POPULAR INC
Form 424B2
May 22, 2008
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Filed Pursuant to Rule 424(b)(2)

Registration No. 333-135093

A filing fee of $15,720 calculated in accordance with Rule 457(r) is payable to the SEC in connection with the offering by means of this prospectus supplement and the accompanying prospectus of 16,000,000 shares of preferred stock of Popular, Inc. at an aggregate initial offering price of $400,000,000 from Registration Statement No. 333-153093.

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PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED JUNE 16, 2006)

16,000,000 Shares

8.25% Non-cumulative Monthly Income Preferred Stock, Series B

Popular, Inc. is offering to the public 16,000,000 shares of its 8.25% Non-cumulative Monthly Income Preferred Stock, Series B. The Series B Preferred Stock has the following characteristics:

- Annual dividends of $2.0625 per share, payable monthly, if declared by the board of directors or a committee thereof. Missed dividends never have to be paid.
- Redeemable at Popular, Inc. s option, beginning on May 28, 2013.
- No mandatory redemption or stated maturity.

There is currently no public market for the Series B Preferred Stock. Popular, Inc. has filed an application with the Nasdaq Stock Market to list the Series B Preferred Stock under the symbol BPOPP . If the application is approved, trading of the Series B Preferred Stock on the Nasdaq Stock Market is expected to commence approximately 30 days after the initial delivery of the Series B Preferred Stock.

Investing in these securities involves risks. See Risk Factors on page S-8 of this prospectus supplement.

	Per Share	Total
Public offering price	$25	$400,000,000
Underwriting discounts and commissions	$0.803125	$12,850,000
Proceeds, before expenses, to Popular, Inc.	$24.196875	$387,150,000

The underwriters expect to deliver the Series B Preferred Stock in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on May 28, 2008.

Neither the Securities and Exchange Commission nor any State or Commonwealth of Puerto Rico securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or obligations of Banco Popular de Puerto Rico or of any other bank or nonbank subsidiary of Popular, Inc., and are not insured by the FDIC or any other governmental agency and may lose value.

Joint Book-Running Managers

UBS Financial Services Incorporated of Puerto Rico **Popular Securities**

Senior Manager

Citi

The date of this prospectus supplement is May 22, 2008

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus or incorporated by reference herein. Neither Popular, Inc. nor any underwriter has authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. Popular, Inc. is offering to sell the shares, and seeking offers to buy the shares, only in jurisdictions where offers and sales are permitted. You should not assume that the information included in this prospectus supplement or in the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus or that any information incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Popular, Inc. s business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

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Summary

This summary highlights information contained elsewhere in this prospectus supplement. You should read the entire prospectus supplement and the accompanying prospectus, including the information incorporated by reference and the Risk factors section on page S-8 of this prospectus supplement.

POPULAR, INC.

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, Popular, Inc. offers financial services in Puerto Rico and the mainland United States and processing services in the Caribbean and Latin America. As of March 31, 2008, Popular, Inc. had approximately $42 billion in assets, $27 billion in deposits and $3.5 billion in stockholders equity.

Popular, Inc. operates 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. Popular, Inc. s strategic objectives in its target markets consist of the following:

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

- ***Mainland United States***: increase Popular, Inc. s profitability in the mainland United States by offering financial services to the communities Popular, Inc. serves and targeted products to niche markets while capitalizing on Popular, Inc. s strengths in the Hispanic market.

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

Popular, Inc. s condensed consolidated financial information includes separate columns for Popular, Inc., Popular North America, Inc. and other subsidiaries of Popular, Inc., and consolidated adjustments and total consolidated amounts are included in the notes to Popular, Inc. s consolidated financial statements that are incorporated by reference in this prospectus supplement.

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

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The offering

Series B Preferred Stock Offered	16,000,000 shares.
Offering Price	$25 per share.
Liquidation Preference	If Popular, Inc. is liquidated or dissolved, you will be entitled to receive $25 per share plus accumulated and unpaid dividends for the current month from any assets available for distribution after payment of all claims due to creditors of Popular, Inc. You will be paid before any of Popular, Inc. s assets are distributed to holders of common stock or any stock ranking junior to the Series B Preferred Stock.
Dividends	Dividends will be paid to record holders in cash on the last day of each month beginning on June 30, 2008, as and if declared by the board of directors or a committee thereof. Dividends are not cumulative. If no dividend is declared for a given month, Popular, Inc. will not have any obligation to make any payment for that month. The annual dividend rate is equal to 8.25% of the liquidation preference per share.

Popular, Inc. may not pay dividends on, or redeem, purchase, or make a liquidation payment with respect to, any of its common stock, unless full dividends on the Series B Preferred Stock have been paid for the immediately preceding 12 months.

No Voting Rights	You will not have any voting rights, except as described under Terms of the Series B Preferred Stock Voting Rights herein.
Redemption at Popular, Inc. s Option	The Series B Preferred Stock may be redeemed, in whole or in part, on or after May 28, 2013 at Popular, Inc. s option, subject to certain limitations. For more information on redemption prices, see Terms of the Series B Preferred Stock Redemption at the Option of Popular, Inc. herein.
Replacement Capital Covenant	Popular, Inc. will covenant for the benefit of holders of a specified series of Popular, Inc. s long-term indebtedness that it will not redeem or repurchase the Series B Preferred Stock on or before May 28, 2018, except to the extent that the applicable redemption price does not exceed the sum of (a) 133.33% of the net proceeds Popular, Inc. receives from the issuance of common stock

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and rights to receive common stock plus (b) 133.33% of the market value of any common stock (or rights to acquire common stock) that Popular, Inc. or its subsidiaries have delivered (i) in connection with the conversion or exchange of any convertible or exchangeable securities for which neither Popular, Inc. nor any subsidiary has received equity credit from any nationally recognized statistical rating agency or (ii) as consideration for property or assets in an arm s length transaction, plus (iii) 100% of the aggregate net cash proceeds Popular, Inc. or its subsidiaries have received form the issuance of certain other specific securities that have equity-like characteristics that satisfy the requirements of the replacement capital covenant and are the same as, or more equity-like than, the applicable characteristics of the Series B Preferred Stock, in each case during the 180-day period prior to the redemption date or the date on which Popular, Inc. gives notice of such redemption. The terms of the replacement capital covenant are defined and further described under Replacement Capital Covenant below.

The replacement capital covenant will not be enforceable by holders of the Series B Preferred Stock.

No Maturity Date or Mandatory Redemption	The Series B Preferred Stock does not have a maturity date. Popular, Inc. is not required to provide for the retirement of the Series B Preferred Stock by mandatory redemption or sinking fund payments.
Rank	The Series B Preferred Stock ranks senior to the common stock of Popular, Inc. and pari passu to Popular, Inc. s existing outstanding series of preferred stock for purposes of dividend rights and the distribution of assets upon liquidation. Popular, Inc. may not issue preferred stock ranking senior to the Series B Preferred Stock without the approval of holders of at least two-thirds of the Series B Preferred Stock.
Nasdaq National Market Symbol	Popular, Inc. has filed an application with the Nasdaq Stock Market to list the Series B Preferred Stock under the symbol BPOPP . If the application is approved, trading of the Series B Preferred Stock on the Nasdaq Stock Market is expected to commence approximately 30 days after the initial delivery of the Series B Preferred Stock.

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Use of Proceeds	Popular, Inc. intends to use the net proceeds of the offering for general corporate purposes, which may include increasing the liquidity and capital of Popular, Inc. and/or investment in or advances or loans to subsidiaries of Popular, Inc. for their general corporate purposes, including the repayment of indebtedness or increasing the liquidity and capital of such subsidiaries.

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Consolidated ratios of earnings to fixed charges and preferred stock dividends

The ratios shown below measure Popular, Inc. s ability to generate sufficient earnings to pay the fixed charges or expenses of its debt and dividends on its preferred stock. The ratios of earnings to fixed charges and preferred stock dividends were computed by dividing earnings by fixed charges and preferred stock dividends.

	Three months ended March 31, 2008	Year ended December 31, 2007	2006	2005	2004	2003
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends						
Including Interest on Deposits	1.3x	(A)	1.3x	1.5x	1.7x	1.7x
Excluding Interest on Deposits	1.8x	(A)	1.4x	1.8x	2.1x	2.3x

(A) During 2007, earnings were not sufficient to cover fixed charges and preferred dividends and the ratios were less than 1:1. Popular, Inc. would have had to generate additional earnings of $125 million to achieve ratios of 1:1 in 2007.

For purposes of computing the consolidated ratios of earnings to fixed charges and preferred stock dividends, earnings consist of pre-tax income plus fixed charges. Fixed charges represent all interest expense (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 term preferred stock dividends is the amount of pre-tax earnings that is required to pay dividends on Popular, Inc. s outstanding preferred stock.

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Risk factors

You should carefully consider the following factors and other information in this prospectus supplement and the accompanying prospectus, including the information incorporated by reference in this prospectus, before deciding to invest in the Series B Preferred Stock.

RISK FACTORS RELATED TO POPULAR, INC.

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

A significant portion of Popular, Inc. s financial activities and credit exposure is concentrated in Puerto Rico (the Island) and the Island s economy has been deteriorating. If the decline in economic activity continues, this could result in, among other things, a downturn in loan originations, an increase in the level of non-performing assets, an increase in the rate of foreclosure loss on mortgage loans and a reduction in the value of Popular, Inc. s loans and loan servicing portfolio, all of which would adversely affect Popular, Inc. s profitability.

According to recent revisions by the Puerto Rico Planning Board, the Island s economy registered a contraction of 1.8 percent for the fiscal year ended June 30, 2007 and the Puerto Rico Planning Board projects a further decline of 2.1 percent for the current fiscal year ending June 30, 2008.

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

A prolonged economic slowdown, a continuing decline in the real estate market in the U.S. mainland, and ongoing disruptions in the capital markets have harmed and could continue to harm the results of operations of Popular Financial Holdings Inc (PFH), one of Popular, Inc. s business segments.

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 Popular, Inc. s business by decreasing the volume of loans originated and increasing the level of credit losses related to its 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 Popular, Inc. s U.S-based business sectors and has the potential to affect its 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. 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 has increased substantially, and additional property value decreases may be required to clear the overhang of excess inventory in the U.S. market. Declining property values could impact the credit quality of Popular, Inc. s U.S. mortgage loan portfolio because the value of the

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homes underlying the loans is a primary source of repayment in the event of foreclosure. It is possible that in the event of foreclosure in a loan from this portfolio, the current market value of the underlying collateral is insufficient to cover the loan amount owed.

Popular, Inc. has made loans to borrowers that had FICO scores of 660 or below through its subsidiary PFH. As of December 31, 2007, approximately 75% of PFH s mortgage loan portfolio of $1 billion was subprime, meaning that it had a credit score per loan of 660 or below. This profile of borrower has been particularly affected by the current housing environment. Even though Popular, Inc. has exited this business segment, the rates of delinquencies, foreclosures and losses on the remaining loans in portfolio could continue rising in the current environment. Rising unemployment, higher interest rates on mortgage loans, declines in housing prices and an overall tightening of credit standards by lenders tend to have a greater negative effect on the ability of such borrowers to repay their mortgage loans.

The exposure of Popular, Inc. s loan portfolio to the 1-4 family residential mortgage sector in the U.S. has declined. As of March 31, 2008, mortgage loans collateralized by 1-4 family residential property in the continental U.S. amounted to $2.9 billion, as compared to $4.7 billion as of December 31, 2007. This represents a decrease of $1.8 billion, or 38.30%. As of March 31, 2008, $1.0 billion in 1-4 family residential mortgage loans in the U.S. were at PFH and $3.2 billion at Banco Popular North America. As of March 31, 2008, subprime mortgage loans collateralized by 1-4 family residential property in the continental U.S. at PFH amounted to $915 million, as compared to $940 million as of December 31, 2007. This represents a decrease of $25 million, or 2.7%.

Popular, Inc. s exposure to subprime adjustable rate mortgage loans (ARM) at PFH has also declined substantially. As of March 31, 2008, outstanding subprime ARM loans amounted to $289 million, as compared to $320 million as of December 31, 2007. That represents a decline of $31 million or 9.7%.

Any sustained period of increased delinquencies, foreclosures or losses could harm Popular, Inc. s ability to sell loans, the prices it receives for its loans, the values of its mortgage loans held-for-sale or its residual interests in securitizations, which could harm Popular, Inc. s financial condition and results of operations. In addition, any material decline in real estate values would weaken Popular, Inc. s collateral loan-to-value ratios and increase the possibility of loss if a borrower defaults. In such event, Popular, Inc. will be subject to the risk of loss on such mortgage assets arising from borrower defaults, to the extent not covered by third-party credit enhancement.

See Management s Discussion and Analysis of Financial Condition and Results of Operations in Popular, Inc. s Form 10-K for the year ended December 31, 2007 and in Popular, Inc. s Form 10-Q for the quarter ended March 31, 2008, which are incorporated by reference herein, for further information on PFH s credit exposure associated with its subprime mortgage loan portfolio and Popular, Inc. s restructuring plan executed in 2007, which has reduced Popular, Inc. s exposure in this industry sector.

A prolonged economic downturn or recession would likely result in an increase in delinquencies, defaults and foreclosures and in a reduction of the loan origination activity which would adversely affect Popular, Inc. s financial results.

A period of reduced economic growth or a recession has historically resulted in a reduction in lending activity and an increase in the rate of defaults in commercial loans, consumer loans and residential mortgages. A recession may have a significant adverse impact on the net interest income and fee income. Popular, Inc. may also experience significant losses on the loan portfolio due to a higher level of defaults on commercial loans, consumer loans and residential mortgages.

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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 Popular, Inc. 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 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 March 31, 2008, Popular, Inc. had a positive gap position.

Popular, Inc. is subject to interest rate risk because of the following factors:

- Assets and liabilities may mature or reprice at different times. For example, if assets reprice slower than liabilities and interest rates are generally rising, earnings may initially decline.

- Assets and liabilities may reprice at the same time but by different amounts. For example, when the general level of interest rates is rising, Popular, Inc. may increase rates charged on loans by an amount that is less than the general increase in market interest rates because of intense pricing competition. Also, basis risk occurs when assets and liabilities have similar repricing frequencies but are tied to different market interest rate indices that may not move in tandem.

- Short-term and long-term market interest rates may change by different amounts, i.e., the shape of the yield curve may affect new loan yields and funding costs differently.

- The remaining maturity of various assets and liabilities may shorten or lengthen as interest rates change. For example, if long-term mortgage interest rates decline sharply, mortgage-backed securities held in the securities available-for-sale portfolio may prepay significantly earlier than anticipated, which could reduce portfolio income. If prepayment rates increase, Popular, Inc. would be required to amortize net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant impact on mortgage-backed securities and collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios.

- Interest rates may have an indirect impact on loan demand, credit losses, loan origination volume, the value of securities holdings, including interest-only strips, gains and losses on sales of securities and loans, the value of mortgage servicing rights and other sources of earnings.

In limiting interest rate risk to an acceptable level, management may alter the mix of floating and fixed rate assets and liabilities, change pricing schedules, adjust maturities through sales and purchases of investment securities, and enter into derivative contracts, among other alternatives. Popular, Inc. may suffer losses or experience lower spreads than anticipated in initial projections as management implements strategies to reduce future interest rate exposure.

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The hedging transactions that Popular, Inc. enters into may not be effective in managing the exposure to market risk, including interest rate risk.

Popular, Inc. uses 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 Popular, Inc. 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 thereunder; and (3) legal risk, which is the risk that Popular, Inc. is unable to enforce certain terms of such instruments. All or any of such risks could expose Popular, Inc. to losses.

Reductions in Popular, Inc. s credit ratings or those of any of its subsidiaries would increase the cost of borrowing funds and make Popular, Inc. s ability to raise new funds or renew maturing debt more difficult.

Credit ratings are an important component of Popular, Inc. s liquidity profile. Among other factors, credit ratings are based on the financial strength, the credit quality of and concentrations in Popular, Inc. s loan portfolio, the level and volatility of earnings, capital adequacy, the quality of management, the liquidity of Popular, Inc. s balance sheet, the availability of a significant base of core retail and commercial deposits, and the ability to access a broad array of wholesale funding sources.

In December 2007, Moody s Investor Service (Moody s) downgraded by one notch to A3 the senior debt rating of Popular, Inc. and reduced the short-term rating to P-2 due to concerns about funding challenges at the bank holding company as well as the profitability of the U.S. business. The funding challenges were mitigated with the completion of the sale of certain PFH consumer and mortgage loans to American General Financial on March 1, 2008. On May 13, 2008, Moody s reaffirmed Popular, Inc. s ratings, but with a negative outlook, citing bank holding company liquidity concerns for 2009. In light of the proposed issuance of the Series B Preferred Stock, Moody s did not see any holding company liquidity issues for 2008. Despite the challenges identified, Moody s noted that it expects that Popular, Inc. s financing options will be sufficient to meet liquidity demands. Popular, Inc. s management continues to address funding challenges at the bank holding company level and is working to improve its liquidity position.

After the end of the third quarter of 2007, Fitch Ratings reduced the short-term credit rating of Popular, Inc. and Popular North America, Inc. to F-2 from F-1 , and placed their long-term senior debt rating of A- on negative rating watch. Fitch Ratings mentioned that the rating actions reflected credit quality pressures from Popular, Inc. s sub-prime loan exposure as well as a more difficult environment for bank holding company funding. In both cases, Fitch Ratings maintained that it believes that both situations are challenging but manageable. In January 2008, Fitch Ratings announced that it was affirming Popular, Inc. s senior debt rating at A- as well as removing the rating from negative watch . The outlook was maintained negative . Management actions related to bank holding company liquidity were highlighted by the agency as underlying the removal of the watch , but U.S. business profitability concerns have kept the ratings outlook negative, until these challenges are resolved.

Standard & Poor s Rating Services (S&P) currently rates Popular, Inc. s debt BBB+ for long-term debt and A-2 for short-term obligations, both with a stable outlook.

Changes in Popular, Inc. s credit ratings or the credit ratings of any of its subsidiaries to a level below investment grade would adversely affect Popular, Inc. s ability to raise funds in the capital markets. Popular, Inc. s counterparties are also sensitive to the risk of a ratings downgrade. In the event of a downgrade, the cost of borrowing funds would increase. In addition, Popular, Inc. s ability to raise new funds in the capital markets or renew maturing debt may be impaired.

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Popular, Inc. s ability to compete successfully in the marketplace for deposits depends on various factors, including service, convenience and financial stability as reflected by the operating results and credit ratings by nationally recognized credit agencies. Popular, Inc. s ratings are subject to change at any time at the sole discretion of the rating agencies without previous notice. A downgrade in credit ratings may impact the ability to raise deposits, but Popular, Inc. believes that the impact should not be material. Deposits at all of its banking subsidiaries are federally insured (subject to limitations established by the FDIC), which is expected to mitigate the effect of a downgrade in the credit ratings.

A failure to comply with financial covenants in contractual agreements could accelerate payments of related borrowings.

In the course of borrowing from institutional lenders and other investors, Popular, Inc. has entered into contractual agreements to maintain certain levels of debt, capital and asset quality, among other financial covenants. Failing to comply with those agreements may result in an event of default, which could accelerate the repayment of the related borrowings. An event of default would also affect Popular, Inc. s ability to raise new funds or renew maturing debt.

Popular, Inc. is subject to default risk in its loan portfolio.

Popular, Inc. is subject to the risk of loss from loan defaults and foreclosures with respect to the loans originated or acquired. Popular, Inc. establishes provisions for loan losses, which lead to reductions in the income from operations, in order to maintain the allowance for inherent 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. There can be no assurance that management has accurately estimated the level of inherent loan losses or that Popular, Inc. 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 its control.

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

Popular, Inc. 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 its operations. Additional laws and regulations may be enacted or adopted in the future that could significantly affect Popular, Inc. s powers, authority and operations, which could have a material adverse effect on Popular, Inc. 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, Inc.

Competition with other financial institutions could adversely affect Popular, Inc. s profitability.

Popular, Inc. faces 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. Certain of Popular, Inc. s competitors are not subject to the same extensive regulation that governs Popular, Inc. s business.

Popular, Inc. also encounters substantial competition with respect to its operations on the U.S. mainland. Many institutions with which Popular, Inc. competes on the U.S. mainland have significantly greater

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assets, capital, name recognition, customer loyalty and other resources. As a result, some of Popular, Inc. s competitors may have advantages in conducting certain businesses and providing certain services.

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

Rating downgrades on the Government of Puerto Rico s (the Government) debt obligations could affect the value of Popular, Inc. s loans to the Government and its 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 Government s fiscal challenges in 2006, Moody s and S&P downgraded the rating of its obligations, but maintained 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 Government s credit ratings to stable from negative . In justifying their change in outlook, Moody s recognized the progress the Government has made in addressing the fiscal challenges it has faced in recent years. In particular it mentioned the controls imposed on public spending and the implementation of the sales tax as two favorable developments.

Factors such as the Government s ability to implement meaningful steps to curb operating expenditures, improve managerial and budgetary controls, and eliminate the government s reliance on operating budget loans from the Government Development Bank of Puerto Rico will be key determinants of future ratings stability. Also, the inability to agree on future fiscal year Government 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, a deterioration in the fiscal situation with possible negative ratings implications, could adversely affect the value of Puerto Rico s Government obligations.

A substantial portion of Popular, Inc. s 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 their 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 the central Government. Popular, Inc. also has 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 full good faith and credit obligations of the municipalities have a first lien on the basic property taxes.

At March 31, 2008, Popular, Inc. had $1.1 billion of credit facilities granted to or guaranteed by the Government and its political subdivisions, of which $175 million are uncommitted lines of credit. Of

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these total credit facilities granted, $776 million in loans were outstanding at March 31, 2008. A substantial portion of the credit exposure to the Government has an identified repayment stream, which includes in some cases the good faith, credit and unlimited taxation power of certain municipalities and, an assignment of basic property taxes and other revenues.

Furthermore, as of March 31, 2008, Popular, Inc. had outstanding $176 million in Obligations of Puerto Rico, States and Political Subdivisions as part of its investment portfolio. Of that portfolio, $55 million was in the form of the Puerto Rico Commonwealth s Appropriation Bonds, which are currently rated Ba1, one notch below investment grade, by Moody s and BBB-, the lowest investment grade rating, by S&P. At March 31, 2008, the Appropriation Bonds indicated above represented approximately 1.7 million in unrealized losses in Popular, Inc. s portfolio of investment securities available-for-sale. Popular, Inc. is closely monitoring 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. Management has the intent and ability to hold these investments for a reasonable period of time or up to maturity for a forecasted recovery of fair value up to (or beyond) the cost of these investments.

Popular, Inc. s income tax provision and other tax liabilities may be insufficient if taxing authorities are successful in asserting tax positions that are contrary to the position of Popular, Inc. Additionally, continued loss from operations in future reporting periods may require Popular, Inc. to adjust the valuation allowance against its deferred tax assets.

From time to time, Popular, Inc. is audited by various federal, state and local authorities regarding income tax matters. Significant judgment is required to determine Popular, Inc. s provision for income taxes and Popular, Inc. s liabilities for federal, state, local and other taxes. Popular, Inc. 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 Popular, Inc. believes its approach to determining the appropriate tax treatment is supportable and in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, and FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, it is possible that the final tax authority will take a tax position that is materially different than that which is reflected in Popular, Inc. s income tax provision and other tax reserves. As each audit is conducted, adjustments, if any, are appropriately recorded in Popular, Inc. s Consolidated Financial Statements in the period determined. Such differences could have a material adverse effect on Popular, Inc. s income tax provision or benefit, or other tax reserves, in the reporting period in which such determination is made and, consequently, on Popular, Inc. s results of operations, financial position and/or cash flows for such period.

Popular, Inc. s deferred tax assets should be reduced by a valuation allowance, if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. In determining the more-likely-than-not criterion, Popular, Inc. evaluates all positive and negative evidence as of the end of each reporting period. Future adjustments, either increases or decreases, to Popular, Inc. s deferred tax asset valuation allowance will be determined based upon changes in the expected realization of its net deferred tax assets. The realization of Popular, Inc. s deferred tax assets ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under the tax law. Due to significant estimates utilized in establishing the valuation allowance and the potential for changes in facts and circumstances, it is reasonably possible that Popular, Inc. will be required to record adjustments to the valuation allowance in future reporting periods. Popular, Inc. s results of operations would be impacted negatively if Popular, Inc. determines that increases to its deferred tax asset valuation allowance are required in a future reporting period.

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Risk factors

For further information of other risks faced by Popular, Inc. please refer to the Management s Discussion and Analysis section of the Annual Report on Popular, Inc. s Form 10-K for the year ended December 31, 2007, which is incorporated by reference herein.

RISK FACTORS RELATED TO THE SERIES B PREFERRED STOCK

Dividends will not be paid unless declared by the board of directors or a committee thereof.

Monthly dividends will only be paid if declared by Popular, Inc. s board of directors or a committee thereof. Neither the board of directors nor a committee thereof is obligated or required to declare monthly dividends.

Missed dividends never have to be paid.

Dividends on the Series B Preferred Stock are non-cumulative. If Popular, Inc. s board of directors or a committee thereof does not declare a dividend for a particular month, those dividends never have to be paid.

Banking regulations may restrict Popular, Inc. s ability to pay dividends.

Popular, Inc. is a bank holding company subject to the supervision of the Federal Reserve Board. The principal source of cash flow for Popular, Inc. is dividends from BPPR. As a member bank subject to the regulation of the Federal Reserve Board, BPPR must obtain the approval of the Federal Reserve Board for any dividend if the total of all dividends declared by the member bank in any calendar year would exceed the total of its net profits, as defined by the Federal Reserve Board, for that year, combined with its retained net profits for the preceding two years, less any required transfer to surplus or to a fund for the retirement of any preferred stock. In addition, a member bank may not pay a dividend in an amount greater than its undivided profits then on hand after deducting its losses and bad debts. The payment of dividends by BPPR may also be affected by other regulatory requirements and policies, such as the maintenance of certain minimum capital levels. Such restrictions have not had, and are not expected to have, any material effect on Popular, Inc. s ability to meet its cash obligations. As of March 31, 2008, BPPR could have declared a dividend of approximately $75 million without the approval of the Federal Reserve Board. At March 31, 2008, BPNA was required to obtain the approval of the Federal Reserve Board to declare a dividend.

Popular, Inc. s ability to redeem the Series B Preferred Stock is subject to limitations, including its ability to issue qualifying capital securities.

Popular, Inc. s ability to redeem the Series B Preferred Stock is limited. On or after May 28, 2013 Popular, Inc. may redeem the Series B Preferred Stock. Under the Federal Reserve Board s risk-based capital guidelines applicable to bank holding companies, Popular, Inc. must obtain the prior approval of the Federal Reserve Board with respect to any redemption of the Series B Preferred Stock. In addition, Popular, Inc. will enter into a replacement capital covenant that will permit Popular, Inc. to redeem or repurchase the Series B Preferred Stock only to the extent that Popular, Inc. has sold sufficient qualifying capital securities (as defined under Replacement Capital Covenant below) within a 180-day period ending on the redemption date or a notice date not more than 30 or less than 10 business days prior to the date when Popular, Inc. intends to redeem all or part of the Series B Preferred Stock. Popular, Inc. s ability to issue qualifying capital securities will depend on, among other things, market conditions at the time of the intended redemption, as well as the acceptability to prospective investors of the terms of the

Risk factors

qualifying securities. The holders of the Series B Preferred Stock are not parties to or beneficiaries of the replacement capital covenant. As a result, Popular, Inc. may amend the replacement capital covenant at any time without the consent of the holders of the Series B Preferred Stock, subject to certain limitations as described under Replacement Capital Covenant below.

The Series B Preferred Stock may not have an active trading market.

The Series B Preferred Stock is a new issue with no established trading market. Popular, Inc. has filed an application with the Nasdaq Stock Market to list the Series B Preferred Stock under the symbol BPOPP . If the application is approved, trading of the Series B Preferred Stock on the Nasdaq Stock Market is expected to commence approximately 30 days after the initial delivery of the Series B Preferred Stock. However, there is no guarantee that the listing application will be approved. Even if the Series B Preferred Stock is listed, there may be little or no secondary market for the Series B Preferred Stock.

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Forward-looking information

The information included in this prospectus supplement contains certain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to Popular, Inc. s financial condition, results of operations, plans, objectives, future performance and business, including, but not limited to, statements with respect to the adequacy of the allowance for loan losses, market risk and the impact of interest rate changes, capital markets conditions, capital adequacy and liquidity and the effect of legal proceedings and new accounting standards on Popular, Inc. s financial condition and results of operations. All statements contained herein that are not clearly historical in nature are forward-looking, and the words anticipate, believe, continues, expect, estimate, intend, project and similar expressions and future or conditional verbs such as will, would, should, could, might, can, may, or sir are generally intended to identify forward-looking statements.

These statements are not guarantees of future performance and involve certain risks, uncertainties, estimates and assumptions by management that are difficult to predict. Various factors, some of which are beyond Popular, Inc. s control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- the rate of growth in the economy, 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;
- the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets;
- the performance of the stock and bond markets;
- competition in the financial services industry;
- possible legislative, tax or regulatory changes; and
- difficulties in combining the operations of acquired entities.

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 in this document are based upon information available to Popular, Inc. as of the date of this prospectus supplement, and Popular, Inc. assumes no obligation to update or revise any such forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

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Use of proceeds

The net proceeds to Popular, Inc. after deducting expenses and underwriting discounts and commissions from the sale of shares of Series B Preferred Stock are estimated at approximately $386,150,000. Popular, Inc. intends to use the net proceeds for general corporate purposes, which may include:

- increasing the liquidity and capital of Popular, Inc., and
- investing in or advancing or lending to subsidiaries of Popular, Inc. for use by such subsidiaries for their general corporate purposes, including the repayment of indebtedness or increasing the liquidity and capital of such subsidiaries.

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Capitalization

The following table shows the unaudited indebtedness and capitalization of Popular, Inc. at March 31, 2008, on an actual basis and as adjusted to give effect to the issuance of the shares of Series B Preferred Stock offered by this prospectus supplement and the accompanying prospectus. This table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in Popular s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and the financial statements and related notes incorporated by reference into this prospectus supplement.

	March 31, 2008	
	Actual	As Adjusted(1)
	(Dollars in thousands)	
Cash and cash equivalents	$ 782,498	$ 1,168,648
Short-Term Debt	$ 1,525,310	$ 1,525,310
Long-Term Debt:		
Notes payable	$ 4,190,169	$ 4,190,169
Stockholders Equity		
Preferred stock ($25 liquidation value) 30,000,000 shares authorized; 7,475,000 2003 Series A Preferred Stock shares outstanding and 16,000,000 Series B Preferred Stock shares outstanding, as adjusted	$ 186,875	$ 586,875
Common stock, $6 par value per share 470,000,000 shares authorized; 294,182,809 shares issued and 280,547,741 shares outstanding	1,765,097	1,765,097
Surplus	570,548	556,698
Retained earnings	1,113,089	1,113,089
Treasury stock, at cost, 13,635,068 shares	(207,608)	(207,608)
Accumulated other comprehensive income, net of tax of $19,446	43,719	43,719
Total stockholders equity	$ 3,471,720	$ 3,857,870
Total capitalization	$ 7,661,889	$ 8,048,039

(1) The As Adjusted column is presented after deducting estimated underwriting discounts and expenses.

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Selected consolidated financial and other data

The following data summarizes Popular, Inc. s financial information and are qualified in their entirety by Popular, Inc. s audited financial statements for the three years ended December 31, 2007 and unaudited financial statements for the quarters ended March 31, 2008 and 2007. You should read the following financial data in conjunction with the information set forth under Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the related notes included in Popular, Inc. s annual report on Form 10-K for the period ended December 31, 2007. The financial data for the three-month-periods ended March 31, 2008 and 2007 have been derived from Popular, Inc. s unaudited consolidated financial statements. The financial data for the years ended December 31, 2007, 2006 and 2005 have been derived from Popular, Inc. s audited consolidated financial statements.

POPULAR, INC.

Financial Summary

(in thousands, except share data)

	Three months ended March 31,		Year ended December 31,		
	2008	2007	2007	2006	2005
Summary of Operations					