POPULAR INC
Form 424B5
February 07, 2003

Table of Contents

The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS SUPPLEMENT DATED FEBRUARY 6, 2003

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED NOVEMBER 19, 2001)

File Pursuant to Rule 424(b)(5)
Registration No. 333-73242

4,000,000 Shares

% Noncumulative Monthly Income Preferred Stock, 2003 Series A

Popular, Inc. is offering to the public 4,000,000 shares of its % Noncumulative Monthly Income Preferred Stock, 2003 Series A. The 2003 Series A Preferred Stock has the following characteristics:

- Annual dividends of $ per share, payable monthly, if declared by the board of directors or a committee thereof. Missed dividends never have to be paid.
- Redeemable at Popular, Inc. s option beginning on , 2008.
- No mandatory redemption or stated maturity.

There is currently no public market for the 2003 Series A Preferred Stock. Popular, Inc. has applied to have the 2003 Series A Preferred Stock approved for quotation on the Nasdaq National Market under the symbol BPOPO. Trading of the 2003 Series A Preferred Stock on the Nasdaq National Market is expected to commence approximately 30 days after the initial delivery of the 2003 Series A Preferred Stock.

Investing in these securities involves risks. See Risk Factors on page S-6 of this prospectus supplement.

	Per Share	Total
Public offering price	$25.0000	$100,000,000
Underwriting discounts and commissions	$ 0.7875	$ 3,150,000
Proceeds, before expenses, to Popular, Inc.	$24.2125	$ 96,850,000

Popular, Inc. has granted the underwriters a 30-day option to purchase an additional 600,000 shares of the 2003 Series A Preferred Stock to cover over-allotments at $25.00 per share less underwriting discounts and commissions.

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

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

POPULAR SECURITIES

UBS PAINEWEBBER INCORPORATED OF PUERTO RICO

SALOMON SMITH BARNEY
SANTANDER SECURITIES

ORIENTAL FINANCIAL SERVICES

R-G INVESTMENTS CORPORATION

BBVA CAPITAL MARKETS

KEEFE, BRUYETTE & WOODS, INC.

The date of this prospectus supplement is , 2003

TABLE OF CONTENTS

Table of Contents

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

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Table of Contents

Summary

This summary highlights information contained elsewhere in this prospectus supplement. You should read the entire prospectus supplement and the accompanying prospectus, including the information incorporated by reference and the Risk factors section on page S-6 of this prospectus supplement.

Unless otherwise stated, all information in this prospectus supplement assumes that the underwriters will not exercise their over-allotment option to purchase any of the 600,000 shares subject to that option.

Popular, Inc.

Popular, Inc. is a diversified, publicly owned bank holding company and the largest locally based financial institution in Puerto Rico. Popular, Inc. is registered under the Bank Holding Company Act, subject to supervision and regulation by the Board of Governors of the Federal Reserve System and has elected to be treated as a financial holding company under the Bank Holding Company Act, as amended by the Gramm-Leach-Bliley Act. Popular, Inc. was incorporated in 1984 under the laws of the Commonwealth of Puerto Rico.

Popular, Inc. s principal subsidiary, Banco Popular de Puerto Rico, was incorporated in 1893 and is Puerto Rico s largest bank. A consumer-oriented bank, Banco Popular de Puerto Rico has the largest retail franchise and the largest trust operation in Puerto Rico. Banco Popular de Puerto Rico also operates branches in the U.S. Virgin Islands, the British Virgin Islands and New York. Banco Popular de Puerto Rico s deposits are insured under the Bank Insurance Fund of the Federal Deposit Insurance Corporation.

Banco Popular de Puerto Rico has three subsidiaries: Popular Auto, Inc., Puerto Rico s largest vehicle financing, leasing and daily rental company; Popular Finance, Inc., a small-loan and second mortgage company in Puerto Rico; and Popular Mortgage, Inc., a mortgage loan company in Puerto Rico.

Popular, Inc. has three other principal subsidiaries: Popular Securities, Inc., GM Group, Inc. and Popular International Bank, Inc. Popular, Inc. also owns an 85% investment in Levitt Mortgage Holding Corporation, a mortgage banking organization with operations in Puerto Rico.

Popular Securities, Inc. is a securities broker-dealer in Puerto Rico with financial advisory, investment banking and securities brokerage operations for institutional and retail customers. GM Group, Inc. provides electronic data processing and consulting services, sale and rental of electronic data processing equipment and sale and maintenance of computer software to clients in the United States, the Caribbean and Latin America through offices in Puerto Rico, Miami, Venezuela and the Dominican Republic. Popular International Bank, Inc. owns all the outstanding shares of Popular North America, Inc., ATH Costa Rica, CreST, S.A. and Popular Insurance V.I., Inc. It also owns a minority interest in Centro Financiero BHD, S.A., a diversified financial company in the Dominican Republic. Popular North America functions as a holding company for Popular, Inc. s mainland U.S. operations. Popular North America, Inc. has five wholly owned direct subsidiaries: Banco Popular North America, Inc., a full service commercial bank incorporated in New York State which in turn owns leasing and insurance agency subsidiaries; Equity One, Inc., a diversified consumer finance company; Popular Cash Express, Inc., a retail financial services company; BanPonce Trust I, a statutory business trust; and Banco Popular, National Association, a national bank headquartered in Orlando, Florida. Banco Popular, National Association, commenced operations as a full service commercial bank on July 1, 2000. Popular Insurance, Inc., a wholly owned non-bank subsidiary of Banco Popular, National Association, and an indirect subsidiary of Popular North America, Inc., also commenced operations on July 1, 2000. Popular Insurance, Inc. is a general insurance agency that offers insurance products in Puerto Rico.

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

Table of Contents

The Offering

2003 Series A Preferred Stock Offered	4,000,000 shares; 4,600,000 shares if the underwriters exercise their over-allotment option in full.
Offering Price	$25 per share.
Liquidation Preference	If Popular, Inc. is liquidated or dissolved, you will be entitled to receive $25 per share plus accrued dividends for the current month from any assets available for distribution after payment of all claims due to creditors of Popular, Inc. You will be paid before any of Popular, Inc. s assets are distributed to holders of common stock or any stock ranking junior to the 2003 Series A Preferred Stock.
Dividends	Dividends will be paid on the last day of each month beginning on , 2003. The board of directors or a committee thereof must approve each dividend payment and any payment it does not approve never has to be paid. The annual dividend rate is equal to % of the liquidation preference per share.
No Voting Rights	You will not have any voting rights, except as described on page S-18 of this prospectus supplement.
Redemption at Popular, Inc. s Option	The 2003 Series A Preferred Stock may be redeemed beginning on , 2008 at Popular, Inc. s option. Redemption prices are discussed on page S-16 of this prospectus supplement.
No Maturity Date or Mandatory Redemption	The 2003 Series A Preferred Stock does not have a maturity date. Popular, Inc. is not required to provide for the retirement of the 2003 Series A Preferred Stock by mandatory redemption or sinking fund payments.
Rank	The 2003 Series A Preferred Stock ranks senior to the common stock of Popular, Inc. for purposes of dividend rights and the distribution of assets upon liquidation. Popular, Inc. may not issue preferred stock ranking senior to the 2003 Series A Preferred Stock without the approval of holders of at least two-thirds of the 2003 Series A Preferred Stock.
Nasdaq National Market Symbol	Popular, Inc. has applied to have the 2003 Series A Preferred Stock approved for quotation on the Nasdaq National Market under the symbol BPOPO. Trading of the 2003 Series A Preferred Stock on the Nasdaq National Market is expected to commence approximately 30 days after the initial delivery of the 2003 Series A Preferred Stock.

Table of Contents

Consolidated Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends

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

	Nine months ended September 30, 2002	Year ended December 31,				
		2001	2000	1999	1998	1997
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends						
Including Interest on Deposits	1.5x	1.4x	1.3x	1.4x	1.4x	1.4x
Excluding Interest on Deposits	2.1x	1.8x	1.6x	1.7x	1.8x	1.8x

For purposes of computing the consolidated ratios of earnings to combined fixed charges and preferred stock dividends, earnings consist of pre-tax income plus fixed charges. Fixed charges represent all interest expense (ratios are presented both excluding and including interest on deposits), the portion of net rental expense which is deemed representative of the interest factor and the amortization of debt issuance expense.

The term preferred stock dividends is the amount of pre-tax earnings that is required to pay dividends on Popular, Inc. s outstanding preferred stock.

Table of Contents

Risk Factors

You should carefully consider the following factors and other information in this prospectus supplement and the accompanying prospectus, including the information incorporated by reference in this prospectus, before deciding to invest in the 2003 Series A Preferred Stock.

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

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

Missed dividends never have to be paid

If Popular, Inc. s board of directors or a committee thereof does not declare a dividend for a particular month, those dividends never have to be paid.

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

The principal source of cash flow for Popular, Inc. is dividends from Banco Popular de Puerto Rico. Various statutory provisions limit the amount of dividends Banco Popular de Puerto Rico may pay to Popular, Inc. without regulatory approval. As a member bank subject to the regulation of the Federal Reserve Board, Banco Popular de Puerto Rico must obtain the approval of the Federal Reserve Board for any dividend if the total of all dividends declared by the member bank in any calendar year would exceed the total of its net profits, as defined by the Federal Reserve Board, for that year, combined with its retained net profits for the preceding two years. In addition, a member bank may not pay a dividend in an amount greater than its undivided profits then on hand after deducting its losses and bad debts. At September 30, 2002, Banco Popular de Puerto Rico could have declared a dividend of approximately $138.4 million without the approval of the Federal Reserve Board.

Table of Contents

Recent Developments

Discussion of Unaudited Results for Quarter and Year Ended December 31, 2002

On January 16, 2003, Popular, Inc. released its unaudited earnings for the quarter and year ended December 31, 2002. The consolidated financial and other data set forth below for the quarters ended December 31, 2002 and 2001 and the year ended December 31, 2002 is unaudited.

	Quarter Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
	(Dollars in thousands, except per share data)			
Income Statement Data:				
Interest income	$ 513,869	$ 505,022	$ 2,023,797	$ 2,095,862
Interest expense	210,588	222,692	843,468	1,018,877
Net interest income	303,281	282,330	1,180,329	1,076,985
Provision for loan losses	50,049	58,495	205,570	213,250
Securities, trading and derivatives gains (losses)	688	(14,399)	(24,231)	(21,982)
Other income	140,100	128,813	547,909	493,570
Operating expenses	282,326	239,855	1,029,002	926,209
Net income	80,829	75,553	351,932	304,538
Net income per common share (basic and diluted) (before and after cumulative effect of accounting change)	0.61	0.54	2.61	2.17
Period End Balances:				
Loans (less unearned income)[1]	$19,582,119	$18,168,551	$19,582,119	$18,168,551
Allowance for loan losses	372,797	336,632	372,797	336,632
Earning assets	31,899,765	29,139,288	31,899,765	29,139,288
Total assets	33,660,352	30,744,676	33,660,352	30,744,676
Deposits	17,614,740	16,370,042	17,614,740	16,370,042
Total interest-bearing liabilities	27,203,321	24,676,422	27,203,321	24,676,422
Stockholders equity	2,410,879	2,272,818	2,410,879	2,272,818
Performance Ratios:				
Net interest yield (taxable equivalent basis)	4.18%	4.47%	4.26%	4.40%
Return on average total assets	0.96	1.03	1.11	1.09
Return on average common equity	14.64	14.08	16.29	14.84
Capital Ratios:				
Tier 1 capital to risk adjusted assets	9.85%	9.96%	9.85%	9.96%
Total capital to risk adjusted assets	11.52	11.74	11.52	11.74
Leverage ratio	6.19	6.46	6.19	6.46
Asset Quality Ratios:				
Non-performing assets to total assets at end of period	1.60%	1.49%	1.60%	1.49%
Non-performing loans to total loans at end of period	2.55	2.35	2.55	2.35
Allowance for loan losses to total loans at end of period	1.90	1.85	1.90	1.85
Allowance for loan losses to total non-performing loans at end of period	74.58	78.88	74.58	78.88
Net charge-offs to average loans	0.66	1.10	0.92	0.99

(1) Includes loans held-for-sale.

Table of Contents

The following table presents a reconciliation between reported net income and net income per common share (basic and diluted) for the quarter and year ended December 31, 2001 and net income and net income per common share for such periods adjusted to exclude the goodwill amortization expense recognized in the period prior to the adoption of SFAS No. 142 on January 1, 2002. For a discussion of SFAS No. 142, see page S-14 of this prospectus supplement.

	Quarter Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
	(Dollars in thousands, except for per share data)			
Reported net income	$80,829	$75,553	$351,932	$304,538
Effect of goodwill amortization expense, net of impact on profit sharing expense and related tax		4,128		16,526
Adjusted net income	$80,829	$79,681	$351,932	$321,064
Reported net income per common share (basic and diluted)	$ 0.61	$ 0.54	$ 2.61	$ 2.17
Effect of goodwill amortization expense, net of impact on profit sharing expense and related tax		0.03		0.12
Adjusted net income per common share	$ 0.61	$ 0.57	$ 2.61	$ 2.29

Results of Operations. Popular, Inc. s net income for the year ended December 31, 2002 was $351.9 million, or $2.61 per common share, basic and diluted, compared to $304.5 million, or $2.17 per common share, for 2001, which represents an increase of 16% and 20%, respectively. Popular, Inc. s net income for the quarter ended December 31, 2002 was $80.8 million, or $0.61 per common share, basic and diluted, compared to $75.6 million, or $0.54 per common share, for the comparable period of 2001.

Popular, Inc. s results of operations for the year ended December 31, 2002, compared to 2001, reflected a growth of $103.3 million in net interest income, along with an increase of $54.3 million in non-interest income, excluding securities, trading and derivative transactions, partly offset by increases of $102.8 million in operating expenses and $12.0 million in income taxes. For the quarter ended December 31, 2002, Popular, Inc. s results of operations reflect increases of $21.0 million in net interest income and $11.3 million in non-interest income, excluding income from securities, trading and derivative transactions, offset by increases of $42.5 million in operating expenses and $7.9 million in income taxes, compared to the same quarter of 2001. Derivative gains amounted to $2.0 million for the quarter ended December 31, 2002, compared with losses of $13.1 million for the fourth quarter of 2001. Operating expenses for the quarter and year ended December 31, 2002 include an expense of $21.6 million related to the resolution of an investigation by Federal authorities as described below under Settlement of Federal Investigation.

Popular, Inc. s net interest income for the quarter and year ended December 31, 2002 was $303.3 million and $1.2 billion, respectively, compared to $282.3 million and $1.1 billion for the respective periods of 2001, which represents increases of 7% and 10%, respectively. The increase in net interest income for the year ended December 31, 2002, compared to 2001, resulted primarily from the increase in Popular, Inc. s average earning assets, which increased by $3.8 billion compared with the prior year. Popular, Inc. s net interest yield on a taxable equivalent basis decreased to 4.26% for 2002, from 4.40% in 2001.

Popular, Inc. s provision for loan losses totaled $50.0 million and $205.6 million for the quarter and year ended December 31, 2002, respectively, compared to $58.5 million and $213.2 million for the respective periods of 2001. The decrease in the provision for loan losses was influenced by the fact that the primary growth in Popular, Inc. s loan portfolio has been in mortgage loans, which historically have a lower credit risk than other unsecured loans, as well as a decline in the ratio of net charge-offs to average loans.

Non-interest income, excluding securities, trading and derivative transactions, for the quarter and year ended December 31, 2002 increased by 9% and 11%, respectively, compared to the quarter and year ended December 31, 2001, to $140.1 million and $547.9 million, respectively. The increases in non-interest income for the year ended December 31, 2002 were mainly the result of increased service charges on deposit accounts and other service fees, as well as higher gains on sales of loans.

Table of Contents

Operating expenses for the quarter and year ended December 31, 2002 amounted to $282.3 million and $1.0 billion, respectively, compared to $239.9 million and $926.2 million for the comparable periods of 2001, representing an increase of 18% and 11% respectively. For the year ended December 31, 2002, personnel costs, the largest category of operating expenses, rose 15%, compared to 2001, mainly as a result of higher salaries, incentives, profit sharing and pension and post-retirement costs. The results for the fourth quarter and year ended December 31, 2002 also include the expense of $21.6 million related to the settlement described below. Partially offsetting the increase in operating expenses was a decrease in the amortization of goodwill of $17.3 million due to the adoption of SFAS No. 142.

Financial Condition. As of December 31, 2002, Popular, Inc. s total assets were $33.7 billion, an increase of $3.0 billion or 9% compared to $30.7 billion as of December 31, 2001. Total assets at September 30, 2002 were $32.8 billion. Earning assets were $31.9 billion at December 31, 2002, compared to $29.1 billion at December 31, 2001 and $31.2 billion at September 20, 2002. Total loans amounted to $19.6 billion at December 31, 2002, compared to $18.2 billion at December 31, 2001 and $19.3 billion at September 30, 2002.

The allowance for loan losses as of December 31, 2002 amounted to $373 million, or 1.90% of total loans, compared to $337 million, or 1.85% of total loans, as of December 31, 2001. As of September 30, 2002, the allowance for loan losses was $354 million, or 1.84% of total loans. At December 31, 2002, the allowance for loan losses as a percentage of non-performing loans was 74.58%, compared with 78.88% at December 31, 2001 and 71.84% at September 30, 2002. The reduction in the ratio of the allowance for loan losses to non-performing loans reflects the changing composition of the loan portfolio, as most of its growth was realized in mortgage loans, which historically have resulted in lower losses than other loans not secured by real estate. Non-performing assets totaled $539 million at December 31, 2002, compared to $458 million at December 31, 2001 and $527 million at September 30, 2002. Non-performing mortgage loans amounted to $279 million, or 52% of non-performing assets at December 31, 2002, and $177 million, or 39% of non-performing assets, at December 31, 2001, an increase of 58%. Commercial and construction non-performing loans decreased by $29 million since December 31, 2001.

Total deposits were $17.6 billion at December 31, 2002, compared with $16.4 billion at December 31, 2001, an increase of $1.2 billion or 8%. Interest-bearing deposits increased $1.2 billion or 9%, mostly in savings and time deposits. Total deposits were $17.1 billion at September 30, 2002. Borrowed funds, including subordinated notes and capital securities, amounted to $13.0 billion at December 31, 2002, compared with $11.6 billion at the same date the previous year. At September 30, 2002, borrowed funds totaled $12.8 billion. Borrowed funds were used primarily to finance loan growth and investment portfolio opportunities.

At December 31, 2002, stockholders equity was $2.4 billion, compared with $2.3 billion at December 31, 2001 and September 30, 2002. The increase in equity since December 31, 2001 resulted from earnings retention and favorable changes in the market value of securities available-for-sale. These unrealized gains on securities, net of deferred taxes, amounted to $208 million at December 31, 2002, compared with net unrealized gains of $82 million a year ago. The growth in stockholders equity was partially offset by the redemption of $100 million of Popular, Inc. s preferred stock and the repurchase of 4.3 million shares of common stock for $139 million during 2002.

Settlement of Federal Investigation

On January 16, 2003, the U.S. District Court for the District of Puerto Rico approved a Deferred Prosecution Agreement among Banco Popular de Puerto Rico, the U.S. Department of Justice, the Board of Governors of the Federal Reserve System, and the Financial Crimes Enforcement Network of the U.S. Department of the Treasury (FinCEN). The Agreement concludes an investigation relating principally to the circumstances surrounding the activities of a former customer of Banco Popular de Puerto Rico, including Banco Popular de Puerto Rico s reporting and compliance efforts, as well as certain other customers. The former customer has plead guilty to money laundering, including in connection with transactions made through an account at Banco Popular de Puerto Rico. No current or former Banco Popular de Puerto Rico officer, director or employee has been charged with a crime or accused of benefitting financially from the transactions described in the Agreement.

Under the Deferred Prosecution Agreement, Banco Popular de Puerto Rico agreed to the filing of a one-count information charging it with failure to file suspicious activity reports in a timely and complete manner. The Agreement provides for Banco Popular de Puerto Rico to forfeit $21.6 million to the United States, and resolves all claims the United States, FinCEN or the Federal Reserve may have against Banco Popular de Puerto Rico arising from the matters that were subject to investigation.

This settlement also terminates the Written Agreement Banco Popular de Puerto Rico signed with the Federal Reserve Bank of New York on March 9, 2000, which required enhancements to Banco Popular de Puerto Rico s anti-money laundering and Bank Secrecy Act program. The Federal Reserve found Banco Popular de Puerto Rico to be fully compliant with the Written Agreement on November 26, 2001. Finally, the Deferred Prosecution Agreement provides that the court will dismiss the information and the Deferred Prosecution Agreement will expire 12 months following the settlement, provided that Banco Popular de Puerto Rico complies with its obligations under the Agreement.

Forward-looking Statements

This prospectus supplement and the accompanying prospectus, including information incorporated by reference, contain certain forward-looking statements with respect to the adequacy of the allowance for loan losses, Popular, Inc. s market risk and the effect of legal proceedings on Popular, Inc. s financial condition and results of operations. These forward-looking statements involve certain risks, uncertainties, estimates and assumptions by management.

Various factors could cause actual results to differ from those contemplated by such forward-looking statements. With respect to the adequacy of the allowance for loan losses and market risk, these factors include, among others:

- the rate of growth in the economy,
- the relative strength or weakness in the consumer and commercial credit sectors and in the real estate markets,
- the performance of the stock and bond markets,
- possible new bank regulations, and
- the magnitude of interest rate changes.

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

Use of Proceeds

The net proceeds to Popular, Inc. after deducting expenses from the sale of shares of 2003 Series A Preferred Stock are estimated at approximately $96,550,000. If the underwriters over-allotment option is exercised in full, the net proceeds are estimated at approximately $111,077,500. Popular, Inc. intends to use the net proceeds for general corporate purposes, which may include:

- making capital contributions or extensions of credit to its existing and future subsidiaries,
- funding possible acquisitions of other banking and financial institutions, and
- reducing or refinancing Popular, Inc. s borrowings.

Popular, Inc. does not presently have any plans to use the proceeds from any offering for a material acquisition or to repay outstanding borrowings.

Table of Contents

Capitalization

The following table shows the unaudited indebtedness and capitalization of Popular, Inc. at September 30, 2002, on an actual basis and as adjusted to give effect to the issuance of the shares of 2003 Series A Preferred Stock offered by this prospectus supplement and the accompanying prospectus. The table also assumes that the underwriters do not exercise their over-allotment option. In addition to the indebtedness reflected below, Popular, Inc. had deposits of $17.1 billion as of September 30, 2002. This table should be read together with Popular, Inc. s consolidated financial statements and related notes incorporated by reference into this prospectus.

	September 30, 2002	
	Actual	**As adjusted**
	(Dollars in thousands)	
Long-term debt		
Notes payable	$4,629,284	$4,629,284
Subordinated notes	125,000	125,000
Preferred beneficial interest in Popular North America s junior subordinated deferrable interest debentures guaranteed by Popular, Inc.	144,000	144,000
Total long-term debt	$4,898,284	$4,898,284
Stockholder s equity		
Serial preferred stock, no par value, 10,000,000 shares authorized; 4,000,000 shares of 2003 Series A Preferred Stock, as adjusted, at aggregate liquidation preference value		$ 100,000
Common stock, $6.00 par value, 180,000,000 shares authorized; 139,028,367 shares issued and 132,334,258 shares outstanding	$ 834,170	834,170
Surplus	275,443	271,993
Retained earnings	1,246,098	1,246,098
Treasury stock-at cost	(205,210)	(205,210)
Accumulated other comprehensive income, net of tax of $52,488.	168,511	168,511
Total stockholder s equity		