

POPULAR INC
Form 424B2
November 20, 2009

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

**Filed pursuant to Rule 424(b)(2)
Registration No. 333-159960**

SUBJECT TO COMPLETION, DATED NOVEMBER 19, 2009

Prospectus Supplement to Prospectus dated June 12, 2009

\$

% Senior Notes due 2014

Popular, Inc. is offering \$ _____ in aggregate principal amount of its _____ % Senior Notes that will mature on December _____, 2014. Interest on the notes is payable on the _____ day of each month, beginning _____, 2010. Interest will accrue from December _____, 2009. Popular, Inc. may redeem the notes for cash, in whole or in part, prior to their maturity on any interest payment date occurring on or after the second anniversary of the issuance of the notes, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of redemption. The notes will be unsecured and will rank equally and ratably with all of Popular, Inc.'s other unsecured and unsubordinated debt.

See Risk Factors beginning on page S-7 of this prospectus supplement, page 155 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and page 23 of our Annual Report on Form 10-K for the year ended December 31, 2008 for a discussion of risks that you should consider in connection with an investment in the notes.

The notes will not be listed on any securities exchange. Currently there is no public market for the notes.

The notes are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

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

	Per Note(1)	Total
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Popular, Inc.	\$	\$

(1) Interest will accrue on the notes from December , 2009 to the date of settlement.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company against payment in New York, New York on December , 2009.

UBS Financial Services Incorporated of Puerto Rico

Popular Securities

Prospectus Supplement dated December , 2009

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with information that is different. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the respective dates thereof. We are not making an offer of these securities in any jurisdiction where such offer is not permitted.

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

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FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus supplement are forward-looking statements within the meaning of the federal securities laws. These forward-looking statements may relate to Popular'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'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 expressions and future or conditional verbs such as will, would, should, could, might, can, may, or similar are generally intended to identify forward-looking statements.

These forward-looking 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'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 declining growth in the economy and employment levels, as well as general business and economic conditions;

changes in interest rates, as well as the magnitude of such changes;

the fiscal and monetary policies of the federal government and its agencies;

changes in federal bank regulatory and supervisory policies, including required levels of capital;

the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets in Puerto Rico and the other markets in which borrowers are located;

the performance of the stock and bond markets;

competition in the financial services industry;

possible legislative, tax or regulatory changes; and

difficulties in combining the operations of acquired entities.

All forward-looking statements included in this prospectus supplement are based upon information available to Popular as of the date of this prospectus supplement, and, except as may be required by law, we assume 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.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Our SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at its public reference facilities

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located at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

Our Annual Report on Form 10-K for the year ended December 31, 2008.

Our Quarterly Reports on Form 10-Q for the periods ended March 31, 2009, June 30, 2009 and September 30, 2009.

Our Current Reports on Form 8-K filed with the SEC on January 9, 2009, February 23, 2009, July 29, 2009, August 7, 2009, August 10, 2009, August 19, 2009, August 21, 2009, August 26, 2009, September 3, 2009 and October 5, 2009 (as amended by Form 8-K/A dated October 5, 2009).

All documents that we file subsequent to the date of this prospectus supplement and prior to the termination of the offering of our notes contemplated hereby pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, shall be deemed to be incorporated by reference into this prospectus supplement and to be a part hereof from the date of filing of such documents. Information in documents that is deemed, in accordance with SEC rules, to be furnished and not filed shall not be deemed to be incorporated by reference into this prospectus supplement. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

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

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SUMMARY

The following summary highlights selected information contained in this prospectus supplement. It may not contain all of the information that is important to you and is qualified in its entirety by the more detailed information included or incorporated by reference in this prospectus supplement. Before making an investment decision, you should carefully consider the information contained in and incorporated by reference in this prospectus supplement, including the information set forth under the heading Risk Factors on page S-7, in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and in our Annual Report on Form 10-K for the year ended December 31, 2008.

The Company

Popular, Inc. is a full service financial institution with operations in Puerto Rico, the mainland United States, the Caribbean and Latin America. Headquartered in San Juan, Puerto Rico, Popular offers financial services in Puerto Rico and the mainland United States, and processing services in the Caribbean and Latin America. As of September 30, 2009, Popular had approximately \$35.6 billion in assets, \$26.4 billion in deposits and \$2.7 billion in stockholders equity.

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

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

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

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

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

The Offering

The following summary of the offering contains basic information about the offering and the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, you should read the section of this prospectus supplement entitled Description of the Notes .

Issuer	Popular, Inc.
Securities offered	\$ in aggregate principal amount of% Senior Notes due 2014.

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Stated maturity date	December , 2014.
Interest rate	% per annum, accruing from December , 2009.
Interest payment dates	Monthly on the day of each month, beginning , 2010.
Optional redemption	We may redeem the notes for cash, in whole or in part, prior to their maturity on any interest payment date occurring on or after the second anniversary of the issuance of the notes at a redemption price of 100% of the principal amount being redeemed plus accrued and unpaid interest to, but not including, the date of

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	redemption as described under Description of the Notes Optional Redemption in this prospectus supplement.
Security and ranking	The notes will be unsecured and will rank equally and ratably with the existing and future unsecured senior debt of Popular.
Covenants	The notes will be issued under an indenture with The Bank of New York Mellon, as trustee. The indenture contains certain restrictive covenants described in the accompanying prospectus.
Sinking fund	None.
Form and denominations	The notes will be issued in the form of one or more fully registered global securities, without coupons, in denominations of \$2,000 in principal amount and integral multiples of \$1,000 in excess thereof. These global securities will be deposited with or on behalf of DTC and registered in the name of a nominee of DTC. Except in the limited circumstances described under Description of Debt Securities We May Offer Special Considerations for Global Debt Securities Special Situations When a Global Debt Security Will Be Terminated, notes in certificated form will not be issued or exchanged for interests in global securities.
Trading	The notes are a new issue of securities with no established trading market. We do not intend to list the notes for trading on any securities exchange or quotation system. We do not expect that there will be any secondary market for the notes.
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, including investments in, or extensions of credit to, existing and future subsidiaries located in Puerto Rico and the repayment of outstanding indebtedness. Pending use of the net proceeds of this offering, we intend to invest such net proceeds in interest-bearing, investment grade securities or to extend credit to our subsidiaries operating in Puerto Rico.
Risk factors	See Risk Factors beginning on page S-7 of this prospectus supplement, page 155 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and page 23 of our Annual Report on Form 10-K for the year ended December 31, 2008 for a discussion of factors you should carefully consider before deciding to invest in the notes.
Conflict of Interest	Popular Securities, Inc., a wholly owned subsidiary of Popular, Inc. and a broker-dealer registered with the Financial Industry Regulatory Authority, or FINRA, will participate in the distribution of securities in connection with this offering. Therefore, Popular Securities, Inc. will have a conflict of interest as defined by NASD Conduct Rule 2720. Accordingly, this offering will be conducted in compliance with Rule 2720. No underwriter having a Rule 2720 conflict of interest will confirm sales to any account over which the underwriter exercises discretionary authority without the specific written approval of the accountholder.

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RISK FACTORS

You should carefully consider the risks described below as well as the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2008 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, and all of the information contained and incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

RISKS RELATING TO THE BUSINESS ENVIRONMENT AND OUR INDUSTRY

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

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

We expect to face increased regulation of our industry, including as a result of the Emergency Economic Stabilization Act of 2008 (EESA) and the recently announced Financial Stability Plan. Compliance with these regulations may increase our costs and limit our ability to pursue business opportunities.

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

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

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

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

We may suffer higher credit losses because of federal or state legislation or other regulatory action that either (i) reduces the amount that our borrowers are required to pay us, or (ii) limits our ability to foreclose on properties or collateral or makes foreclosures less economically viable. In particular, there is legislation pending in the U.S. Congress that would allow a Chapter 13 bankruptcy plan to cram down the value of certain

mortgages on a consumer's principal residence to its market value and/or reset debtor interest rate and monthly payments to an amount that permits them to remain in their homes to our detriment.

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During the nine months ended September 30, 2009, our overall credit quality continued to be negatively affected by the sustained deterioration of the economic conditions affecting our markets, including higher unemployment levels, unprecedented reduced demand for housing and declines in property values.

As set forth under Management's Discussion and Analysis of Results of Operations and Financial Condition Non-Performing Assets in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, the credit quality of our loan portfolio has continued to be under pressure during 2009 due to adverse economic conditions, including higher unemployment levels, unprecedented reduced demand for housing and declines in property values. Non-performing assets attributable to continuing operations increased by \$952 million as of September 30, 2009 as compared with December 31, 2008 and by \$1.1 billion as compared with September 30, 2008. The allowance for loan losses of \$1.2 billion as of September 30, 2009 was 4.95% of period-end loans held-in-portfolio, as compared to 3.43% of period-end loans held-in-portfolio on December 31, 2008 and 2.76% of period-end loans held-in-portfolio on September 30, 2008.

The main factor driving our net losses in the first nine months of 2009 has been increasing credit costs from several segments of our loan portfolio. Persistent adverse economic conditions, rising unemployment and declining property values in the markets in which we operate have continued to negatively affect our provision for loan losses. The existing adverse economic conditions are expected to persist through 2010, thus it is likely that we will continue to experience heightened credit losses, additional significant provisions for loan losses, an increased allowance for loan losses and higher levels of non-performing assets.

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

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

Since 2006, the Puerto Rico economy has been experiencing recessionary conditions. Based on information published by the Puerto Rico Planning Board, the Puerto Rico real gross national product decreased 2.5% during the fiscal year ended June 30, 2008.

In August 2009, the Puerto Rico Planning Board revised its gross national product forecast for fiscal year 2009 by projecting a base case scenario decline of 4.8%, a further decline of 1.4% from the projection released in February 2009. The Planning Board, however, made an upward revision of its gross national product forecast for fiscal year 2010 by projecting an increase of 0.7%. The Planning Board's revised forecast for year 2010 takes into account the estimated effect on the Puerto Rico economy of the Commonwealth's fiscal stabilization plan and of the activity expected to be generated by the disbursement of \$1.73 billion from the American Recovery and Reinvestment Act of 2009 (ARRA) and \$280.3 million from the Commonwealth's local stimulus package.

The Commonwealth of Puerto Rico government is currently facing a fiscal deficit which has been estimated at approximately \$3.2 billion or over 30% of its annual budget. It continues to review alternatives for reducing the deficit, as its access to the municipal bond market and its credit ratings depend, in part, on achieving a balanced budget. Measures that the government has implemented have included reducing expenses, including public-sector employment through layoffs of employees. The Commonwealth of Puerto Rico government has announced layoffs for approximately 14,500 employees, of which approximately 11,700 are expected to take place in January 2010. Since the government is an important source of employment on the Island, these measures could have the effect of intensifying the current recessionary cycle. The Puerto Rico Labor Department reported an unemployment rate of 16.4% for September 2009, compared with an unemployment rate of 12.0% for September 2008.

This decline in the Island's economy has resulted in, among other things, a downturn in our loan originations; an increase in the level of our non-performing assets, loan loss provisions and charge-offs, particularly in our construction loan portfolio; an increase in the rate of foreclosure loss on mortgage loans; and a reduction in the value of our loans and loan servicing portfolio, all of which have adversely affected our

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profitability. If the decline in economic activity continues, there could be further adverse effects on our profitability.

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

The level of real estate prices in Puerto Rico has been more stable than in other U.S. markets, but the current economic environment has accelerated devaluation of properties when compared with previous periods. In addition, future developments in Puerto Rico and the mainland U.S. could further pressure residential property values. Lower real estate values could increase loan delinquencies, foreclosures and the cost of repossessing and disposing of real estate collateral. The higher end of the housing market appears to have suffered a substantial slowdown in sales activity in recent quarters, as reflected in the low absorption rates of projects financed in the Corporation's construction loan portfolio.

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

Adverse credit market conditions may continue to affect our ability to meet our liquidity needs.

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

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

Current economic conditions, particularly in the financial markets, have resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the financial services industry. The U.S. Government has intervened on an unprecedented scale, responding to what has been commonly referred to as the financial crisis. In addition to the U.S. Treasury Department's Capital Purchase Program (CPP) under the Troubled Asset Relief Program (TARP) announced last fall and the new Capital Assistance Program (CAP) announced this spring, further steps taken include enhancing the liquidity support available to financial institutions, establishing a commercial paper funding facility, temporarily guaranteeing money market funds and certain types of debt issuances, and increasing insurance on bank deposits. Also, the U.S. Congress, through the Emergency Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009, have imposed a number of restrictions and limitations on the operations of financial services firms participating in the federal programs. Most recently, a financial regulatory reform plan is being considered that would, if enacted, represent the most sweeping reform of financial regulation and financial services since the 1930s.

These programs and proposals subject us and other financial institutions to additional restrictions, oversight and costs that may have an adverse impact on our business, financial condition, results of operations or the price of our common

stock. The Administration's financial reform plan would, if enacted, further substantially increase regulation of the financial services industry and impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices. Federal

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and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. We cannot predict the substance or impact of pending or future legislation, regulation or the application thereof. Compliance with such current and potential regulation and scrutiny may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and limit our ability to pursue business opportunities in an efficient manner.

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

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

RISKS RELATING TO OUR BUSINESS

Our financial results for the third quarter of 2009 and our financial condition continued to be affected by the deterioration in the credit quality of our portfolio and economic conditions affecting the markets in which we operate.

The credit quality of our portfolio continues to deteriorate and has had an adverse effect on our financial results for the period ended September 30, 2009 and our financial condition as of September 30, 2009. Continued adverse changes in the economy and negative trends in employment and property values in the markets in which we operate continue to have an adverse effect on our provision for loan losses. We will continue to evaluate our allowance for loan losses and may be required to increase such amounts, perhaps substantially.

An increase in our allowance for loan losses would result in a reduction in our tangible common equity. Given the focus on tangible common equity by regulatory authorities, rating agencies and the market, we may be required to raise additional capital through the issuance of additional common stock in future periods to replace that common equity.

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

Actions by the rating agencies have raised the cost of our borrowings. Borrowings amounting to \$350 million have ratings triggers that call for an increase in their interest rate in the event of a ratings downgrade. For example, as a result of rating downgrades effected by the major rating agencies in January, April and June 2009, the cost of servicing \$350 million of our senior debt increased by an additional 275 basis points. Further rating downgrades will result in increases to the interest rate of such debt of 75 basis points per notch.

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

more highly rated securities.

In addition, changes in our ratings and capital levels below well-capitalized could affect our relationships with some creditors and business counterparties. For example, a portion of our hedging transactions include ratings triggers or well-capitalized language that permit counterparties to either request additional collateral or terminate our agreements with them based on our below investment grade ratings. Although we have been

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able to meet any additional collateral requirements thus far and expect that we would be able to enter into agreements with substitute counterparties if any of our existing agreements were terminated, changes in our ratings or capital levels below well capitalized could create additional costs for our businesses. In addition, servicing, licensing and custodial agreements that we are party to with third parties, including the Federal National Mortgage Association, or FNMA, include ratings covenants. Servicing rights represent a contractual right and not a beneficial ownership interest in the underlying mortgage loans. Failure to service the loans in accordance with contract requirements may lead to a termination of the servicing rights and the loss of future servicing fees. Based on our failure to maintain an investment grade rating, those third parties have the right to require us to increase collateral levels, engage a substitute custodian and/or terminate their agreements with us. None of the agreements have been terminated as of the date of this prospectus supplement. The termination of those agreements or the inability to realize servicing income for our businesses could have an adverse effect on those businesses. Other counterparties are also sensitive to the risk of a ratings downgrade and the implications for our businesses and may be less likely to engage in transactions with us, or may only engage in them at a substantially higher cost, if our ratings remain below investment grade.

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

During 2008 and continuing in 2009, higher levels of bank failures have dramatically increased resolution costs of the FDIC and depleted the deposit insurance fund. In addition, the FDIC instituted two temporary programs effective through December 31, 2009, to further insure customer deposits at FDIC-member banks: deposit accounts are now insured up to \$250,000 per customer (up from \$100,000) and non-interest bearing transactional accounts are fully insured (unlimited coverage). These programs have placed additional stress on the deposit insurance fund.

In order to maintain a strong funding position and restore reserve ratios of the deposit insurance fund, the FDIC increased assessment rates of insured institutions uniformly by 7 cents for every \$100 of deposits beginning with the first quarter of 2009, with additional changes beginning April 1, 2009, which require riskier institutions to pay a larger share of premiums by factoring in rate adjustments based on secured liabilities and unsecured debt levels. In February 2009, the FDIC voted to amend the restoration plan and impose a special assessment of 20 cents for every \$100 of assessable deposits on insured institutions on June 30, 2009, which would be collected on September 30, 2009. In May 2009, the FDIC adopted a final rule, effective June 30, 2009, that will impose a special assessment of 5 cents for every \$100 on each insured depository institution's assets minus its Tier 1 capital as of June 30, 2009, subject to a cap equal to 10 cents per \$100 of assessable deposits for the second quarter 2009 risk-based capital assessment. This special assessment applied to us and resulted in a \$16.7 million expense in our second quarter of 2009. On November 12, 2009, the FDIC adopted a rule requiring banks to prepay three years' worth of premiums to replenish its depleted insurance fund. Our prepayment assessment, which is approximately \$220 million, is payable on December 30, 2009 and will therefore reduce our year-end liquidity at our banking subsidiaries.

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

We may need additional capital resources in the future and these capital resources may not be available when needed or at all.

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

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

Our banking subsidiaries rely on customer deposits, brokered deposits and advances from the Federal Home Loan Bank (FHLB) to fund their operations. Although those banking subsidiaries have historically been able to replace maturing deposits and advances if desired, no assurance can be given that they would be able to replace those funds in the future if our financial condition or general market conditions were to change. Our financial flexibility will be severely constrained if our banking subsidiaries are unable to maintain access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Finally, if we are required to rely more heavily on more expensive funding sources to support future growth, revenues may not increase proportionately to cover costs. In this case, profitability would be adversely affected.

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

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

We are a bank holding company and we depend on dividends from our banking and other operating subsidiaries to fund our obligations. Our banking subsidiaries, BPPR and BPNA, are limited by law in their ability to make dividend payments and other distributions to us based on their earnings and capital position. A failure by our banking subsidiaries to generate sufficient cash flow to make dividend payments to us may have a negative impact on our results of operation and financial position.

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

A relatively large portion of our funding is brokered deposits. Our total brokered deposits as of September 30, 2009 were \$2.8 billion or 11% of total deposits. An unforeseen disruption in the brokered deposits market, stemming from factors such as legal, regulatory or financial risks, could adversely affect our ability to fund a portion of our operations and/or meet obligations.

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

As a result of prevailing recessionary conditions, we have increased our provision for loan losses, which has resulted in a reduction in the amount of our tangible common equity. Given the focus on tangible common equity by regulatory authorities, rating agencies and the market, we may be required to raise additional capital through the issuance of additional common stock in future periods to replace that common equity. We issued more than 350 million shares of common stock in the exchange offer that was conducted in the third quarter of 2009, which left us with only a limited number of authorized and unreserved shares of common stock to issue in the future. As a result, we will need to obtain stockholder consent to amend our certificate of incorporation to increase the amount of authorized capital stock if we intend to issue significant amounts of common stock in the future. We cannot be assured that our stockholders will approve such an increase.

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

Under regulatory capital adequacy guidelines, and other regulatory requirements, Popular, Inc. and its banking subsidiaries must meet guidelines that include quantitative measures of assets, liabilities and certain off balance sheet

items, subject to qualitative judgments by regulators regarding components, risk weightings and other factors. If we fail to meet these minimum capital guidelines and other regulatory requirements, our business and financial condition will be materially and adversely affected. If we fail to maintain well-capitalized status under the regulatory framework, or are deemed not well-managed under regulatory exam procedures, or if we experience certain regulatory violations, our status as a financial holding company and

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our related eligibility for a streamlined review process for acquisition proposals, and our ability to offer certain financial products will be compromised.

Our business depends on the creditworthiness of our customers and the value of the assets securing our loans.

If the credit quality of the customer base materially decreases or if the risk profile of a market, industry or group of customers changes materially, our business, financial condition, allowance levels, liquidity, capital and results of operations could be adversely affected. While we believe that our allowance for loan losses was adequate as of September 30, 2009, there is no certainty that it will be sufficient to cover future credit losses in the portfolio because of continued adverse changes in the economy, market conditions or events negatively affecting specific customers, industries or markets both in Puerto Rico and the United States. We periodically review the allowance for loan losses for adequacy considering economic conditions and trends, collateral values and credit quality indicators, including past charge-off experience and levels of past due loans and non-performing assets.

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

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

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

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

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

It is possible that the assumptions and conclusions regarding the valuation of our reporting units could change adversely and could result in the recognition of goodwill impairment. Such impairment could have a material adverse effect on our future results of operations. As of September 30, 2009, we had approximately \$607 million of goodwill

remaining on our balance sheet, of which \$404 million was related to BPNA. Declines in our market capitalization would increase the risk of goodwill impairment in 2010.

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

In connection with the sale and securitization of loans, we are required to make a variety of customary representations and warranties regarding Popular and the loans being sold or securitized. Our obligations with

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respect to these representations and warranties are generally outstanding for the life of the loan, and they relate to, among other things:

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

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

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

In the past, we have retained, through recourse arrangements, part of the credit risk on sales of mortgage loans, and we also service certain mortgage loan portfolios with recourse. Consequently, we may suffer losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan and the costs of holding and disposing of the related property.

Worsening in the financial condition of critical counterparties may result in higher losses than expected.

The financial stability of several counterparties is critical for their continued financial performance on covenants that require the repurchase of loans, posting of collateral to reduce our credit exposure or replacement of delinquent loans. Many of these transactions expose us to credit risk in the event of a default by our counterparty. Any such losses could adversely affect our business, financial condition and results of operations.

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

We face legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. As more fully described in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, two putative class actions and one derivative claim have been filed in the United States District Court for the District of Puerto Rico and another derivative suit has been filed in the Puerto Rico Court of First Instance against Popular, Inc., certain of its directors and officers and others. Although at this early stage, it is not possible for management to assess the probability of an adverse outcome, or reasonably estimate the amount of any potential loss, it is possible that the ultimate resolution of these matters, if unfavorable,

may be material to our results of operations.

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RISKS RELATED TO THE NOTES

Factors that adversely affect the business, operations or financial position of Popular, Inc. could also adversely affect an investment in the notes.

The cash available to Popular, Inc. to pay its debts, including the notes, could be adversely affected if, for example, our income declined or our expenses increased relative to our income. In addition, we may be unable to raise the funds needed to pay our obligations if our ability to borrow in the credit markets were impaired, either because of a general disruption in those markets or because of a further decline in our credit ratings due to events affecting our financial position in particular or our industry generally.

Similarly, our available cash could be adversely affected if we were unable to sell securities or other assets we hold as needed or if we were unable to obtain sufficient funds from our subsidiaries because of regulatory restrictions or financial problems affecting them. A significant and sustained reduction in the cash available to Popular, Inc. could adversely affect our ability to meet our payment obligations on our debt, including the notes, in a timely manner.

A further reduction in the credit ratings of Popular, Inc. may lower the market value of the notes. In addition, the number of potential investors that may be willing to purchase the notes, even at a lower price, may decrease if the credit ratings of Popular, Inc. are further eroded, thereby impairing your ability to sell the notes in any trading market for the notes that may develop.

Popular, Inc. is a holding company. Popular, Inc. s ability to make payments on the notes will depend on the performance of its subsidiaries and their ability to make distributions to Popular, Inc.

Popular, Inc. depends on its subsidiaries for dividends and other payments to generate the funds necessary to meet its financial obligations, including payments of principal and interest on the notes. However, none of its subsidiaries is obligated to make funds available to Popular, Inc. for payment on the notes. The financial condition and operating requirements of Popular, Inc. s subsidiaries (including covenants in any secured or unsecured debt those subsidiaries may incur) may limit Popular, Inc. s ability to obtain cash from these subsidiaries. Earnings from or other available assets of these subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable Popular, Inc. to make payments in respect of the notes when such payments are due. There are regulatory limits on bank subsidiaries ability to pay dividends or make loans to non-bank affiliates such as Popular, Inc. See Item 1. Business Regulation and Supervision in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Note 28 to our unaudited Financial Statements in our Quarterly report on Form 10-Q for the quarter ended September 30, 2009.

The indenture pursuant to which the notes will be issued does not restrict Popular, Inc. s ability to incur secured debt. The notes will be effectively subordinated to any secured indebtedness of Popular, Inc. and structurally subordinated to all existing and future liabilities of Popular, Inc. s subsidiaries, including all secured or unsecured indebtedness of those subsidiaries. Currently, Popular, Inc. does not have any secured indebtedness.

An active trading market may not develop for the notes.

The notes are a new issue of securities with no established trading market, and we do not intend to list them on any securities exchange or interdealer market quotations system. We have been informed by the underwriters that they intend to make a market in the notes after the offering is completed. However, the underwriters may cease their market-making at any time. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, you

cannot be sure that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all.

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The notes do not restrict our ability to incur additional debt, repurchase our securities or to take other actions that could negatively impact holders of the notes.

We are not restricted under the terms of the indenture that governs the notes from incurring additional debt or repurchasing our securities. In addition, the indenture does not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations like other similarly rated securities. Our ability to incur additional debt and take a number of other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due.

USE OF PROCEEDS

The cash proceeds to us from the sale of notes will be approximately \$ (after deducting estimated underwriting discounts and estimated offering expenses). We intend to use the net cash proceeds of this offering for general corporate purposes, including investments in, or extensions of credit to, existing and future subsidiaries located in Puerto Rico and the repayment of outstanding indebtedness. Pending use of the net proceeds of this offering, we intend to invest such net proceeds in interest-bearing, investment grade securities, or to extend credit to our subsidiaries operating in Puerto Rico.

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The following table sets forth our capitalization as of September 30, 2009 on an actual basis and on an adjusted basis to reflect the sale of the notes offered by this prospectus supplement. This table should be read in conjunction with our consolidated financial statements set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, which are incorporated by reference into this prospectus supplement. See [Where You Can Find More Information](#) in this prospectus supplement.

	As of September 30, 2009	
	Actual	As Adjusted
Debt		
Federal funds purchased and assets sold under agreements to repurchase	\$ 2,807,891	\$ 2,807,891
Other short-term borrowings	3,077	3,077
Notes payable	2,649,821	
Stockholders' Equity		
Preferred stock (\$25 liquidation value) 30,000,000 shares authorized; 2,006,391 shares issued and outstanding	50,160	50,160
Common stock (\$0.01 par value per share) 700,000,000 shares authorized; 639,544,895 issued and 639,541,515 outstanding	6,395	6,395
Surplus	2,794,660	2,794,660
(Accumulated deficit) retained earnings	(69,525)	(69,525)
Accumulated other comprehensive loss, net of tax of (\$57,302)	(39,223)	(39,223)
Treasury stock, at cost, 3,380 shares	(11)	(11)
Total stockholders' equity	2,742,456	2,742,456
Total capitalization	\$ 8,203,245	\$

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DESCRIPTION OF THE NOTES

Because this is a summary, it does not contain all the information that may be important to you. The following description of specific terms of the notes is qualified in its entirety by reference to the provisions of the indenture pursuant to which the notes will be issued, including the definitions of certain terms contained therein and those terms made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act). Capitalized and other terms not otherwise defined in this prospectus supplement shall have the meanings given to them in the indenture. The indenture is an exhibit to the registration statement of which this prospectus supplement and the accompanying prospectus are part.

Popular, Inc. will issue the notes under a senior indenture between Popular, Inc., as issuer, and The Bank of New York Mellon, as trustee.

The notes will be issued in an initial aggregate principal amount of \$. The notes will be issued only in registered form, without coupons, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The notes will be Popular, Inc.'s unsecured senior obligations and, as such, will rank equally in right of payment with all its other existing and future senior indebtedness and senior in right of payment to all its existing and future subordinated indebtedness. As of September 30, 2009, Popular, Inc. had approximately \$635.0 million in aggregate principal amount of senior unsecured notes at the holding company level that rank equal in right of payment with the notes. Popular, Inc. does not have any debt outstanding at the holding company level that is secured or that would rank senior to the notes. However, the notes would be structurally subordinated to approximately \$4.0 billion of secured and unsecured indebtedness of our subsidiaries. See Capitalization and Risk Factors Risks Related to the Notes Popular, Inc. is a holding company. Popular, Inc.'s ability to make payments on the notes will depend on the performance of its subsidiaries and their ability to make distributions to Popular, Inc. in this prospectus supplement.

General

The specific terms of the notes are set forth below:

Issuer: Popular, Inc.

Title: % Senior Notes due 2014

Initial principal amount being issued: \$

Stated maturity date: December , 2014

Interest rate: % per annum

Date interest starts accruing: December , 2009

Interest payment dates: Monthly on the day of each month.

First interest payment date: , 2010

Regular record dates for interest payments: The fifteenth calendar day immediately preceding each interest payment date.

Computation of interest: Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Original issue date: December , 2009

Optional redemption: We may redeem the notes, in whole or in part, prior to the stated maturity date on any interest payment date occurring on or after the second anniversary of the issuance of the notes, as described below under Optional Redemption.

Form of notes: The notes will be in the form of one or more global notes that we will deposit with or on behalf of DTC.

Sinking fund: The notes will not be subject to any sinking fund.

Ranking: The notes will constitute a series of our unsecured senior debt securities.

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Optional Redemption

Popular, Inc. may redeem the notes, in whole or in part, at its option prior to the stated maturity date on any interest payment date occurring on or after the second anniversary of the issuance of the notes, at 100% of the aggregate principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to, but not including, the redemption date.

A partial redemption of the notes may be effected pro rata or by lot or by such method as the trustee may deem fair and appropriate and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for the notes or any integral multiple thereof) of the principal amount of notes of a denomination larger than the minimum authorized denomination for the notes.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to the trustee and each holder of the notes to be redeemed.

Unless we default in the payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes, or portions thereof, called for redemption.

Certain Covenants

Other than as described under **Description of Debt Securities We May Offer** **Restrictive Covenants** in the accompanying prospectus, the indenture does not contain any provisions that would limit Popular, Inc.'s ability to incur indebtedness or that would afford holders of notes protection in the event of a sudden and significant decline in its credit quality or a takeover, recapitalization or highly leveraged or similar transaction involving Popular, Inc.

Events of Default

Events that would constitute an **Event of Default** under the indenture are described in the accompanying prospectus under **Description of Debt Securities We May Offer** **Events of Default**.

Amendment and Waiver

Popular, Inc. and the trustee may enter into supplemental indentures to amend or supplement provisions of the indenture with the consent of a majority of holders of the notes and, in certain cases, without the consent of holders, as described under **Description of Debt Securities We May Offer** **Modification and Waiver of the Indentures** in the accompanying prospectus.

Governing Law

The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Trustee

The indenture provides that the duties and responsibilities of the trustee will be as provided in the Trust Indenture Act. The indenture and the provisions of the Trust Indenture Act, incorporated by reference therein, contains limitations on the rights of the trustee thereunder should it become a creditor of ours, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The trustee is

permitted to engage in other transactions; provided, however, that if it acquires any conflicting interest (as defined), it must eliminate such conflict or resign.

Book Entry; Delivery and Form

Popular, Inc. will initially issue the notes in the form of one more fully registered global notes. Each global note will be deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. You may hold your beneficial interest in a global note directly through DTC if you are a DTC participant or indirectly through a DTC participant.

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Owners of beneficial interests in a global note will receive certificated notes only in the following circumstances:

if DTC notifies Popular, Inc. or the book-entry depository that it is unwilling or unable to continue to act as a depository and a successor depository is not appointed by us within 60 days;

if Popular, Inc. notifies the trustee that it will terminate the global security, or

if an event of default has occurred with regard to debt securities represented by a global debt security and has not been cured or waived.

Any definitive registered notes will be issued in fully registered form in minimum denominations of \$2,000 principal amount and integral multiples of \$1,000 in excess thereof. To the extent permitted by law, Popular, Inc., the trustee and any paying agent shall be entitled to treat the person in whose name any definitive registered note is registered as the absolute owner thereof.

Payments on the Notes

Payments of any amounts owing in respect of a global note will be made through one or more paying agents appointed under the indenture to DTC, or its nominee, as the holder of the global note. Initially, the paying agent for the notes will be The Bank of New York Mellon. We may change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar.

Payments of principal or any premium owing in respect of definitive registered notes will be made at the maturity of each note in immediately available funds upon presentation of the note at the office of Popular, Inc. maintained for that purpose in the Borough of Manhattan, The City of New York, or at any other place as we may designate. Payment of interest due on definitive registered notes at maturity will be made to the person to whom payment of the principal of the note will be made. Payment of interest due on the definitive registered notes other than at maturity will be made at the corporate trust office of the trustee or, at our option, may be made by check mailed to the address of the person entitled to receive payment as the address appears in the security register.

None of Popular, Inc., the trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of book-entry interests or for maintaining, supervising or reviewing any records relating to such book-entry interests or beneficial ownership interests.

Further Issuances

Popular, Inc. may from time to time, without notice to or the consent of the registered holders of the notes, create and issue further notes ranking equally and ratably with the notes in all respects (or in all respects except for the issue price and the first date from which interest accrues, provided that such further notes shall be fungible with the notes offered hereby for United States federal income tax purposes), so that such further notes shall be consolidated and form a single series with the notes and shall have the same terms as to status, redemption or otherwise as the notes.

Information Concerning DTC

For information concerning DTC, see [Description of Debt Securities We May Offer](#) [Information Relating to DTC](#) in the accompanying prospectus.

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CERTAIN TAX CONSIDERATIONS

General

The following discussion summarizes the material Puerto Rico and United States tax considerations relating to the purchase, ownership and disposition of the notes and constitutes the opinion of our tax counsel, Pietrantoní Méndez & Álvarez LLP.

This discussion is based on the tax laws of Puerto Rico and the United States as in effect on the date of this prospectus supplement, as well as regulations, administrative pronouncements and judicial decisions available on or before such date and now in effect. All of the foregoing are subject to different interpretations and are also subject to change, which change could apply retroactively and could affect the continued validity of this summary. The tax considerations described herein are not binding on the Puerto Rico Treasury Department (the PR Treasury), any municipality or agency of Puerto Rico, the United States Internal Revenue Service (the IRS) or the courts. We will not seek a ruling from the PR Treasury or the IRS with respect to any matters discussed in this section, and we cannot assure you that the PR Treasury or the IRS will not challenge one or more of the tax consequences described below. Accordingly, there can be no assurance that the opinions set forth herein, if challenged, would be sustained.

This discussion deals only with notes held by a holder who purchases the notes upon initial issuance and holds them as capital assets within the meaning of Section 1121 of the Puerto Rico Internal Revenue Code of 1994, as amended (the PR Code) and Section 1221 of the United States Internal Revenue Code of 1986, as amended (the US Code) (i.e., generally property held for investment).

This discussion does not intend to describe all of the tax considerations that may be relevant to a particular investor in light of such investor's particular circumstances and does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Puerto Rico and the United States.

You should consult your own tax advisor as to the application to your particular situation of the tax considerations discussed below, as well as the application of any state, local, foreign or other tax.

Puerto Rico Taxation

The following discussion does not intend to cover all aspects of Puerto Rico taxation that may be relevant to a purchaser of notes in light of the purchaser's particular circumstances, or to purchasers subject to special rules of taxation, such as life insurance companies, Special Partnerships, Subchapter N Corporations, registered investment companies, estates and trusts.

For purposes of the discussion below, a Puerto Rico corporation is a corporation organized under the laws of Puerto Rico and a foreign corporation is a corporation organized under the laws of a jurisdiction other than Puerto Rico. Corporations organized under the laws of the United States or any of the states of the United States are considered foreign corporations for Puerto Rico income tax purposes.

Taxation of Interest Paid or Accrued on the Notes

General

A holder of the notes using the accrual method of accounting to determine its taxable income will be required to recognize the interest income accrued on the notes in the holder's taxable year in which such interest accrues. The subsequent receipt of payments of interest previously accrued shall not constitute taxable income when received by such accrual basis holder.

A holder of the notes using the cash basis method of accounting to determine its taxable income will be required to recognize the interest income on the notes in the holder's taxable year in which such interest is actually or constructively received by the holder thereof.

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The following discussion regarding the income taxation of interest on the notes received by individuals not residents of Puerto Rico (except United States citizens not residents of Puerto Rico) and foreign corporation not engaged in a trade or business in Puerto Rico assumes that interest will constitute income from sources within Puerto Rico.

Generally, for Puerto Rico income tax purposes, the interest paid or accrued on indebtedness issued by a Puerto Rico corporation such as Popular, Inc. will constitute income from sources within Puerto Rico unless the corporation derived less than 20% of its gross income from sources within Puerto Rico for the three taxable years preceding the year of payment of the interest. Popular, Inc. has represented that it has derived more than 20% of its gross income from Puerto Rico sources on an annual basis since its incorporation in 1984 and expects to continue to derive in the future more than 20% of its gross income from Puerto Rico sources on an annual basis. However, there can be no assurance that Popular, Inc. or any legal successor to Popular, Inc. will be able to meet the Puerto Rico source of income requirements during the time that the notes are outstanding. The interest from bonds, notes or other interest bearing obligations received by a United States citizen not resident of Puerto Rico is deemed not to be from sources within Puerto Rico.

Individual Residents of Puerto Rico and Puerto Rico Corporations

Puerto Rico resident individuals or Puerto Rico corporations will be eligible to be taxed in Puerto Rico on their interest income received or accrued on the notes at a preferential income tax rate of 10%. In order to be entitled to such 10% preferential income tax rate, the Puerto Rico resident individuals or the Puerto Rico corporations are generally required to file an election with Popular, Inc. and Popular, Inc. is required to withhold at source such 10% preferential income tax. In order to be eligible for the 10% preferential income tax rate, these holders must complete the 10% withholding election form attached herein as Exhibit A to this prospectus supplement to permit a 10% Puerto Rico income tax withholding for any interest derived on the notes.

Puerto Rico resident individuals or Puerto Rico corporations not electing the 10% preferential income tax rate will be subject to the regular income tax rates provided by the PR Code on ordinary income, which may be up to 33% (34.65% for taxable years commencing in 2009, 2010 and 2011) in the case of individual residents and 39% in the case of Puerto Rico corporations (40.95% for taxable years commencing in 2009, 2010 and 2011).

In the case of Puerto Rico resident individuals or Puerto Rico corporations that elected the 10% preferential income tax rate, they may elect, upon filing their Puerto Rico income tax return, not to be subject to the 10% preferential income tax and to be subject to the regular income tax rates provided by the PR Code on ordinary income, which may be up to 33% (34.65% for taxable years commencing in 2009, 2010 and 2011) in the case of individual residents and 39% (40.95% for taxable years commencing in 2009, 2010 and 2011) in the case of Puerto Rico corporations, and the 10% income tax withheld at source may be claimed as a credit against the Puerto Rico income tax payable by these individuals or corporations for such year.

Puerto Rico resident individuals are subject to alternative minimum tax if their regular tax liability is less than the alternative minimum tax liability. The alternative minimum tax rates range from 10% to 20% depending on the alternative minimum tax net income. The alternative minimum tax net income includes the individual's gross income subject to regular income tax rates, certain income exempt from the regular income tax and income subject to special tax rates as provided in the PR Code, such as interest income on the notes and long-term capital gains recognized on the disposition of the notes, both subject to the preferential 10% income tax rate.

The alternative minimum tax liability of Puerto Rico corporations is not affected by the receipt or accrual of interest income subject to the 10% preferential income tax rate.

United States Citizens not Residents of Puerto Rico

U.S. citizens not residents of Puerto Rico are not subject to Puerto Rico income or withholding taxation on their interest income received or accrued on the notes.

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Individuals not Citizens of the United States and not Residents of Puerto Rico

Individuals not citizens of the United States and not residents of Puerto Rico and who are not engaged in a trade or business in Puerto Rico are not subject to Puerto Rico income tax or withholding on the interest income received on the notes, provided such holders, individually, do not own, directly or indirectly, 50% or more of the value of all issued and outstanding shares of stock of Popular, Inc.

Foreign Corporations

The income taxation of interest income received or accrued on the notes by a foreign corporation will depend upon whether or not the corporation is engaged in a trade or business in Puerto Rico.

A foreign corporation that is not engaged in a trade or business in Puerto Rico is not subject to Puerto Rico income or withholding taxation on its interest income received on the notes, provided such foreign corporation does not own, directly or indirectly, 50% or more of the value of all issued and outstanding shares of stock of Popular, Inc. and provided Popular, Inc. does not own, directly or indirectly, 50% or more of the value of all issued and outstanding shares of stock of such foreign corporation.

A foreign corporation that is engaged in a trade or business in Puerto Rico will be subject to Puerto Rico corporate income tax at the preferential 10% income tax rate, in the same manner and terms applicable to Puerto Rico corporations, with respect to the interest income received or accrued on the notes. In order to be eligible for the 10% preferential income tax rate, the foreign corporation must complete the 10% withholding election form attached herein as Exhibit A to this prospectus supplement to permit a 10% Puerto Rico income tax withholding for any interest derived on the notes. In general, foreign corporations that are engaged in a trade or business in Puerto Rico are also subject to a 10% branch profit tax when the Puerto Rico source or effectively connected income, including interest on the notes, is deemed to have been repatriated outside Puerto Rico.

Partnerships

Partnerships are generally taxed in the same manner as corporations. Accordingly, the preceding discussion with respect to Puerto Rico and foreign corporations is equally applicable in the case of most Puerto Rico and foreign partnerships, respectively.

Taxation of Gain upon Sales, Exchanges, Redemptions, Retirements or Other Taxable Dispositions of Notes

General

The sale, exchange, redemption, retirement or other taxable disposition of a note prior to maturity generally will give rise to gain or loss equal to the difference between the amount realized on such disposition and the adjusted tax basis of the note in the hands of the holder. The tax basis in a note will be, in general, the cost of the note to the holder. The gain required to be recognized on the disposition of the notes will be considered ordinary income up to the amount of interest accrued on the notes to the date of disposition to the extent such interest has not been previously recognized as income while the holder was the owner of the notes, with the excess being recognized as a capital gain or loss if the notes are held as a capital asset by the holder. Any such capital gain or loss will be a long-term capital gain or loss if the holder's holding period of the notes exceeds six months. Capital losses cannot be applied to offset ordinary income for Puerto Rico income tax purposes, except in a few limited cases.

Individual Residents of Puerto Rico and Puerto Rico Corporations

Any gain on the sale, exchange, redemption, retirement or other taxable disposition of the notes by an individual resident of Puerto Rico or a Puerto Rico corporation will generally be required to be recognized as gross income and will be subject to income tax. To the extent such gain constitutes capital gain, it will be eligible to be taxed in Puerto Rico at a maximum 10% tax rate in the case of Puerto Rico resident individuals

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or at a 15% tax rate in the case of Puerto Rico corporations if the holder's holding period of the notes exceeds six months, in each case.

Any such gain recognized by Puerto Rico resident individuals constituting long-term capital gain will be subject to alternative minimum tax. See *Taxation of Interest Paid or Accrued on the Notes – Individual Residents of Puerto Rico and Puerto Rico Corporations*.

The alternative minimum tax liability of Puerto Rico corporations is not affected by the recognition of long-term capital gains on the sale, exchange, redemption, retirement or other taxable disposition of the notes.

United States Citizens not Residents of Puerto Rico

A United States citizen who is not a resident of Puerto Rico will not be subject to Puerto Rico income tax on such part of the gain realized on the sale, exchange, redemption, retirement or other taxable disposition of the notes that constitutes capital gain if the gain resulting therefrom constitutes income from sources outside Puerto Rico. Generally, gain on the sale, exchange, redemption, retirement or other taxable disposition of the notes will be considered to be income from sources outside Puerto Rico if all rights, title and interest in or to the notes are transferred outside Puerto Rico, and if the delivery or surrender of the instruments that evidence the notes is made to an office of a paying or exchange agent located outside Puerto Rico. If the capital gain resulting from the sale, exchange, redemption, retirement or other taxable disposition constitutes income from sources within Puerto Rico, it will be subject to a tax at a maximum rate of 10% if the gain constitutes a long-term capital gain and could be subject to Puerto Rico's alternative minimum tax. See *Taxation of Interest Paid or Accrued on the Notes – Individual Residents of Puerto Rico and Puerto Rico Corporations*. The part of the gain that represents interest should not be subject to Puerto Rico income taxation.

Individuals not Citizens of the United States and not Residents of Puerto Rico

An individual who is not a citizen of the United States and who is not a resident of Puerto Rico will be subject to the rules described above under *United States Citizens not Residents of Puerto Rico*. However, if the capital gain resulting from the sale, exchange, redemption, retirement or other taxable disposition of the notes constitutes income from sources within Puerto Rico, the individual will generally be subject to tax on this gain at a fixed rate of 29%. The part of the gain that constitutes ordinary income should not be subject to Puerto Rico income on withholding taxation, provided such holder, individually, does not own, directly or indirectly, 50% or more of the value of all issued and outstanding shares of stock of Popular, Inc.

Foreign Corporations

A holder which is a foreign corporation that is engaged in a trade or business in Puerto Rico will generally be subject to Puerto Rico corporate income tax on any part of the gain realized on the sale, exchange, redemption, retirement or other taxable disposition of the notes that constitutes capital gain if the gain is (1) from sources within Puerto Rico, or (2) from sources outside Puerto Rico and effectively connected with a trade or business in Puerto Rico. Any such capital gain will qualify for an alternative tax of 15% if it qualifies as a long-term capital gain. The part of the gain that does not constitute capital gain since is based on the interest accrued on the notes as of the date of the sale, exchange, redemption, retirement or other taxable disposition will be taxable as ordinary income.

Gain on the sale, exchange, redemption, retirement or other taxable disposition of the notes will generally not be considered to be from sources within Puerto Rico if all rights, title and interest in or to the notes are transferred outside Puerto Rico, and if the delivery or surrender of the instruments that evidence the notes is made to an office of a paying or exchange agent located outside Puerto Rico.

In general, a holder of the notes which is a foreign corporation that is engaged in a trade or business in Puerto Rico will also be subject to a 10% branch profits tax when the Puerto Rico source or effectively connected income, including capital gains and ordinary income realized on the sale, exchange, redemption, retirement or other taxable disposition of the notes, is deemed to have been repatriated outside Puerto Rico.

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A holder which is a foreign corporation that is not engaged in a trade or business in Puerto Rico will generally be subject to a corporate income tax rate of 29% on any capital gain realized on the sale, exchange, redemption, retirement or other taxable disposition of the notes if the gain is from sources within Puerto Rico. In the case of such foreign corporation, no income tax will be imposed if the gain constitutes income from sources outside Puerto Rico. The part of the gain realized on the sale, exchange, redemption, retirement or other taxable disposition of the notes by a foreign corporation not engaged in a trade or business in Puerto Rico that represents ordinary income based on the interest accrued on the notes as of the date of the sale, exchange, redemption, retirement or other taxable disposition should not be subject to Puerto Rico income or withholding taxation provided such foreign corporation, individually, does not own, directly or indirectly, 50% or more of the value of all the issued and outstanding shares of stock of Popular, Inc. and provided Popular, Inc. does not own directly or indirectly 50% or more of the value of such holder's stock.

Partnerships

Partnerships are generally taxed as corporations. Accordingly, the discussion with respect to Puerto Rico and foreign corporations is equally applicable to most Puerto Rico and foreign partnerships, respectively.

Estate and Gift Taxation

The transfer of the notes by inheritance by an individual who is domiciled in Puerto Rico at the time of his or her death will not be subject to estate tax if the individual is a citizen of the United States who acquired his or her citizenship solely by reason of birth or residence in Puerto Rico. The transfer of the notes by gift by an individual who is a resident of Puerto Rico at the time of the gift will not be subject to gift tax.

Individuals who are not domiciled in Puerto Rico should consult their own tax advisors in order to determine the appropriate treatment for Puerto Rico estate and gift tax purposes of the transfer of the notes by death or gift.

Municipal License Taxation

Individuals and corporations that are not engaged in a trade or business in Puerto Rico will not be subject to municipal license tax on interest paid on the notes or on any gain realized on the sale or exchange of the notes.

Individuals, residents or nonresidents, and corporations or partnerships, Puerto Rico or foreign, that are engaged in a trade or business in Puerto Rico will generally be subject to municipal license tax on interest income paid or accrued on the notes and on the gain realized on the sale or exchange of the notes if the interest or gain are attributable to that trade or business. The municipal license tax is imposed on the volume of business of the taxpayer, and the tax rates range from a maximum of 1.5% for financial businesses to a maximum of 0.5% for other businesses.

Property Taxation

The notes will not be subject to Puerto Rico property tax.

United States Taxation

The following discussion summarizes the material United States tax considerations relating to the purchase, ownership and disposition of notes by U.S. Holders, as defined below, and corporations organized under the laws of Puerto Rico (Puerto Rico corporations) who purchase the notes upon initial issuance. This discussion does not intend to describe all of the tax considerations that may be relevant to a particular investor in light of that person's particular circumstances and does not describe any tax consequences arising under the laws of any state, locality or taxing

jurisdiction other than the United States.

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As used herein, the term **U.S. Holder** means a beneficial owner of notes that does not own, directly, indirectly, constructively or by attribution, 10% or more of the voting stock of Popular, Inc. and is, for United States federal income tax purposes:

an individual who is a citizen or resident of the United States;

a corporation (or other entity treated as a corporation for United States federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if a court within the United States (other than courts located in Puerto Rico) is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust or a trust that was in existence on August 10, 1996 and validly elected to be treated as a domestic trust.

The term **U.S. Holder** does not include individual Puerto Rico residents who are not citizens or residents of the United States nor does it include Puerto Rico corporations. As used herein, the term **Puerto Rico U.S. Holder** means an individual U.S. Holder who is a bona fide resident of Puerto Rico during the entire taxable year (or, in certain cases, a portion thereof), within the meaning of Sections 933 and 937 of the US Code.

This discussion does not address all tax consequences that may be applicable to a U.S. Holder (including alternative minimum tax consequences, if any) that is a beneficial owner of notes, nor does it address the tax consequences to:

persons that are not U.S. Holders or Puerto Rico corporations;

persons to whom special treatment may be applied under United States federal income tax law, such as entities that are treated as partnerships for United States federal income tax purposes, Subchapter S Corporations, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, traders in securities that elect to mark to market and dealers in securities or currencies;

persons that will hold the notes as part of a position in a straddle or as part of a hedging, conversion or other integrated investment transaction for United States federal income tax purposes;

persons whose functional currency is not the United States dollar; or

persons that do not hold the notes as capital assets.

Taxation of Interest Paid or Accrued on the Notes

General

Under the current source of income rules of the US Code, the interest payments or accruals on the notes will be considered Puerto Rico source income if the following conditions are met: (1) such interest is not treated as paid by a trade or business conducted by Popular, Inc. outside of Puerto Rico, including for these purposes the United States, such determination to be made under Section 884(f)(1)(A) of the US Code and the regulations thereunder; and (2) for the three year period ending with the close of Popular, Inc.'s taxable year immediately preceding the payment of the interest on the notes (or such part of such period as may be applicable), Popular, Inc. either: (A) derived more than

20% of its gross income from sources within Puerto Rico; or (B) derived more than 20% of its gross income from the active conduct of a trade or business in Puerto Rico, both tests determined under the provisions of Section 861(c)(1)(B) of the US Code, which require, among other things, that the gross income received by Popular, Inc. from a 50% owned (directly or indirectly) subsidiary (determined by voting interest or value) will retain the source and character that such income had in the hands of the subsidiary.

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Popular, Inc. believes that the interest payments on the notes will not be deemed to be paid by a trade or business outside Puerto Rico. Moreover, Popular, Inc. has represented that it has derived more than 20% of its gross income from Puerto Rico sources on an annual basis since its incorporation in 1984, such percentage determined by applying the rules established in Section 861(c)(1)(B) of the US Code, and expects to continue to derive in the future more than 20% of its gross income from Puerto Rico sources on an annual basis. Interest payments on the notes to be made by Popular, Inc. will be sourced in Puerto Rico for purposes of the US Code so long as Popular, Inc. continues to meet the requirements described above. However, there can be no assurance that Popular, Inc. or any legal successor to Popular, Inc. will be able to meet such requirements during the time that the notes are outstanding. The remainder of this discussion assumes that all of the interest payments on the notes to be made by Popular, Inc. will be sourced in Puerto Rico for purposes of the US Code.

U.S. Holders other than Puerto Rico U.S. Holders

Interest paid or accrued on the notes to a U.S. Holder, other than a Puerto Rico U.S. Holder, will be includable in the income of such holder as foreign source income at the time such interest is accrued or received, in accordance with the holder's regular method of tax accounting.

Puerto Rico U.S. Holders

Interest paid or accrued on the notes to a Puerto Rico U.S. Holder (1) will constitute gross income from sources within Puerto Rico, subject to the rules described above under **United States Taxation – Taxation of Interest Paid or Accrued on the Notes – General**, (2) will not be includable in the Puerto Rico U.S. Holder's gross income subject to United States federal income taxation and (3) will be exempt from United States federal income taxation. In addition, for United States federal income tax purposes, no deduction or credit will be allowed to the Puerto Rico U.S. Holder to the extent that such deduction or credit is allocable to or chargeable against amounts so excluded from the Puerto Rico U.S. Holder's gross income.

Puerto Rico Corporations

In general and subject to the rules described above under **United States Taxation – Taxation of Interest Paid or Accrued on the Notes – General**, interest paid or accrued on the notes to a Puerto Rico corporation will not be subject to United States federal income tax if the interest is not effectively connected with a United States trade or business of the Puerto Rico corporation and the Puerto Rico corporation is not treated as a domestic corporation for purposes of the US Code. The US Code provides special rules for Puerto Rico corporations that are **controlled foreign corporations**, **personal holding companies**, or **passive foreign investment companies**.

Taxation of Gain upon Sales, Exchanges, Redemptions, Retirements, or Other Taxable Dispositions of the Notes

General

The sale, exchange, redemption, retirement or other taxable disposition of a note, generally will give rise to gain or loss equal to the difference between the amount realized on such disposition (other than amounts representing accrued and unpaid interest, which will be taxable as such) and the adjusted tax basis of the note in the hands of the holder. The adjusted tax basis in a note will be, in general, the cost of the note to the holder. The gain or loss required to be recognized on the disposition of a note will be considered capital gain or loss. Such capital gain or loss will be long-term capital gain or loss if, at the time of such sale, exchange, redemption, retirement or other taxable disposition, the note has been held by the holder for more than one year. A non-corporate U.S. Holder may be eligible for preferential rates of United States federal income tax with respect to long-term capital gains. Capital losses cannot

be applied to offset ordinary income for United States federal income tax purposes, except in a few limited cases.

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U.S. Holders other than Puerto Rico U.S. Holder

Any gain on the sale, exchange, redemption, retirement or other taxable disposition of the notes by a U.S. Holder, other than a Puerto Rico U.S. Holder, will generally be required to be recognized and will be subject to United States federal income tax. Any capital gain of non-corporate U.S. Holders that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% when the holder has a holding period greater than one year.

Puerto Rico U.S. Holders

Pursuant to Notice 89-40 (Notice 89-40), issued by the IRS on March 27, 1989, the portion of the gain from the sale, exchange, redemption, retirement or other taxable disposition of the notes by a Puerto Rico U.S. Holder who is a bona fide resident of Puerto Rico for purposes of Section 865(g)(1) of the US Code that constitutes capital gain (1) will constitute income from sources within Puerto Rico, (2) will qualify for the exclusion from the Puerto Rico U.S. Holder's gross income pursuant to Section 933 of the US Code, and (3) will be exempt from United States federal income taxation provided that the notes do not constitute inventory in the hands of such Puerto Rico U.S. Holder. Also, no deduction or credit will be allowed that is allocable to or chargeable against amounts so excluded from the Puerto Rico U.S. Holder's gross income.

Puerto Rico Corporations

In general, any gain derived by a Puerto Rico corporation from the sale, exchange, redemption, retirement or other taxable disposition of the notes (whether constituting ordinary income or capital gain) will not, in the hands of the Puerto Rico corporation, be subject to United States federal income tax if the gain is not effectively connected with a United States trade or business of the Puerto Rico corporation and the Puerto Rico corporation is not treated as a domestic corporation for purposes of the US Code. The US Code provides special rules for Puerto Rico corporations that are controlled foreign corporations, personal holding companies or passive foreign investment companies.

Information Reporting and Backup Withholding

For non-corporate U.S. Holders, information reporting requirements, on IRS Form 1099 generally will apply with respect to interest payments (except for interest payments paid to certain Puerto Rico U.S. Holders who provide documentation regarding their status as Puerto Rico U.S. Holders), and the payment of proceeds from the sale of the notes effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments for non-corporate U.S. Holders if: (i) such holder fails to provide an accurate taxpayer identification number; (ii) or if Popular, Inc. is notified by the IRS that the holder has failed to report all interest and dividends required to be shown on such holder's United States federal income tax returns; or (iii) in certain circumstances, if the holder fails to comply with applicable certification requirements.

Any amounts withheld under the backup withholding rules will be allowed as a credit against the U.S. Holder's United States federal income tax liability and may be refunded, provided the required information is furnished to the IRS in a timely manner.

Estate and Gift Taxation

The transfer of the notes by inheritance or gift by an individual who was domiciled in Puerto Rico at the time of his or her death or at the time of the gift will not be subject to U.S. federal estate and gift tax if the individual was a citizen of the United States who acquired his or her citizenship solely by reason of birth or residence in Puerto Rico. Other

individuals should consult their own tax advisors in order to determine the appropriate treatment for U.S. federal estate and gift tax purposes of the transfer of the notes by death or gift.

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We have entered into an underwriting agreement with UBS Financial Services Incorporated of Puerto Rico and Popular Securities, Inc., as representatives of the underwriters, pursuant to which the underwriters have agreed to purchase from us, and we have agreed to sell to them, the principal amount of notes set forth opposite each underwriter's name below:

Underwriter	Principal Amount
UBS Financial Services Incorporated of Puerto Rico	\$
Popular Securities, Inc.	
Total	\$

The underwriting agreement provides that the obligations of the several underwriters to purchase the notes included in this offering are subject to conditions. The underwriters are obligated to purchase all the notes if they purchase any of the notes.

The following table shows the per note and total underwriting discounts and commissions that we are to pay the underwriters in connection with this offering:

Per note	
Total	\$

We estimate that the total expenses of this offering, excluding underwriting discounts and commissions, payable by us will be approximately \$.

Pursuant to the underwriting agreement, we have agreed to reimburse the underwriters for certain out-of-pocket expenses in connection with this offering up to \$. We have also agreed to indemnify the underwriters against certain liabilities under the Securities Act of 1933, as amended, or contribute to payments the underwriters may make because of those liabilities.

We reserve the right to withdraw, cancel or modify the offer made by this prospectus supplement without notice.

The notes are a new issue of securities with no established trading market. We do not intend to list the notes for trading on any securities exchange or quotation system. We do not expect that there will be any secondary market for the notes.

In order to facilitate the offering of the notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the notes for their own account. The underwriters can close out a short position by purchasing notes in the open market. As an additional means of facilitating the offering of notes, the underwriters may bid for and purchase these notes in the open market to stabilize the price of these notes. Finally, the underwriters may reclaim selling concessions allowed to an underwriter or a dealer for distributing the notes in the offering, if the syndicate repurchases previously distributed notes in transactions to cover syndicate short positions, in stabilization

transactions or otherwise. Any of these activities may stabilize or maintain the market price of the notes above independent market levels or prevent or retard a decline in the market price of the notes. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

The underwriters and their affiliates have from time to time been customers of, engaged in transactions with, or performed services for, Popular, Inc. and its subsidiaries in the ordinary course of business. Such persons may continue to do business with Popular, Inc. in the future.

The maximum commission or discount, together with all other underwriting compensation, to be received by members of the Financial Industry Regulatory Authority in connection with the sale of our securities that are registered pursuant to the registration statement of which this prospectus supplement is a part will not be greater than 8% of the net proceeds to us in the aggregate.

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Popular Securities, Inc. may use this prospectus supplement and the accompanying prospectus in connection with offers and sales of the notes in the secondary market. Popular Securities, Inc. may act as principal or agent in those transactions. Secondary market sales will be made at prices related to prevailing market prices at the time.

Conflict of Interest

Popular Securities, Inc., a wholly owned subsidiary of Popular, Inc. and a broker-dealer registered with the Financial Industry Regulatory Authority, or FINRA, will participate in the distribution of securities in connection with this offering. Therefore, Popular Securities, Inc. will have a conflict of interest as defined by NASD Conduct Rule 2720. Accordingly, this offering will be conducted in compliance with Rule 2720. Neither UBS Financial Services Incorporated of Puerto Rico, who is acting as a lead underwriter, nor any affiliates of UBS Financial Services Incorporated of Puerto Rico, has a conflict of interest as defined in Rule 2720. Therefore, a Qualified Independent Underwriter will not be necessary for this offering.

No underwriter having a Rule 2720 conflict of interest will confirm sales to any account over which the underwriter exercises discretionary authority without the specific written approval of the accountholder.

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VALIDITY OF THE NOTES

The validity of the notes will be passed upon for us by Pietrantoní Méndez & Alvarez LLP, San Juan, Puerto Rico. Pietrantoní Méndez & Alvarez LLP will rely upon the opinion of Sullivan & Cromwell LLP, New York, New York, for all matters of New York law. Sidley Austin llp, New York, New York, has represented the underwriters in connection with this offering.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated into this prospectus supplement by reference to Popular, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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Exhibit A

TO: Popular, Inc.
209 Muñoz Rivera Avenue
Hato Rey, Puerto Rico 00918

10% Withholding Consent Form

% Senior Notes due December , 2014

I hereby elect that all interest payments on the notes denominated as % Senior Notes due December , 2014, shall be subject to a 10% Puerto Rico income tax withholding, and further elect that such withholding be automatically made at the source by Popular, Inc. or its agent.

Very truly yours,

By:
Name:

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POPULAR, INC.

Senior Debt Securities Subordinated Debt Securities of Popular International Bank, Inc., and Popular North America, Inc. Fully and unconditionally guaranteed as described herein by Popular, Inc.	Senior Debt Securities Subordinated Debt Securities Preferred Stock Common Stock Warrants Purchase Contracts Depository Shares Units of Popular, Inc.	Capital Securities of Popular Capital Trust III and Popular Capital Trust IV Fully and unconditionally guaranteed as described herein by Popular, Inc.	Capital Securities of Popular North America Capital Trust II and Popular North America Capital Trust III Fully and unconditionally guaranteed as described herein by Popular North America, Inc. and Popular, Inc.
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Popular, Inc. from time to time may offer to sell senior or subordinated debt securities, preferred stock, either separately or represented by depository shares, common stock, warrants and purchase contracts, as well as units that include any of these securities or securities of other entities. The debt securities, preferred stock, warrants and purchase contracts may be convertible into or exercisable or exchangeable for common or preferred stock or other securities of Popular, Inc. or debt or equity securities of one or more other entities. Popular Inc.'s common stock is listed on the Nasdaq Stock Market and trades under the ticker symbol BPOP.

Popular Capital Trust III, Popular Capital Trust IV, Popular North America Capital Trust II and Popular North America Capital Trust III may offer and sell capital securities, in one or more offerings. Capital securities are preferred securities representing preferred beneficial interests in the applicable issuer trust.

These securities may be offered and sold to or through one or more underwriters, dealers and agents, including Popular Securities, Inc., a broker-dealer subsidiary of Popular, or directly to purchasers, on a continuous or delayed basis.

This prospectus describes some of the general terms that may apply to these securities. The specific terms of any securities to be offered and the specific manner in which they may be offered will be described in a supplement to this prospectus. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement. Each prospectus supplement will indicate if the securities offered thereby will be listed on any securities exchange.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not deposits or savings accounts but are unsecured obligations of Popular or of one of the trusts referred to above. These securities are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality.

Prospectus dated June 12, 2009.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, which we refer to as the SEC, utilizing a shelf registration or continuous offering process. Under this shelf registration or continuous offering process, we or the trusts may sell any combination of the securities described in this prospectus in one or more offerings.

This prospectus gives you a general description of the securities that we or the trusts may offer. Each time we or the trusts sell securities, we or the trusts will provide a prospectus supplement containing specific information about the terms of the securities being offered. A prospectus supplement may include a discussion of any risk factors or other special considerations applicable to those securities or to us and may also include, if applicable, a discussion of material United States federal income tax considerations and considerations under the Employee Retirement Income Security Act of 1974, as amended, which we refer to as ERISA. A prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement, you must rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under Where You Can Find More Information.

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC's web site or at the SEC's public reference room described under Where You Can Find More Information.

When you acquire any securities discussed in this prospectus, you should rely only on the information provided in this prospectus and in the applicable prospectus supplement, including the information incorporated by reference herein and therein. Reference to a prospectus supplement means the prospectus supplement describing the specific terms of the securities you purchase. The terms used in your prospectus supplement will have the meanings described in this prospectus, unless otherwise specified. Neither we nor the trusts, nor any underwriters or agents whom we may from time to time retain, have authorized anyone to provide you with different information. Neither we nor the trusts are offering the securities in any jurisdiction where the offer is prohibited. You should not assume that the information in this prospectus, any prospectus supplement, or any document incorporated by reference, is truthful or complete at any date other than the date mentioned on the cover page of these documents.

We or the trusts may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, we or the trusts may sell the securities directly or through dealers or agents designated from time to time. If we or the trusts, directly or through agents, solicit offers to purchase the securities, we and the trusts reserve the sole right to accept and, together with any agents, to reject, in whole or in part, any of those offers. In addition, selling securityholders may sell the securities on terms described in the applicable prospectus supplement.

Any prospectus supplement will contain the names of the underwriters, dealers or agents, if any, together with the terms of offering, the compensation of those underwriters and the net proceeds to us. Any underwriters, dealers or agents participating in the offering may be deemed underwriters within the meaning of the Securities Act of 1933, as amended, which we refer to as the Securities Act.

References in this prospectus to the Company, Popular, Popular, Inc, we, us or our refer to Popular, Inc. and subsidiaries.

Unless otherwise stated, currency amounts in this prospectus and any prospectus supplement are stated in United States dollars, or \$.

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WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov>.

We have filed with the SEC a registration statement on Form S-3 relating to the securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document of the Company, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C., as well as through the SEC's Internet site.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC's rules allow us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

We incorporate by reference into this prospectus the following documents or information filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

- (1) Annual Report on Form 10-K for the fiscal year ended December 31, 2008;
- (2) Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009;
- (3) Current Reports on Form 8-K filed on January 9, 2009 and February 23, 2009; and
- (4) Registration Statements filed pursuant to Section 12 of the Exchange Act and any amendments or reports filed for the purpose of updating such description.

All documents filed by the Company under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or after the date of this prospectus and before (1) the completion of the offering of the securities described in this prospectus and (2) the date any broker-dealer subsidiaries stop offering securities pursuant to the prospectus shall be incorporated by reference in this prospectus from the date of filing of such documents.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You can request those documents from Enrique Martel, Corporate Communications, Popular, Inc., P.O. Box 362708, San Juan, Puerto Rico 009396-2708.

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We have not included or incorporated by reference in this prospectus any separate financial statements of the trusts. We do not believe that these financial statements would provide holders of preferred securities with any important information for the following reasons:

we will own all of the voting securities of the trusts;

the trusts do not and will not have any independent operations other than to issue securities and to purchase and hold our debt securities; and

we are fully and unconditionally guaranteeing the obligations of the trusts as described in this prospectus.

We do not expect that the trusts will be required to file information with the SEC on an ongoing basis for as long as we continue to file our information with the SEC.

NOTE REGARDING FORWARD-LOOKING STATEMENTS AND CERTAIN RISKS

Certain statements in this prospectus 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 Popular'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 adequacy and liquidity, and the effect of legal proceedings and new accounting standards on Popular'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 conditional verbs such as will, would, should, could, might, can, may, or similar expressions are generally used to identify forward-looking statements.

These forward-looking statements involve certain risks, uncertainties, estimates and assumptions by management. Various factors, some of which are beyond Popular's 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:

the rate of declining growth in the economy and employment levels, as well as general business and economic conditions;

changes in interest rates, as well as the magnitude of such changes;

the fiscal and monetary policies of the federal government and its agencies;

changes in federal bank regulatory and supervisory policies, including required levels of capital;

the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets in Puerto Rico and the other markets in which borrowers are located;

the performance of the stock and bond markets;

competition in the financial services industry;

possible legislative or regulatory changes; and

difficulties in combining the operations of acquired entities.

All forward-looking statements included in this prospectus are based upon information available to Popular as of the date of this document, and we assume no obligation to update or revise any such forward-looking statements.

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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, Puerto Rico, Popular offers financial services in Puerto Rico and the mainland United States and processing services in the Caribbean and Latin America. As of March 31, 2009, Popular had approximately \$37.7 billion in assets, \$27.1 billion in deposits and \$3.1 billion in stockholders equity. Our executive offices are located at 209 Muñoz Rivera Avenue, Hato Rey, Puerto Rico 00918, and our telephone number is (787) 765-9800.

Popular is a holding company and services its obligations primarily with dividends and advances that it receives from subsidiaries. Popular's subsidiaries that operate in the banking business can only pay dividends if they are in compliance with the applicable regulatory requirements imposed on them by federal and state bank regulatory authorities and regulators. Popular's subsidiaries may be party to credit agreements that also may restrict their ability to pay dividends. Popular currently believes that none of these regulatory or contractual restrictions on the ability of its subsidiaries to pay dividends will affect Popular's ability to service its own debt. Popular must also maintain required capital levels of a bank holding company before it may pay dividends on its stock.

Under the regulations of the Board of Governors of the Federal Reserve System (the Federal Reserve), a bank holding company is expected to act as a source of financial strength for its subsidiary banks. As a result of this regulatory policy, the Federal Reserve might require Popular to commit resources to its subsidiary banks when doing so is not otherwise in the interests of Popular or its shareholders or creditors.

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 \$24.3 billion, deposits of \$18.0 billion and stockholder's equity of \$2.0 billion at March 31, 2009. The Bank accounted for 64% of the total consolidated assets of the Company at March 31, 2009. Banco Popular has the largest retail franchise in Puerto Rico and 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 two subsidiaries, Popular Auto, Inc., a vehicle financing, leasing and daily rental company and Popular Mortgage, Inc., a mortgage loan company.

POPULAR INTERNATIONAL BANK, INC.

PIB is a wholly owned subsidiary of the Popular, Inc. 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.

Condensed consolidated financial information of Popular, Inc. with separate columns for Popular, Inc., Popular International Bank, Inc., other subsidiaries of Popular, Inc. on a combined basis, consolidated adjustments and the total consolidated amounts are included in the notes to Popular, Inc.'s consolidated financial statements that are incorporated by reference herein.

Popular International Bank, Inc.'s principal executive offices are located at 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, and its telephone number is (787) 765-9800.

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POPULAR NORTH AMERICA, INC.

Popular North America, Inc. (PNA), a wholly owned subsidiary of PIB and an indirect wholly owned subsidiary of Popular, Inc., 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 Popular, Inc.'s mainland U.S. operations. As of March 31, 2009, PNA had five direct subsidiaries, all of which were wholly owned: Banco Popular North America (BPNA), a full service commercial bank incorporated in the State of New York; Popular Financial Holdings, Inc., a consumer finance company; BanPonce Trust I, Popular North America Capital Trust I, statutory business trusts; and EVERTEC USA, Inc. which provides processing services.

Condensed consolidated financial information of Popular, Inc. with separate columns for Popular, Inc., Popular North America, Inc., other subsidiaries of Popular, Inc. on a combined basis, consolidated adjustments and the total consolidated amounts are included in the notes to Popular, Inc.'s consolidated financial statements that are incorporated by reference.

Popular North America, Inc.'s principal executive offices are located at 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, and its telephone number is (787) 765-9800.

POPULAR AND POPULAR NORTH AMERICA CAPITAL TRUSTS

Popular Capital Trust III, Popular Capital Trust IV, Popular North America Capital Trust II and Popular North America Capital Trust III are statutory trusts formed under Delaware law by:

the execution of a declaration of trust and trust agreement by Popular or Popular North America, as depositor, and certain of the trustees of the trusts, and

the filing of a certificate of trust with the Secretary of State of the State of Delaware.

The capital securities offered hereby will constitute all of the capital securities of the trusts. Popular, or one of its affiliates, will acquire all of the common securities of the trusts.

Popular or one of its affiliates will pay all fees and expenses related to the trusts and the offering of the common securities and the capital securities.

RISK FACTORS

Before investing in any securities offered hereby, you should consider carefully each of the risk factors set forth under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009. See Where You Can Find More Information in this prospectus.

DESCRIPTION OF DEBT SECURITIES WE MAY OFFER

Information About Our Debt Securities

Three different issuers may offer debt securities using this prospectus: Popular, Inc., Popular International Bank, Inc. and Popular North America, Inc. In this section, we use we when referring to the issuers collectively and the issuer when referring to the particular company that issues a particular debt security or series of debt securities.

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As required by U.S. federal law for all debt securities of companies that are publicly offered, the debt securities issued under this prospectus are governed by documents called indentures. The indentures are contracts between us and The Bank of New York Mellon Trust Company, National Association, which currently acts as trustee under each of the indentures. The trustee has two main roles:

First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described below under **Default and Remedies** ; and

Second, the trustee performs administrative duties for us, such as sending you interest payments, transferring your debt security to a new buyer if you sell and sending you notices.

The indentures permit us to issue different series of debt securities from time to time. We may issue debt securities in such amounts, at such times and on such terms as we wish. The debt securities will differ from one another in their terms.

Popular, Inc. may issue senior debt securities under an indenture dated as of February 15, 1995, as supplemented by the First Supplemental Indenture dated as of May 8, 1997 and as further supplemented by the Second Supplemental Indenture dated as of August 5, 1999 and the Third Supplemental Indenture dated as of September 10, 2008, in each case between Popular, Inc. and the trustee. Popular, Inc. may issue subordinated debt securities under an indenture dated as of November 30, 1995 between Popular, Inc. and the trustee. Popular North America, Inc. may issue senior debt securities under an indenture dated as of October 1, 1991, as supplemented by the First Supplemental Indenture dated as of February 28, 1995, the Second Supplemental Indenture dated as of May 8, 1997 and the Third Supplemental Indenture dated as of August 5, 1999, in each case among Popular, Inc., Popular North America, Inc. and the trustee. If Popular International Bank, Inc. issues either senior or subordinated debt securities or if Popular North America, Inc. issues subordinated debt securities, it will enter into an appropriate indenture with a trustee.

The indentures mentioned in the previous paragraph are referred to collectively as the indentures. The debt securities issued under the indentures referred to in the previous paragraph are referred to collectively as the debt securities. The senior debt securities of Popular, Inc., Popular International Bank, Inc. and Popular North America, Inc. are referred to collectively as the senior debt securities and the subordinated debt securities of Popular, Inc., Popular International Bank, Inc. and Popular North America, Inc. are referred to collectively as the subordinated debt securities. A copy or form of each indenture is filed as an exhibit to the registration statement relating to the debt securities.

Unless otherwise indicated in the applicable prospectus supplement, the covenants contained in the indentures and the debt securities will not afford holders of the debt securities protection in the event of a recapitalization, restructuring or other highly leveraged transaction.

This section summarizes the material terms that will apply generally to a series of debt securities. Each particular debt security will have financial and other terms specific to it, and the specific terms of each debt security will be described in a prospectus supplement attached to the front of this prospectus. Those terms may vary from the terms described here. As you read this section, therefore, please remember that the specific terms of your debt security as described in your prospectus supplement will supplement and, if applicable, may modify or replace the general terms described in this section. The statements we make in this section may not apply to your debt security.

Amounts That We May Issue

The indentures do not limit the aggregate amount of debt securities that we may issue, nor do they limit the aggregate amount of any particular series. We have initially authorized the issuance of debt securities and preferred stock having an initial offering price no greater than \$2,500,000,000, or an equivalent amount in any other currencies or composite

currencies. We may, however, increase this authorized amount at any time without your consent.

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The indentures and the debt securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the debt securities, except as described under **Restrictive Covenants** below.

How the Debt Securities Rank Against Other Debt

Unless otherwise specified in the prospectus supplement, the debt securities will not be secured by any property or assets of the issuers. Thus, by owning a debt security, you are one of the unsecured creditors of the issuer of your debt security. The senior debt securities will not be subordinated to any of our other debt obligations. This means that in a bankruptcy or liquidation proceeding against the issuer, the senior debt securities would rank equally in right of payment with all other unsecured and unsubordinated indebtedness of the issuer. The subordinated debt securities may be subordinated to any of our other debt obligations as described in **Special Terms Relating to the Subordinated Debt Securities** below.

This Section Is Only a Summary

The indentures and their associated documents, including your debt security, contain the full legal text of the matters described in this section and your prospectus supplement. The indentures and the debt securities are governed by New York law. A copy of each indenture or form of indenture has been filed with the SEC as part of our registration statement.

Because this section and your prospectus supplement provide only a summary, they do not describe every aspect of the indentures and your debt security. This summary is subject to and qualified in its entirety by reference to all the provisions of the indentures, including definitions of certain terms used in the indentures. For example, in this section and your prospectus supplement, we use terms that have been given special meaning in the indentures. In this section, however, we describe the meaning for only the more important of those terms.

Features Common to All Debt Securities

Stated Maturity and Maturity

The day on which the principal amount of your debt security is scheduled to become due and payable is called the stated maturity of the principal and is specified in your prospectus supplement. The principal may become due sooner, by reason of redemption or acceleration after a default. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the maturity of the principal.

We also use the terms **stated maturity** and **maturity** to refer to the dates when other payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the **stated maturity** of that installment. When we refer to the **stated maturity** or the **maturity** of a debt security without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

Currency of Debt Securities

Amounts that become due and payable on your debt security will be payable in a currency, composite currency or basket of currencies specified in your prospectus supplement.

We call this currency, composite currency or basket of currencies a specified currency. The specified currency for your debt security will be U.S. dollars unless your prospectus supplement states otherwise. A specified currency may include the euro. Some debt securities may have different specified currencies for principal and interest.

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You will have to pay for your debt securities by delivering the requisite amount of the specified currency for the principal to the dealer or dealers that we name in your prospectus supplement, unless other arrangements have been made between you and us or between you and that dealer or dealers. We will make payments on your debt securities in the specified currency, except as otherwise described in your prospectus supplement.

Types of Debt Securities

We may issue the following types of debt securities:

Fixed Rate Debt Securities. A debt security of this type will bear interest at a fixed rate described in the applicable prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are instead issued at a price lower than the principal amount.

Floating Rate Debt Securities. A debt security of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. If your debt security is a floating rate debt security, the formula and any adjustments that apply to the interest rate will be described in your prospectus supplement.

Indexed Debt Securities. A debt security of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to one or more currencies, commodities or stocks, including baskets of stocks and stock indices, or to any other index described in the applicable prospectus supplement. If you are a holder of an indexed debt security, you may receive a principal amount at maturity that is greater than or less than the face amount of your debt security depending upon the value of the applicable index at maturity. That value may fluctuate over time. Some indexed debt securities may also be exchangeable, at the option of the holder or the applicable issuer, into stock of an issuer other than the issuer of the indexed debt securities. If you purchase an indexed debt security, your prospectus supplement will include information about the relevant index and about how amounts that are to become payable will be determined by reference to that index. If you purchase a security exchangeable into stock of an issuer other than the issuer of the indexed debt securities, your prospectus supplement will include information about the issuer and may also tell you where additional information about the issuer is available.

A fixed rate debt security, a floating rate debt security or an indexed debt security may be an original issue discount debt security. A debt security of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. A debt security issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount debt security, regardless of the amount payable upon redemption or acceleration of maturity.

Information in your Prospectus Supplement

Your prospectus supplement will describe one or more of the following terms of your debt security:

the issuer of the series of debt securities;

the title of the series of debt securities;

the stated maturity;

whether your debt security is a senior or subordinated debt security;

the specified currency or currencies for principal and interest, if not U.S. dollars; and

the price at which we originally issue your debt security, expressed as a percentage of the principal amount, and the original issue date.

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If you purchase your note in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which Popular Securities, Inc. or another of our affiliates resells a note that it has previously acquired from another holder. A market-making transaction in a particular note occurs after the original issuance and sale of the note.

whether your debt security is a fixed rate debt security, a floating rate debt security or an indexed debt security, and also whether it is an original issue discount debt security;

if your debt security is a fixed rate debt security, the rate at which your debt security will bear interest, if any, the regular record dates and the interest payment dates;

if your debt security is a floating rate debt security, the interest rate basis; any applicable index, currency or maturity, spread or spread multiplier or initial, maximum or minimum rate; the interest reset, determination, calculation and payment dates; and the calculation agent;

if your debt security is an original issue discount debt security, the yield to maturity;

if your debt security is an indexed debt security, the principal amount the issuer will pay you at maturity, the amount of interest, if any, the issuer will pay you on an interest payment date or the formula the issuer will use to calculate these amounts, if any, and whether your debt security will be exchangeable for or payable in stock of an issuer other than the issuer of the indexed debt security or other property;

whether your debt security may be redeemed or repaid by the issuer at our or the holder's option before the stated maturity and, if so, other relevant terms such as the redemption or repayment commencement date, specific redemption or repayment date(s), redemption or repayment period(s) and redemption or repayment price(s), all of which we describe under "Redemption and Repayment" below;

whether we will issue or make available your debt security in non-book-entry form;

the denominations in which securities will be issued (if other than integral multiples of U.S. \$1,000); and

any other terms of your debt security that are consistent with the provisions of the indentures.

Legal Ownership of Securities

Please note that in this prospectus, the term "holders" means those who own securities registered in their own names on the books that we or the trustee maintain for this purpose and not those who own beneficial interests in securities registered in "street name" or in securities issued in book-entry form through The Depository Trust Company.

We refer to those who have securities registered in their own names, on the books that we or the trustee maintain for this purpose, as the holders of those securities. These persons are the legal holders of the securities. We refer to those who, indirectly through others, own beneficial interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form, which we refer to as book-entry securities, or in street name will be indirect owners.

Book-Entry Owners

Securities represented by one or more global securities are registered in the name of a financial institution that holds them as depository on behalf of other financial institutions that participate in the depository's book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

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Under the indentures, only the person in whose name a security is registered is recognized as the holder of that security. Consequently, for book-entry securities, we will recognize only the depositary as the holder of the securities, and we will make all payments on the securities to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants make these payments under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors in global securities will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as debt securities are issued in global form, investors will be indirect owners, and not holders, of the securities. More information regarding the depositary, participants and indirect owners is described below under Special Considerations for Global Debt Securities Information Relating to DTC.

Street Name Owners

We may terminate a global security or issue securities initially in non-global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities, and we will make all payments on those securities to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect owners, not holders, of those securities.

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;

- whether it imposes fees or charges;

- how it would handle a request for the holder's consent, if ever required;

- whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future;

- how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and

- if the debt securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

Legal Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, run only to the holders of securities. We do not have obligations to investors who hold beneficial interests in street name, in global securities or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a security or has no choice because we issue the securities only in global form.

For example, once we make payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers

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or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose e.g., to amend the indentures or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the indenture we would seek the approval only from the holders, and not the indirect owners, of the securities. Whether and how the holders contact the indirect owners is up to the holders.

What is a Global Debt Security?

We may issue each debt security only in book-entry form. Each debt security issued in book-entry form will be represented by a global debt security that we will deposit with and register in the name of a financial institution, or its nominee, that we select. The financial institution that we select for this purpose is called the depository. Unless we say otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities issued in book-entry form.

A global debt security may represent one or any other number of individual debt securities. Generally, all debt securities represented by the same global debt security will have the same terms. We may, however, issue a global debt security that represents multiple debt securities that have different terms and are issued at different times. We call this kind of global debt security a master global debt security.

A global debt security may not be transferred to or registered in the name of anyone other than the depository or its nominee, unless special termination situations arise. We describe those situations below under Special Considerations for Global Debt Securities Special Situations When a Global Debt Security Will Be Terminated. As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global debt security, and investors will be permitted to own only beneficial interests in a global debt security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depository or with another institution that does. Thus, an investor whose debt security is represented by a global debt security will not be a legal holder of the debt security, but only an indirect owner of a beneficial interest in the global debt security.

If the prospectus supplement for a particular debt security indicates that the debt security will be issued in global form only, then the debt security will be represented by a global debt security at all times unless and until the global debt security is terminated under one of the special situations described below under Special Considerations for Global Debt Securities Special Situations When a Global Debt Security Will Be Terminated. The global debt security may be a master global debt security, although your prospectus supplement will not indicate whether it is a master global debt security.

Special Considerations for Global Debt Securities

As an indirect owner, an investor's rights relating to a global debt security will be governed by the account rules of the investor's financial institution or any intermediary of the depository, as well as general laws relating to securities transfers. We do not recognize this type of investor as a legal holder of debt securities and instead deal only with the depository, or its nominee, that holds the global debt security.

If debt securities are issued only in the form of a global debt security, an investor should be aware of the following:

An investor cannot cause the debt securities registered in his or her own name and cannot get non-global certificates for his or her interest in the debt securities, except in the special situations we describe below;

An investor will be an indirect owner and must look to his or her own bank or broker for payment deliveries on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under Legal Ownership of Securities above;

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An investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;

An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

The depository's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to the investor's interest in a global debt security. We and the trustee have no responsibility for any aspect of the depository's actions or for its records of ownership interests in a global debt security. We and the trustee also do not supervise the depository in any way;

The depository may require that those who purchase and sell interests in a global debt security within its book-entry system use immediately available funds, and your broker or bank may require you to do so as well; and

Financial institutions that participate in the depository's book-entry system, and through which an investor holds its interest in the global debt securities, may also have their own policies affecting payments, notices and other matters relating to the debt securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

Information Relating to DTC

DTC will act as securities depository for the book-entry securities. The book-entry securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered global debt security will be issued for each issue of book-entry securities, each in the aggregate principal amount of that issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500,000,000, one global debt security will be issued with respect to each \$500,000,000 of principal amount and an additional global debt security will be issued with respect to any remaining principal amount of that issue.

DTC has informed us that it is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that DTC participants deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between DTC participants' accounts. This eliminates the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Indirect access to the DTC system is also available to others such as both U.S. and non-U.S. brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and DTC participants are on file with the SEC.

Purchases of securities within the DTC system must be made by or through DTC participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual acquirer of new securities is in turn to

be recorded on the direct and indirect participants records. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners.

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Redemption notices will be sent to DTC's nominee, Cede & Co., as the registered holder of the securities. If less than all of the securities are being redeemed, DTC will determine the amount of the interest of each direct participant to be redeemed in accordance with its then current procedures.

In instances in which a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to the securities. Under its usual procedures, DTC would mail an omnibus proxy to the relevant agent or depository as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts such securities are credited on the record date (identified in a listing attached to the omnibus proxy).

Distribution payments on the securities will be made by the issuer, or the issuer's relevant payment agent or the depository for depository shares, to DTC. DTC's usual practice is to credit direct participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participants and not of DTC, the relevant payment agent or depository for depository shares or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the relevant payment agent or depository for depository shares, and disbursements of such payments to the beneficial owners are the responsibility of direct and indirect participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be accurate, but we assume no responsibility for the accuracy thereof. We do not have any responsibility for the performance by DTC or its participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Special Situations When a Global Debt Security Will Be Terminated

In a few special situations described below, a global debt security will be terminated and interests in it will be exchanged for certificates in non-global form representing the debt securities it represented. After that exchange, the choice of whether to hold the debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global debt security transferred on termination to their own names, so that they will be legal holders. We have described the rights of holders and street name investors above under [Legal Ownership of Securities](#).

The special situations for termination of a global debt security are:

when the depository notifies us that it is unwilling, unable or no longer qualified to continue as depository for that global debt security and we do not appoint another institution to act as depository within 60 days;

when we notify the trustee that we wish to terminate that global debt security; or

when an event of default has occurred with regard to debt securities represented by that global debt security and has not been cured or waived; we discuss defaults below under [Default and Remedies](#).

When a global debt security is terminated, only the depository, and not we or the trustee, is responsible for deciding the names of the institutions in whose names the debt securities represented by the global debt security will be registered and, therefore, who will be the holders of those debt securities.

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Notices

Notices to be given to holders of a global note will be given only to the depository, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of notes not in global form will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

IN THE REMAINDER OF THIS DESCRIPTION YOU MEANS DIRECT HOLDERS AND NOT BOOK ENTRY, STREET NAME OR OTHER INDIRECT OWNERS OF DEBT SECURITIES.

Form, Exchange, Registration and Transfer

Debt securities may be issued:

only in fully registered form; and

without interest coupons.

Holders may exchange their non-global debt securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

Holders may exchange or transfer their certificated debt securities at the office of the trustee. We will initially appoint the trustee to act as our agent for registering debt securities in the names of holders and transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also perform transfers.

Holders will not be required to pay a service charge to transfer or exchange their debt securities, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any debt securities are redeemable and we redeem less than all those debt securities, we may prohibit the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any debt security selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed.

If a debt security is issued as a global debt security, only the depository will be entitled to transfer and exchange the debt security as described in this subsection because it will be the sole holder of the debt security.

Payment and Paying Agent

The issuer will only be required to make payment of the principal on a debt security if you surrender the debt security to the paying agent for that debt security. The issuer will only be required to make payment of principal and interest at

the office of the paying agent, except that at its option, it may pay interest by mailing a

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check to the holder. Unless we indicate otherwise in the applicable prospectus supplement, the issuer will pay interest to the person who is the holder at the close of business on the record date for that interest payment, even if that person no longer owns the debt security on the interest payment date.

We will specify in the applicable prospectus supplement the regular record date relating to an interest payment date for any fixed rate debt security and for any floating rate debt security.

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments postponed to the next business day in this situation will be treated under the indentures as if they were made on the original due date. Postponement of this kind will not result in a default under any debt security or indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day unless the applicable prospectus supplement specifies otherwise.

Paying Agent

We will specify the paying agent for payments with respect to debt securities of each series of debt securities in the applicable prospectus supplement. We may at any time designate additional paying agents, rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we must maintain a paying agent in each place of payment for each series of debt securities.

Unclaimed Payments

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to the issuer (or any guarantor) for payment and not to the trustee, any other paying agent or anyone else.

Prescription

Under New York's statute of limitations, any legal action to enforce Popular's payment obligations evidenced by the debt securities must be commenced within six years after payment is due. Thereafter Popular's payment obligations will generally become unenforceable.

Redemption and Repayment

Unless otherwise indicated in your prospectus supplement, your debt security will not be entitled to the benefit of any sinking fund—that is, we will not deposit money on a regular basis into any separate custodial account to repay your debt securities. In addition, except as described below, we will not be entitled to redeem your debt security before its stated maturity unless your prospectus supplement specifies a redemption commencement date. You will not be entitled to require us to buy your debt security from you, before its stated maturity, unless your prospectus supplement specifies one or more repayment dates.

If your prospectus supplement specifies a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which will be expressed as a percentage of the principal amount of your debt security. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of debt securities will apply.

If your prospectus supplement specifies a redemption commencement date, your debt security will be redeemable at our option at any time on or after that date. If we redeem your debt security, we will do so at the

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specified redemption price, together with interest accrued to the redemption date. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your debt security is redeemed.

If your prospectus supplement specifies a repayment date, your debt security will be repayable at your option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

In the event that we exercise an option to redeem any debt security, we will give to the trustee and the holder written notice of the principal amount of the debt security to be redeemed, not less than 30 days nor more than 60 days before the applicable redemption date. Notice of this redemption will be mailed to holders at the address that appears on the register of the redeemed debt securities.

If a debt security represented by a global debt security is repayable at the holder's option, the depositary or its nominee, as the holder, will be the only person that can exercise the rights to repayment. Any indirect owners who own beneficial interests in the global debt security and wish to exercise a repayment right must give proper and timely instructions to their banks or brokers through which they hold their interests, requesting that they notify the depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

Street name and other indirect owners should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.

If the option of the holder to elect repayment as described above is deemed to be a tender offer within the meaning of Rule 14e-1 under the Securities Exchange Act of 1934, we will comply with Rule 14e-1 as then in effect to the extent applicable.

We or our affiliates may purchase debt securities from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Debt securities that we or they purchase may, at our discretion, be held, resold or canceled.

A change in law, regulation or interpretation could oblige Popular, Inc. or Popular International Bank, Inc. to pay the additional amounts that are discussed below under Taxation by the Commonwealth of Puerto Rico. If this happens, we will have the option of redeeming or repaying an entire series of the debt securities at our discretion after giving between 30 and 60 days notice to the holders at a redemption price of 100% of the principal amount of the notes with the accrued interest to the redemption date, or another redemption price specified in the applicable prospectus supplement.

Mergers and Similar Transactions

Each issuer is generally permitted to merge or consolidate with another entity. Each issuer is also permitted to sell its assets substantially as an entirety to another firm. An issuer may not take any of these actions, however, unless all the following conditions are met:

If the successor firm in the transaction is not the applicable issuer, the successor firm must expressly assume that issuer's obligations under the debt securities, the guarantees and the indentures.

Immediately after the transaction, no default under the indentures or debt securities of that issuer has occurred and is continuing. For this purpose, default under the indentures or debt securities means an event

of default or any event that would be an event of default if the requirements for giving us default notice and for the issuer's default having to continue for a specific period of time were disregarded. We describe these matters below under Default and Remedies.

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These conditions will apply only if an issuer wishes to merge, consolidate or sell its assets substantially as an entirety. An issuer will not need to satisfy these conditions if it enters into other types of transactions, including any transaction in which it acquires the stock or assets of another firm, any transaction that involves a change of control of it but in which it does not merge or consolidate and any asset sale that does not constitute a sale of its assets substantially as an entirety.

The meaning of the phrase substantially as an entirety as used above will be interpreted in connection with the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of the assets of the issuer substantially as an entirety.

Restrictive Covenants