POPULAR INC
Form 424B3
November 23, 2005

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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-129567

PROSPECTUS November 23, 2005

10,500,000 Shares

Common Stock

We are offering up to 10,500,000 shares of our common stock to holders of record of our common stock at the close of business on November 7, 2005, which is the record date for the subscription offering, pursuant to the grant of non-transferable subscription rights to acquire our common stock. The subscription price will be the lesser of (i) $21.00 per share, which we refer to as the initial subscription price, and (ii) the initial public offering price determined in the underwritten public offering described below, which we refer to as the adjusted subscription price. If the underwritten public offering does not occur within 30 calendar days after the expiration date of the subscription offering, the subscription price will be the lesser of (i) the initial subscription price and (ii) the average closing price at 4:00 p.m., New York City time, of our common stock for the five trading days up to and including the expiration date of the subscription offering.

Each holder of record of our common stock is entitled to a basic subscription right entitling the holder to purchase one share of our common stock for every 26 shares of our common stock held by that holder as of the close of business on the record date. We are not granting any fractional subscription rights or paying any cash in lieu thereof. The number of basic subscription rights granted to each holder will be rounded up to the next whole number.

Each holder of record of our common stock will be entitled to subscribe for all, or any portion of, the shares of our common stock underlying that holder s basic subscription rights. In addition, each holder who subscribes for the full number of shares of our common stock underlying that holder s basic subscription rights will have an oversubscription right to subscribe at the subscription price for additional shares of our common stock that are not otherwise subscribed for by other holders pursuant to their basic subscription rights, subject to certain limitations described in this prospectus. See Subscription Offering Oversubscription Right herein. If an insufficient number of shares of our common stock is available to satisfy fully all elections to exercise the oversubscription right, then the available shares will be prorated among those who exercise the oversubscription right based upon their respective ownership of shares of our common stock on the record date.

The subscription rights are non-transferable and will not be evidenced by any certificates. No minimum amount of proceeds is required for us to consummate the subscription offering.

Holders will be able to exercise their subscription rights until the expiration date for the subscription offering, which is 5:00 p.m., New York City time, on December 19, 2005, subject to extension by us. To exercise their subscription rights, holders must return the accompanying order form along with full payment of the initial subscription price for all shares for which subscription is made by the expiration date. The exercise by a holder of that holder s subscription rights is irrevocable unless there is a material amendment to the subscription offering after such exercise.

We expect, but we are not required, to offer all or a portion of shares of our common stock not subscribed for in the subscription offering to the public through an underwritten public offering. There can be no assurance that the underwritten offering will occur. See Underwritten Offering herein.

Our common stock is traded on the Nasdaq Stock Market under the symbol BPOP . At 4:00 p.m., New York City time, on November 22, 2005, the last reported sale price of our common stock was $22.59 per share. See Dividends and Price Range of Our Common Stock herein.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock under the heading Risk factors beginning on page 10 of this prospectus.

THE SECURITIES WILL NOT BE DEPOSITS, SAVINGS ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND WILL NOT BE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND, OR ANY OTHER GOVERNMENTAL AGENCY.

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 is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial subscription price(1)	$ 21.000	$ 220,500,000
Dealer manager fee(2)(3)	$ 0.525	$ 5,512,500
Estimated proceeds to us(4)	$ 20.475	$ 214,987,500

(1) The initial subscription price is the amount to be paid initially for each share subscribed for in the subscription offering. If the adjusted subscription price is lower, the difference will be refunded to the holder.
(2) In connection with the subscription offering, UBS Securities LLC and Popular Securities, Inc. will act as dealer managers and receive a fee for their soliciting services equal to 2.5% of the subscription price per share issued. See also Underwritten Offering for information with respect to certain fees payable by us in connection with any underwritten public offering of shares not subscribed for in the subscription offering.
(3) Assumes that all shares of our common stock offered hereby are subscribed for in the subscription offering and that the subscription price will be the initial subscription price.
(4) Before deducting expenses payable by us estimated at $1,100,000.

Our common stock is being offered directly to holders of record on the record date by us and is not the subject of any underwriting agreement. See Subscription Offering Plan of Distribution . It is expected that delivery of our common stock will be made as soon as practicable after the completion date of the subscription offering, as defined herein.

Dealer managers

UBS Investment Bank

Popular Securities

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You should rely only on the information contained in this prospectus. We have not, and the dealer managers have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus. We are soliciting subscriptions for the right to purchase shares of our common stock only in jurisdictions where solicitations and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

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Popular and Banco Popular are registered service marks of Popular, Inc.

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Prospectus summary

While this summary highlights what we consider to be the most important information about us, you should carefully read this prospectus and the registration statement of which this prospectus is a part in their entirety before investing in our common stock, especially the risks of investing in our common stock, which we discuss under the heading Risk factors beginning on page 10.

Unless the context requires otherwise, the words Popular, we, company, us and our refer to Popular, Inc. and its subsidiaries.

POPULAR, INC.

Popular, Inc. is a diversified, publicly owned bank holding company, registered under the Bank Holding Company Act of 1956, as amended (the BHC Act), and, accordingly, subject to the supervision and regulation of the Board of Governors of the Federal Reserve System. Our executive offices are located at 209 Muñoz Rivera Avenue, Hato Rey, Puerto Rico 00918, and our telephone number is (787) 765-9800.

We are a full service financial services provider with operations in Puerto Rico, the United States, the Caribbean and Latin America. As the leading financial institution in Puerto Rico with over 280 branches and offices, we offer retail and commercial banking services through our banking subsidiary, Banco Popular de Puerto Rico, as well as investment banking, auto and equipment leasing and financing, mortgage loans, consumer lending, insurance and information processing through specialized subsidiaries. In the United States, we have established the largest Hispanic-owned financial services franchise, providing complete financial solutions to all the communities we serve. Banco Popular North America operates over 135 branches in California, Texas, Illinois, New York, New Jersey and Florida. Our finance subsidiary in the United States, Popular Financial Holdings, operates nearly 200 retail lending locations offering mortgage and personal loans, and also maintains a substantial wholesale broker network, a warehouse lending division, loan servicing, and an assets acquisition unit. We continue to use our expertise in technology and electronic banking as a competitive advantage in our Caribbean and Latin America expansion, through our financial transaction processing company, EVERTEC, Inc. We are exporting our 112 years of experience through the region while continuing our commitment to meet the needs of retail and business clients through innovation, and fostering growth in the communities we serve. We are ranked among FORTUNE magazine s 2005 100 Best Companies to Work For. We are the largest financial institution based in Puerto Rico and the 27th largest bank holding company in the United States as of June 30, 2005. We had consolidated total assets of $47.1 billion, total deposits of $22.6 billion and stockholders equity of $3.2 billion at September 30, 2005.

BANCO POPULAR DE PUERTO RICO

Our principal bank subsidiary, Banco Popular de Puerto Rico (Banco Popular or the Bank), was organized in 1893 and is Puerto Rico s largest bank with consolidated total assets of $25.4 billion, deposits of $14.2 billion and stockholder s equity of $1.6 billion at September 30, 2005. The Bank accounted for 54% of our total consolidated assets at September 30, 2005. Banco Popular has the largest retail franchise in Puerto Rico, with 192 branches and over 570 automated teller machines. The Bank has the largest trust operation in Puerto Rico. The Bank also operates seven branches in the U.S. Virgin Islands, one branch in the British Virgin Islands and one branch in New York. Banco Popular s deposits are insured under the Bank Insurance Fund (BIF) of the Federal Deposit Insurance Corporation (the FDIC). Banco Popular has three subsidiaries, Popular Auto, Inc., Puerto Rico s largest vehicle

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financing, leasing and daily rental company, Popular Finance, Inc., a small personal loan and mortgage company with 38 offices and seven mortgage centers in Puerto Rico, and Popular Mortgage, Inc., a mortgage loan company with 31 offices in Puerto Rico.

OTHER PRINCIPAL SUBSIDIARIES

We have three other principal subsidiaries: Popular Securities, Inc., Popular International Bank, Inc. (PIB) and EVERTEC, Inc. Popular Securities, Inc. is a securities broker-dealer in Puerto Rico with financial advisory, investment and security brokerage operations for institutional and retail customers. EVERTEC, Inc. conducts our electronic transaction and processing services, as well as the operational and programming services of Banco Popular. This initiative is part of our strategic objective to provide added value to our customers by offering integrated technological solutions and financial transaction processing.

PIB

PIB is our wholly-owned subsidiary organized in 1992 that operates as an international banking entity under the International Banking Center Regulatory Act of Puerto Rico (the IBC Act). PIB is a registered bank holding company under the BHC Act and is principally engaged in providing managerial services to its subsidiaries. PIB owns the outstanding stock of Popular North America, Inc. (PNA), ATH Costa Rica, S.A., CreST, S.A. and Popular Insurance V.I., Inc., an insurance agency. ATH Costa Rica, S.A. and CreST, S.A. provide ATM switching and driving services in San José, Costa Rica. In addition, PIB has equity investments in Consorcio de Tarjetas Dominicanas (CONTADO), the largest payment network in the Dominican Republic, in Banco Hipotecario Dominicano (BHD) also in the Dominican Republic and in Servicios Financieros S.A. de C.V. (Serfinsa), the largest ATM network in El Salvador.

PNA

PNA, a wholly-owned subsidiary of PIB and our indirect wholly-owned subsidiary, was organized in 1991 under the laws of the State of Delaware and is a registered bank holding company under the BHC Act. PNA functions as a holding company for our mainland U.S. operations. Banco Popular North America (BPNA), a direct subsidiary of PNA, in the mainland United States is based in six states. In New York, BPNA operates 32 branches, which accounted for aggregate assets of $3.0 billion and total deposits of $2.7 billion at September 30, 2005. BPNA also operates 20 branches in Illinois and 45 in California with total assets of $2.0 billion and $3.1 billion, respectively, and deposits of $1.7 billion and $1.9 billion, respectively. In addition, BPNA has 14 branches in New Jersey with total assets of $936 million and deposits of $881 million as of September 30, 2005, and 18 branches in Florida with total assets of $1.9 billion and deposits of $1.3 billion. In Texas, BPNA operates seven branches with aggregate assets of $1.2 billion and total deposits of $203 million at the same date. The deposits of BPNA are insured under the BIF by the FDIC.

Popular Financial Holdings, Inc., a direct subsidiary of PNA, is the holding company of Equity One, Inc. Equity One, Inc. is engaged in the business of granting personal and mortgage loans and providing dealer financing through 211 offices in 34 states. Popular Financial Services, LLC, a direct subsidiary of Equity One, Inc., is the wholesale operation which both acquires pools of non-prime loans from mortgage bankers and originates individual mortgage loans through a network of over 2,000 approved mortgage brokers and bankers throughout the U.S. In addition, Popular Warehouse Lending, LLC, a direct subsidiary of Equity One, Inc., provides revolving credit lines ranging from $2 million to $15 million to small and mid-size mortgage bankers. Popular Financial Holdings, Inc. had total assets of $8.6 billion as of September 30, 2005.

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The subscription offering

Shares offered hereby	Up to 10,500,000 shares of our common stock.
Initial subscription price	$21.00 per share of our common stock.
Subscription price per share of common stock	Lesser of (i) the Initial Subscription Price, which is $21.00 per share, and (ii) the Adjusted Subscription Price, which is the initial public offering price determined in the Underwritten Offering. If the Underwritten Offering does not occur within 30 calendar days after the Expiration Date for the Subscription Offering, the Subscription Price will be the lesser of (i) the Initial Subscription Price and (ii) the average closing price at 4:00 p.m., New York City time, of our common stock for the five trading days up to and including the Expiration Date.
Record date	Subscription Rights have been granted to the holders of record, or Holders, at the close of business on November 7, 2005.
Basic subscription right	Each Holder of our common stock on the Record Date will be entitled to one non-transferable subscription right for every 26 shares of our common stock held on the Record Date. Each Holder will have the right to purchase one share of our common stock for each Basic Subscription Right. Holders are entitled to subscribe for all, or any portion of, the shares of our common stock underlying their Basic Subscription Rights.
Beneficial owners	In the case of beneficial owners of our common stock who are persons that hold shares of our common stock through a depository, bank, trust company, securities broker or dealer, administrator, trustee or other nominee (an Intermediary), the Basic Subscription Right or Rights of a beneficial owner will be rounded up to the next whole number as described above if that Intermediary shows, to the satisfaction of the Subscription Agent, that such beneficial owner s Basic Subscription Right or Rights would be so rounded if that beneficial owner were a record holder. Beneficial owners that wish to subscribe for shares of our common stock offered by this prospectus should contact the appropriate Intermediary and request it to exercise the Subscription Rights on their behalf. See Subscription Offering Method of Exercising Subscription Rights .

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Oversubscription right	Each Holder who subscribes for the full number of shares of our common stock underlying that Holder s Basic Subscription Rights will have the right to subscribe for additional shares of our common stock that are not subscribed for by other Holders pursuant to their Basic Subscription Rights. We reserve the right to review and not accept any subscription pursuant to the exercise of the Oversubscription Right for more than 200,000 shares. There can be no assurance that any shares of our common stock will be available to satisfy in whole or in part a Holder s request to subscribe for shares in excess of the shares underlying a Holder s Basic Subscription Rights.
Proration of oversubscription rights	If there are insufficient shares to satisfy in full all exercises of Oversubscription Rights, the available shares of our common stock will be allocated among the Holders who exercise Oversubscription Rights *pro rata* based upon the number of shares owned by each Holder who exercises Oversubscription Rights on the Record Date.
Fractional shares	No fractional shares will be issued. The number of Subscription Rights that we grant to each Holder will be rounded up to the next whole number. If, as a result of rounding up, the shares subscribed for by all Holders exceed the total number of shares of our common stock offered by this prospectus, all or a portion of the subscriptions pursuant to the rounding up may be cancelled as we shall determine, in our sole discretion.
Method of exercising subscription rights; Payment for common stock	The Basic Subscription Rights and Oversubscription Rights may be exercised by properly completing, signing and delivering to the Subscription Agent the Subscription Rights Order Form accompanying this prospectus together with payment in full of the aggregate Initial Subscription Price by either a cashier s check or official check. Once a Holder has exercised a Subscription Right, the exercise is irrevocable absent a material amendment to the Subscription Offering after such exercise. An extension of the Expiration Date for the Subscription Offering of fewer than seven calendar days will not constitute such a material amendment. The Subscription Agent will honor the use of guaranteed delivery procedures as an alternative to payment of the Subscription Price to exercise Subscription Rights. See Subscription Offering Method of Exercising Subscription Rights .

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Expiration date	Holders may exercise their Subscription Rights until 5:00 p.m., New York City time, on December 19, 2005 unless we extend that date, at our option. After the Expiration Date, the Subscription Rights will expire with no value.
Amendments; Termination	We reserve the right to amend the terms and conditions of the Subscription Offering or to terminate the Subscription Offering at any time prior to delivery of the shares of our common stock offered hereby. See Subscription Offering Amendments and Waivers; Termination .
Non-transferability of subscription rights	**The Subscription Rights being granted are not transferable.**
Regulatory limitation on subscription	We will not be required to issue shares of our common stock pursuant to the Basic Subscription Rights or the Oversubscription Rights to any Holder who, in our opinion, would be required to obtain prior clearance or approval from any bank regulatory authority of the U.S. federal government, the Commonwealth of Puerto Rico or any state to own or control such shares if, at the expiration of the Subscription Offering, that clearance or approval has not been obtained or any required waiting period has not expired. See also Subscription Offering Certain Legal Matters .
Preferential rights	Subject to certain exceptions, Holders of our common stock are entitled to preference for the subscription for our common stock unless our Board of Directors in connection with an issuance of our common stock unanimously resolves otherwise. Holders who exercise Subscription Rights offered by this prospectus will be entitled to such preferential rights by virtue of the common stock purchased upon such exercise. See Description of Capital Stock Common Stock .
Subscription agent	The Subscription Agent is Mellon Bank, N.A. See Subscription Offering Subscription Agent for addresses and information relating to the payment of the aggregate Subscription Price. The Subscription Agent s toll-free telephone number is 1-888-451-6209.
Information agent	The Information Agent is Mellon Investor Services LLC. The Information Agent may be reached by calling toll-free 1-888-451-6209.

Dealer managers	We have agreed to pay UBS Securities LLC and Popular Securities, Inc., as dealer managers, a fee for their soliciting services equal to 2.5% of the aggregate Subscription Price for shares issued pursuant to the exercise of Subscription Rights. In addition, we have agreed to reimburse the dealer managers up to $25,000 for their expenses incurred in connection with the Subscription Offering.
Unsubscribed shares; Underwritten offering	We expect, but are not required, to offer the shares of our common stock that are not subscribed for by Holders in the Subscription Offering to the public in an underwritten public offering to be managed by UBS Securities LLC and Popular Securities, Inc. Such underwriting would be subject to certain conditions, including, without limitation, the execution of an underwriting agreement satisfactory to the underwriters and us. There can be no assurance that the Underwritten Offering will occur or as to the initial public offering price if an Underwritten Offering does occur.
Issuance of common stock	Certificates representing shares of our common stock purchased pursuant to the Subscription Rights will be delivered to subscribers as soon as practicable after completion of the Underwritten Offering, if any, or if that offering does not occur within 30 calendar days after the Expiration Date, as soon as practicable thereafter (the Completion Date). See Subscription Offering Method of Exercising Subscription Rights; Payment for Common Stock .
Use of proceeds	The net proceeds from the sale of our common stock will be used for general corporate purposes, including funding future acquisitions.
Shares outstanding	267,427,050 shares of our common stock were outstanding at the Record Date. At November 21, 2005, 267,427,050 shares of our common stock were outstanding.
Nasdaq Stock Market symbol	BPOP .

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Summary consolidated financial data

We have derived our financial summary data for the year ended December 31, 2004, from our audited consolidated financial statements incorporated by reference in this prospectus. We have derived our financial summary data for each of the nine-month periods ended September 30, 2005, and September 30, 2004, and each of the three-month periods ended September 30, 2005, and September 30, 2004, from our unaudited consolidated financial statements incorporated by reference in this prospectus. The unaudited consolidated financial statement data include, in our opinion, all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair presentation of our financial position and results of operations for these periods. Operating results for the three- and nine-month periods ended September 30, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. You should read the financial summary data set forth below in conjunction with Management s discussion and analysis of financial condition and results of operations and with our consolidated financial statements and related notes included in our annual report for the year ended December 31, 2004, filed with the SEC on Form 10-K on March 16, 2005, and incorporated by reference in this prospectus.

POPULAR, INC.

Financial Summary

(in thousands, except share data)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2005	2004	2005	2004	2004
	(unaudited)				(audited)
Summary of Operations					
Interest income	$ 666,088	$ 563,767	$ 1,946,464	$ 1,614,779	$ 2,216,265
Interest expense	317,978	215,575	883,638	595,170	840,754
Net interest income	348,110	348,192	1,062,826	1,019,609	1,375,511
Provision for loan losses	49,960	46,614	144,232	132,641	178,657
Net interest income after provision for loan losses	298,150	301,578	918,594	886,968	1,196,854
Other income	171,261	143,753	492,066	436,074	596,193
Net (loss) gain on sale and valuation adjustment of investment securities	(920)		50,891	13,435	12,737
Trading account profit (loss)	4,707	803	28,138	(748)	(159)
Total non-interest income	175,048	144,556	571,095	448,761	608,771
Salaries and benefits	149,792	137,569	448,045	408,372	548,936
Profit sharing	4,890	5,083	16,805	16,404	22,082
Amortization of intangibles	2,387	1,984	6,770	5,586	7,844
Other operating expenses	172,344	153,237	498,826	438,909	592,150
Total operating expenses	329,413	297,873	970,446	869,271	1,171,012
Income before income tax and cumulative effect of accounting changes	143,785	148,261	519,243	466,458	634,613

Income tax	28,569	32,880	112,395	104,774	144,705

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POPULAR, INC.

Financial Summary

(in thousands, except share data)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2005	2004	2005	2004	2004
		(unaudited)			(audited)
Income before cumulative effect of accounting changes	115,216	115,381	406,848	361,684	489,908
Cumulative effect of accounting changes			3,607		
Net income	$ 115,216	$ 115,381	$ 410,455	$ 361,684	$ 489,908
Net income applicable to common stock	$ 112,237	$ 112,402	$ 401,520	$ 352,749	$ 477,995
Basic and diluted EPS before cumulative effect of accounting change(1)			$ 1.49	$ 1.32	
Basic and diluted EPS after cumulative effect of accounting change			$ 1.50	$ 1.32	
Basic and diluted earnings per share	$ 0.42	$ 0.42			$ 1.79
Dividends declared per common share	$ 0.16	$ 0.16	$ 0.48	$ 0.46	$ 0.62
Average common shares outstanding	267,244,997	266,414,016	267,043,298	266,197,350	266,302,105
Average common shares outstanding assuming dilution	267,835,364	266,818,378	267,583,122	266,507,936	266,674,856
Common shares outstanding at end of period	267,152,969	266,345,324	267,152,969	266,345,324	266,582,103
Selected Average Balances					
Total assets	$ 46,047,681	$ 40,783,407	$ 45,699,254	$ 38,793,708	$ 39,898,775
Total loans*	29,297,237	25,751,941	29,213,718	24,222,902	25,143,559
Earning assets	42,924,701	38,551,188	42,687,108	36,626,461	37,621,648
Deposits	22,566,763	19,587,893	22,169,512	18,960,531	19,409,055
Interest-bearing liabilities	38,109,606	33,281,456	37,589,225	31,470,346	32,445,512
Stockholders equity	3,320,569	2,943,636	3,229,283	2,860,175	2,903,137
Selected Financial Data at Period-End					
Total assets	$ 47,120,108	$ 42,855,594	$ 47,120,108	$ 42,855,594	$ 44,401,576
Total loans*	30,550,083	27,517,298	30,550,083	27,517,298	28,742,261
Earning assets	43,913,870	40,337,786	43,913,870	40,337,786	41,812,475
Deposits	22,578,709	20,483,218	22,578,709	20,483,218	20,593,160
Interest-bearing liabilities	39,461,214	35,067,658	39,461,214	35,067,658	36,302,094
Stockholders equity	3,221,396	3,010,495	3,221,396	3,010,495	3,104,621

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POPULAR, INC.

Financial Summary

(in thousands, except share data)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2005	2004	2005	2004	2004
	(unaudited)				(audited)
Performance Ratios					
Net interest yield **	3.24%	3.61%	3.32%	3.71%	3.66%
Return on assets	0.99	1.13	1.20	1.25	1.23
Return on common equity	14.21	16.22	17.61	17.63	17.60
Credit Quality Data					
Non-performing assets	$ 629,943	$ 623,085	$ 629,943	$ 623,085	$ 613,734
Net loans charged-off	47,489	42,482	127,159	118,079	177,303
Allowance for loan losses	459,425	445,845	459,425	445,845	437,081
Non-performing assets to total assets	1.34%	1.45%	1.34%	1.45%	1.38%
Allowance for losses to loans held-in-portfolio	1.55	1.64	1.55	1.64	1.56

(1) Quarterly amounts for 2005 do not add to the year-to-date total due to rounding.
** Includes loans held-for-sale.*
*** Not on a taxable equivalent basis.*
Note: Certain reclassifications have been made to prior periods to conform to current periods.

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Risk factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below with all of the other information included in this prospectus before deciding to invest in our common stock. If any of the following risks actually occur, they may materially harm our business and our financial condition and results of operations. In this event, the market price of our common stock could decline and you could lose part or all of your investment. The risks described below are not the only risks we face. Additional risks not presently known to us or that we currently may deem immaterial may also impair our business operations.

Our 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 our 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, including 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 our assets, liabilities and off-balance sheet items, changes in interest rates could either increase or decrease the level of our net interest income. For any given period, the pricing structure of our 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 would have a positive effect on net interest income, while a decrease in interest rates would have a negative effect on net interest income.

We are 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 will 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, we 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.

- 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 our securities available-for-sale portfolio may prepay significantly earlier than anticipated, which could reduce portfolio income. If prepayment rates increase, we 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.

Ø Interest rates may have an indirect impact on loan demand, credit losses, loan origination volume, the value of our 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.

Risk factors

In our liability sensitive position, our short-term borrowings and, to a lesser extent, interest-bearing deposits typically reprice faster that our adjustable rate assets. As a result, increases in short-term interest rates could reduce net interest income. Also, if the flattening slope of the yield curve and current interest rate conditions persist, coupled with intense pricing competition, our net interest margin could be negatively impacted.

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. We may suffer losses or experience lower spreads than anticipated in our initial projections as we implement strategies to reduce future interest rate exposure.

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

We use derivatives, to a limited extent, to manage part of our 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 thereunder; and (3) legal risk, which is the risk that we are unable to enforce certain terms of such instruments. All or any of such risks could expose us to losses.

Reductions in our credit ratings or those of any of our subsidiaries would increase our cost of borrowing funds and make our ability to raise new funds or renew maturing debt more difficult.

Our credit ratings are an important component of our liquidity profile. Among other factors, our credit ratings are based on our financial strength, the credit quality of and concentrations in our loan portfolio, the level and volatility of our earnings, our capital adequacy, the quality of our management, the liquidity of our balance sheet, the availability of a significant base of core retail and commercial deposits, and our ability to access a broad array of wholesale funding sources. Changes in our credit ratings or the credit ratings of any of our subsidiaries to a level below investment grade would adversely affect our ability to raise funds in the capital markets. Our counterparties are also sensitive to the risk of a ratings downgrade. In the event of a downgrade, our cost of borrowing funds would increase. In addition, our ability to raise new funds in the capital markets or renew maturing debt may be more difficult.

Our ability to compete successfully in the marketplace for deposits depends on various factors, including service, convenience and financial stability as reflected by our operating results and credit ratings by nationally recognized credit agencies. A downgrade in our credit ratings may impact our ability to raise deposits, but we believe that the impact should not be material. Deposits at all of our banking subsidiaries are federally insured (subject to limitations established by the Federal Deposit Insurance Corporation), which is expected to mitigate the effect of a downgrade in our credit ratings.

Some of our borrowings and deposits are subject to rating triggers , which are contractual provisions that accelerate the maturity of the underlying obligations in the case of a change in our ratings. Therefore, our need to raise funds in the marketplace could increase in the case of a ratings downgrade.

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, we have entered into contractual agreements to maintain certain levels of debt, capital and asset quality, among other financial

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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 our ability to raise new funds or renew maturing debt.

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 we originate or acquire. We establish provisions for loan losses, which lead to reductions in our income from operations, in order to maintain our allowance for future loan losses at a level which is deemed appropriate by our management based upon an assessment of the quality of our loan portfolio in accordance with established procedures and guidelines. There can be no assurance that management has accurately estimated the level of future loan losses or that we will not have to increase our provision for loan losses in the future as a result of future increases in non-performing loans or for other reasons beyond our control.

A prolonged economic downturn or recession would likely result in an increase in delinquencies, defaults and foreclosures and in a reduction of our loan origination activity which would adversely affect our 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 our net interest income and fee income. We may also experience significant losses on our loan portfolio due to a higher level of defaults on our commercial loans, consumer loans and residential mortgages.

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

We are 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 our powers, authority and operations, which could have a material adverse effect on our 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 us.

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. A number of institutions with which we compete have significantly greater assets, capital and other resources. In addition, certain of our competitors are not subject to the same extensive regulation that governs our business.

We anticipate that we will encounter greater competition as we expand our operations on the U.S. mainland. Many institutions with which we compete on the U.S. mainland have significantly greater assets, capital, name recognition, customer loyalty and other resources. As a result, certain of our competitors may have advantages in conducting certain businesses and providing certain services.

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

We are exposed to greater risk because a significant portion of our business is concentrated in Puerto Rico.

A significant portion of our financial activities and credit exposure are concentrated in Puerto Rico. Consequently, our financial condition and results of operations are highly dependent on economic conditions in Puerto Rico. An extended economic slowdown in Puerto Rico, adverse political or economic developments in Puerto Rico or natural disasters, such as hurricanes, affecting Puerto Rico could result in a downturn in loan originations, an increase in the level of nonperforming assets, 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 would adversely affect our profitability.

We are unable to predict what adverse consequences, if any, or other effects our dealings with Doral Financial Corporation or R&G Financial Corporation, the civil litigation related to Doral or R&G matters or the related investigations could have on us.

As described in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 under Management s Discussion and Analysis of Financial Condition and Results of Operations Transactions with Doral Financial Corporation and Transactions with R&G Financial Corporation , Doral Financial Corporation has announced investigations by the Securities and Exchange Commission and the U.S. Attorney s Office for the Southern District of New York and R&G Financial Corporation has announced an investigation by the Securities and Exchange Commission. We have had dealings with both Doral and R&G and we have provided information in connection with, and are continuing to cooperate with, certain of the investigations of these matters. We are unable to predict what adverse consequences, if any, or other effects our dealings with Doral or R&G, the civil litigation related to Doral or R&G matters or the related investigations could have on us.

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

Our certificate of incorporation provides that the members of our 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 our 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 our 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 our 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 our Board of Directors, and may make our Board of Directors less responsive to stockholder control. These provisions also may tend to discourage attempts by third parties to acquire us 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 our capital stock, thereby reducing the amount a stockholder might realize in, for example, a tender offer for our capital stock.

Preferred rights issued under our Stockholder Protection Rights Agreement may have an anti-takeover effect.

Holders of shares of our common stock are entitled to a preferred right to purchase our Series A Participating Cumulative Preferred Stock in certain circumstances. Preferred rights become exercisable if a person or group has acquired 10% or more of the shares of our common stock or a tender or exchange offer is commenced which, if consummated, would result in a person becoming the beneficial owner of 10% or more of our common stock. The preferred rights may be deemed to have an anti-takeover effect and generally may cause substantial dilution to a person or group that attempts to acquire us under circumstances not approved by our Board of Directors.

Recent Developments

ACQUISITION OF E-LOAN

In August 2005, we and E-LOAN, Inc., a California-based online consumer direct lender, announced the signing of a definitive merger agreement under which we will acquire 100% of the issued and outstanding shares of common stock and common stock equivalents of E-LOAN, Inc. for $4.25 per share in cash, or approximately $300 million. This transaction was completed effective November 1, 2005. E-LOAN, Inc., which became a wholly-owned subsidiary of Popular Financial Holdings, Inc., originated over $5 billion in mortgage, home equity, and auto loans in 2004.

ACQUISITION OF ASSETS OF INFINITY MORTGAGE CORPORATION

In September 2005, we announced a definitive merger agreement to acquire the assets of Infinity Mortgage Corporation, based in New Jersey. Infinity Mortgage Corporation originated over $220 million in mortgage loans during 2004 and operates in New Jersey, New York, Connecticut, Maryland, Massachusetts and Pennsylvania. The operations of Infinity Mortgage will become part of the mortgage business of Equity One, Inc., a subsidiary of Popular Financial Holdings, Inc. The transaction was completed on November 11, 2005.

SALE OF ASSETS OF POPULAR CASH EXPRESS

In September 2005, we announced that ACE Cash Express, Inc. will acquire substantially all of the assets of Popular Cash Express, Inc. (PCE), our wholly-owned check cashing business in the United States, for $36 million. The transaction does not require regulatory approval and is subject to customary closing terms and conditions. The transaction is expected to be completed in the fourth quarter of 2005.

Special note regarding forward-looking statements

Certain statements in this prospectus, including the documents incorporated by reference herein, are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to our 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 adequacy and liquidity, and the effect of legal proceedings and new accounting standards on our 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 simil expressions and future or conditional verbs such as will , would , should , could , might , can , may or similar expressions are generally int identify forward-looking statements.

These forward-looking statements involve certain risks, uncertainties, estimates and assumptions by management. Various factors, some of which are beyond our control, could cause actual results to differ materially from those contemplated by such forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- Ø the rate of growth in the economy, as well as general business and economic conditions;
- Ø changes in interest rates, as well as the magnitude of those changes;
- Ø the fiscal and monetary policies of the U.S. federal government and its agencies;
- Ø the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets;
- Ø the performance of the stock and bond markets;
- Ø competition in the financial services industries;
- Ø possible legislative or regulatory changes;
- Ø natural disasters; and
- Ø difficulty in combining the operations of acquired entities.

Moreover, the outcome of legal proceedings, as discussed in our Form 10-K under Part I, Item 3. 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 prospectus, including the documents incorporated by reference herein, are based upon information available to us as of the date of this prospectus and we assume no obligation to update or revise any of those forward-looking statements.

Our risks are more specifically described under the heading Risk factors. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected.

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Use of proceeds

The net proceeds from the sale of our common stock, estimated at $213.9 million (assuming all of the offered shares are sold in either the Subscription Offering or the Underwritten Offering at a price of $21.00 per share), will be used for general corporate purposes, including funding future acquisitions.

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Dividends and price range of common stock

Our common stock is quoted on the Nasdaq Stock Market under the symbol BPOP . The following table sets forth for the calendar periods indicated the high and low sales prices as reported by the Nasdaq Stock Market for, and the cash dividends paid with respect to, our common stock.

	High	Low	Cash Dividends Declared per Share
2003:			
First Quarter	$ 17.50	$ 16.00	$ 0.10
Second Quarter	20.40	17.00	0.14
Third Quarter	20.60	18.33	0.13
Fourth Quarter	23.78	19.89	0.14
2004:			
First Quarter	$ 24.00	$ 21.50	$ 0.14
Second Quarter	22.00	20.00	0.16
Third Quarter	26.33	21.50	0.16
Fourth Quarter	28.88	24.50	0.16
2005:			
First Quarter	$ 28.03	$ 23.80	$ 0.16
Second Quarter	25.65	22.94	0.16
Third Quarter	27.52	24.22	0.16
Fourth Quarter (through November 22, 2005)	24.05	20.10	0.16[1]

(1) We declared a cash dividend of $0.16 per share on November 16, 2005, payable on January 2, 2006 to stockholders of record on December 9, 2005. Because the shares of our common stock issued in the subscription offering will not be outstanding on the record date, the cash dividend declared on November 16, 2005 will not be paid on shares of our common stock issued in the subscription offering.

As of September 30, 2005, we had 10,856 stockholders of record of our common stock, not including beneficial owners whose shares are held in record names of brokers or other nominees. For a recent last sale price of our common stock on the Nasdaq Stock Market, see the cover page of this prospectus.

The Puerto Rico Internal Revenue Code generally imposes a special 10% withholding tax on the amount of any dividends paid by us to individuals, whether residents of Puerto Rico or not, trusts, estates and to foreign corporations and partnerships that are not engaged in trade or business in Puerto Rico. Prior to the first dividend distribution for the taxable year, or prior to each dividend distribution, in the case of individuals who hold their shares through The Depository Trust Company, or DTC, individuals who are residents of Puerto Rico may elect for this withholding tax not to apply and to have the dividends taxed at the regular graduated rates. United States citizens who are not residents of Puerto Rico may also make such an election for the 10% withholding not to be made by filing with our transfer agent prior to the first distribution date for the taxable year, or prior to each dividend distribution, in the case of individuals who hold their shares through DTC, an exemption certificate stating that said individual s gross income from sources within Puerto Rico during the taxable year does not exceed $1,300 if single, or $3,000 if married, in which case dividend distributions will not be subject to Puerto Rico income taxes. United States income tax law permits a credit against United States income tax liability, subject to certain limitations, for Puerto Rico income taxes paid or deemed paid with respect to such dividends. For additional information regarding the Puerto Rico tax consequences of investing in our common stock, see Taxation Puerto Rico Taxation .

Additional information concerning legal or regulatory restrictions on the payment of dividends by us is contained under Business Regulation and Supervision in our Annual Report on Form 10-K for the year ended December 31, 2004.

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Capitalization

The following table sets forth our capitalization as of September 30, 2005:

- on an actual basis; and
- on an as adjusted basis to reflect the exercise of Subscription Rights to purchase 10,500,000 shares of our common stock, after deducting the estimated offering expenses payable by us, including the dealer manager fee and reimbursement of expenses.

	As of September 30, 2005	
	Actual	As Adjusted(1)
	(in thousands)	
Long-term debt:		
Notes payable	$ 9,564,425	$ 9,564,425
Subordinated notes	125,000	125,000
Total long-term debt:	$ 9,689,425	$ 9,689,425
Stockholders equity:		
Preferred stock, $25 liquidation value; 30,000,000 shares authorized; 7,475,000 shares issued and outstanding	$ 186,875	$ 186,875
Common stock, $6 par value; 470,000,000 shares authorized, 280,604,768 shares issued and 267,152,969 shares outstanding, actual and 281,104,768 shares issued and 277,652,969 shares outstanding, as adjusted	1,683,629	1,746,629
Surplus	292,418	443,306
Retained earnings	1,403,133	1,403,133
Accumulated other comprehensive income (loss), net of tax of $40,310	(137,578)	(137,578)
Treasury stock at cost, 13,451,799 shares	(207,081)	(207,081)
	$ 3,221,396	$ 3,435,284
Total long-term debt and stockholders equity	$ 12,910,821	$ 13,124,709

(1) *The As Adjusted column assumes that the Subscription Price for the 10,500,000 shares offered by this prospectus is $21.00 per share, and is presented after deducting the estimated offering expenses payable by us, including the dealer manager fee.*

Subscription offering

In the Subscription Offering, we are offering up to 10,500,000 shares of our common stock to Holders of record of our common stock at the close of business on the Record Date, which is November 7, 2005, pursuant to non-transferable subscription rights (the Basic Subscription Rights and, together with the Oversubscription Rights, the Subscription Rights). We expect, but are not required, to offer all or a portion of the shares of our common stock not subscribed for in the Subscription Offering in the Underwritten Offering, which is expected to occur as soon as practicable after completion of the Subscription Offering.

The Subscription Price will be the lesser of (i) the Initial Subscription Price, which is $21.00 per share, and (ii) the Adjusted Subscription Price, which is the price determined in the Underwritten Offering. If the Underwritten Offering does not occur within 30 calendar days after the Expiration Date of the Subscription Offering, the Subscription Price will be the lesser of (i) the Initial Subscription Price and (ii) the average closing price at 4:00 p.m., New York City time, of our common stock for the five trading days up to and including the Expiration Date. Holders will be able to exercise their Subscription Rights until 5:00 p.m., New York City time, on December 19, 2005, subject to extension at our option (that time and date, as it may be extended, being the Expiration Date). Subscription Rights not exercised by 5:00 p.m., New York City time, on the Expiration Date will be void. After the Expiration Date, Subscription Rights will no longer be exercisable to purchase shares of our common stock and will have no value.

The term Holder includes financial institutions that are participants in a securities depository, such as The Depository Trust Company, or DTC, and that held shares of our common stock on the Record Date in such securities depository.

BASIC SUBSCRIPTION RIGHT

For every 26 shares of our common stock held of record as of the close of business on the Record Date, a Holder will be granted one Basic Subscription Right. We will not grant fractional Basic Subscription Rights. The number of Basic Subscription Rights that we grant to each Holder will be rounded up to the next whole number. Each Holder will have the right to purchase one share of our common stock for each Basic Subscription Right. Holders are entitled to subscribe for all or any portion of the shares of our common stock underlying their Basic Subscription Rights. If, as a result of rounding up, the shares subscribed for by all Holders exceed the total number of shares of our common stock offered hereby, all or a portion of the subscriptions pursuant to the rounding up may be cancelled on such basis as we shall determine, in our sole discretion.

BENEFICIAL OWNERS

In the case of beneficial owners of our common stock (Beneficial Owners) who are persons who hold shares of our common stock through a depository, bank, trust company, securities broker or dealer, administrator, trustee (other than a retirement plan trustee) or other nominee (an Intermediary), Basic Subscription Right or Rights of a Beneficial Owner will be rounded up to the next whole number if that Intermediary makes a showing, to the satisfaction of the Subscription Agent, that such Beneficial Owner s Basic Subscription Right or Rights would be so rounded if that Beneficial Owner were a Holder.

Banks, brokers and other nominee Holders who exercise Basic Subscription Rights on behalf of Beneficial Owners of shares of our common stock will be required to make certain certifications to us and the Subscription Agent.

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Subscription offering

FRACTIONAL BASIC SUBSCRIPTION RIGHTS

We will not grant any fractional Basic Subscription Rights. The number of Basic Subscription Rights that we grant to each Holder will be rounded up to the next whole number. If, as a result of rounding up, the shares subscribed for by all Holders exceed the total number of shares of our common stock offered hereby, all or a portion of the subscriptions pursuant to the rounding up may be cancelled on such basis as we shall determine, in our sole discretion.

OVERSUBSCRIPTION RIGHT

Each Holder who subscribes for the full number of shares of our common stock underlying that Holder s Basic Subscription Rights will be entitled to subscribe for additional shares of our common stock (the Oversubscription Right). Holders will be entitled to purchase those additional shares to the extent available as a result of other Holders electing not to subscribe, or subscribing for fewer shares than those to which they are otherwise entitled, pursuant to their respective Basic Subscription Rights. If there are shares available for sale pursuant to the exercise of Oversubscription Rights, and if the number of those shares is not sufficient to satisfy in full all oversubscriptions submitted pursuant to those requests, the available shares of our common stock will be allocated among the Holders who exercise their Oversubscription Rights *pro rata* based upon the number of shares owned by each such Holder on the Record Date. If the amount so allocated exceeds the amount subscribed for pursuant to the exercise of a Holder s Oversubscription Right, the excess will be reallocated (one or more times as necessary) among those Holders whose subscriptions are not fully satisfied on the same principle, until all available shares have been allocated or all exercises of Oversubscription Rights have been satisfied. There can be no assurance, however, that any shares of our common stock will be available to satisfy in whole or in part any Holder s request to subscribe for additional shares in excess of the shares underlying that Holder s Basic Subscription Rights. In order to exercise the Oversubscription Right, the appropriate section on the Subscription Rights Order Form, or Order Form, must be completed and delivered to the Subscription Agent along with payment in full of the aggregate Initial Subscription Price for the additional shares of our common stock. We also reserve the right to review and not accept any subscription pursuant to the exercise of the Oversubscription Right for more than 200,000 shares. Payments for oversubscriptions will be held by the Subscription Agent, and refunds will be made as soon as practicable after the Completion Date, without interest, to the extent oversubscriptions are not honored due to proration or otherwise. See Refunds; Delivery of Stock Certificates .

METHOD OF EXERCISING SUBSCRIPTION RIGHTS; PAYMENT FOR COMMON STOCK

Basic Subscription Rights and the Oversubscription Rights may be exercised by properly completing, signing and delivering to the Subscription Agent the Subscription Rights Order Form accompanying this prospectus, together with payment in full of the aggregate Initial Subscription Price for shares of our common stock subscribed for pursuant to Basic Subscription Rights and the Oversubscription Right. Order Forms and payments must be received by the Subscription Agent before 5:00 p.m., New York City time, on the Expiration Date, at one of the locations or addresses set forth below under Subscription Agent . Holders may exercise their Basic Subscription Rights in part or in full. Payment of the aggregate Initial Subscription Price must be made in United States currency by a cashier s check or an official check payable to Mellon Bank, N.A., as Subscription Agent.

Subscription offering

Once a Holder has exercised a Subscription Right, the exercise is irrevocable unless there is a material amendment to the Subscription Offering and the Subscription Right is exercised before that amendment. See Amendments and Waivers; Termination below.

Holders of our common stock who hold shares for the account of others, such as depositories, banks, trust companies, securities brokers or dealers, administrators, trustees (other than retirement plan trustees) or other nominees, should contact the respective Beneficial Owners of those shares as soon as practicable to ascertain the Beneficial Owners intentions and to obtain instructions with respect to the Subscription Rights. If a Beneficial Owner so instructs, the Holder of our common stock should complete the Order Form and submit it to the Subscription Agent with the proper payment. Additionally, Beneficial Owners of our common stock held through such a nominee Holder should contact the nominee Holder and request the nominee Holder to effect transactions in accordance with the Beneficial Owner s instructions. **The Subscription Agent will honor the use of guaranteed delivery procedures as an alternative to payment of the Subscription Price to exercise Subscription Rights.**

The trustees of the employee retirement plans sponsored by us and our subsidiaries under which participants direct the investment of their accounts will establish procedures to contact plan participants and for the exercise of the Subscription Rights. The trustees of other retirement plans should consult with their advisors the manner in which they should exercise Subscription Rights.

The method of delivery of Order Forms and payment of any Subscription Price to the Subscription Agent is at the risk of the Holders. We suggest that Holders use Express Mail or similar overnight carrier to ensure timely delivery. If delivery is made by regular mail service, the use of registered or certified mail, return receipt requested, properly insured, is recommended. COMPLETED ORDER FORMS AND PAYMENTS SHOULD BE MAILED OR DELIVERED TO THE SUBSCRIPTION AGENT AND NOT TO POPULAR, INC., THE DEALER MANAGERS, OR THE INFORMATION AGENT. QUESTIONS SHOULD BE DIRECTED TO THE INFORMATION AGENT. SEE INFORMATION AGENT BELOW.

A Holder s election to exercise that Holder s Oversubscription Right must be made at the time that Holder exercises fully the Basic Subscription Right.

PROCEDURES FOR DTC PARTICIPANTS

Popular, Inc. anticipates that subscriptions for the purchase of shares in the subscription offering may be made through the facilities of The Depositary Trust Company, also referred to as DTC.

REFUNDS; DELIVERY OF STOCK CERTIFICATES

Holders will be notified by mail of the number of shares for which their purchase requests have been accepted and the actual purchase price as soon as practicable after the completion of the Underwritten

Subscription offering

Offering, if any, or if such offering does not occur within 30 calendar days after the Expiration Date, as soon as practicable thereafter (the Completion Date). The excess, if any, of the Initial Subscription Price over the Adjusted Subscription Price, together with the aggregate Initial Subscription Price per share of our common stock subscribed for pursuant to the Oversubscription Right but not issued, in each case without interest, will be refunded after the Completion Date. Certificates representing shares of our common stock subscribed for and issued will be mailed to subscribing Holders at the addresses appearing on their Order Forms as soon as practicable after the Completion Date. As a result, transfers of such shares prior to such time will be limited.

Certificates for shares of our common stock issued pursuant to the exercise of Subscription Rights will be registered in the name of the Holder exercising those Subscription Rights. The Subscription Agent will place all proceeds of the Subscription Offering into an escrow account until those funds are transferred to us or refunded to Holders after the Completion Date or termination of the Subscription Offering. No interest will be paid to Holders on funds delivered to the Subscription Agent pursuant to the exercise of the Subscription Rights. The shares of our common stock subscribed for pursuant to the Subscription Offering will be issued and sold as of the Completion Date.

NON-TRANSFERABILITY OF SUBSCRIPTION RIGHTS

The Subscription Rights being granted as part of the Subscription Offering are not transferable.

FOREIGN SHAREHOLDERS

Because of the requirements and restrictions of securities laws of foreign countries, Order Forms will not be mailed to Holders whose addresses are outside the United States and Canada, but will be held by the Subscription Agent for such Holders accounts until the Subscription Agent receives instructions to exercise the Subscription Rights. If no such instructions are received prior to 11:00 a.m., New York City time, on the day that is two business days prior to the Expiration Date, the related Subscription Rights will expire without value.

AMENDMENTS AND WAIVERS; TERMINATION

We reserve the right to extend the Expiration Date and to otherwise amend the terms and conditions of the Subscription Offering, whether the amended terms are less or more favorable to the Holders. If any such amendment to the terms and conditions of the Subscription Offering constitutes, in our judgment, a material adverse change to Holders, then we will deliver to Holders a new prospectus incorporating such amendment and we will set a new Expiration Date, which will be a minimum of ten business days from the date of the amended prospectus. An extension of the Expiration Date for the Subscription Offering of fewer than seven calendar days will not constitute such a material amendment. Properly completed Order Forms received or in transit prior to such amendment, unless revoked before the new Expiration Date, will be honored.

We will determine all questions as to the validity, form, eligibility (including time of receipt and record ownership) and acceptance of any exercise of Subscription Rights in our sole discretion, and our determination will be final and binding. We