losses for the first quarter of 2010 is expected to be approximately $240 million or 107% of net charge-offs, compared with $352.8 million or 118% of net charge-offs for the quarter ended December 31, 2009 and $372.5 million or 188% of net charge-offs for the quarter ended March 31, 2009. The ratio of allowance for loan losses to loans held-in-portfolio is estimated to be approximately 5.53% at March 31, 2010, compared with 5.32% at December 31, 2009 and 4.19% at March 31, 2009.

The decrease in the provision for loan losses for the quarter ended March 31, 2010 compared with the quarter ended December 31, 2009 reflects lower estimated net charge-offs by approximately $75 million, mainly in the Puerto Rico construction and commercial loan portfolios, and in the United States mainland home equity lines of credit portfolio, combined with higher reserve provisioning during the fourth quarter of 2009, particularly for the commercial loan sector. Also, the decrease in the estimated provision for loan losses for the first quarter of 2010 compared to the fourth quarter of 2009 relates to a reduction of approximately $635 million in loans held-in-portfolio, principally in the U.S. mainland. The reduction in loans held-in-portfolio is mostly reflected in the commercial, construction and consumer loan portfolios, which is in part influenced by lower loan origination activities in credit markets that continue to be tight and loan portfolios running-off in certain business areas that the Corporation exited during 2008 and 2009. Furthermore, the reduction in the loan portfolio relates to an estimated $224 million in loans charged-off during the quarter ended March 31, 2010.

Non-interest income for the first quarter of 2010 is expected to be approximately $158 million, compared with non-interest income of $175.9 million for the quarter ended December 31, 2009 and $334.7 million for the quarter ended March 31, 2009. The decrease in non-interest income for the quarter ended March 31, 2010 when compared with the same quarter in 2009 is mostly driven by gains on the sale of investment securities of $182.7 million in the first quarter of 2009 associated with the sale of $3.4 billion of investment securities by Banco Popular de Puerto Rico. The non-interest income for the first quarter of 2010 was reduced by an estimated charge of approximately $16 million to increase the loss indemnity reserve for mortgage loans that had been previously sold with credit recourse by the Corporation s Puerto Rico operations.

Operating expenses for the first quarter of 2010 are estimated at approximately $281 million, compared with operating expenses of $298.8 million for the quarter ended December 31, 2009 and $304.2 million for the quarter ended March 31, 2009. The decrease in operating expenses for the first quarter of 2010 compared with the fourth quarter of 2009 is principally associated with lower business promotion, professional fees and valuation adjustments on other real estate properties, among other factors.

The unaudited preliminary financial results presented above are subject to the completion of our financial closing procedures. Those procedures have not been completed. Accordingly, these results may change and those changes may be material.

The preliminary financial data included in this prospectus supplement has been prepared by and is the responsibility of Popular s management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to such preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

We expect to report our first quarter 2010 financial results on or about April 21, 2010. The news release including those results will include further discussion of our financial results, as well as information regarding our financial condition, credit quality, capital ratios and segment reporting information.

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THE OFFERING

The following summary of the offering contains basic information about the offering, the Preferred Stock and the depositary shares representing the Preferred Stock and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Preferred Stock and the depositary shares representing the Preferred Stock, you should refer to the sections of this prospectus supplement entitled Description of the Preferred Stock and Description of the Depositary Shares, respectively.

Issuer	Popular, Inc.
Securities Offered	depositary shares, each representing 1/40th of a share of Contingent Convertible Perpetual Non-Cumulative Preferred Stock, Series D, no par value, $1,000 liquidation preference per share.
Initial Public Offering Price	$25.00 per depositary share
Over-allotment option	To the extent the underwriters sell more than depositary shares, we have granted the underwriters the option to purchase up to additional depositary shares from us at the initial public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement solely to cover over-allotments.
Shareholder Approval	As of the date of this prospectus supplement, we do not have a sufficient number of authorized and unissued shares of Common Stock into which the Preferred Stock will convert. We have agreed in the underwriting agreement relating to this offering to use our commercially reasonable efforts to obtain the approval of the holders of our Common Stock to amend our certificate of incorporation to increase the number of authorized shares of Common Stock to permit the full conversion of the Preferred Stock into Common Stock (Shareholder Approval). On March 15, 2010, we mailed to our stockholders our proxy statement for our 2010 annual meeting, which is scheduled for May 4, 2010. At our 2010 annual meeting, our stockholders will consider and act upon a resolution to amend our certificate of incorporation to increase the authorized number of shares of Common Stock from 700,000,000 to 1,700,000,000 shares. If that resolution is approved by our stockholders at our 2010 annual meeting, that approval will constitute Shareholder Approval and the full conversion of the Preferred Stock into Common Stock will occur automatically on the fifth business day thereafter. If the Preferred Stock represented by the depositary shares has not been converted in full into Common Stock by September 15, 2010, special dividends on the Preferred Stock will be payable, when, as and if declared by our Board of Directors, as described below under Dividends , in addition to the as-if-converted dividends referred to below. Currently, we have suspended dividend payments on our Common Stock and existing preferred stock. We have no plans to resume these dividend payments. As a result, as an investor in the depositary shares representing the Preferred

Stock, you should not expect to receive any dividends in connection with your investment in the depositary shares or any Common Stock issued upon conversion of the Preferred Stock. See Risk Factors Risks Related to the Offering Dividends on our Common Stock and existing preferred stock have been suspended and you should not expect to receive funds in connection with your investment in the depositary shares representing the Preferred Stock or any Common Stock issued upon conversion without selling your shares.

Dividends

Holders of the depositary shares representing the Preferred Stock shall be entitled to receive, when, as and if declared by our Board of Directors, non-cumulative cash dividends or in kind distributions in the amount determined as follows:

As-if-converted dividends: Our Board of Directors may not declare and pay any dividend or make any distribution (including, but not limited to, regular quarterly dividends) in respect of our Common Stock, whether in the form of cash or securities or any other form of property or assets, unless our Board of Directors declares and pays a dividend or makes a distribution, as applicable, to the holders of the depositary shares representing the Preferred Stock at the same time and on the same terms as holders of the Common Stock, in an amount per share of Preferred Stock represented by the depositary shares equal to the product of (i) the dividend or distribution, as applicable, declared and paid or made in respect of each share of Common Stock and (ii) the number of shares of Common Stock into which such share of Preferred Stock represented by the depositary shares is then convertible.

Special dividends: In addition to the as-if-converted dividends described above, if the Preferred Stock represented by the depositary shares has not been converted in full into Common Stock by September 15, 2010, special dividends will be payable on the Preferred Stock represented by the depositary shares when, as and if declared by our Board of Directors, on March 15, June 15, September 15 and December 15 of each year (or the following business day if such day is not a business day), commencing December 15, 2010, and on the mandatory conversion date, at a rate of 13% per annum of the liquidation preference of the Preferred Stock represented by the depositary shares. To the extent payable and declared, such special dividends will accumulate during each dividend period from and including the immediately preceding dividend payment date (or in the case of the initial dividend period, if applicable, September 15, 2010) to but excluding the immediately succeeding dividend payment date. This rate will increase by an additional 1% on each six month anniversary of September 15, 2010, to a maximum rate equal to 16% per annum.

Dividends on the Preferred Stock represented by the depositary shares are non-cumulative. If our Board of Directors does not declare a dividend on the Preferred Stock represented by the depositary shares in respect of any dividend period, the holders will have no right to receive any dividend for that dividend period, and we will have no obligation to pay a dividend for that dividend period.

See Risk Factors Risks Relating to an Investment in our Securities Dividends on our Common Stock and preferred stock have been suspended and stockholders may not receive funds in connection with their investment in our Common Stock or preferred stock without selling their shares for a discussion of the suspension of dividends on our Common Stock and existing preferred stock and the conditions that must be satisfied before any dividend payments could be made.

Payment Restrictions	We may not pay dividends on, or redeem, purchase, or make a liquidation payment with respect to, any of our Common Stock unless full dividends on the Preferred Stock represented by the depositary shares have been paid for the latest completed dividend period. If we are unable to pay in full the dividends on the Preferred Stock and on any other shares of capital stock of equal rank as to the payment of dividends with the Preferred Stock, all dividends declared upon the Preferred Stock and any such other shares of capital stock will be declared pro rata. In this event, each share of Preferred Stock and of the other classes of capital stock of equal rank will receive dividends in the same proportion as the dividends on the Preferred Stock for the then current dividend period bears to the dividends on such other classes of equally ranked capital stock, which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such capital stock does not have a cumulative dividend.
Redemption	The Preferred Stock represented by the depositary shares is not redeemable.
Mandatory Conversion	Each share of Preferred Stock represented by the depositary shares will automatically convert into shares of our Common Stock (equivalent to a conversion rate of shares of Common Stock for each depositary share), subject to adjustment as described herein, on the fifth business day after which we have obtained Shareholder Approval, if applicable.
Reorganization Events	In the case of certain reorganization events affecting us, including mergers, each share of Preferred Stock represented by the depositary shares outstanding immediately prior to the reorganization event will remain outstanding and become convertible into the kind of securities, cash or other property receivable in the reorganization event by the holders of that number of shares of Common Stock into which shares of Preferred Stock represented by the depositary shares is then convertible. For more information, see Description of the Preferred Stock Reorganization Events.
Anti-dilution Adjustments	The conversion rate will be subject to adjustment upon certain events as described under Description of the Preferred Stock Anti-Dilution Adjustments.
Liquidation Rights	In the event of the liquidation, dissolution or winding up of Popular, Inc., holders of the Preferred Stock represented by the depositary shares then outstanding will be entitled to receive the greater of (i) the $1,000 liquidation preference per share of Preferred Stock represented by the depositary shares and (ii) the value of the number of shares of our Common Stock into which a share of Preferred Stock represented by the depositary shares would convert at the then applicable conversion rate if Shareholder Approval were obtained, plus an amount equal to the sum of

	all declared and unpaid dividends on the shares of Preferred Stock represented by the depositary shares. Holders of the depositary shares representing the Preferred Stock will be paid before any distribution of assets is made to holders of Common Stock or any stock ranking junior to the Preferred Stock.
Depositary Shares	We will deposit the Preferred Stock represented by the depositary shares with the depositary, which will be the record holder of the Preferred Stock. The holders of depositary shares will be required to exercise their proportional rights in the Preferred Stock through the

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	depositary. Following any conversion of the Preferred Stock into Common Stock, the depositary will deliver the Common Stock, and cash in lieu of fractional shares of Preferred Stock, that it receives from the conversion agent to the holders of the depositary shares on the books of the depositary in proportion to the number of depositary shares held by each holder. The depositary will distribute all cash dividends and distributions received on the Preferred Stock represented by the depositary shares to these holders on a pro rata basis. The depositary will vote the Preferred Stock in proportion to the instructions received from the holders of the related depositary shares and, to the extent it receives no such instructions, it will vote such depositary shares held by it proportionately with instructions received.
Ranking	The Preferred Stock represented by the depositary shares will rank senior to our Common Stock and equal to our existing outstanding series of preferred stock for purposes of dividend rights and the distribution of assets upon our liquidation. We may not issue preferred stock ranking senior to the Preferred Stock represented by the depositary shares without the approval of the holders of at least two-thirds of the outstanding aggregate liquidation preference of the Preferred Stock represented by the depositary shares and the other outstanding series of preferred stock ranking equally with the Preferred Stock represented by the depositary shares with similar voting rights, voting as a single class.
Voting Rights	Holders of the depositary shares representing the Preferred Stock will not have any voting rights, except as described under Description of the Preferred Stock Voting Rights.
Listing	We intend to apply to list the depositary shares representing the Preferred Stock on Nasdaq under the symbol .
Use of Proceeds	We intend to use the net proceeds of this offering for general corporate purposes, including investments in, or extensions of credit to, our subsidiaries to increase their capital. One anticipated use of the additional capital raised in this offering will be to position us to participate in FDIC-assisted transactions, although there can be no assurances that any such FDIC-assisted transactions will occur in which we are interested in bidding or, if one or more does occur, that we will be permitted to participate or, if we are permitted to participate, that we will be successful. See Use of Proceeds.
Risk Factors	Investing in the depositary shares representing the Preferred Stock involves risks. See Risk Factors in this prospectus supplement and the 2009 Form 10-K for a discussion of factors you should carefully consider before making a decision to invest in depositary shares representing the Preferred Stock in this offering.
Taxation	For a discussion of certain U.S. Federal and Puerto Rico income tax considerations of purchasing, owning, converting and disposing of the

depositary shares representing the Preferred Stock and of owning and disposing of any Common Stock into which the Preferred Stock will automatically convert upon Shareholder Approval, see Taxation in this prospectus supplement. Dividends paid to Non-U.S. Holders are generally not subject to U.S. Federal withholding tax.

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RISK FACTORS

You should carefully consider the risks described below, and all of the information contained and incorporated by reference in this prospectus supplement and the accompanying prospectus, before you decide whether to invest in the depositary shares representing the Preferred Stock.

Risks Relating to the Business Environment and Our Industry

Weakness in the economy and in the real estate market in the geographic footprint of Popular has adversely impacted and may continue to adversely impact Popular.

A significant portion of our financial activities and credit exposure is concentrated in the Commonwealth of Puerto Rico (the Island) and the Island s economy continues to deteriorate.

Since 2006, the Puerto Rico economy has been experiencing recessionary conditions. Based on information published by the Puerto Rico Planning Board, the Puerto Rico real gross national product decreased 3.7% during the fiscal year ended June 30, 2009.

The Commonwealth of Puerto Rico government is currently addressing a fiscal deficit which has been estimated at approximately $3.2 billion or over 30% of its annual budget. It is implementing a multi-year budget plan for reducing the deficit, as its access to the municipal bond market and its credit ratings depend, in part, on achieving a balanced budget. Some of the measures implemented by the government include reducing expenses, including public-sector employment through employee layoffs. Since the government is an important source of employment on the Island, these measures could have the effect of intensifying the current recessionary cycle. The Puerto Rico Labor Department reported an unemployment rate of 14.3% for December 2009, compared with an unemployment rate of 13.1% for December 2008.

This decline in the Island s economy has resulted in, among other things, a downturn in our loan originations; an increase in the level of our non-performing assets, loan loss provisions and charge-offs, particularly in our construction and commercial loan portfolios; an increase in the rate of foreclosure loss on mortgage loans; and a reduction in the value of our loans and loan servicing portfolio, all of which have adversely affected our profitability. If the decline in economic activity continues, there could be further adverse effects on our profitability.

The economy of Puerto Rico is very sensitive to the price of oil in the global market. The Island does not have significant mass transit available to the public and most of its electricity is powered by oil, making it highly sensitive to fluctuations in oil prices. A substantial increase in its price could impact adversely the economy of Puerto Rico by reducing disposable income and increasing the operating costs of most businesses and government. Consumer spending is particularly sensitive to wide fluctuations in oil prices.

The level of real estate prices in Puerto Rico had been more stable than in other U.S. markets, but the current economic environment has accelerated the devaluation of properties and has increased portfolio delinquency when compared with previous periods. Additional economic weakness in Puerto Rico and the U.S. mainland could further pressure residential property values, loan delinquencies, foreclosures and the cost of repossessing and disposing of real estate collateral. The housing market has suffered a substantial slowdown in sales activity in recent quarters, as reflected in the low absorption rates of projects financed in our construction loan portfolio.

The current state of the economy and uncertainty in the private and public sectors has had an adverse effect on the credit quality of our loan portfolios. The persistent economic slowdown is expected to cause those adverse effects to continue, as delinquency rates may increase in the short-term, until sustainable growth resumes. Also, a potential reduction in consumer spending may also impact growth in our other interest and non-interest revenues.

However, in 2010, the Puerto Rico economy should benefit from the disbursement of approximately $2.5 billion from the American Recovery and Reinvestment Act of 2009 (ARRA) and $280.3 million from the Commonwealth s local stimulus package.

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Difficult market conditions have adversely affected the financial industry and our results of operations and financial condition.

Market instability and lack of investor confidence have led many lenders and institutional investors to reduce or cease providing funding to borrowers, including other financial institutions. This has led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity in general. The resulting economic pressures on consumers and uncertainty about the financial markets have adversely affected our industry and our business, results of operations and financial condition. We do not expect a material improvement in the financial environment in the near future. A worsening of these difficult conditions would exacerbate the economic challenges facing us and others in the financial industry. In particular, we face the following risks in connection with these events:

We expect to face increased regulation of our industry, including as a result of the EESA. Compliance with these regulations may increase our costs and limit our ability to pursue business opportunities.

Our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage and underwrite our customers become less predictive of future behavior.

The processes we use to estimate losses inherent in our credit exposure require difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The reliability of these processes might be compromised if these variables are no longer capable of accurate estimation.

Competition in our industry could intensify as a result of increasing consolidation of financial services companies in connection with current market conditions.

The FDIC increased the assessments that we have to pay on our insured deposits during 2009 because market developments have led to a substantial increase in bank failures and an increase in FDIC loss reserves, which in turn has led to a depletion of the FDIC insurance fund reserves. We may be required to pay in the future significantly higher FDIC assessments on our deposits if market conditions do not improve or continue to deteriorate.

We may suffer higher credit losses because of federal or state legislation or other regulatory action that either (i) reduces the amount that our borrowers are required to pay us, or (ii) limits our ability to foreclose on properties or collateral or makes foreclosures less economically viable.

Legislative and regulatory actions taken now or in the future to address market conditions in the financial industry may significantly affect our financial condition, results of operations, liquidity or stock price.

Current economic conditions, particularly in the financial markets, have resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the financial services industry. The U.S. Government has intervened on an unprecedented scale, responding to what has been commonly referred to as the financial crisis. Several funding and capital programs by the Federal Reserve Board and the U.S. Treasury were launched in 2008 and 2009, with the objective of enhancing financial institutions ability to raise liquidity. It is expected that these programs may have the effect of increasing the degree or nature of regulatory supervision to which we are subjected. Furthermore, recent economic and market events have led to numerous proposals for legislative and regulatory reform that could substantially intensify the regulation of the financial services industry and that may significantly impact us. The proposals include the following:

Establishing a federal consumer financial protection agency that would have, among other things, broad authority to regulate, and take enforcement actions against, providers of credit, savings, payment and other consumer financial products and services.

Requiring heightened scrutiny and stricter regulation of any financial institution whose combination of size, leverage and interconnectedness could pose a threat to financial stability if it failed, restricting the activities of such institutions, and allowing regulators to dismantle large or systemically important banks and financial institutions, even healthy ones, if they are considered a grave risk to the economy.

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Requiring large financial institutions to contribute to a fund that would be used to recover the cost of dismantling a bank or financial institution that is dismantled because it poses a grave risk to the economy.

Changing requirements for the securitization market, including requiring sponsors of securitizations to retain a material economic interest in the credit risk associated with the underlying securitization, as well as enhanced disclosure requirements for asset securitizations.

Tightening controls on the ability of banking institutions to engage in transactions with affiliates.

Assessing financial institutions with over $50 billion in consolidated assets with a financial crisis responsibility fee assessed at approximately 15 basis points of total assets (less Tier 1 capital and less FDIC-assessed deposits). The fee as proposed would last for at least the next ten years and has been proposed for the purpose of recovering projected losses from the TARP.

Limiting the size and activities of financial institutions, including proposals to repeal portions of the Gramm-Leach-Bliley Act. Amending regulatory capital standards, and increasing regulatory capital requirements, for banks and other financial institutions and establishing new formulaic liquidity requirements applicable to financial institutions, including those proposals described in the 2009 Form 10-K under Regulation and Supervision Capital Adequacy.

Establishing heightened standards for and increased scrutiny of compensation policies at financial institutions.

Lawmakers and regulators in the United States and worldwide continue to consider these and a number of other wide-ranging and comprehensive proposals for altering the structure, regulation and competitive relationships of financial institutions. For example, separate comprehensive financial reform plans could, if enacted, further substantially increase regulation of the financial services industry and impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Bills were introduced in both houses of Congress in the second half of 2009, and the U.S. House of Representatives passed a financial reform bill in December of 2009, but similar action has not been taken by the U.S. Senate. We cannot predict the substance final form, or impact effects on Popular, of these pending or future legislation, regulation or the application thereof. These and other potential regulation and scrutiny mayor proposed legislative and regulatory changes could significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and, limit our ability to pursue business opportunities in an efficient manner or otherwise adversely affect our results of operations or earnings.

The imposition of additional property tax payments in Puerto Rico may further deteriorate our commercial, consumer and mortgage loan portfolios.

On March 9, 2009, the Governor of Puerto Rico signed into law the Special Act Declaring a State of Fiscal Emergency and Establishing an Integral Plan of Fiscal Stabilization to Save Puerto Rico s Credit, Act No. 7. The Act imposes a series of temporary and permanent measures, including the imposition of a 0.591% special tax applicable to properties used for residential (excluding those exempt as detailed in the Act) and commercial purposes, and payable to the Puerto Rico Treasury Department. This temporary measure is effective for tax years that commenced after June 30, 2009 and before July 1, 2012. The imposition of this special property tax could adversely affect the disposable income of borrowers from the commercial, consumer and mortgage loan portfolios and may cause an increase in our delinquency and foreclosure rates.

Financial results are constantly exposed to market risk.

Market risk refers to the probability of variations in the net interest income or the market value of assets and liabilities due to interest rate volatility. Despite the varied nature of market risks, the primary source of this risk to us is the impact of changes in interest rates on net interest income.

Net interest income is the difference between the revenue generated on earning assets and the interest cost of funding those assets. Depending on the duration and repricing characteristics of the assets, liabilities and off-balance sheet items, changes in interest rates could either increase or decrease the level of net interest income. For

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any given period, the pricing structure of the assets and liabilities is matched when an equal amount of such assets and liabilities mature or reprice in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A positive gap denotes asset sensitivity, which means that an increase in interest rates could have a positive effect on net interest income, while a decrease in interest rates could have a negative effect on net interest income. As of December 31, 2009, we had a positive gap position.

The Federal Reserve Board lowered the federal funds target rate from 4.25% at the beginning of 2008 to between 0% and 0.25% at December 31, 2008. This was one of various measures implemented by the Federal Reserve Board to improve the flow of credit throughout the financial system. Given that the level of short-term rates is close to zero, a concern in the markets has been when may monetary policy be tightened again and the possible impact on the financial markets. The future outlook on interest rates and their impact on Popular s interest income, interest expense and net interest income is uncertain. The federal funds target rate stayed between 0% to 0.25% throughout 2009.

We usually run our net interest income simulations under interest rate scenarios in which the yield curve is assumed to rise and decline gradually by the same amount, usually 200 basis points. Given the fact that as of year-end 2009, some short-term rates were close to zero and some term interest rates were below 2.0%, management has decided to focus measuring the risk of net interest income in rising rate scenarios. The rising rate scenarios used in our market risk disclosure reflect gradual parallel changes of 200 and 400 basis points during the twelve-month period ending December 31, 2010. Projected net interest income under the 200 basis points rising rate scenario increases by $59.8 million while the 400 basis points simulation increases by $103.2 million. These scenarios were compared against our flat interest rates forecast.

The market disruptions has led us to reduce substantially the use of unsecured short-term borrowings. They have been largely replaced with deposits and long-term secured borrowings, and to a lesser extent, long-term unsecured debt. Therefore, the cost of the liabilities of Popular does not respond as quickly to changes in the levels of interest rates. Our Asset Liability Management Committee (ALCO) committee regularly reviews our interest rate risk and initiates any action necessary to maintain our potential volatility within limits.

The economic hedging transactions that we enter into may not be effective in managing the exposure to market risk, including interest rate risk.

We use derivatives, to a limited extent, to manage part of the exposure to market risk caused by changes in interest rates or basis risk. The derivative instruments that we may utilize also have their own risks, which include: (1) basis risk, which is the risk of loss associated with variations in the spread between the asset yield and funding and/or hedge cost; (2) credit or default risk, which is the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations there under; and (3) legal risk, which is the risk that Popular is unable to enforce certain terms of such instruments. All or any of such risks could expose Popular to losses.

Higher market volatility in the capital markets could impact the performance of our hedging transactions. Most hedging activity is related to protecting the market value of mortgage loans that are segregated for future sale and derivatives positions to hedge the cost of liabilities issued or derivative positions with banking clients.

Risks Relating to our Business

We may engage in FDIC-assisted transactions, which could present additional risks to our business.

We may have opportunities to acquire the assets and liabilities of failed banks in FDIC-assisted transactions. Although these transactions typically provide for FDIC assistance to an acquirer to mitigate certain risks, such as sharing exposure to loan losses and providing indemnification against certain liabilities of the failed institution, we would still be subject to some of the same risks we would face in acquiring another bank in a negotiated transaction, including risks associated with maintaining customer relationships and failure to realize the anticipated acquisition benefits in the amounts and within the timeframes we expect. In addition, because these transactions are structured in a manner that would not allow bidders the time and access to information normally associated with preparing for and evaluating a negotiated transaction, we may face additional risks in FDIC-assisted transactions.

We expect that the FDIC and our primary regulators would condition our ability to acquire a failed depository institution on compliance by us with additional requirements.

As the agency responsible for resolving failed depository institutions, the FDIC has the discretion to determine whether a party is qualified to bid on a failed institution. In addition, our primary regulators, the Office of the Commissioner of Financial Institutions of Puerto Rico and the Federal Reserve, must approve our acquisition of any depository institution. The FDIC and our primary regulators are expected to impose conditions on us in connection with approving such an acquisition. Currently, we expect that we would be required to improve our Tier I capital condition by the equivalent of approximately $1.4 billion (including the Tier I capital raised by the issuance of the depositary shares representing the Preferred Stock in this offering) in order to receive the approval of the FDIC and our primary regulators to consummate an acquisition of a failed depository institution. We would expect to covenant, in connection with our participation in an FDIC-assisted transaction, to raise the additional capital through the sale of assets, including a sale of our EVERTEC subsidiary, Banco Popular s merchant banking business and certain other of our financial transaction processing and technology services operations, but if we are not able to raise the additional capital from the sale of assets, we would be required to issue additional Tier I capital securities, including Common Stock or preferred stock, to meet those requirements. No assurances can be given that we would be able to issue additional Tier 1 capital securities. Such further equity issuances would further dilute the existing holders of our Common Stock, including the investors in this offering.

If we were to sell all or a controlling interest in our EVERTEC business to a third party, we may no longer have access to the financial transaction processing and technology services that EVERTEC provides or may be obligated to obtain those services at a higher cost.

We are considering a strategic transaction involving our EVERTEC subsidiary, Banco Popular s merchant banking business and certain other of our financial transaction processing and technology services operations in Puerto Rico, the United States mainland, and elsewhere in the Caribbean and Latin America. A strategic transaction involving EVERTEC and these other businesses could involve a sale to a third party or a strategic investment by a third party with our retaining an ownership interest. Even though we currently expect to enter into a long-term services contract as part of any transaction, if we were successful in consummating such a transaction, there can be no assurances that the third party will continue to provide our other businesses with the financial transaction processing and technology services that they currently receive from EVERTEC. In addition, in order to maximize the proceeds we would receive in the transaction, we may agree to purchase the same services we receive from EVERTEC currently at a substantially higher cost than we currently pay.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. There can be no assurance that any such losses would not materially and adversely affect our results of operations or earnings.

We have procedures in place to mitigate the impact of a default among our counterparties. We request collateral for most credit exposures with other financial institutions and monitor these on a regular basis. Nonetheless, market volatility could impact the valuation of collateral held by us and results in losses.

Our ability to raise financing is dependent in part on market confidence. In times when market confidence is affected by events related to well-known financial institutions, risk aversion among participants increases substantially and makes it more difficult to borrow in the credit markets. Our credit ratings have been reduced substantially during the past year, and our senior unsecured ratings are now non-investment grade with the three major rating agencies. This may make it more difficult for Popular to borrow in the capital markets and at much higher cost.

Prolonged economic weakness, a continuing decline in the real estate market in the U.S. mainland, and disruptions in the capital markets have harmed and could continue to harm the results of operations of Popular.

The residential mortgage loan origination business has historically been cyclical, enjoying periods of strong growth and profitability followed by periods of shrinking volumes and industry-wide losses. Bust cycles in the housing sector affect our business by decreasing the volume of loans originated and increasing the level of credit losses related to our mortgage loans.

The housing market in the U.S. is undergoing a correction of historic proportions. After a period of several years of booming housing markets, fueled by liberal credit conditions and rapidly rising property values, since early 2007 the sector has been in the midst of a substantial dislocation. This dislocation has had a significant impact on some of our U.S.-based business segments and has affected our ongoing financial results and condition. The general level of property values in the U.S., as measured by several indices widely followed by the market, has declined significantly. These declines are the result of ongoing market adjustments that are aligning property values with income levels and home inventories. The supply of homes in the market increased substantially, and property value decreases were required to clear the overhang of excess inventory in the U.S. market. Recent indicators suggest that after a material price correction, the U.S. real estate market may be entering a period of relative stability. Nonetheless, further declines in property values could impact the credit quality of our U.S. mortgage loan portfolio because the value of the homes underlying the loans is a primary source of repayment in the event of foreclosure. In the event of foreclosure in a loan from this portfolio, the current market value of the underlying collateral could be insufficient to cover the loan amount owed.

Any sustained period of increased delinquencies, foreclosures or losses harms our ability to sell loans, the prices it receives for loans sold, and the values of our mortgage loans held-for-sale. In addition, any material decline in real estate values would weaken Popular s collateral loan-to-value ratios and increase the possibility of loss if a borrower defaults. In such event, we will be subject to the risk of loss on such mortgage assets arising from borrower defaults.

We maintain exposure in our U.S. loan portfolio to the housing sector. As of December 31, 2009, we had $4.6 billion in residential mortgage loans in portfolio, of which $1.5 billion was located in the continental U.S. Further housing value declines in the U.S. would impact the level of losses in this portfolio. Also, we have exposure to individuals in the form of home equity loans, home equity lines of credit or HELOCs , and second mortgages, which because of declining home values have become in effect unsecured consumer loans. As of December 31, 2009, these U.S. portfolios amounted to $870 million. These portfolios are sensitive to the economic cycle in the U.S., and a further deterioration of the economy and employment conditions in the mainland would affect the level of losses from this exposure.

Popular operates in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations.

Popular is subject to extensive regulation, supervision and examination by federal and Puerto Rico banking authorities. Any change in applicable federal or Puerto Rico laws or regulations could have a substantial impact on our operations. Additional laws and regulations may be enacted or adopted in the future that could significantly affect Popular s powers, authority and operations, which could have a material adverse effect on Popular s financial condition and results of operations. Further, regulators in the performance of their supervisory and enforcement duties, have significant discretion and power to prevent or remedy unsafe and unsound practices or violations of laws by banks and bank holding companies. The exercise of this regulatory discretion and power may have a negative impact on Popular.

Competition with other financial institutions could adversely affect our profitability.

We face substantial competition in originating loans and in attracting deposits. The competition in originating loans comes principally from other U.S., Puerto Rico and foreign banks, mortgage banking companies, consumer finance companies, insurance companies and other institutional lenders and purchasers of loans.

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In Puerto Rico, competition is primarily from other local depository institutions and from the local operations of several global foreign and domestic banks. As a group they compete in all segments of the market and present a formidable source of competition for Popular. Competition is particularly acute in the market for deposits, where pricing is very aggressive.

In the U.S., competition is primarily from community banks operating in our footprint together with the national banking institutions. These include institutions with much more resources than we have and can exert substantial competitive pressure.

Increased competition could require that we increase the rates offered on deposits or lower the rates charged on loans, which could adversely affect our profitability.

The banking market in Puerto Rico experienced some consolidations on the past two decades, as a result of bank failures and voluntary intra-market transactions. Even though some institutions are no longer in existence as a result of the consolidation process, there remain six publicly-traded local banking institutions, as well as a non-public local banking institution, three foreign global banks and a major domestic institution competing in the Puerto Rico market. Some industry experts have commented that further consolidation in the Puerto Rico banking industry may be necessary or imminent. Although management may decide that our involvement in the consolidation of the Puerto Rico banking industry may be in our best interest, there can be no assurances that we could successfully complete a transaction, or if we did, that we could successfully integrate the operations of another banking institution into our own operations without incurring substantial disruptions to our business.

We are subject to default risk in our loan portfolio.

We are subject to the risk of loss from loan defaults and foreclosures with respect to the loans originated or acquired. We establish provisions for loan losses, which lead to reductions in the income from operations, in order to maintain the allowance for loan losses at a level which is deemed appropriate by management based upon an assessment of the quality of the loan portfolio in accordance with established procedures and guidelines. This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments about the future, including forecasts of economic and market conditions that might impair the ability of our borrowers to repay the loans. There can be no assurance that management has accurately estimated the level of future loan losses or that Popular will not have to increase the provision for loan losses in the future as a result of future increases in non-performing loans or for other reasons beyond our control. Any such increases in our provisions for loan losses or any loan losses in excess of our provisions for loan losses would have an adverse effect on our future financial condition and result of operations. We will continue to evaluate our allowance for loan losses and may be required to increase such amounts, perhaps substantially.

We may have more credit risk and higher credit losses due to our construction and commercial loans portfolios.

We have a significant portfolio in construction and commercial loans, mostly secured by commercial and residential real estate properties. Due to their nature, these loans entail a higher credit risk than consumer and residential mortgage loans, since they are larger in size, may have less collateral coverage, concentrate more risk in a single borrower and are generally more sensitive to economic downturns. Rapidly changing collateral values, general economic conditions and numerous other factors continue to create volatility in the housing markets and have increased the possibility that additional losses may have to be recognized with respect to our current non-performing assets. Furthermore, given the current slowdown in the real estate market, the properties securing these loans may be difficult to dispose of, if foreclosed.

We depend on the accuracy and completeness of information about customers and counterparties, and inaccurate or incomplete information could negatively impact our financial condition and results of operations.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information provided to us by customers and counterparties, including financial statements and other financial information. We may also rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to a business, we may assume that the customer s audited financial statements conform to Generally Accepted Accounting Principles (GAAP) and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. We may also rely on the audit report covering those financial statements. Popular s financial conditions and results of operations could be negatively impacted to the extent we rely on financial statements that do not comply with GAAP or are materially misleading.

Rating downgrades on the government of Puerto Rico s debt obligations could affect the value of our loans to the government and our portfolio of Puerto Rico government securities.

Even though Puerto Rico s economy is closely integrated to that of the U.S. mainland and its government and many of its instrumentalities are investment grade-rated borrowers in the U.S. capital markets, the fiscal situation of the Government of Puerto Rico has led nationally recognized rating agencies to downgrade its debt obligations.

As a result of the Central Government s fiscal challenges in 2006, Moody s and S&P then downgraded the rating of its obligations, maintaining them within investment-grade levels. Since then, actions by the Government have improved the credit outlook. As of December 31, 2007, S&P rated the Government s general obligations at BBB-, while Moody s rated them at Baa3- both in the lowest notch of investment grade. In November 2007, Moody s upgraded the outlook of the Commonwealth s credit ratings to stable from negative , recognizing the progress that the Commonwealth has made in addressing the fiscal challenges it had faced in recent years. The Commonwealth is currently implementing a multi-year budget plan to address the deficit. While Moody s Baa3 rating and S&P s BBB-minus take into consideration Puerto Rico s fiscal challenges both ratings stand one notch above non-investment grade other factors could trigger an outlook change, such as the inability to successfully complete the implementation of the multiyear fiscal plan to bring the Central Government s budget back into balance, pursuant to Act No. 7 of the Commonwealth of P.R.

Factors such as the government s ability to implement meaningful steps to control operating expenditures and maintain the integrity of the tax base will be key determinants of future ratings stability. Also, the inability to agree on future fiscal year Commonwealth budgets could result in ratings pressure from the rating agencies. It is uncertain how the financial markets may react to any potential future ratings downgrade in Puerto Rico s debt obligations. However, deterioration in the fiscal situation with possible negative ratings implications, could adversely affect the value of Puerto Rico s Government obligations.

At December 31, 2009, we had $1.1 billion of credit facilities granted to or guaranteed by the Puerto Rico Government and its political subdivisions, of which $215 million were uncommitted lines of credit. Of these total credit facilities granted, $994 million were outstanding at December 31, 2009. A substantial portion of our credit exposure to the Government of Puerto Rico is either collateralized loans or obligations that have a specific source of income or revenues identified for its repayment. Some of these obligations consist of senior and subordinated loans to public corporations that obtain revenues from rates charged for services or products, such as water and electric power utilities. Public corporations have varying degrees of independence from the Central Government and many receive appropriations or other payments from it. We also have loans to various municipalities for which the good faith, credit and unlimited taxing power of the applicable municipality has been pledged to their repayment. These municipalities are required by law to levy special property taxes in such amounts as shall be required for the payment of all of its general obligation bonds and loans. Another portion of these loans consists of special obligations of various municipalities that are payable from the basic real and personal property taxes collected within such municipalities. The good faith and credit obligations of the municipalities have a first lien on the basic property taxes.

Furthermore, as of December 31, 2009, we had outstanding $263 million in Obligations of Puerto Rico, States and Political Subdivisions as part of our investment portfolio. Of that total, $258 million was exposed to the creditworthiness of the Puerto Rico Government and its municipalities. Of that portfolio, $55 million are in the form of Puerto Rico Commonwealth Appropriation Bonds, of which $45 million are rated Ba1, one notch below investment grade, by Moody s, while S&P rates them as investment grade. As of December 31, 2009, the Puerto Rico Commonwealth Appropriation Bonds represented approximately $0.6 million in unrealized losses in the investment securities available-for-sale and held-to-maturity portfolios. We continue to closely monitor the political and economic situation of the Island and evaluates the portfolio for any declines in value that management may consider being other-than-temporary.

We are exposed to credit risk from mortgage loans that have been sold subject to recourse arrangements.

Popular is generally at risk for mortgage loan defaults from the time it funds a loan until the time the loan is sold or securitized into a mortgage-backed security. In the past, we have retained, through recourse arrangements, part of the credit risk on sales of mortgage loans, and we also service certain mortgage loan portfolios with recourse. Consequently, we may suffer losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing of the related property.

Defective and repurchased loans may harm our business and financial condition.

In connection with the sale and securitization of loans, we are required to make a variety of customary representations and warranties regarding Popular and the loans being sold or securitized. Our obligations with respect to these representations and warranties are generally outstanding for the life of the loan, and they relate to, among other things:

- compliance with laws and regulations;
- underwriting standards;
- the accuracy of information in the loan documents and loan file; and
- the characteristics and enforceability of the loan.

A loan that does not comply with these representations and warranties may take longer to sell, may impact our ability to obtain third-party financing for the loan, and be unsaleable or saleable only at a significant discount. If such a loan is sold before we detect non-compliance, we may be obligated to repurchase the loan and bear any associated loss directly, or we may be obligated to indemnify the purchaser against any loss, either of which could reduce our cash available for operations and liquidity. Management believes that it has established controls to ensure that loans are originated in accordance with the secondary market s requirements, but mistakes may be made, or certain employees may deliberately violate our lending policies. We seek to minimize repurchases and losses from defective loans by correcting flaws, if possible, and selling or re-selling such loans. We have established specific reserves for possible losses related to repurchases resulting from representation and warranty violations on specific portfolios. Nonetheless, we do not expect any such losses to be significant, although if they were to occur, they could adversely impact our results of operations or financial condition.

The economic recession could reduce demand for our products and services and lead to lower revenue and lower earnings.

Popular earns revenue from the interest and fees we charge on the loans and other products and services we sell. As the economy worsens and consumer and business spending decreases and unemployment rises, the demand for those products and services can fall, reducing our interest and fee income and our earnings. These same conditions can also hurt the ability of our borrowers to repay their loans, causing us to incur higher credit losses.

Increases in FDIC insurance premiums may have a material adverse effect on our earnings.

During 2008 and continuing in 2009, higher levels of bank failures have dramatically increased resolution costs of the FDIC and depleted the Deposit Insurance Fund (DIF). In addition, the FDIC instituted two temporary programs, to further insure customer deposits at FDIC-member banks: deposit accounts are now insured up to $250,000 per customer (up from $100,000) and non-interest-bearing transaction accounts are fully insured (unlimited coverage) as a result of our participation in the Transaction Account Guarantee Program (TAGP). These programs have placed additional stress on the DIF.

In order to maintain a strong funding position and restore reserve ratios of the DIF, the FDIC increased assessment rates of insured institutions uniformly by 7 cents for every $100 of deposits beginning with the first quarter of 2009, with additional changes in April 1, 2009, which required riskier institutions to pay a larger share of premiums by factoring in rate adjustments based on, among other things, secured liabilities and unsecured debt levels. In May 2009, the FDIC adopted a final rule, effective June 30, 2009, that imposed a special assessment of 5 cents for every $100 on each insured depository institution s assets minus its Tier 1 capital as of June 30, 2009, subject to a cap equal to 10 cents per $100 of assessable deposits for the second quarter 2009 risk-based capital assessment. This special assessment applied to us and resulted in a $16.7 million expense in our second quarter of 2009. On November 12, 2009, the FDIC adopted a rule requiring banks to prepay three years worth of premiums to replenish its depleted insurance fund. In December 30, 2009, Popular prepaid $221 million and reduced our year-end liquidity at our banking subsidiaries.

We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures or our capital position is further impaired, we may be required to pay even higher FDIC premiums than the recently increased levels. Our expenses for 2009 were significantly and adversely affected by these increased premiums. These announced increases and any future increases or special assessments may materially adversely affect our results of operations.

Popular income tax provision and other tax liabilities may be insufficient if taxing authorities are successful in asserting tax positions that are contrary to our position.

From time to time, we are audited by various federal, state and local authorities regarding income tax matters. Significant judgment is required to determine Popular s provision for income taxes and our liabilities for federal, state, local and other taxes. Popular s audits are in various stages of completion; however, no outcome for a particular audit can be determined with certainty prior to the conclusion of the audit, appeal and, in some cases, litigation process. Although we believe our approach to determine the appropriate tax treatment is supportable and in accordance with ASC Topic 740 Income taxes , it is possible that the final tax authority may take a tax position that is materially different than that which is reflected in Popular s income tax provision and other tax reserves. As each audit is conducted, adjustments, if any, are appropriately recorded in our Consolidated Financial Statements in the period determined. Such differences could have a material adverse effect on Popular s income tax provision or benefit, or other tax reserves, in the reporting period in which such determination is made and, consequently, on the results of operations, financial position and/or cash flows for such period.

Goodwill impairment could have a material adverse effect on our financial condition and future results of operations.

We performed our annual goodwill impairment evaluation for the entire organization during the third quarter of 2009 using July 31, 2009 as the annual evaluation date. Based on the results of the analysis, we concluded that there was no goodwill impairment as of that date. The fair value determination for each reporting unit performed to determine if potential goodwill impairment exists requires management to make estimates and assumptions. Critical assumptions that are used as part of these evaluations include:

- selection of comparable publicly traded companies, based on nature of business, location and size;
- selection of comparable acquisition and capital raising transactions;
- the discount rate applied to future earnings, based on an estimate of the cost of equity;
- the potential future earnings of the reporting unit; and
- market growth and new business assumptions.

In addition, as part of the monitoring process, management performed an assessment for BPNA at December 31, 2009. The results of the assessment at December 31, 2009 indicated that the implied fair value of goodwill exceeded the goodwill carrying amount, resulting in no goodwill impairment. The results obtained in the December 31, 2009 assessment were consistent with the results of the annual impairment test performed in the third quarter of 2009. It is possible that the assumptions and conclusions regarding the valuation of our reporting units could change adversely and could result in the recognition of goodwill impairment. Such impairment could have a material adverse effect on our future results of operations. As of December 31, 2009, we had approximately $604 million of goodwill remaining on our balance sheet, of which $402 million was related to BPNA. Declines in our market capitalization would increase the risk of goodwill impairment in 2010.

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Popular may face significant operational risk.

Popular is exposed to many types of operational risk, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. Negative public opinion can result from Popular s actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and keep customers and can expose us to litigation and regulatory action.

We establish and maintain systems of internal operational controls that provide us with timely and accurate information about our level of operational risk. While not foolproof, these systems have been designed to manage operational risk at appropriate, cost-effective levels. Procedures exist that are designed to ensure that policies relating to conduct, ethics, and business practices are followed. While we continually monitor and improve the system of internal controls, data processing systems, and corporate-wide processes and procedures, there can be no assurance that future losses will not occur.

Failure to maintain effective internal controls over financial reporting in the future could impair our ability to accurately and timely report our financial results or prevent fraud, resulting in loss of investor confidence and adversely affecting our business and stock price.

Effective internal controls over financial reporting are necessary to provide reliable financial reports and prevent fraud. As a financial holding company, we are subject to regulation that focuses on effective internal controls and procedures. Management continually seeks to improve these controls and procedures.

Management believes that our key internal controls over financial reporting are currently effective; however, such controls and procedures will be modified, supplemented, and changed from time to time as necessitated by our growth and in reaction to external events and developments. While Management will continue to assess our controls and procedures and take immediate action to remediate any future perceived gaps, there can be no guarantee of the effectiveness of these controls and procedures on an on-going basis. Any failure to maintain in the future an effective internal control environment could impact our ability to report our financial results on an accurate and timely basis, which could result in regulatory actions, loss of investor confidence, and adversely impact our business and stock price.

Popular uses insurance to manage a number of risks, however not all risks might be insured or insurance may be inadequate to cover all losses.

We use insurance to manage a number of risks, including damage or destruction of property, legal and other liability, and certain types of credit risks. Not all such risks are insured, in any given insured situation our insurance may be inadequate to cover all loss, and many risks we face are uninsurable. For those risks that are insured, we also face the risks that the insurer may default on its obligations or that the insurer may refuse to honor them. We treat the former risk by conducting due diligence reviews on the insurers that we use and by striving to use more than one insurer when feasible and practical. The risk of refusal, whether due to honest disagreement or bad faith, is inherent in any contractual situation.

A portion of our retail loan portfolio involves mortgage default insurance. If a default insurer were to experience a significant credit downgrade or were to become insolvent, that could adversely affect the carrying value of loans insured by that company, which could result in an immediate increase in our loan loss provision or write-down of the carrying value of those loans on our balance sheet and, in either case, a corresponding impact on our financial results.

If many default insurers were to experience downgrades or insolvency at the same time, the risk of a financial impact would be amplified and the disruption to the default insurance industry could curtail our ability to originate new loans that need such insurance, which would result in a loss of business for us.

We rely on our systems, employees and certain counterparties, and certain failures could materially adversely affect our operations.

Our businesses are dependent on our ability to process, record and monitor a large number of transactions. If any of our financial, accounting, or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. We are similarly dependent on our employees. We could be materially adversely affected if one of our employees causes a significant operational break-down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. Third parties with which we do business could also be sources of operational risk to us, including relating to breakdowns or failures of such parties own systems or employees. Any of these occurrences could diminish our ability to operate one or more of our businesses, or result in potential liability to clients, reputational damage and regulatory intervention, any of which could materially adversely affect us.

If personal, confidential or proprietary information of customers or clients in our possession were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or where such information is intercepted or otherwise inappropriately taken by third parties.

We may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses or electrical or telecommunications outages, natural disasters, disease pandemics or other damage to property or physical assets. Such disruptions may give rise to losses in service to customers and loss or liability to us. In addition, there is the risk that our controls and procedures as well as business continuity and data security systems prove to be inadequate. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation, regulatory fines or penalties or losses not covered by insurance.

Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risk, which could negatively affect us.

Management of risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. We have devoted resources to develop our risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our policies and procedures may not be comprehensive enough given current market conditions. Some of our methods for managing risk and exposures are based upon the use of observed historical market behavior or statistically based on historical models. As a result, these methods may not fully predict future exposures, which could be significantly greater than our historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated.

Our business could suffer if we are unable to attract, retain and motivate skilled senior leaders.

Our success depends, in large part, on our ability to retain key senior leaders, and competition for such senior leaders can be intense in most areas of our business. The executive compensation provisions of the EESA, including amendments to such provisions implemented under the American Recovery and Reinvestment Act of 2009, are expected to limit the types of compensation arrangements that Popular may enter into with our most senior leaders upon adoption of implementing standards by the U.S. Treasury. Our compensation practices are subject to review and oversight by the Federal Reserve Board. We also may be subject to limitations on compensation practices by the FDIC or other regulators, which may or may not affect our competitors. Limitations on our compensation practices could have a negative impact on our ability to attract and retain talented leaders in support of our long term strategy.

Our compensation practices are subject to oversight by the Federal Reserve Board. Any deficiencies in our compensation practices may be incorporated into our supervisory ratings, which can affect our ability to make acquisitions or perform other actions.

Our compensation practices are subject to oversight by the Federal Reserve Board. In October 2009, the Federal Reserve Board issued a comprehensive proposal on incentive compensation policies that applies to all banking organizations supervised by the Federal Reserve Board, including Popular and our banking subsidiaries. The proposal sets forth three key principles for incentive compensation arrangements that are designed to help ensure that incentive compensation plans do not encourage excessive risk-taking and are consistent with the safety and soundness of banking organizations. The three principles provide that a banking organization s incentive compensation arrangements should provide incentives that do not encourage risk-taking beyond the organization s ability to effectively identify and manage risks, be compatible with effective internal controls and risk management, and be supported by strong corporate governance. The proposal also contemplates a detailed review by the Federal Reserve Board of the incentive compensation policies and practices of a number of large, complex banking organizations. Any deficiencies in compensation practices that are identified may be incorporated into the organization s supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The proposal provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization s safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies. Separately, the FDIC has solicited comments on whether to amend its risk-based deposit insurance assessment system to potentially increase assessment rates on financial institutions with compensation programs that put the FDIC deposit insurance fund at risk, and proposed legislation would subject compensation practices at financial institutions to heightened standards and increased scrutiny.

The scope and content of the U.S. banking regulators policies on executive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect the ability of Popular and our subsidiaries to hire, retain and motivate our and their key employees.

Adverse credit market conditions may continue to affect our ability to meet our liquidity needs. We may need additional capital resources in the future and these capital resources may not be available when needed or at all.

The credit markets, although recovering, continue to experience extreme volatility and disruption. General credit market conditions remain challenging for most issuers, particularly for non-investment grade issuers like us. We need liquidity to, among other things, pay our operating expenses, interest on our debt, maintain our lending activities and repay or replace our maturing liabilities. Without sufficient liquidity, we may be forced to curtail our operations. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit and our creditworthiness. Our cash flows and financial condition could be materially affected by continued disruptions in the financial markets.

We may need to raise additional debt or equity financing in the future to maintain adequate liquidity and capital resources or to finance future growth, investments or strategic acquisitions. We cannot assure you, that such financing will be available on acceptable terms or at all. If we are unable to obtain additional financing, we may not be able to maintain adequate liquidity and capital resources or to grow, make strategic acquisitions or investments.

Our funding sources may prove insufficient to replace deposits and support future growth.

Our banking subsidiaries rely on customer deposits, brokered deposits and repurchase agreements to fund their operations. In addition, Popular s banking subsidiaries maintain borrowing facilities with the Federal Home Loan

Banks (FHLB) and at the discount window of the Federal Reserve Bank of New York, and have a considerable amount of collateral pledged that can be used to quickly raise funds under these facilities. Borrowings from the FHLB or the Fed discount window require Popular to pledge securities or whole loans as collateral. Although those banking subsidiaries have historically been able to replace maturing deposits and advances if desired, no assurance can be given that they would be able to replace those funds in the future if our financial condition or general market

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conditions were to change. Our financial flexibility will be severely constrained if our banking subsidiaries are unable to maintain access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Finally, if we are required to rely more heavily on more expensive funding sources to support future growth, revenues may not increase proportionately to cover costs. In this case, profitability would be adversely affected. However, management believes that these risks are mitigated by our banking subsidiaries status as FDIC-insured depository institutions.

Although we consider such sources of funds adequate for our liquidity needs, we may seek additional debt financing in the future to achieve our long-term business objectives. There can be no assurance additional borrowings, if sought, would be available to us or, on what terms. If additional financing sources are unavailable or are not available on reasonable terms, our growth and future prospects could be adversely affected.

As mentioned in the 2009 Form 10-K under the section FDIC Insurance , the FDIC extended its TAGP through June 30, 2010. This program provides depositors with unlimited coverage for non-interest-bearing transaction accounts at participating FDIC-insured institutions. The FDIC s failure to extend its TAGP beyond June 2010, may result in a reduction of non-interest-bearing deposits at our insured banking subsidiaries. The standard insurance amount of $250,000 per depositor remains in effect through December 31, 2013.

As a holding company, we depend on dividends and distributions from our subsidiaries for liquidity.

We are a bank holding company and depend primarily on dividends from our banking and other operating subsidiaries to fund our cash needs. These obligations and needs include capitalizing subsidiaries, repaying maturing debt and paying debt service on outstanding debt. Our banking subsidiaries, Banco Popular and BPNA, are limited by law in their ability to make dividend payments and other distributions to us based on their earnings and capital position. A failure by our banking subsidiaries to generate sufficient cash flow to make dividend payments to us may have a negative impact on our results of operation and financial position. Also, a failure by the bank holding company to access sufficient liquidity resources to meet all projected cash needs in the ordinary course of business, may have a detrimental impact on our financial condition and ability to compete in the market.

Unforeseen disruptions in the brokered deposits market could compromise our liquidity position.

As of December 31, 2009, 8% of our assets were financed by brokered deposits. Our total brokered deposits as of December 31, 2009 were $2.7 billion or 10% of total deposits. An unforeseen disruption in the brokered deposits market, or in our ability to seek or accept brokered deposits, stemming from factors such as legal, regulatory or financial risks, could adversely affect our ability to fund a portion of our operations and/or meet obligations.

We have a substantial amount of indebtedness, which could limit financing and other options.

We have indebtedness that is substantial in relation to our stockholders equity. As of December 31, 2009, we had consolidated notes payable of approximately $2.6 billion and had stockholders equity of approximately $2.5 billion. Our substantial indebtedness could have important consequences, including:

- our ability to obtain additional financing for funding our business or general corporate purposes may be impaired, given our non-investment grade ratings;

- restricting our flexibility in responding to changing market conditions or making us more vulnerable to financial distress in the event of a further downturn in economic conditions or our business;

a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt, reducing the funds available to us for other purposes including expansion through acquisition, marketing and expansion of our product offerings; and

we may be more leveraged than some of our competitors, which may place us at a competitive disadvantage.

Actions by the rating agencies or having capital levels below well-capitalized could raise the cost of our obligations, which could affect our ability to borrow or to enter into hedging agreements in the future and may have other adverse effects on our business.

Actions by the rating agencies have raised the cost of our borrowings. Borrowings amounting to $350 million have ratings triggers that call for an increase in their interest rate in the event of a ratings downgrade. For example, as a result of rating downgrades effected by the major rating agencies in January, April, June and December 2009, the cost of servicing $350 million of our senior debt increased by an additional 500 basis points.

Popular s senior debt and preferred stock ratings are currently rated non-investment grade by the three major rating agencies. The market for non-investment grade securities is much smaller and less liquid than for investment grade securities. Therefore, if we were to attempt to issue preferred stock or debt securities into the capital markets, it is possible that there would not be sufficient demand to complete a transaction and the cost could be substantially higher than for more highly rated securities.

In addition, changes in our ratings and capital levels below well-capitalized could affect our relationships with some creditors and business counterparties. For example, a portion of our hedging transactions include ratings triggers or well-capitalized language that permit counterparties to either request additional collateral or terminate our agreements with them based on our below investment grade ratings. Although we have been able to meet any additional collateral requirements thus far and expect that we would be able to enter into agreements with substitute counterparties if any of our existing agreements were terminated, changes in our ratings or capital levels below well capitalized could create additional costs for our businesses. In addition, servicing, licensing and custodial agreements that we are party to with third parties, include ratings covenants. Servicing rights represent a contractual right and not a beneficial ownership interest in the underlying mortgage loans. Failure to maintain the required credit ratings, the third parties could have the right to require Popular to engage a substitute fund custodian and/or increase collateral levels securing the recourse obligations. Popular services residential mortgage loans subject to credit recourse provisions. Certain contractual agreements require us to post collateral to secure such recourse obligations if our required credit ratings are not maintained. Collateral pledged by us to secure recourse obligations approximated $54 million at December 31, 2009. We could be required to post additional collateral under the agreements. Management expects that we would be able to meet additional collateral requirements if and when needed. The requirements to post collateral under certain agreements or the loss of custodian funds could reduce Popular s liquidity resources and impact its operating results. The termination of those agreements or the inability to realize servicing income for our businesses could have an adverse effect on those businesses. Other counterparties are also sensitive to the risk of a ratings downgrade and the implications for our businesses and may be less likely to engage in transactions with us, or may only engage in them at a substantially higher cost, if our ratings remain below investment grade.

We are subject to regulatory capital adequacy guidelines, and if we fail to meet these guidelines our business and financial condition will be adversely affected.

Under regulatory capital adequacy guidelines, and other regulatory requirements, Popular and our banking subsidiaries must meet guidelines that include quantitative measures of assets, liabilities and certain off balance sheet items, subject to qualitative judgments by regulators regarding components, risk weightings and other factors. If we fail to meet these minimum capital guidelines and other regulatory requirements, our business and financial condition will be materially and adversely affected. If we fail to maintain well-capitalized status under the regulatory framework, or are deemed not well managed under regulatory exam procedures, or if we experience certain regulatory violations, our status as a financial holding company and our related eligibility for a streamlined review process for acquisition proposals, and our ability to offer certain financial products will be compromised and our financial condition and results of operations could be adversely affected.

We may not have enough authorized shares of common stock if we are required to raise additional equity capital in the future to satisfy liquidity and regulatory needs.

As a result of ongoing challenging recessionary conditions, credit losses have depleted our tangible common equity. Given the focus on tangible common equity by regulatory authorities, rating agencies and the market, we may be required to raise additional capital through the issuance of additional common stock in future periods to replace that common equity. We issued over 357 million shares of common stock in the exchange offer that was conducted in the third quarter of 2009, which left us with only a limited number of authorized and unreserved shares of common stock to issue in the future. As a result, we will need to obtain stockholder consent to amend our certificate of incorporation to increase the amount of authorized capital stock if we intend to issue significant amounts of common stock in the future. We cannot be assured that our stockholders will approve such an increase.

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Certain of the provisions contained in our certificate of incorporation have the effect of making it more difficult to change the Board of Directors, and may make the Board of Directors less responsive to stockholder control.

Our certificate of incorporation provides that the members of the Board of Directors are divided into three classes as nearly equal as possible. At each annual meeting of stockholders, one-third of the members of the Board of Directors will be elected for a three-year term, and the other directors will remain in office until their three-year terms expire. Therefore, control of the Board of Directors cannot be changed in one year, and at least two annual meetings must be held before a majority of the members of the Board of Directors can be changed. Our certificate of incorporation also provides that a director, or the entire Board of Directors, may be removed by the stockholders only for cause by a vote of at least two-thirds of the combined voting power of the outstanding capital stock entitled to vote for the election of directors. These provisions have the effect of making it more difficult to change the Board of Directors, and may make the Board of Directors less responsive to stockholder control. These provisions also may tend to discourage attempts by third parties to acquire Popular because of the additional time and expense involved and a greater possibility of failure, and, as a result, may adversely affect the price that a potential purchaser would be willing to pay for the capital stock, thereby reducing the amount a stockholder might realize in, for example, a tender offer for our capital stock.

The resolution of significant pending litigation, if unfavorable, could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects.

We face legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. As more fully described in Item 3, Legal Proceedings in our 2009 Form 10-K, five putative class actions and one derivative claim have been filed in the United States District Court for the District of Puerto Rico and another derivative suit was filed in the Puerto Rico Court of First Instance but later removed to the U.S. District Court for the District of Puerto Rico, against Popular, certain of our directors and officers and others. Although at this early stage, it is not possible for management to assess the probability of an adverse outcome, or reasonably estimate the amount of any potential loss, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to our results of operations.

Risks Relating to an Investment in our Securities

Our share price may continue to fluctuate.

Stock markets, in general, and our common stock, in particular, have over the past year experienced, and continue to experience, increased volatility and decreases in price. The market price of our common stock may continue to be subject to significant fluctuations due to the market sentiment regarding our operations or business prospects, as well as to market fluctuations and decreases in price that may be unrelated to our operating performance or prospects. Increased volatility could result in a further decline in the market price of our common stock.

Factors that may affect such fluctuations include the following:

- operating results that may be worse than the expectations of management, securities analysts and investors;
- the level of Popular s regulatory and common equity;
- developments in our business or in the financial sector generally;
- regulatory changes affecting our industry generally or our business and operations;

the operating and securities price performance of companies that investors consider to be comparable to us;

announcements of strategic developments, acquisitions and other material events by us or our competitors;

changes in the credit, mortgage and real estate markets, including the markets for mortgage-related securities; and changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility.

Conditions related to an FDIC-assisted transaction, new regulatory requirements or standards or additional assistance from the U.S. Government may require us to issue additional common equity, further diluting existing holders of our Common Stock.

Conditions related to an FDIC-assisted transaction, new regulatory requirements or standards, additional U.S. Government programs or requirements or further losses in the future could result in the issuance of, or require us to issue, additional common equity. Such further equity issuances would further dilute the existing holders of our Common Stock, perhaps significantly.

The potential issuance of additional shares of our Common Stock or common equivalent securities in future equity offerings, or as a result of the exercise of the warrant the U.S. Treasury holds, would dilute the ownership interest of our existing common stockholders and could also involve U.S. Government constraints on our operations.

Dividends on our Common Stock and preferred stock have been suspended and stockholders may not receive funds in connection with their investment in our Common Stock or preferred stock without selling their shares.

Holders of our Common Stock and preferred stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. During 2009, we suspended dividend payments on our Common Stock and preferred stock. Furthermore, unless we have redeemed all of the trust preferred securities issued to the U.S. Treasury or the U.S. Treasury has transferred all of its trust preferred securities to third parties, the consent of the U.S. Treasury will be required for us to, among other things, increase the dividend rate per share of our Common Stock above $0.08 per share or to repurchase or redeem equity securities, including our Common Stock, subject to certain limited exceptions. Popular has also granted registration rights and offering facilitation rights to the U.S. Treasury pursuant to which we have agreed to lock-up periods during which it would be unable to issue equity securities.

We have no plans to resume dividend payments on our Common Stock. The continued suspension of dividends on our Common Stock could adversely affect its market price. Also, we are a bank holding company and our ability to declare and pay dividends is dependent on certain Federal regulatory considerations, including the guidelines of the Federal Reserve Board regarding capital adequacy and dividends. Moreover, the Federal Reserve Board and the FDIC have issued policy statements stating that the bank holding companies and insured banks should generally pay dividends only out of current operating earnings. In the current financial and economic environment, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy and has discouraged dividend pay-out ratios that are at the 100% or higher level unless both asset quality and capital are very strong.

In addition, the terms of our outstanding junior subordinated debt securities held by each trust that has issued trust preferred securities, prohibit us from declaring or paying any dividends or distributions on our capital stock, including our Common Stock and preferred stock, and from purchasing, acquiring, or making a liquidation payment on such stock, if we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing or an event of default thereunder has occurred and is continuing.

Accordingly, you may have to sell some or all of your shares of our Common Stock or preferred stock in order to generate cash flow from your investment. You may not realize a gain on your investment when you sell the Common Stock or preferred stock and may lose the entire amount of your investment.

Offerings of debt, which would be senior to our Common Stock in the event of liquidation, and/or preferred equity securities, which may be senior to our Common Stock for purposes of dividend distributions or in the event of our liquidation, may adversely affect the market price of our Common Stock.

We may seek to increase our liquidity and/or capital resources by offering debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. In the event of liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings may receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both.

Our Board of Directors is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of the stockholders. Our Board of Directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over our common stock with respect to dividends or upon our dissolution, winding up and liquidation and other terms. If we issue preferred shares in the future that has a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of the common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Risks Related to the Offering

Neither the depositary shares, each of which represents a 1/40th fractional interest in a share of the Preferred Stock, nor the Preferred Stock has an active trading market. If a secondary market for the depositary shares or the Preferred Stock develops, the market price of the depositary shares or the Preferred Stock will be directly affected by the market price of our Common Stock, which may be volatile.

The depositary shares and the Preferred Stock are issuances of new securities with no established trading market. Although we plan to list the depositary shares representing the Preferred Stock on the Nasdaq, there is no guarantee that we will be able to list the depositary shares representing the Preferred Stock or that, if we do, an active trading market for the depositary shares representing the Preferred Stock will develop or be maintained. If a secondary market for the depositary shares representing the Preferred Stock develops, it may not provide significant liquidity and your transaction costs to sell your securities could be high. We do not expect that there will be any separate trading market for the shares of Preferred Stock except as represented by the depositary shares.

Moreover, if a secondary market for the depositary shares representing the Preferred Stock develops, the market price of the depositary shares representing the Preferred Stock will be significantly affected by the market price of our Common Stock. We cannot predict how shares of our Common Stock will trade. The market price for the depositary shares representing the Preferred Stock may be more volatile than what would be expected for non-convertible preferred stock. The market price of our Common Stock will likely continue to fluctuate in response to a number of factors, most of which are beyond our control, including the following:

- changes or perceived changes in the condition, operations, results or prospects of our businesses and market assessments of these changes or perceived changes;

- announcements of strategic developments, acquisitions, dispositions and other material events by us or our competitors;

- changes in governmental regulations or proposals, or new governmental regulations or proposals, affecting us, including those relating to the current financial crisis and global economic downturn and those that may be specifically directed to us;

- the continued decline, failure to stabilize or lack of improvement in general market and economic conditions in our principal markets;

- the departure of key personnel;
- changes in the credit, mortgage and real estate markets;
- operating results that vary from the expectations of management, securities analysts and investors; and
- operating and stock price performance of companies that investors deem comparable to us.

In addition, the stock markets in general, including Nasdaq, experience price and trading fluctuations. These fluctuations may result in volatility in the market prices of securities that could be unrelated or disproportionate to changes in our operating performance. These broad market fluctuations may adversely affect the market prices of the depositary shares representing the Preferred Stock and our Common Stock.

The holders of our Common Stock may not authorize enough shares to fully or even partially convert the Preferred Stock into Common Stock, in which case holders of the depositary shares representing Preferred Stock may not receive Common Stock.

As of the date of this prospectus supplement, we do not have a sufficient number of authorized and unissued shares of Common Stock into which the Preferred Stock will convert in full. To provide for the authorization of a sufficient number of shares of Common Stock into which to convert the Preferred Stock in full, we have agreed to use commercially reasonable efforts to seek the approval of the holders of our Common Stock to authorize a sufficient number of shares of Common Stock to permit the Preferred Stock to be converted into Common Stock. On March 15, 2010, we mailed to our stockholders our proxy statement for our 2010 annual meeting, which is scheduled for May 4, 2010. At our 2010 annual meeting, our stockholders will consider and act upon a resolution to amend our certificate of incorporation to increase the authorized number of shares of Common Stock from 700,000,000 to 1,700,000,000 shares. If that resolution is approved by our stockholders at our 2010 annual meeting, that approval will constitute Shareholder Approval and the full conversion of the Preferred Stock into Common Stock will occur automatically on the fifth business day thereafter. If the Shareholder Approval is not obtained and the Preferred Stock being represented by the depositary shares is not converted in full, you will receive special dividends as described under Description of the Preferred Stock Dividends, in addition to as-if-converted dividends, only when, as and if declared by our Board of Directors, but you will have no rights as a holder of Common Stock unless and until the Shareholder Approval is obtained.

Holders of depositary shares representing the Preferred Stock will have limited voting rights, and will not have any voting rights as holders of our Common Stock unless and until they acquire our Common Stock upon conversion.

Holders of the depositary shares representing the Preferred Stock will have limited voting rights. They will have the right to vote as a class on any proposal to amend the terms of the Preferred Stock represented by the depositary shares, as described under Description of the Preferred Stock Voting Rights. In addition, if dividends on the Preferred Stock have not been declared and paid for six dividend periods, whether or not consecutive, holders of the outstanding depositary shares representing the Preferred Stock, together with holders of any other series of preferred stock ranking equally with the Preferred Stock with similar voting rights, voting as a single class, will be entitled to vote for the election of two additional directors. However, the ability of those two directors to influence our affairs may be limited.

Unless and until you acquire shares of our Common Stock upon conversion, you will have no rights with respect to our Common Stock, including voting rights (except as described under Description of the Preferred Stock Voting Rights and as required by applicable state law) and rights to respond to tender offers for the Common Stock. Upon conversion, if applicable, you will be entitled to exercise the rights of a holder of Common Stock only as to matters for which the record date occurs on or after the conversion date.

Purchasers of the depositary shares representing the Preferred Stock may suffer dilution upon issuance of additional shares of Common Stock or a new series of preferred stock ranking equally with the Preferred Stock.

The terms of the Preferred Stock do not restrict our ability to authorize or issue additional shares of Common Stock or a new series of preferred stock that ranks equally with the Preferred Stock. We have no obligation to consider the interest of the holders of the Preferred Stock or the depositary shares representing the Preferred Stock in engaging in any such offering or transaction. We may not issue shares ranking senior to the Preferred Stock represented by the depositary shares as to dividend rights or distributions upon our liquidation without the approval of holders of at least two-thirds of the outstanding aggregate liquidation preference of the Preferred Stock represented by the depositary shares and the other outstanding series of preferred stock ranking equally with the Preferred Stock represented by the depositary shares with similar voting rights, voting as a single class.

A holder of depositary shares representing the Preferred Stock may realize some or all of a decline in the market value of the Common Stock.

The market value of our Common Stock on the mandatory conversion date, if any, may be less than the price per share of Common Stock that determines the number of shares of Common Stock issuable upon conversion of a share of Preferred Stock. Accordingly, a holder of depositary shares assumes the entire risk that the market value of our Common Stock may decline. Any decline in the market value of our Common Stock may be substantial.

If we defer payments on our outstanding junior subordinated debentures or are in default under the indentures governing those securities, we will be prohibited from making certain payments on the Preferred Stock represented by the depositary shares.

The terms of our outstanding junior subordinated notes held by each trust that has issued preferred securities prohibit us from declaring or paying any dividends or making distributions on our capital stock, including our Common Stock and the Preferred Stock represented by the depositary shares, and from purchasing, acquiring, or making a liquidation payment on such capital stock, if we are aware of any event of default under the indenture governing those junior subordinated debentures or at any time when we have deferred payment of interest on those junior subordinated debentures or given notice of such deferral.

Federal banking authorities may restrict dividends on the Preferred Stock represented by the depositary shares.

Federal and Puerto Rico banking authorities have the right to supervise and examine us and our subsidiaries. Such supervision and examination is intended primarily for the benefit of depositors and not for holders of our securities. As a bank holding company, our ability to declare and pay dividends is dependent on certain Federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends. Moreover, the Federal Reserve and the FDIC have issued policy statements stating that the bank holding companies and insured banks should generally pay dividends only out of current operating earnings. In the current financial and economic environment, the Federal Reserve has indicated that bank holding companies should carefully review their dividend policy and has discouraged dividend pay-out ratios that are at the 100% or higher level unless both asset quality and capital are very strong.

Dividends on our Common Stock and existing preferred stock have been suspended and you should not expect to receive funds in connection with your investment in the depositary shares representing the Preferred Stock or any Common Stock issued upon conversion without selling your shares.

Holders of our Common Stock and preferred stock, including the Preferred Stock represented by the depositary shares, are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. During 2009, we suspended dividend payments on our Common Stock and existing preferred stock. This could adversely affect the market price of our Common Stock and the depositary shares representing the Preferred Stock.

Accordingly, you may have to sell some or all of your depositary shares representing the Preferred Stock or any Common Stock issued upon conversion of the Preferred Stock in order to generate cash flow from your investment. You may not realize a gain on your investment when you sell the depositary shares representing the Preferred Stock or Common Stock and may lose the entire amount of your investment.

The Preferred Stock represented by the depositary shares may be junior to preferred stock we issue in the future and the issuance of preferred stock in the future could adversely affect holders of the Preferred Stock and any Common Stock issued upon conversion which may negatively impact your investment.

The Preferred Stock represented by the depositary shares may be junior to preferred stock we issue in the future that by its terms is expressly senior to the Preferred Stock represented by the depositary shares. The terms of any future preferred stock expressly senior to the Preferred Stock represented by the depositary shares may restrict dividend payments on Preferred Stock represented by the depositary shares except for dividends payable solely in shares of the

Preferred Stock represented by the depositary shares. Unless full dividends for all of our outstanding preferred stock senior to the Preferred Stock represented by the depositary shares have been declared and paid or set aside for payment, no dividends will be declared or paid and no distribution will be made on any shares of Preferred Stock represented by the depositary shares, and no shares of Preferred Stock represented by the depositary shares may be repurchased or otherwise acquired by us, directly or indirectly, for consideration. This could result in dividends on the Preferred Stock represented by the depositary shares not being paid to you.

Our Board of Directors is authorized to issue additional classes or series of preferred stock without any action on the part of the stockholders (provided that we may not issue shares ranking senior to the Preferred Stock represented by the depositary shares as to dividend rights or distributions upon our liquidation without the approval of holders of at least two-thirds of the outstanding aggregate liquidation preference of the Preferred Stock and the other outstanding series of preferred stock ranking equally with the Preferred Stock represented by the depositary shares with similar voting rights, voting as a single class). The Board of Directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that we issue, including voting rights, dividend rights and preferences over our Common Stock with respect to dividends or upon the liquidation, dissolution or winding up of our business and other terms. If we issue preferred stock in the future that has a preference over our Common Stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our Common Stock, the rights of holders of our Common Stock or the market price of our Common Stock could be adversely affected. As noted above, a decline in the market price of our Common Stock may negatively impact the market price for the Preferred Stock represented by the depositary shares.

Dividends on the Preferred Stock represented by the depositary shares are non-cumulative.

Dividends on the Preferred Stock represented by the depositary shares (including as-if-converted dividends and special dividends) are non-cumulative. Consequently, if our Board of Directors or a duly authorized committee of our board does not authorize and declare a dividend for any dividend period prior to the related dividend payment date, holders of the depositary shares representing the Preferred Stock would not be entitled to receive a dividend for that dividend period, and the unpaid dividend will cease to accumulate and be payable. We will have no obligation to pay dividends for a dividend period after the dividend payment date for that period if our Board of Directors or a duly authorized committee of the board has not declared a dividend before the related dividend payment date, whether or not dividends on the Preferred Stock represented by the depositary shares or any other series of our preferred stock or our Common Stock are declared for any future dividend period.

Distributions on the depositary shares are subject to distributions on the Preferred Stock.

As described in this prospectus supplement, the depositary shares we are issuing are comprised of fractional interests in shares of the Preferred Stock. The depositary will rely solely on the dividend payments on the Preferred Stock it receives from us to fund all dividend payments on the depositary shares. Dividends on the Preferred Stock will be non-cumulative and payable only when, as and if declared by our Board of Directors. If our Board of Directors does not declare a dividend on the Preferred Stock for any period, holders of the depositary shares will have no right to receive, and we will have no obligation to pay, a dividend for that period.

Currently, we have suspended dividend payments on our Common Stock and existing preferred stock. We have no plans to resume these dividend payments. As a result, as an investor in the depositary shares represented by the Preferred Stock, you should not expect to receive any dividends in connection with your investment in the depositary shares or any Common Stock issued upon conversion thereof. See Risks Related to the Offering Dividends on our Common Stock and existing preferred stock have been suspended and you should not expect to receive funds in connection with your investment in the depositary shares representing the Preferred Stock or any Common Stock issued upon conversion without selling your shares.

The Preferred Stock represented by the depositary shares provides limited conversion rate adjustments.

The number of shares of Common Stock that you are entitled to receive on the mandatory conversion date is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us or a third party that modify the capital structure. See Description of the Preferred Stock

Anti-Dilution Adjustments. We will not adjust the conversion rate for other events, including offerings of Common Stock for cash by us or in connection with acquisitions. There can be no assurance that an event that adversely affects the value of the Preferred Stock or Common Stock, but does not result in an adjustment to the conversion rate, will not occur.

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USE OF PROCEEDS

We intend to use the net proceeds of this offering for general corporate purposes, including investments in, or extensions of credit to, our subsidiaries to increase their capital. One anticipated use of the additional capital raised in this offering will be to position us to participate in FDIC-assisted transactions, although there can be no assurances that any such FDIC-assisted transactions will occur in which we are interested in bidding or, if one or more does occur, that we will be permitted to participate or, if we are permitted to participate, that we will be successful.

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CAPITALIZATION

The following table sets forth our capitalization, as of December 31, 2009, on an actual basis (excluding the underwriters exercise of their over-allotment option to purchase additional depositary shares representing the Preferred Stock) and on an adjusted basis to reflect the sale of depositary shares representing the Preferred Stock offered by this prospectus supplement. This table should be read in conjunction with the financial information presented in our 2009 Form 10-K, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of December 31, 2009 (in thousands)	
	Actual	**As Adjusted**
Debt		
Federal funds purchased and assets sold under agreements to repurchase	$ 2,632,790	$ 2,632,790
Other short-term borrowings	7,326	7,326
Notes payable	2,648,632	2,648,632
	5,288,748	5,288,748
Stockholders Equity		
Preferred stock 30,000,000 shares authorized; 2,006,391 shares issued and outstanding (actual) (aggregate liquidation preference value of $50,160 at December 31, 2009) shares issued and outstanding (as adjusted)	50,160	
Common stock ($0.01 par value per share) 700,000,000 shares authorized; 639,544,895 shares issued and 639,540,105 shares outstanding	6,395	6,395
Surplus	2,804,238	2,804,238
Accumulated deficit	(292,752)	(292,752)
Accumulated other comprehensive loss, net of tax of ($33,964)	(29,209)	(29,209)
Treasury stock, at cost, 4,790 shares	(15)	(15)
Total stockholders equity	2,538,817	
Total capitalization	$ 7,827,565	$

MARKET PRICE AND DIVIDENDS

Our Common Stock is listed on Nasdaq under the symbol BPOP . At April 1, 2010, we had 639,539,900 shares of our Common Stock outstanding, held by approximately 11,900 holders of record. The following table sets forth, for the periods indicated, the high and low sales prices per share of the Common Stock as reported on Bloomberg and the cash dividends declared per share of the Common Stock.

	Share Prices High	Share Prices Low	Cash Dividends Declared Per Share*
2010			
Second Quarter (ending April 9, 2010)	$ 3.17	$ 2.97	
First Quarter	2.91	1.75	$ 0.00*
2009			
Fourth Quarter	$ 2.80	$ 2.12	$ 0.00*
Third Quarter	2.83	1.04	0.00*
Second Quarter	3.66	2.19	0.00*
First Quarter	5.52	1.47	0.02
2008			
Fourth Quarter	$ 8.61	$ 4.90	$ 0.08
Third Quarter	11.17	5.12	0.08
Second Quarter	13.06	6.59	0.16
First Quarter	14.07	8.90	0.16
2007			
Fourth Quarter	$ 12.51	$ 8.65	$ 0.16
Third Quarter	16.18	11.38	0.16
Second Quarter	17.49	15.82	0.16
First Quarter	18.94	15.82	0.16

* Cash dividends on the Common Stock have been suspended.

On April 9, 2010, the closing sales price of our Common Stock on Nasdaq was $3.08 per share. Currently, we have suspended dividend payments on our Common Stock and existing preferred stock. We have no plans to resume these dividend payments. See Risk Factors Risks Related to the Offering Dividends on our Common Stock and existing preferred stock have been suspended and you should not expect to receive funds in connection with your investment in the depositary shares representing the Preferred Stock or any Common Stock issued upon conversion without selling your shares.

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RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Our ratio of earnings to fixed charges and of earnings to fixed charges and preferred stock dividends on a consolidated basis for each of the last five years is as follows:

	Year Ended December 31,				
	2009(1)	2008(1)	2007(1)	2006(1)	2005(1)
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends:					
Including Interest on Deposits	(A)	(A)	1.2	1.4	1.7
Excluding Interest on Deposits	(A)	(A)	1.5	1.8	2.4

(1) On November 3, 2008, Popular sold residual interests and servicing related assets of PFH and Popular, FS to Goldman Sachs Mortgage Company, Goldman, Sachs & Co. and Litton Loan Servicing, LP. In addition, on September 18, 2008, Popular announced the consummation of the sale of manufactured housing loans of PFH to 21st Mortgage Corp. and Vanderbilt Mortgage and Finance, Inc. The above transactions and past sales and restructuring plans executed at PFH in the past two years have resulted in the discontinuance of our PFH operations and PFH s results are reflected as such in our Consolidated Statements of Operations. The computation of earnings to fixed charges and preferred stock dividends excludes discontinued operations. Prior periods have been retrospectively adjusted on a comparable basis.

(A) During 2008 and 2009, earnings were not sufficient to cover fixed charges or fixed charges and preferred dividends and the ratios were less than 1:1. Popular would have had to generate additional earnings of approximately $235 million and $625 million to achieve ratios of 1:1 in 2008 and 2009, respectively.

For purposes of computing these consolidated ratios, earnings represent income before income taxes, plus fixed charges. Fixed charges represent all interest expense and capitalized (ratios are presented both excluding and including interest on deposits), the portion of net rental expense, which is deemed representative of the interest factor and the amortization of debt issuance expense. The interest expense includes changes in the fair value of the non-hedging derivatives.

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DESCRIPTION OF THE PREFERRED STOCK

The following summary contains a description of the material terms of the Preferred Stock to be represented by the depositary shares. The summary supplements and, to the extent inconsistent therewith, replaces the description of the terms of Popular, Inc. s preferred stock set forth under the heading Description of Capital Stock Preferred Stock in the accompanying prospectus, to which reference is hereby made. The Preferred Stock is a series of the preferred stock of Popular, Inc. covered by and described in the accompanying prospectus. The summary is subject to and qualified in its entirety by reference to the relevant sections of Popular, Inc. s certificate of incorporation and the Certificate of Designations creating the Preferred Stock (the Certificate of Designation), copies of which have been or will be filed with the SEC.

General

As of the date of this prospectus supplement, Popular, Inc. is authorized by its certificate of incorporation to issue up to 30,000,000 shares of serial preferred stock with no par value, of which 885,726 shares designated as 6.375% Non-cumulative monthly income preferred stock, 2003 Series A (the Series A Preferred Stock) and 1,120,665 shares designated as 8.25% Non-cumulative monthly income preferred stock, Series B (the Series B Preferred Stock) are issued and outstanding.

When issued, the Preferred Stock to be represented by the depositary shares will constitute a single series of preferred shares, consisting of shares (or shares if the underwriters exercise their over-allotment option to purchase additional depositary shares in full in accordance with the procedures set forth in Plan of Distribution (Conflicts of Interest)). We may, from time to time, without notice to or consent from the holders, issue additional shares of Preferred Stock that will be part of the same series. The holders of the Preferred Stock will have no preemptive rights. All of the shares of Preferred Stock when issued and paid for, will be fully paid and non-assessable, which means that we may not ask holders to surrender additional funds. The Preferred Stock has no stated maturity.

The Preferred Stock will, with respect to dividend rights and rights upon our liquidation, winding up and dissolution, rank:

- senior to all classes of Common Stock of Popular, Inc. and to all other equity securities issued by Popular, Inc. the terms of which specifically provide that those equity securities will rank junior to the Preferred Stock;

- on a parity with all other equity securities issued by Popular, Inc. not referred to in the first or third bullet point and, in particular, with the Series A Preferred Stock and the Series B Preferred Stock; and

- junior to all equity securities issued by Popular, Inc. the terms of which specifically provide that those equity securities will rank senior to the Preferred Stock, provided that the requisite consent referred to below under Voting Rights is obtained.

For this purpose, the term equity securities does not include debt securities convertible into or exchangeable for equity securities.

Shareholder Approval

As of the date of this prospectus supplement, we do not have a sufficient number of authorized and unissued shares of Common Stock into which the Preferred Stock represented by the depositary shares will convert in full. We have agreed in the underwriting agreement relating to this offering to use commercially reasonable efforts to obtain the approval of the holders of our Common Stock to amend to our certificate of incorporation to increase the number of authorized shares of Common Stock to permit the full conversion of the Preferred Stock into Common Stock (Shareholder Approval). On March 15, 2010, we mailed to our stockholders our proxy statement for our 2010 annual meeting, which is scheduled for May 4, 2010. At our 2010 annual meeting, our stockholders will consider and act upon a resolution to amend our certificate of incorporation to increase the authorized number of shares of Common Stock from 700,000,000 to 1,700,000,000 shares. If that resolution is approved by our stockholders at our 2010 annual meeting, the full conversion of the Preferred Stock into Common Stock will occur automatically on the fifth business day thereafter and that approval will constitute Shareholder Approval.

If we do not obtain Shareholder Approval and the Preferred Stock is not converted into Common Stock in full by September 15, 2010, special dividends will be payable, when, as and if declared by our Board of Directors, as described below under Dividends.

Following receipt of the Shareholder Approval, we will at all times reserve and keep available out of the authorized and unissued shares of our Common Stock or shares held in the treasury by us, solely for issuance upon the conversion of the Preferred Stock, that number of shares of Common Stock as shall be issuable upon the conversion of all the Preferred Stock then outstanding. Any shares of the Preferred Stock converted into shares of our Common Stock or otherwise reacquired by us shall resume the status of authorized and unissued preferred shares, undesignated as to series, and shall be available for subsequent issuance.

Dividends

Holders of the Preferred Stock are entitled to receive, when, as and if declared by our Board of Directors out of funds legally available for the payment of dividends, non-cumulative cash dividends and any in-kind distributions in the amount determined as set forth below.

Our Board of Directors may not declare and pay any dividend or make any distribution (including, but not limited to, regular quarterly dividends) in respect of our Common Stock, whether in the form of cash or securities or any other form of property or assets, unless our Board of Directors declares and pays a dividend or makes a distribution, as applicable, to the holders of the Preferred Stock at the same time and on the same terms as holders of the Common Stock, in an amount per share of Preferred Stock equal to the product of (i) the dividend or distribution, as applicable, declared and paid or made in respect of each share of Common Stock and (ii) the number of shares of Common Stock into which such share of Preferred Stock is then convertible, which we refer to herein as as-if-converted dividends.

During 2009, we suspended dividend payments on our Common Stock and existing preferred stock, including our Series A Preferred Stock and Series B Preferred Stock. Our Board of Directors does not intend to resume those dividends payments for the foreseeable future. As a result, you, as an investor in the depositary shares representing the Preferred Stock, should not expect to receive any dividends described below unless we elect to resume such dividend payments on our existing preferred stock. See Risk Factors Risks Related to the Offering Dividends on our Common Stock and existing preferred stock have been suspended and you should not expect to receive funds in connection with your investment in the depositary shares representing the Preferred Stock or any Common Stock issued upon conversion without selling your shares.

If we have not obtained Shareholder Approval and the Preferred Stock has not been converted into Common Stock in full by September 15, 2010, in addition to the as-if-converted dividends described above, special dividends will be payable on the Preferred Stock quarterly in arrears when, as and if declared by our Board of Directors, on March 15, June 15, September 15 and December 15 of each year (or the following business day if such day is not a business day) commencing December 15, 2010 and on the mandatory conversion date, each of which is a Special Dividend payment date, at a rate determined as follows. To the extent payable and declared, such special dividends will accumulate during each dividend period from and including the immediately preceding dividend payment date (in the case of the initial dividend period, if applicable, September 15, 2010) to but excluding the immediately succeeding dividend payment date. Special dividends will be payable when, as and if declared, at the rate of 13% per annum of the liquidation preference of the Preferred Stock. This rate will increase by an additional 1% on each six month anniversary of September 15, 2010 to a maximum rate equal to 16% per annum. The amount of special dividends payable for the first Special Dividend period and any other Special Dividend period that is shorter or longer than a full quarterly Special Dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Except as provided under Liquidation Preference below, special dividends payable, when, as and if declared, on a Special Dividend payment date will be payable to holders as they appear on the stock register on close of business on the first business day of the calendar month in which the applicable Special Dividend payment date falls. We are only obligated to pay a Special Dividend on the Preferred Stock if the Board of Directors, or an authorized committee thereof, declares the Special Dividend payable and we are then legally permitted to pay the Special Dividend.

Dividends, including special dividends, on the Preferred Stock will not be cumulative. If our Board of Directors or a duly authorized committee of our Board of Directors does not declare a dividend on the Preferred

Stock for any dividend period prior to the related dividend payment date, we will have no obligation to pay a dividend for that dividend period on the related dividend payment date or at any future time, whether or not dividends on the Preferred Stock or any other series of our preferred stock or Common Stock are declared for any future dividend period.

We are not obligated to and will not pay holders of the Preferred Stock any interest or sum of money in lieu of interest on any dividend not paid on a dividend payment date or any other late payment. We are also not obligated to and will not pay holders of the Preferred Stock any dividend in excess of the full dividends on the Preferred Stock that are payable as described herein.

If our Board of Directors or a duly authorized committee of our board does not declare or pay a dividend in respect of any dividend payment date, the Board of Directors or an authorized committee thereof may declare and pay the dividend on any other date, whether or not a dividend payment date. The persons entitled to receive a dividend that is not payable on a dividend payment date will be holders of the Preferred Stock as they appear on the stock register on a record date determined by the Board of Directors or an authorized committee thereof. That date must (i) not precede the date the Board of Directors or an authorized committee of the Board of Directors declares the dividend payable and (ii) not be more than 60 days prior to the date the dividend is paid.

The terms of the Preferred Stock do not permit us to declare, set apart or pay any dividend or make any other distribution of assets on, or redeem, purchase, set apart or otherwise acquire shares of Common Stock or of any other class of our capital stock ranking junior to the Preferred Stock as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of Popular, Inc., unless all accumulated and unpaid dividends on the Preferred Stock for the latest completed dividend period have been paid or are paid contemporaneously. The above limitations do not apply to stock dividends or other distributions made in stock of Popular, Inc. ranking junior to the Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up of Popular, Inc. The above limitations also do not apply to conversions or exchanges for stock of Popular, Inc. ranking junior to the Preferred Stock as to the payment of dividends and as to the distribution of assets upon our liquidation, dissolution or winding up or to purchases or acquisitions of our capital stock ranking junior to the Preferred Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any of Popular, Inc. s employment, severance, or consulting agreements) of Popular, Inc. or of any of its subsidiaries adopted before or after the date on which shares of the Preferred Stock are first issued.

If we are unable to pay in full the dividends on the Preferred Stock and on any other shares of capital stock of equal rank as to the payment of dividends with the Preferred Stock, all dividends declared upon the Preferred Stock and any such other shares of capital stock will be declared pro rata. In this event, each share of Preferred Stock and of the other classes of capital stock of equal rank will receive dividends in the same proportion as the dividends on the Preferred Stock for the then current dividend period bears to the dividends on such other classes of equally ranked capital stock, which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such capital stock does not have a cumulative dividend.

Popular, Inc. is subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital adequacy and liquidity. The Federal Reserve is authorized to determine, under certain circumstances relating to the financial condition of a bank holding company, such as Popular, Inc., that the payment of dividends would be an unsafe or unsound practice and to prohibit the payment thereof. For a discussion of certain potential regulatory limitations on Popular, Inc. s ability to pay dividends, see Risk Factors Risks Related to the Offering Federal banking authorities may restrict dividends on the Preferred Stock represented by depositary shares.

For a discussion of the tax treatment of distributions to shareholders, see Taxation.

Redemption

The Preferred Stock is not redeemable.

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Mandatory Conversion

The Preferred Stock will automatically convert into a number of shares of Common Stock equal to the conversion rate described below on the fifth business day following the date we obtain Shareholder Approval (mandatory conversion date). The conversion rate, subject to adjustment as described under Anti-Dilution Adjustments, will be shares of Common Stock for each share of Preferred Stock, which is equal to a conversion price of approximately $ per share of Common Stock.

Conversion Procedures

No later than two business days following the date we obtain Shareholder Approval, we will provide notice of the conversion to each holder (notice of mandatory conversion). In addition to any information required by applicable law or regulation, the notice of mandatory conversion with respect to such holder will state, as appropriate:

- the mandatory conversion date;
- the number of shares of Common Stock into which each depository share representing the Preferred Stock held of record will be converted; and
- the place or places where certificates, if any, for depositary shares representing the Preferred Stock are to be surrendered for issuance of certificates representing shares of Common Stock.

Effective immediately prior to the close of business on the mandatory conversion date with respect to any share of Preferred Stock, dividends will no longer be declared on any share of Preferred Stock and each share of Preferred Stock will cease to be outstanding, in each case, subject to the right of the holder to receive any declared and unpaid dividends on such share to the extent provided in the dividend payment provisions and any other payments to which such holder is otherwise entitled.

No allowance or adjustment, except pursuant to the anti-dilution provisions, will be made in respect of dividends payable to holders of record of the Common Stock as of any date prior to the close of business on the mandatory conversion date with respect to any share of Preferred Stock. Prior to the close of business on the mandatory conversion date with respect to any share of Preferred Stock, shares of Common Stock issuable upon conversion thereof, or other securities issuable upon conversion thereof, will not be deemed outstanding for any purpose, and the holder thereof will have no rights with respect to the Common Stock or other securities issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock or other securities issuable upon conversion) by virtue of holding such share of Preferred Stock (except to the extent of as-if-converted dividends as described under Dividends).

Shares of Preferred Stock duly converted in accordance with our certificate of incorporation (as amended by the Certificate of Designation authorizing the Preferred Stock), or otherwise reacquired by us, will resume the status of authorized and unissued preferred stock, undesignated as to series and available for future issuance.

The person or persons entitled to receive the Common Stock and/or cash, securities or other property issuable upon conversion of Preferred Stock will be treated for all purposes as the record holder(s) of such shares of Common Stock and/or securities as of the close of business on the mandatory conversion date. In the event that a holder does not, by written notice, designate the name in which shares of Common Stock and/or cash, securities or other property (including payments of cash in lieu of fractional shares) to be issued or paid upon conversion of shares of Preferred Stock should be registered or paid or the manner in which such shares should be delivered, we will be entitled to register and deliver such shares, and make such payment, in the name of the holder and in the manner shown on our records.

On the mandatory conversion date with respect to any depositary share representing the Preferred Stock, certificates representing shares of Common Stock will be issued and delivered to the holder thereof or such holder s designee upon presentation and surrender of the certificate evidencing the depositary shares representing the Preferred Stock to us, or in the case of global certificates, a book-entry transfer through DTC will be made by the conversion agent, and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes.

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Reorganization Events

If any of the following events (each a reorganization event) occurs:

- any consolidation or merger of Popular, Inc. with or into another person in each case pursuant to which our Common Stock will be converted into cash, securities or other property of us or another person;
- any sale, transfer, lease or conveyance to another person of all or substantially all of our property and assets, in each case pursuant to which our Common Stock will be converted into cash, securities or other property;
- any reclassification of the Common Stock into securities, including securities other than the Common Stock; or
- any statutory exchange of the Common Stock with another person (other than in connection with a merger or acquisition), pursuant to which our Common Stock will be converted into cash, securities or other property,

then each share of the Preferred Stock outstanding immediately prior to such reorganization event will, without the consent of the holders of the Preferred Stock or the depositary shares representing the Preferred Stock, remain outstanding and become convertible into the kind of securities, cash and other property (exchange property) receivable in such reorganization event by a holder (except the counterparty to the reorganization event or an affiliate of such counterparty) of that number of shares of Common Stock into which such share of Preferred Stock would then be convertible had Shareholder Approval been obtained. In the event that holders of the shares of our Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the consideration that the holders of the Preferred Stock are entitled to receive will be deemed to be the types and amounts of consideration received by the majority of the holders of the shares of our Common Stock that affirmatively make an election. The amount of exchange property receivable in respect of the Preferred Stock upon mandatory conversion will be determined based on the conversion rate in effect on the mandatory conversion date.

Notwithstanding anything to the contrary in our certificate of incorporation, we will not enter into any agreement for a transaction constituting a reorganization event unless such agreement entitles holders of the depositary shares representing the Preferred Stock to receive, on an as-converted basis, the securities, cash and other property receivable in such transaction by a holder of shares of Common Stock that was not the counterparty to such transaction or an affiliate of such other party.

Anti-Dilution Adjustments

The conversion rate will be adjusted in the following circumstances if, at any time prior to the mandatory conversion date, the following events occur:

1) *Stock Dividend Distributions*. If we pay dividends or other distributions on our Common Stock in shares of Common Stock, then the conversion rate in effect immediately prior to the ex-date (as defined below) for such dividend or distribution will be multiplied by the following fraction:

$$OS$$

$$OS_0$$

where,

OS_0 = the number of shares of Common Stock outstanding immediately prior to the opening of business on the ex-date (as defined below) for such dividend or distribution; and

OS = the sum of the number of shares of Common Stock outstanding immediately prior to the opening of business on the ex-date for such dividend or distribution plus the total number of shares of Common Stock constituting such dividend or distribution.

The ex-date means the first date on which the shares of our Common Stock trade on the relevant exchange or in the relevant market, regular way, without the right to receive the issuance or distribution in question.

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2) *Subdivisions, Splits and Combinations of Common Stock*. If we subdivide, split or combine shares of Common Stock, then the conversion rate in effect immediately prior to the ex-date for such dividend or distribution will be multiplied by the following fraction:

$$\frac{OS}{OS_0}$$

where,

OS_0 = the number of shares of Common Stock outstanding immediately prior to the opening of business on the effective date of such share subdivision, split or combination; and

OS = the number of shares of Common Stock outstanding immediately after the opening of business on the effective date of such share subdivision, split or combination.

3) *Issuance of Stock Purchase Rights*. If we issue to all holders of shares of our Common Stock rights or warrants (other than rights or warrants issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans) entitling them, for a period of up to 45 days from the date of issuance of such rights or warrants, to subscribe for or purchase shares of Common Stock at less than the current market price (as defined below) on the date fixed for the determination of shareholders entitled to receive such rights or warrants, then the conversion rate in effect immediately prior to the ex-date for such distribution will be multiplied by the following fraction:

$$\frac{OS_0 + X}{OS_0 + Y}$$

where,

OS_0 = the number of shares of Common Stock outstanding immediately prior to the opening of business on the ex-date for such distribution;

X = the total number of shares of Common Stock issuable pursuant to such rights or warrants; and

Y = the number of shares of Common Stock equal to the aggregate price payable to exercise such rights or warrants divided by the current market price.

Subject to provision 4) below, the current market price on any date is the average of the daily closing prices per share of Common Stock or other securities on each of the 10 consecutive trading days immediately preceding the earlier of the day before the date in question and the day before the ex-date with respect to the issuance or distribution requiring such computation.

To the extent that such rights or warrants are not exercised prior to their expiration or shares of our Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the conversion rate shall be readjusted to such conversion rate that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of our Common Stock actually delivered. The aggregate offering price payable for such shares of our Common Stock will take into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined by our Board of Directors).

4) *Debt or Asset Distributions*. If we distribute to all holders of our Common Stock evidences of indebtedness, shares of capital stock, securities, cash or other assets (excluding any dividend or distribution covered by adjustment provisions 1) or 2) above, any rights or warrants referred to in 3) above, any dividend or distribution paid exclusively in cash, any consideration payable in connection with a tender or exchange offer made by us or any of our subsidiaries and any dividend of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of certain spin-off transactions as described below), then the conversion rate in effect immediately prior to the close of business

on the date fixed for the determination of shareholders entitled to receive such distribution will be multiplied by the following fraction:

$$\frac{SP_0}{SP_0 - FMV}$$

where,

SP_0 = the current market price per share of Common Stock on the date fixed for distribution; and

FMV = the fair market value of the portion of the distribution applicable to one share of Common Stock as determined by our Board of Directors.

In a spin-off, where we make a distribution to all holders of our Common Stock consisting of capital stock of, or similar equity interests in, or relating to a subsidiary or other business unit, the conversion rate will be adjusted on the 15th trading day after the ex-date for the distribution by multiplying the conversion rate in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution by the following fraction:

$$\frac{MP_0 + MPs}{MP_0}$$

where,

MPo = the current market price per share of Common Stock on the 15th trading day after the ex-date for the distribution; and

MPs = the current market price of the shares of the subsidiary representing the portion of distribution applicable to one share of Common Stock on the 15th trading day after the ex-date for the distribution.

For the purpose of determining the adjustment to the conversion rate in the event of a spin-off, the current market price per share of Common Stock or other securities means the average of the daily closing prices over the first 10 trading days commencing on and including the fifth trading day following the ex-date for such distribution.

5) *Self Tender Offers and Exchange Offers*. If we or any of our subsidiaries successfully complete a tender or exchange offer for our Common Stock where the cash and the value of any other consideration included in the payment per share of Common Stock exceeds the current market price per share of Common Stock on the 10th trading day after the expiration of the tender or exchange offer, immediately prior to the opening of business on the 11th trading day after the expiration date of the tender or exchange offer, then the conversion rate in effect on the 11th trading day after the expiration of the tender or exchange offer will be divided by the following fraction:

$$\frac{(SP_0 \text{ x } OS_0) - AC}{SP_0 \text{ x } (OS_0 - TS)}$$

where,

SP_0 = the current market price per share of Common Stock on the 10th trading day after the expiration of the tender or exchange offer;

OS_0 = the number of shares of Common Stock outstanding at the expiration of the tender or exchange offer, including any shares validly tendered and not withdrawn;

AC = the aggregate cash and fair market value of the other consideration payable in the tender or exchange offer, as determined by our Board of Directors; and

TS = the number of shares of Common Stock validly tendered and not withdrawn at the expiration of the tender or exchange offer.

6) *Rights Plan*. To the extent that we have a rights plan in effect with respect to our Common Stock on any conversion date, upon conversion of any shares of Preferred Stock, you will receive, in addition to the Common Stock, the rights under the rights plan, unless, prior to such conversion date, the rights have separated from the Common Stock, in which case each fixed conversion rate will be adjusted at the time of separation as

if we made a distribution to all holders of our Common Stock as described in adjustment provision 4) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

Generally, we may make such increases in the conversion rate as we deem advisable in order to avoid or diminish any income tax to holders of shares of Common Stock resulting from any dividend or distribution (or issuance of rights or warrants to acquire shares) or from any event treated as such for income tax purposes or for any other reason.

For a discussion of the tax consequences of a change in the conversion rate, see Taxation in this prospectus supplement.

Adjustments to the conversion rate will be calculated to the nearest 1/10,000th of a share (or if there is not a nearest 1/10,000th of a share, to the next lower 1/100,000 of a share). Prior to the mandatory conversion date, no adjustment in the conversion rate will be required unless the adjustment would require an increase or decrease of at least one percent in the conversion rate. If any adjustment is not required to be made because it would not change the conversion rate by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment; provided that on the earlier of the mandatory conversion date and the date we consummate an acquisition, adjustments to the conversion rate will be made with respect to any such adjustment carried forward and which has not been taken into account before such date.

No adjustment to the conversion rate will be made if holders may participate in the transaction that would otherwise give rise to an adjustment, so long as the distributed assets or securities the holders of the depositary shares representing the Preferred Stock would receive upon conversion of such Preferred Stock, if convertible, exchangeable, or exercisable, are convertible, exchangeable or exercisable, as applicable, without any loss of rights or privileges for a period of at least 45 days following conversion of the Preferred Stock. As described under Dividends above, the Preferred Stock will participate in all dividends and distributions declared on our Common Stock at the same time and to the same extent as they would participate had they held the number of shares of Common Stock into which the shares of Preferred Stock are then convertible. As a result, we expect that no adjustments will be made to the conversion rate as a result of such dividends and distributions.

The applicable conversion rate will not be adjusted:

a) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the securities and the investment of additional optional amounts in Common Stock under any plan;

b) upon the issuance of any shares of Common Stock or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by us or any of our subsidiaries;

c) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Preferred Stock were first issued;

d) for a change in the par value or no par value of the Common Stock; or

e) for accumulated and unpaid dividends.

We will be required, as soon as practicable after the conversion rate is adjusted, to provide or cause to be provided written notice of the adjustment to the holders of shares of Preferred Stock. We will also be required to deliver a statement setting forth in reasonable detail the method by which the adjustment to the conversion rate was determined and setting forth the revised conversion rate.

Fractional Shares

No fractional shares of Common Stock will be issued to holders of depositary shares representing the Preferred Stock upon conversion of the Preferred Stock. In lieu of any fractional shares of Common Stock otherwise issuable in respect of the aggregate number of depositary shares representing the Preferred Stock of any holder that are converted, that holder will be entitled to receive an amount in cash (computed to the nearest cent) equal to the same fraction of the average of the daily closing price per share of Common Stock for each of the five consecutive trading days preceding the trading day immediately preceding the mandatory conversion date.

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If more than one depositary share representing the shares of Preferred Stock is surrendered for conversion at one time by or for the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of depositary shares representing the shares of Preferred Stock so surrendered.

Liquidation Preference

Upon any liquidation, dissolution, or winding up of Popular, Inc., which we refer to collectively sometimes as a liquidation , the holders of the shares of the Preferred Stock will be entitled to receive, out of the assets of Popular, Inc. available for distribution to stockholders after payment of all claims due to creditors of Popular, Inc., before any distribution is made to holders of Common Stock or any other capital stock ranking junior to the Preferred Stock, the greater of (i) the $1,000 liquidation preference per share of Preferred Stock and (ii) the value of the number of shares of Common Stock int