

POPULAR INC
Form 424B5
November 29, 2004

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Filed Pursuant to Rule 424(b)(5)
 Registration No. 333-120340
 333-120340-03

Prospectus Supplement

(To Prospectus Dated November 18, 2004)

\$130,000,000**Popular Capital Trust II**

6.125% Cumulative Monthly Income Trust Preferred Securities
 (Liquidation Amount \$25 Per Capital Security)

Fully, irrevocably and unconditionally guaranteed

on a subordinated basis, as described in this prospectus, by

Popular Capital Trust II is offering trust preferred securities, which we refer to in this prospectus supplement as capital securities, that Popular, Inc. will fully and unconditionally guarantee, based on its combined obligations under a guarantee agreement, a trust agreement and a junior subordinated indenture. Popular Capital Trust II will redeem the capital securities on December 1, 2034, and may redeem them earlier, subject to any required prior approval of the Federal Reserve or its district reserve bank.

The capital securities may be redeemed, in whole or in part, at any time on or after December 1, 2009 at a redemption price equal to 100% of the liquidation amount, plus accumulated and unpaid distributions to the date of redemption. In addition, the capital securities may be redeemed in whole if adverse changes in tax law, investment company law or banking laws or regulations occur.

There is currently no market for the capital securities. The capital securities have been approved for quotation on the Nasdaq National Market under the symbol BPOPM. Trading of the capital securities on the Nasdaq National Market is expected to commence within 30 days after initial delivery of the capital securities.

The capital securities are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency and may lose value.

Investing in the capital securities involves risks. See Risk Factors beginning on page S-8.

	Price To Public	Underwriting Discounts and Commissions ⁽¹⁾	Proceeds To Popular Capital Trust II ⁽¹⁾
Per Capital Security	\$ 25.00	\$ 0.7875	\$ 25.00
Total	\$130,000,000	\$4,095,000	\$130,000,000

(1) Because Popular Capital Trust II will use all of the proceeds from the sale of the capital securities and its common securities to purchase junior subordinated debentures of Popular, Inc., Popular, Inc. will pay all underwriting discounts and commissions.

This prospectus supplement and the accompanying prospectus may be used by the underwriters in connection with offers and sales of the capital securities in market-making transactions at negotiated prices related to prevailing market prices at the time of sale or otherwise. The underwriters may act as principal or agent in such transactions.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the capital securities in book-entry form only through the facilities of The Depository Trust Company on or about November 30, 2004.

POPULAR SECURITIES

BANC OF AMERICA SECURITIES LLC

KEEFE, BRUYETTE & WOODS

The date of this prospectus supplement is November 24, 2004.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The trust and Popular have not authorized anyone to provide you with information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of their respective dates. In this prospectus supplement, references to the trust mean Popular Capital Trust II and references to Popular, we, our and us mean Popular, Inc., and not Popular, Inc. together with any of its subsidiaries, unless the context indicates otherwise.

The trust is offering to sell the capital securities, and is seeking offers to buy the capital securities, only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the capital securities in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the capital securities and the

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distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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PROSPECTUS SUPPLEMENT SUMMARY

The following information concerning Popular, the trust, the capital securities to be issued by the trust, the guarantee to be issued by Popular with respect to the capital securities and the 6.125% junior subordinated debentures due December 1, 2034 to be issued by Popular supplements, and should be read in conjunction with, the information contained in the accompanying prospectus. If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

Popular, Inc.

We are a diversified financial services company and the largest locally based financial institution in Puerto Rico. We were incorporated in 1984 under the laws of the Commonwealth of Puerto Rico. We are registered as a financial holding company and bank holding company under the Bank Holding Company Act, as amended by the Gramm-Leach-Bliley Act, and are subject to supervision and regulation by the Board of Governors of the Federal Reserve System. As a diversified financial services institution, we own subsidiaries engaged in banking and a variety of financial services. Our subsidiaries provide banking, insurance, mortgage, auto, consumer finance, investment and electronic payment processing services through retail branches, the internet and other distribution channels throughout Puerto Rico, the mainland United States, and to a lesser extent, the Caribbean and Central America. Our principal subsidiary, Banco Popular de Puerto Rico, was incorporated in 1893 and is Puerto Rico's largest bank.

We are a separate and distinct legal entity from our banking and other subsidiaries. Our principal source of funds to pay our obligations including service on our debt is dividends from our subsidiaries. Various federal, Puerto Rico and state statutes and regulations limit the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval.

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

Popular Capital Trust II

The trust is a Delaware statutory trust. The trust exists solely to:

issue and sell its common securities to Popular;

issue and sell its capital securities to the public;

use the proceeds from the sale of its common securities and capital securities to purchase junior subordinated debentures from Popular; and

engage in other activities that are necessary, convenient or incidental to these purposes.

J.P. Morgan Trust Company, National Association will act as the property trustee of the trust. Chase Manhattan Bank USA, National Association will act as the Delaware trustee of the trust. Two officers of Popular or its subsidiaries will act as administrative trustees of the trust. The principal office and telephone number of the trust are c/o Popular, Inc., Popular Center Building, 209 Muñoz Rivera Avenue, Hato Rey, Puerto Rico 00918, telephone number (787) 765-9800.

The Offering

Issuer	Popular Capital Trust II
Securities	5,200,000 6.125% Cumulative Monthly Income Trust Preferred Securities, which represent an undivided beneficial interest in the assets of the trust.

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The assets of the trust will consist solely of the 6.125% junior subordinated debentures of Popular.

Offering Price

\$25 per capital security.

Distributions

You will be entitled to receive cumulative cash distributions at an annual rate of \$1.53125 per capital security, which represents 6.125% of the liquidation amount of \$25 per capital security. Distributions will accumulate from the date the trust issues the capital securities and are payable monthly in arrears on the first day of each month, beginning January 1, 2005. The record date for distributions on the capital securities will be the fifteenth day of the month next preceding the distribution date. We may defer payment of cash distributions as described below.

Mandatory Redemption

The junior subordinated debentures will mature and the capital securities must be redeemed on December 1, 2034.

Optional Redemption

The trust must redeem the capital securities when the junior subordinated debentures are paid at maturity or upon any earlier redemption of the junior subordinated debentures. The junior subordinated debentures may be redeemed before their stated maturity at 100% of their principal amount outstanding, plus accrued interest to the date of redemption, at any time, in whole only, and only if adverse changes in tax law, investment company law or banking laws or regulations occur. See Description of the Capital Securities – Redemption.

Other than in connection with adverse changes in tax law, investment company law or banking laws or regulations, the junior subordinated debentures may be redeemed, at the option of Popular (in which case, the trust must also redeem the capital securities) at any time on or after December 1, 2009 at 100% of their principal amount plus accrued interest to the date of redemption.

Popular's option to redeem the junior subordinated debentures is subject to any required approval of the Federal Reserve or its district reserve banks (the Federal Reserve).

Deferral of Distributions

Unless there is an event of default under the junior subordinated debentures, Popular can defer interest payments on the junior subordinated debentures during any period of up to 60 consecutive months, but not beyond their maturity date.

If Popular defers interest payments on the junior subordinated debentures:

the trust will defer distributions on the capital securities;

during any deferral period, distributions will continue to accumulate on the capital securities at an annual rate of 6.125% of the liquidation amount of \$25 per capital security; and

the deferred distributions will accrue additional distributions, to the extent permitted by applicable law, at an annual rate of 6.125%, compounded monthly, until paid.

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If Popular exercises its right to defer payments of interest on the junior subordinated debentures, holders of the capital securities using the accrual method of accounting to determine their taxable income will be required to accrue income on the deferred interest allocable to the capital securities for United States federal and Puerto Rico income tax purposes. See Risk Factors Distributions on the capital securities could be deferred; you may have to include interest in your taxable income before you receive cash.

At the end of the deferral period Popular will be required to pay to the trust all accrued and unpaid interest under the junior subordinated debentures. The trust will then pay all accumulated and unpaid distributions to the holders.

Guarantee of the Capital Securities

Popular's obligations described in this prospectus supplement and the accompanying prospectus, in the aggregate, constitute a full, irrevocable and unconditional guarantee by Popular, on a subordinated basis, of the obligations of the trust under the capital securities. Popular has entered into a guarantee agreement whereby it has guaranteed that the trust will use its assets to pay the distributions on the capital securities and the liquidation amount upon liquidation of the trust. However, the guarantee does not apply when the trust does not have sufficient funds to make the payments. If Popular does not make payments on the junior subordinated debentures, the trust will not have sufficient funds to make payments on the capital securities and you will not receive such payments. In this event, your remedy is to institute a legal proceeding directly against Popular for enforcement of payments under the junior subordinated debentures.

Distribution of the junior subordinated debentures

Popular has the right to terminate the trust at any time. If Popular decides to exercise its right to terminate the trust, the trust will distribute, after satisfaction of liabilities to creditors, approximately 97% of the junior subordinated debentures to holders of the capital securities and approximately 3% to the holders of the common securities. Any distributions of the junior subordinated debentures may require approval of the Federal Reserve.

If the junior subordinated debentures are distributed, Popular will use its commercially reasonable efforts to list the junior subordinated debentures on the Nasdaq National Market or any other exchange on which the capital securities are then listed.

Ranking

The capital securities will generally rank equal to the common securities in priority of payment. The trust will make payments on the capital securities and the common securities based on a proportionate allocation of the payments it receives on the junior subordinated debentures. However, the capital securities will rank prior to the common securities as to payment if and so long as Popular fails to make principal or interest payments under the junior subordinated debentures when due. For a more detailed

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explanation, see [Description of Trust Preferred Securities](#) [Ranking of Trust Securities](#) in the accompanying prospectus.

The junior subordinated debentures and the guarantee will be unsecured and will rank subordinate and junior in right of payment to all of Popular's current and future Senior Debt, as defined in the accompanying prospectus, which includes subordinated debt of Popular. For a more detailed explanation, see [Description of Junior Subordinated Debt Securities](#) [Subordination](#) and [Description of Guarantees](#) [Status of the Guarantees](#) in the accompanying prospectus.

Voting Rights

If you purchase the capital securities, you will have limited voting rights. You will be entitled to vote on the following matters:

removal of the property trustee or the Delaware trustee for cause or when there is an event of default under the junior subordinated indenture,

certain modifications to the terms of the capital securities and the guarantee, and

the exercise of the trust's rights as holder of the junior subordinated debentures.

A more detailed description of your voting rights is contained under [Description of Trust Preferred Securities](#) [Removal of Trustees](#), [Voting Rights](#); [Amendment of the Trust Agreement](#) and [Description of Guarantees](#) [Amendments and Assignment](#) in the accompanying prospectus.

Certain ERISA Considerations

If you are a fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, or section 4975 of the Internal Revenue Code of 1986, you should consider the requirements of ERISA and the Code in the context of the plan's particular circumstances and ensure the availability of an applicable exemption before authorizing an investment in the capital securities. See [Certain ERISA Considerations](#) in this prospectus.

Puerto Rico Withholding Taxes

By purchasing the capital securities, holders who are subject to tax in Puerto Rico on the interest received on the junior subordinated debentures will be deemed to have made an election to have the special 10% Puerto Rico tax applicable to corporate debt withheld on their proportionate share of such interest income. Holders will be subject to the 10% Puerto Rico withholding tax unless certain conditions described under [Certain Tax Considerations](#) are complied with. Popular will not make any additional payments on the capital securities to compensate investors for any Puerto Rico taxes withheld from payments on the capital securities.

See [Certain Tax Considerations](#) for a more detailed summary of material United States and Puerto Rico tax considerations for the capital securities.

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Use of Proceeds	The trust will invest all of the proceeds from the sale of the capital securities in the junior subordinated debentures. Popular intends to use the net proceeds from the sale of the junior subordinated debentures to purchase subordinated notes of Banco Popular de Puerto Rico.
Trustee and Paying Agent	J.P. Morgan Trust Company, National Association will act as the property trustee of the trust. Chase Manhattan Bank USA, National Association will act as the Delaware trustee of the trust.
Listing of the Capital Securities	The capital securities have been approved for quotation on the Nasdaq National Market under the symbol BOPM. Trading of the capital securities on the Nasdaq National Market is expected to commence approximately 30 days after initial delivery of the capital securities.
Form of Capital Securities	The capital securities will be represented by one or more global securities that will be deposited with, or on behalf of, and registered in the name of The Depository Trust Company (DTC) or its nominee. This means that you will not receive a certificate for your capital securities and the capital securities will not be registered in your name. Rather, your broker or other direct or indirect participant of DTC will maintain your position in the capital securities.

Risk Factors

Your investment in the capital securities will involve risks. You should carefully consider the discussion of risks that follows below in the section entitled Risk Factors, and the other information in this prospectus supplement and the accompanying prospectus, before deciding whether an investment in the capital securities is suitable for you.

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RISK FACTORS

An investment in the capital securities involves a number of risks. You should carefully review the information contained in the other sections of this prospectus supplement and the accompanying prospectus and should particularly consider the following matters before purchasing any capital securities.

Because the trust will rely on the payments it receives on the junior subordinated debentures to fund all payments on the capital securities, and because the trust may distribute the junior subordinated debentures in exchange for the capital securities, you are making an investment decision with regard to the junior subordinated debentures as well as the capital securities. You should carefully review the information in this prospectus supplement and the accompanying prospectus about both of these securities and the guarantee.

Holders of Popular's Senior Debt will get paid before the trust will get paid under the junior subordinated debentures and before you will get paid under the guarantee

Popular's obligations under the junior subordinated debentures and the guarantee are unsecured and will rank junior in priority of payment to all of Popular's current and future Senior Debt, as defined in the accompanying prospectus, which includes subordinated debt of Popular. As of September 30, 2004, Popular had approximately \$4.2 billion of outstanding Senior Debt, including guarantees of debt of its subsidiaries. In addition, Popular was obligated on such date under letters of credit, other guarantees, foreign exchange contracts and interest rate swap contracts to which the junior subordinated debentures will be subordinated pursuant to the terms of the junior subordinated indenture.

Popular's obligations under the junior subordinated debentures and the guarantee will also be effectively subordinated to all current and future indebtedness and other liabilities of its subsidiaries. See Description of Junior Subordinated Debt Securities General in the accompanying prospectus.

The capital securities, the junior subordinated debentures and the guarantee do not limit the ability of Popular or any of its subsidiaries to incur additional indebtedness, liabilities and obligations, including indebtedness, liabilities and obligations that rank senior to or equal with the junior subordinated debentures and the guarantee. For more information on the ranking of Popular's obligations under the junior subordinated debentures and the guarantee, see Description of Junior Subordinated Debt Securities Subordination and Description of Guarantees Status of the Guarantees in the accompanying prospectus.

If Popular does not make payments on the junior subordinated debentures, the trust will not be able to pay distributions on the capital securities and the guarantee will not apply

The ability of the trust to timely pay distributions on the capital securities and pay the liquidation amount of \$25 per capital security depends solely upon Popular's making the related payments on the junior subordinated debentures when due. If Popular defaults on its obligation to pay the principal of or interest on the junior subordinated debentures, the trust will not have sufficient funds to pay distributions on, or the \$25 liquidation amount per security of, the capital securities. In that case, you will not be able to rely upon the guarantee for payment of these amounts because the guarantee only applies if Popular makes the corresponding payment of principal of or interest on the junior subordinated debentures. Instead, you or the property trustee will have to bring a legal action against Popular to enforce the property trustee's rights under the indenture relating to the junior subordinated debentures.

You may not be able to enforce your rights against Popular directly if an event of default occurs; you may have to rely on the property trustee to enforce your rights

You will not always be able to directly enforce your rights against Popular if an event of default occurs.

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If an event of default under the junior subordinated debentures occurs and is continuing, that event will also be an event of default under the capital securities. In that case, you may have to rely on the property trustee, as the holder of the junior subordinated debentures, to enforce your rights against Popular.

You may only bring a legal action against Popular directly if an event of default under the trust agreement occurs because of Popular's failure to pay when due interest on or the principal of the junior subordinated debentures.

See Description of Junior Subordinated Debentures Events of Default and the Rights of Capital Securities Holders to Take Action Against Popular in this prospectus supplement.

Distributions on the capital securities could be deferred; you may have to include interest in your taxable income before you receive cash

As long as Popular is not in default under the junior subordinated debentures, it may defer interest payments on the junior subordinated debentures one or more times. Each deferral period may last for up to 60 consecutive months, but not beyond the maturity date of the junior subordinated debentures. During a deferral period, the trust would also defer distributions on the capital securities.

If Popular defers interest payments on the junior subordinated debentures and the trust defers distributions on the capital securities, holders of the capital securities using the accrual method of accounting to determine their taxable income will be required to accrue interest income for United States federal and Puerto Rico income tax purposes on their proportionate share of the deferred interest on the junior subordinated debentures held by the trust. As a result, you may have to include that accrued interest in your gross income for United States or Puerto Rico income tax purposes before you actually receive any cash attributable to that income. You will also not receive the cash distribution related to any accrued and unpaid interest from the trust if you sell the capital securities before the record date for any deferred distributions, even if you held the capital securities on the date that the payments would normally have been paid.

Popular has no current intention of exercising its right to defer payments of interest on the junior subordinated debentures. However, if Popular exercises this right, the market price of the capital securities may be adversely affected. If you sell your capital securities when distributions are being deferred, you may not receive the same return on investment as someone who continues to hold the capital securities. In addition, because of Popular's right to defer interest payments, the market price of the capital securities may be more volatile than the market prices of other securities that are not subject to interest deferrals.

See Description of Capital Securities Deferral of Distributions, Description of Junior Subordinated Debentures Option to Extend Interest Payment Period, and Certain Tax Considerations Puerto Rico Taxation; Taxation of Interest on the Junior Subordinated Debentures and Certain Tax Considerations United States Taxation; Taxation of Interest and Original Issue Discount in this prospectus supplement, for more information regarding the interest payment deferral option.

Federal income tax exposure if Popular ceases to meet the source of income tests for Puerto Rico income tax purposes

To the extent interest payments on the junior subordinated debentures do not constitute income from Puerto Rico sources, the distributions on the capital securities will be subject to U.S. income taxation to Puerto Rico holders. Interest on the junior subordinated debentures will not be taxable for federal tax purposes to U.S. citizens who are *bona fide* residents of Puerto Rico during the entire taxable year (Puerto Rico U.S. Holders) so long as interest payments on the junior subordinated debentures are considered to be Puerto Rico source income for purposes of the United States Internal Revenue Code of 1986, as amended (the Code). Under the current source of income rules of the Code, the interest payments or accruals (including original issue discount, if any) on the junior subordinated debentures will be considered Puerto Rico source income if the following conditions are met: (1) such interest is not

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treated as paid by a trade or business conducted by Popular outside of Puerto Rico, including for these purposes the United States, such determination to be made under Section 884(f)(1)(A) of the Code and the regulations thereunder; and (2) for the three-year period ending with the close of Popular's taxable year immediately preceding the payment of the interest on the junior subordinated debentures (or such part of such period as may be applicable), Popular 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 conduct of a trade or business in Puerto Rico, both tests determined under the provisions of Section 861(c)(1)(B) of the Code, which require, among other things, that the gross income received by Popular from a 50% owned subsidiary (determined by voting interest or value) will retain the source and character that such income had in the hands of the subsidiary. Popular believes that the interest payments on the junior subordinated debentures will not be deemed to be paid by a trade or business outside Puerto Rico. Moreover, for the three-year period ended December 31, 2003, approximately 99% of Popular's gross income was derived from sources within Puerto Rico and approximately 100% of its gross income was derived from the conduct of a trade business in Puerto Rico, both percentages determined by applying the rules established in Section 861(c)(1)(B) of the Code. However, there can be no assurance that Popular or any legal successor to Popular will be able to meet the Puerto Rico source of income requirements during the time that the junior subordinated debentures and the capital securities are outstanding, which can be as long as 30 years. If Popular or any legal successor fails to meet the Puerto Rico source of income requirements, then distributions on the capital securities will be taxable for federal income tax purposes to Puerto Rico Holders.

The capital securities may be redeemed prior to stated maturity; you may be taxed on the proceeds and you may not be able to reinvest the proceeds at the same or a higher rate of return

Popular has the right to redeem the junior subordinated debentures at its option in whole or in part on one or more occasions at any time on or after 2009, subject to any required prior approval from the Federal Reserve. In addition, if adverse changes in the tax laws, investment company laws or banking laws or regulations discussed on pages S-18 and S-19 occur and are continuing, Popular may redeem the junior subordinated debentures in whole, but not in part, within 90 days following the occurrence of the event, subject to any required prior approval from the Federal Reserve.

If the junior subordinated debentures are redeemed, the capital securities will be redeemed at a redemption price equal to the \$25 per capital security liquidation amount plus accumulated but unpaid distributions to the redemption date. Under current United States federal and Puerto Rico income tax law, the redemption of the capital securities would be a taxable event to you. See "Certain Tax Considerations" in this prospectus supplement.

In addition, you may not be able to reinvest the money you receive upon redemption at a rate that is equal to or higher than the rate of return you receive on the capital securities.

See "Description of Junior Subordinated Debentures - Redemption," "Description of Capital Securities - Redemption" and "Liquidation Distribution Upon Dissolution" in this prospectus supplement for more information on redemption of the junior subordinated debentures.

The trust may distribute the junior subordinated debentures to the holders of the capital securities and the junior subordinated debentures may trade at a price that is lower than the price you paid for the capital securities

If Popular terminates the trust before the stated maturity of the junior subordinated debentures, the property trustee will distribute the junior subordinated debentures to the holders of the capital securities and the common securities in liquidation of the trust after satisfaction of liabilities to creditors.

No one can accurately predict the market prices for the junior subordinated debentures that may be distributed. Accordingly, the junior subordinated debentures that you receive upon a distribution, or the capital securities you hold pending the distribution, may trade at a lower price than what you paid to purchase the capital securities.

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Although Popular has agreed to use its commercially reasonable efforts to list the junior subordinated debentures on the Nasdaq National Market or any other exchange on which the capital securities are then listed, Popular cannot assure you that the Nasdaq National Market will approve the junior subordinated debentures for listing or that a trading market will exist for the junior subordinated debentures.

Under current United States federal and Puerto Rico income tax law, the distribution of junior subordinated debentures upon the termination of the trust would generally not be taxable to you. If, however, the trust is characterized for United States federal or Puerto Rico income tax purposes as an association taxable as a corporation at the time of the liquidation, the distribution of the junior subordinated debentures would be taxable to you.

See **Description of the Capital Securities** **Liquidation Distribution Upon Dissolution** in this prospectus supplement for more information.

If you sell your capital securities between record dates for distribution payments, you will have to include accrued but unpaid distributions in your taxable income

The capital securities may trade at prices that do not fully reflect the value of accrued but unpaid interest on the underlying junior subordinated debentures.

If you dispose of your capital securities before the record date for a distribution payment, you will have to treat a portion of your proceeds from the disposition as ordinary income for Puerto Rico income tax purposes in an amount equal to the accrued but unpaid interest on your proportionate share of the junior subordinated debentures through the date of your disposition.

The sale of your capital securities will give rise to a loss if the amount you receive is less than your adjusted tax basis in the capital securities. The amount you receive for your capital securities may not fully reflect the value of any accrued but unpaid interest at the time of the sale while your adjusted tax basis will include any accrued but unpaid interest. The deductibility of capital losses is subject to limitations for Puerto Rico income tax purposes.

See **Certain Tax Considerations** **Puerto Rico Taxation; Taxation of Interest on the Junior Subordinated Debentures** and **Certain Tax Considerations** **United States Taxation; Taxation of Interest and Original Issue Discount** in this prospectus supplement for more information.

Popular generally will control the trust because your voting rights are very limited; your interests may not be the same as Popular's interests

You will have limited voting rights. For example, you may not elect or remove the property trustee or the Delaware trustee, except for cause or when there is a default under the junior subordinated debentures. In general, only Popular, as the sole holder of the common securities of the trust, can replace or remove any of the trustees of the trust.

Popular and the administrative trustees of the trust, who are officers of Popular or its subsidiaries, may amend the trust agreement without the consent of holders of capital securities as described under **Description of the Trust Preferred Securities** **Voting Rights; Amendment of the Trust Agreement** in the accompanying prospectus.

An active trading market for the capital securities may not develop

The capital securities constitute a new issue of securities with no established trading market. The capital securities have been approved for quotation on the Nasdaq National Market under the symbol **BPOPM** and trading of the capital securities on the Nasdaq National Market is expected to commence approximately 30 days after initial delivery of the capital securities. The underwriters have advised the trust that they presently intend to make a market in the capital securities prior to commencement of trading on the Nasdaq National Market. The underwriters are not obligated to make a market in the capital securities, however, and may discontinue market making activities at any time without notice.

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Accordingly, there may not be development of or liquidity in any market for the capital securities. If a market for the capital securities were to develop, the capital securities could trade at prices that may be higher or lower than the initial offering price depending upon many factors, including prevailing interest rates, our operating results and the markets for similar securities.

FORWARD-LOOKING STATEMENTS

The matters discussed or incorporated by reference in this prospectus supplement and the accompanying prospectus that are not historical facts include forward-looking statements. The words believe, may, will, estimate, continue, anticipate, intend, expect, project and expressions are intended to identify forward-looking statements. These statements are based on Popular's current expectations and involve numerous risks and uncertainties. Some of these risks and uncertainties are factors that affect all businesses, while some are specific to us and the financial services sector. Many factors could affect Popular's actual results, causing results to differ, and possibly differ materially, from those expressed in any such forward-looking statements. These factors include, but are not limited to:

changes in interest rates;

regional and national economic conditions;

the impact of new competitors or competitive products;

regulatory or legislative changes;

natural disasters affecting Puerto Rico, our primary market; and

other factors described in this prospectus supplement and the accompanying prospectus or in other filings with the SEC.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they were made. Popular undertakes no obligation to publicly update or revise any of the forward-looking statements.

USE OF PROCEEDS

The trust will use the proceeds from the sale of its capital securities and its common securities to acquire the junior subordinated debentures from Popular. The net proceeds from the sale of the junior subordinated debentures will be added to Popular's general funds and will be used to purchase subordinated notes of Banco Popular de Puerto Rico.

Until the net proceeds have been used, they will be invested in marketable securities.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

The following table shows certain selected consolidated financial and operating data of Popular on a historical basis as of and for the nine-month periods ended September 30, 2004 and 2003, and for each of the five years in the period ended December 31, 2003. 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, 2003 is derived from information contained in Popular'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, 2004 and 2003 is derived from Popular'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, 2004 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's consolidated financial statements and the related notes, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. All per share information shown in the table takes into account prior stock splits and dividends, including a two-for-one stock split effected on July 18, 2004.

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, 2004 and 2003 have been presented on an annualized basis.

	Nine Months Ended September 30,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(Unaudited)						
	(Dollars in thousands, except for per share data)						
Condensed Income Statement:							
Interest income	\$ 1,614,779	\$ 1,524,340	\$ 2,034,238	\$ 2,023,797	\$ 2,095,862	\$ 2,150,157	\$ 1,851,670
Interest expense	595,170	566,240	749,550	863,553	1,039,105	1,167,396	897,932
Net interest income	1,019,609	958,100	1,284,688	1,160,244	1,056,757	982,761	953,738
Provision for loan losses	132,641	146,202	195,939	205,570	213,250	194,640	148,948
Securities and trading gains (losses)	12,687	60,619	60,880	(4,146)	(1,754)	13,192	(944)
Other income	436,074	423,373	565,130	547,909	493,570	450,868	373,860
Operating expenses	869,271	830,176	1,113,083	1,029,002	926,209	876,433	837,482
Net (gain) loss of minority interest		(425)	(435)	(248)	18	1,152	2,454
Income tax	104,774	100,667	130,326	117,255	105,280	100,797	85,120
Cumulative gain effect of change in accounting principle					686		
Net income	\$ 361,684	\$ 364,622	\$ 470,915	\$ 351,932	\$ 304,538	\$ 276,103	\$ 257,558
Per Common Share Data:(*)							
Net income per common share (basic and diluted) (before and after cumulative effect of accounting change)	\$ 1.32	\$ 1.35	\$ 1.74	\$ 1.31	\$ 1.09	\$ 0.99	\$ 0.92
	\$ 0.46	\$ 0.37	\$ 0.51	\$ 0.40	\$ 0.38	\$ 0.32	\$ 0.30

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Dividend per
common share

Weighted average
shares outstanding:

Basic	266,197,350	265,369,490	265,481,840	267,830,164	272,476,576	271,814,952	271,171,268
Diluted	266,507,936	265,443,503	265,595,832	267,830,550	272,476,938	271,814,952	271,171,268

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	Nine Months Ended September 30,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
	(Unaudited)		(Dollars in thousands, except for per share data)				
Average Balances:							
Loans (less unearned income)	\$ 24,222,902	\$ 20,264,238	\$ 20,730,041	\$ 18,729,220	\$ 17,045,257	\$ 15,801,887	\$ 13,901,290
Earning assets	36,626,461						