POPULAR INC
Form 424B5
February 24, 2003

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-73242

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED NOVEMBER 19, 2001)

6,500,000 Shares

6.375% Noncumulative Monthly Income Preferred Stock, 2003 Series A

Popular, Inc. is offering to the public 6,500,000 shares of its 6.375% Noncumulative Monthly Income Preferred Stock, 2003 Series A. The 2003 Series A Preferred Stock has the following characteristics:

Annual dividends of $1.59375 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 March 31, 2008.

No mandatory redemption or stated maturity.

There is currently no public market for the 2003 Series A Preferred Stock. The 2003 Series A Preferred Stock has been 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	$162,500,000
Underwriting discounts and commissions	$ 0.7875	$ 5,118,750
Proceeds, before expenses, to Popular, Inc.	$24.2125	$157,381,250

Popular, Inc. has granted the underwriters a 30-day option to purchase an additional 975,000 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 February 21, 2003

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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.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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

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

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Summary

This summary highlights information contained elsewhere in this prospectus supplement. You should read the entire prospectus supplement and the accompanying prospectus, including the information incorporated by reference and the Risk factors section on page S-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 975,000 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.

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The Offering

2003 Series A Preferred Stock Offered	6,500,000 shares; 7,475,000 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 March 31, 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 6.375% 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 March 31, 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	The 2003 Series A Preferred Stock has been 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.

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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.

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Risk Factors

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

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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.

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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.

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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 30, 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.

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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.

On February 19, 2003, a derivative action was filed by a shareholder of Popular, Inc. in the United States District Court for the District of Puerto Rico in connection with the above-described matters against certain current and former directors of Popular, Inc. alleging that the defendants breached their fiduciary duties by failing to take the necessary steps to comply with the Bank Secrecy Act and to implement sufficient controls to permit them to exercise their oversight responsibilities and ensure compliance with Federal and state laws. The action seeks, on behalf of Popular, Inc., monetary damages from the defendants and attorneys fees. Popular, Inc. does not expect that the foregoing civil action will have a material impact on Popular Inc. s operations or consolidated financial statements.

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 $157,016,250. If the underwriters over-allotment option is

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exercised in full, the net proceeds are estimated at approximately $180,623,437. 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.

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; 6,500,000 shares of 2003 Series A Preferred Stock, as adjusted, at aggregate liquidation preference value		$ 162,500
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	269,959
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	$2,319,012	$2,476,028

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Selected Consolidated Financial and Other Data

The following table shows certain selected consolidated financial and operating data of Popular, Inc. on a historical basis as of and for the nine month periods ended September 30, 2002 and 2001, and for each of the five years in the period ended December 31, 2001. Except for the information appearing under the captions Performance Ratios, Capital Ratios and Asset Quality Ratios, the financial data shown below for the five years ended December 31, 2001 is derived from information contained in Popular, Inc. s audited consolidated financial statements. Except for the information appearing under the captions Performance Ratios, Capital Ratios and Asset Quality Ratios, the financial data as of and for the nine months ended September 30, 2002 and 2001 is derived from Popular, Inc. s unaudited consolidated financial statements which, in the opinion of management, include all adjustments necessary for a fair presentation of the results for those periods. The results of operations for the nine months ended September 30, 2002 may not be indicative of results to be expected for any future period. You should read the summary consolidated financial data presented below together with Popular, Inc. s consolidated financial statements and the related notes, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. Popular, Inc. has made certain reclassifications to data for years prior to 2001 to conform to year 200l classifications. All per share information shown in the table takes into account prior stock splits and dividends.

The return on average assets ratio is computed by dividing net income by average assets for the period. The return on average common equity ratio is computed by dividing net income less preferred stock dividends by average common stockholders equity for the period. The average equity to average assets ratio is computed by dividing average stockholders equity for the period by average assets. The return on average assets and average common equity ratios for the nine months ended September 30, 2002 and 2001 have been presented on an annualized basis.

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	Nine Months Ended September 30,		Year Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
	(Unaudited)		(Dollars in thousands, except for per share data)				
Condensed Income Statements:							
Interest income	$ 1,509,928	$ 1,590,840	$ 2,095,862	$ 2,150,157	$ 1,851,670	$ 1,651,703	$ 1,491,303
Interest expense	632,880	796,185	1,018,877	1,167,396	897,932	778,691	707,348
Net interest income	877,048	794,655	1,076,985	982,761	953,738	873,012	783,955
Provision for loan losses	155,521	154,755	213,250	194,640	148,948	137,213	110,607
Securities, trading and derivative gains (losses)	(24,919)	(7,583)	(21,982)	13,192	(944)	12,586	6,202
Other income	407,809	364,756	493,570	450,868	373,860	278,660	241,396
Operating expenses	746,676	686,354	926,209	876,433	837,482	720,354	636,920
Net (gain) loss of minority interest	(166)	19	18	1,152	2,454	328	
Income tax	86,472	82,440	105,280	100,797	85,120	74,671	74,461
Cumulative gain effect of change in accounting principle		686	686				
Net income	$ 271,103	$ 228,984	$ 304,538	$ 276,103	$ 257,558	$ 232,348	$ 209,565
Per Common Share Data:							
Net income per common share (basic and diluted) (before and after cumulative effect of	$ 2.00	$ 1.63	$ 2.17	$ 1.97	$ 1.84	$ 1.65	$ 1.50

accounting change)							
Dividends per common share	$ 0.60	$ 0.56	$ 0.76	$ 0.64	$ 0.60	$ 0.50	$ 0.40
Weighted average shares outstanding:							
Basic	134,407,089	136,193,360	136,238,288	135,907,476	135,585,634	135,532,086	134,036,964
Diluted	134,416,742	136,193,604	136,238,470	135,907,476	135,585,634	135,532,086	134,036,964
Average Balances:							
Loans (less unearned income)(1)	$ 18,517,164	$ 16,800,193	$ 17,045,257	$ 15,801,887	$ 13,901,290	$ 11,930,621	$ 10,548,207
Earning assets	29,637,022	26,050,832	26,414,204	24,893,366	22,244,959	19,261,949	17,409,634
Total assets	31,234,800	27,594,246	27,957,107	26,569,755	23,806,372	20,432,382	18,419,144
Deposits	16,859,835	15,316,240	15,575,791	14,508,482	13,791,338	12,270,101	10,991,557
Total interest-bearing liabilities	25,418,867	22,020,126	22,324,244	21,147,746	18,578,311	15,927,246	14,572,317
Stockholders equity	2,135,096	2,072,049	2,096,534	1,884,525	1,712,792	1,553,258	1,370,984
Period End Balances:							
Loans (less unearned income)(1)	$ 19,263,508	$ 17,632,274	$ 18,168,551	$ 16,057,085	$ 14,907,754	$ 13,078,795	$ 11,376,607
Allowance for loan losses	354,282	326,630	336,632	290,653	292,010	267,249	211,651
Earning assets	31,188,022	26,941,949	29,139,288	26,339,431	23,754,620	21,591,950	18,060,998
Total assets	32,843,126	28,530,422	30,744,676	28,057,051	25,460,539	23,160,357	19,300,507
Deposits	17,057,856	16,000,236	16,370,042	14,804,907	14,173,715	13,672,214	11,749,586
Total interest-bearing liabilities	26,616,406	22,702,336	24,676,422	22,480,261	20,043,234	17,793,647	14,892,210
Stockholders equity	2,319,012	2,299,457	2,272,818	1,993,644	1,660,986	1,709,113	1,503,092
Performance Ratios:							
Net interest yield (taxable equivalent basis)	4.29%	4.37%	4.40%	4.23%	4.65%	4.91%	4.84%
Return on average total assets	1.16	1.11	1.09	1.04	1.08	1.14	1.14
Return on average common equity	16.92	15.10	14.84	15.00	15.45	15.41	15.83

Capital Ratios:							
Tier 1 capital to risk adjusted assets	9.93%	10.70%	9.96%	10.44%	10.17%	10.82%	12.17%
Total capital to risk adjusted assets	11.70	12.68	11.74	12.37	12.29	13.14	14.56
Leverage ratio	6.36	6.91	6.46	6.40	6.40	6.72	6.86

(1) Includes loans held-for-sale.

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	Nine Months Ended September 30,		Year Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
	(Unaudited)						
Asset Quality Ratios:							
Non-performing assets to total assets at end of period	1.60%	1.53%	1.49%	1.24%	1.28%	1.28%	1.11%
Non-performing loans to total loans at end of period	2.56	2.31	2.35	2.01	1.99	2.01	1.72
Allowance for loan losses to total loans at end of period	1.84	1.85	1.85	1.81	1.96	2.04	1.86
Allowance for loan losses to total non-performing loans at end of period	71.84	80.27	78.88	89.92	98.37	101.54	108.24
Net charge-offs to average loans outstanding	1.01	0.95	0.99	1.14	0.90	0.95	0.93

In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 discontinues the practice of amortizing goodwill and indefinite lived intangible assets and initiates an annual review for impairment. Impairment would be examined more frequently if certain indicators were encountered. Intangible assets with a determinable useful life will continue to be amortized over that period. The amortization provisions apply to goodwill and intangible assets beginning January 1, 2002. In accordance with SFAS No. 142, Popular, Inc. adopted the amortization provisions effective January 1, 2002 and will no longer record amortization relating to existing goodwill. For the nine months ended September 30, 2001 and the three years ended December 31, 2001, 2000 and 1999, the amortization of goodwill amounted to approximately $13.0 million, $17.3 million, $19.6 million and $14.5 million, respectively. Popular, Inc. has also completed the initial goodwill impairment test required by this standard and has determined that no impairment was required for the year ended December 31, 2002. The following table presents a reconciliation between originally reported net income and net income per common share (basic and diluted) for the nine months ended September 30, 2001 and for the three years ended December 31, 2001 and net income and net income per common share adjusted for the effects of SFAS No. 142.

	Nine Months Ended September 30,		Year Ended December 31,		
	2002	2001	2001	2000	1999
	(Unaudited)		(Dollars in thousands, except for per share data)		
Reported net income	$271,103	$228,984	$304,538	$276,103	$257,558
Effect of goodwill amortization expense, net of impact on profit sharing expense and related tax		12,398	16,526	18,725	13,771
Adjusted net income	$271,103	$241,382	$321,064	$294,828	$271,329
Reported net income per common share (basic and diluted)	$ 2.00	$ 1.63	$ 2.17	$ 1.97	$ 1.84
Effect of goodwill amortization expense, net of impact on profit sharing expense and related tax		0.09	0.12	0.14	0.10
Adjusted net income per common share	$ 2.00	$ 1.72	$ 2.29	$ 2.11	$ 1.94

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Summary of Certain Terms of the 2003 Series A Preferred Stock

The following summary of the particular terms of the 2003 Series A Preferred Stock supplements and, to the extent inconsistent therewith, replaces the description of the terms of Popular, Inc. s preferred stock set forth under the heading Description of Preferred Stock in the accompanying prospectus, to which reference is hereby made. The 2003 Series A Preferred Stock is a series of the preferred stock of Popular, Inc. covered by and described in the prospectus.

The following summary contains a description of the material terms of the 2003 Series A Preferred Stock. The summary is subject to and qualified in its entirety by reference to Popular, Inc. s Restated Certificate of Incorporation and to the Certificate of Designation creating the 2003 Series A Preferred Stock (the Certificate of Designation), copies of which are incorporated by reference as exhibits to the registration statement of which this prospectus supplement and the accompanying prospectus are a part.

General

As of the date of this prospectus supplement, Popular, Inc. is authorized to issue up to 10,000,000 shares of serial preferred stock with no par value. Popular, Inc. has designated 1,400,000 shares of Series A Participating Cumulative Preferred Stock and has 8,600,000 shares of serial preferred stock available to issue.

Dividends

If declared at the option of Popular, Inc. s board of directors, holders of record of the 2003 Series A Preferred Stock will be entitled to receive cash dividends in the amount of $1.59375 per share each year, which is equivalent to 6.375% of the liquidation preference of $25 per share. Popular, Inc. is not required to declare or pay dividends on the 2003 Series A Preferred Stock, even if it has funds available for the payment of such dividends. Dividends may only be paid out of funds that are legally available for this purpose.

Dividends on the 2003 Series A Preferred Stock will accrue from their date of original issuance and will be payable on the last day of each month in United States dollars beginning on March 31, 2003. Payment of dividends will be made to the holders of record of the 2003 Series A Preferred Stock as they appear on the books of Popular, Inc. on the fifteenth day of the month for which the dividends are payable, unless the board of directors or a committee thereof shall establish a different record date. In the case of the dividend payable on March 31, 2003, this dividend will cover the period from the date of issuance of the 2003 Series A Preferred Stock to March 31, 2003. If any date on which dividends are payable is not a Business Day, then payment of the dividend will be made on the next Business Day without any interest or other payment in respect of the delay. If December 31 of any year is not a Business Day, then the dividend payable on such date will be made on the immediately preceding Business Day. A Business Day is a day other than a Saturday or Sunday or a general banking holiday in San Juan, Puerto Rico or New York, New York.

Dividends on the 2003 Series A Preferred Stock will be noncumulative. If the board of directors or a committee thereof does not declare a dividend for any monthly dividend period on the 2003 Series A Preferred Stock, then the holders of 2003 Series A Preferred Stock will not have a right to receive a dividend for that monthly dividend period, whether or not dividends on the 2003 Series A Preferred Stock are declared for any future monthly dividend period.

Dividends for any monthly dividend period will be paid in equal installments in the amount of $0.1328125 per share. The aggregate payment made to each holder will be rounded to the next lowest cent. The amount of dividends payable for any period shorter than a full monthly dividend period will be computed on the basis of the actual number of days elapsed in that period.

Dividend payments will be mailed to the record holders of the 2003 Series A Preferred Stock at their addresses appearing on the register for the 2003 Series A Preferred Stock.

The terms of the 2003 Series A Preferred Stock do not permit Popular, Inc. to declare, set apart or pay any dividend or make any other distribution of assets on, or redeem, purchase, set apart or otherwise acquire shares of common stock or of any other class of stock of Popular, Inc. ranking junior to the 2003 Series A Preferred Stock as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up of Popular, Inc., unless certain conditions are met. Those conditions are (1) all accrued and unpaid dividends on the 2003 Series A Preferred Stock for the twelve monthly dividend periods ending on the immediately preceding dividend payment date shall have been paid or are paid contemporaneously, (2) the full monthly dividend on the 2003 Series A Preferred Stock for the then current month has been or is contemporaneously declared and paid or declared and set apart for payment, and (3) Popular, Inc. has not defaulted in the payment of the redemption price of any shares of 2003 Series A Preferred Stock called for redemption. See Redemption at the Option of Popular, Inc. below. The above limitations do not apply to stock dividends or other distributions made in stock of Popular, Inc. ranking junior to the 2003 Series A Preferred Stock as to the payment of dividends and as to the distribution of assets. The above limitations also do not apply to conversions or exchanges for stock of Popular, Inc. ranking junior to the 2003 Series A Preferred Stock as to the payment of dividends and as to the distribution of assets.

If Popular, Inc. is unable to pay in full the dividends on the 2003 Series A Preferred Stock and on any other shares of stock of equal rank as to the payment of dividends with the 2003 Series A Preferred Stock, all dividends declared upon the 2003 Series A Preferred Stock and any such other shares of stock will be declared pro rata. In this event, each share of 2003 Series A Preferred Stock and of the other classes of stock of equal rank will receive dividends in the same proportion as the accrued dividends on the 2003 Series A Preferred Stock for the then current dividend period bears to the accrued dividends on such other classes of equally ranked stock, which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such stock does not have a cumulative dividend.

For a discussion of the tax treatment of distributions to stockholders see Taxation, Puerto Rico Taxation, and United States Taxation, and for a discussion on certain potential regulatory limitations on Popular, Inc. s ability to pay dividends, see Risk factors Banking regulations may restrict Popular, Inc. s ability to pay dividends.

No Conversion or Exchange Rights

The 2003 Series A Preferred Stock will not be convertible into or exchangeable for any other securities of Popular, Inc.

Redemption at the Option of Popular, Inc.

Popular, Inc. may not redeem the shares of the 2003 Series A Preferred Stock prior to March 31, 2008. On and after that date, Popular, Inc. may redeem the 2003 Series A Preferred Stock for cash, at its option, in whole or in part, at the redemption prices shown below plus accrued and unpaid dividends for the then current monthly dividend period to the redemption date.

Period	Redemption price
March 31, 2008 to March 30, 2009	$25.50
March 31, 2009 to March 30, 2010	25.25
March 31, 2010 and thereafter	25.00

In the event that Popular, Inc. elects to redeem less than all of the outstanding shares of the 2003 Series A Preferred Stock, the shares to be redeemed will be allocated pro rata or by lot as may be determined by Popular, Inc. s board of directors, or by any other method as the board of directors may consider fair. Any method chosen by Popular, Inc. will conform to any rule or regulation of any national or regional stock exchange or automated quotation system on which the shares of the 2003 Series A Preferred Stock may at the time be listed or eligible for quotation.

Popular, Inc. will mail a notice of any proposed redemption to the holders of record of the shares of 2003 Series A Preferred Stock to be redeemed, at their address of record, not less than 30 nor more than 60 days prior to the redemption date. The notice of redemption to each holder of shares of 2003 Series A Preferred Stock will specify the number of shares of 2003 Series A Preferred Stock to be redeemed, the redemption date and the redemption price payable to the holder upon redemption, and shall state that from and after the redemption date dividends will cease to accrue. If Popular, Inc. redeems less than all the shares owned by a holder, the notice shall also specify the number of shares of 2003 Series A Preferred Stock of the holder which are to be redeemed and the numbers of the certificates representing such shares. Any notice mailed in accordance with these procedures shall be conclusively presumed to have been properly given, whether or not the stockholder receives this notice. The failure by Popular, Inc. to give this notice by mail, or any defect in the notice, to the holders of any shares designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of 2003 Series A Preferred Stock.

If the redemption notice is properly mailed and Popular, Inc. pays the redemption price, from and after the redemption date, all dividends on the shares of 2003 Series A Preferred Stock called for redemption shall cease to accrue and all rights of the holders of the shares being redeemed as stockholders of Popular, Inc. shall cease on the redemption date. Holders will retain the right to receive the redemption price upon presentation of their stock certificates. If Popular, Inc. redeems less than all the shares represented by any certificate, a new certificate representing the unredeemed shares shall be issued without cost to the holder.

At its option, Popular, Inc. may, on or prior to the redemption date, irrevocably deposit the entire amount payable upon redemption of the shares of the 2003 Series A Preferred Stock to be redeemed with a bank or trust company designated by Popular, Inc. (which may include a banking subsidiary of Popular, Inc.) having its principal office in New York, New York, San Juan, Puerto Rico, or any other city in which Popular, Inc. shall at that time maintain a transfer agent with respect to its capital stock, and having a combined capital and surplus of at least $50,000,000 (hereinafter referred to as the Depositary). The Depositary will hold this amount in trust for payment to the holders of the shares of the 2003 Series A Preferred Stock to be redeemed. If the deposit is made and the funds deposited are immediately available to the holders of the shares of the 2003 Series A Preferred Stock to be redeemed, Popular, Inc. will no longer have any obligation to make payment of the amount payable upon redemption of the shares of the 2003 Series A Preferred Stock to be redeemed. Following the deposit, except as discussed in the next paragraph, holders of these shares shall look only to the Depositary for payment.

Any funds remaining unclaimed at the end of two years after the redemption date for which these funds were deposited shall be returned to Popular, Inc. After the funds are returned to Popular, Inc., the holders of shares called for redemption shall look only to Popular, Inc. for the payment of the redemption price. Any interest accrued on any funds deposited with the Depositary will belong to Popular, Inc. and shall be paid to it on demand.

After the redemption of any shares of the 2003 Series A Preferred Stock, the redeemed shares will have the status of authorized but unissued shares of serial preferred stock, without designation as to series, until these shares are once more designated as part of a particular Series by the board of directors of Popular, Inc.

Certain Regulatory Considerations Affecting Redemptions

Popular, Inc. may not redeem the 2003 Series A Preferred Stock without the prior approval of the Federal Reserve Board. Ordinarily, the Federal Reserve Board will not permit a redemption unless (1) the shares are redeemed with the proceeds of a sale of common stock or perpetual preferred stock, or (2