



RICHARD L. CARRIÓN
Chairman, President and CEO

March 9, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, DC 20220

Dear Mr. Barofsky:

In response to your letter dated February 6, 2009, requesting information in connection with the use at Popular, Inc. (the "Corporation") of the funds received under the U.S. Treasury Department Troubled Asset Relief Program ("TARP") and our compliance with the Emergency Economic Stability Act of 2008 ("EESA") executive compensation requirements, the Corporation respectfully submits the following:

Introduction

The Corporation is a diversified, publicly owned financial holding company subject to the supervision and regulation of the Board of Governors of the Federal Reserve System with operations in Puerto Rico, the mainland United States, and other parts of the Caribbean and Latin America. It is the largest financial institution based in Puerto Rico, with consolidated total assets of \$38.9 billion, total deposits of \$27.6 billion, total loans of \$26.3 billion and stockholders' equity of \$3.3 billion at December 31, 2008.

In Puerto Rico, the Corporation offers retail and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico ("BPPR"), as well as auto and equipment leasing and financing, mortgage loans, consumer lending, investment banking, broker-dealer and insurance services through specialized subsidiaries. BPPR, organized in 1893, had consolidated total assets of \$25.5 billion, total deposits of \$18.4 billion, total loans of \$16 billion and stockholder's equity of \$1.9 billion at December 31, 2008. BPPR accounted for 66% of the consolidated total assets of the Corporation at December 31, 2008.

Mr. Neil M. Barofsky
March 9, 2009

On the United States mainland, the Corporation owns and operates Banco Popular North America ("BPNA"), including its wholly-owned subsidiary E-LOAN, Inc. BPNA is a community bank providing a broad range of financial services and products to the communities it serves. BPNA operates branches in New York, California, Illinois, New Jersey, Texas and Florida.

(1) Use of TARP Funds

On December 5, 2008, the Corporation began its participation in the Capital Purchase Program ("CPP") under the TARP by issuing and selling to the U.S. Treasury Department for \$935 million 935,000 shares of Popular, Inc's Fixed Rate Cumulative Perpetual Preferred Stock, Series C with a warrant to purchase common stock of the Corporation.

Management's anticipated uses of the TARP funds were investments in and lending to its banking subsidiaries to strengthen their capital and liquidity positions in order both to ensure that they remain "well capitalized" and to improve their ability to provide credit, to satisfy existing debt obligations of the Corporation and its subsidiaries and otherwise generally to strengthen the Corporation and its subsidiaries financially. BPNA incurred substantial losses during 2008, and as a result we have been taking steps to restructure its operations in order to achieve a more efficient business model.

After receipt of the TARP funds on December 5, 2008, the Corporation used those funds, together with the Corporation's other funds held prior to the receipt of TARP funds, to make federal funds loans to BPPR. The Corporation did not hold TARP funds in a segregated account from its other funds. Those funds are available for and have been applied to a number of uses, including, without limitation, investments in the Corporation's banking subsidiaries, purchases of marketable securities, loans to the Corporation's banking subsidiaries and satisfaction of the Corporation's obligations.

In recent months the Corporation or one of its intermediate bank holding company subsidiaries have made substantial investments in BPNA. These include a \$100 million investment in the third quarter of 2008, a \$200 million investment on November 28, 2008 (after the Corporation was informed that it had received preliminary TARP approval) and investments totaling an additional \$275 million since the receipt of TARP funds. Although the capital needs of the Corporation's banking subsidiaries for the remainder of 2009 will depend on their financial results, the Corporation expects to make additional investments in its banking subsidiaries in 2009 to strengthen their capital positions to ensure that they remain "well capitalized".

The Corporation has continued to meet the needs of creditworthy borrowers. Current economic circumstances, however, have required us to strengthen our underwriting standards and ensure that we price our loans appropriately. As a result of the shrinking economy, caution being exercised by customers, and our decision to exit selected businesses on the mainland United States, we have seen a reduction in the volume of loan applications. Deterioration of loan applicants' creditworthiness and the stricter underwriting guidelines that we have had to apply have led to a reduction in our approval rates. Despite the difficult general economic conditions

in Puerto Rico and on the mainland United States, the Corporation approved, in the aggregate, over \$1.6 billion in new, renewed or restructured credit facilities during December 2008 and January 2009, of which approximately \$217 million was in mortgages; approximately \$111 million in consumer and credit cards; approximately \$79 million in automobile and lease financing; and approximately \$1.2 billion in commercial and construction lending.

(2) Executive Compensation

(a) Compliance with CPP-related compensation standards:

The Corporation's executive compensation plans and programs comply with all CPP-related compensation standards that were in effect on December 5, 2008. The following actions have been taken by the Corporation in this regard:

- (i) In connection with the Corporation's participation in TARP, it obtained from all Senior Executive Officers ("SEOs"): (A) the required waivers releasing the U.S. Treasury Department from any claims the SEOs might have arising out of the implementation of the CPP compensation standards; and (B) letter agreements with the Corporation agreeing to comply with the CPP executive compensation standards as in effect on December 5, 2008 (including golden parachute payments and recovery (clawback) of bonus and incentive compensation). These waivers and letters are attached to this letter as Exhibit A.
- (ii) On January 22, 2009, the Compensation Committee of the Board of Directors (the "Committee") reviewed the risk-related aspects of the Corporation's executive compensation arrangements with the Corporation's Senior Risk Officer. The information reviewed included TARP certification requirements, executive incentive plan design description and rationale, and the mitigating impact of risk management and control processes and procedures on compensation programs. The Report of the Committee (the "Report") that will be contained in the Corporation's definitive proxy statement filed with the Securities and Exchange Commission will include the Committee's certification that the risk review was undertaken and that reasonable efforts have been made to ensure that compensation arrangements do not encourage SEOs to take unnecessary and excessive risks that may threaten the value of the Corporation. The Report outlines the compensation program characteristics that reward performance while mitigating against unnecessary or excessive risks, including the balance between cash-based short-term incentives and stock-based long-term incentives, incentive caps, the mix of financial and non-financial objectives and the use of restricted stock with long vesting periods. As a result of the risk review, the Committee did not recommend any changes to the Corporation's compensation program. As required under CPP, the Committee intends to

perform this risk review annually during the period in which the Corporation is a CPP participant.

- (iii) The Corporation has not yet filed its federal income tax return for 2008; however, in accordance with the CPP compensation standards in effect in 2008, the Corporation has directed its responsible personnel to limit its tax deduction for 2008 for compensation paid to its SEOs in accordance with Section 162(m)(5) of the U.S. Internal Revenue Code.

The Corporation has made no changes to other, longer-term or deferred forms of executive compensation that may offset the changes required under the CPP.

The Corporation will incorporate into its definitive proxy statement for its 2009 annual shareholders meeting a non-binding shareholder vote on the Corporation's executive pay program.

(b) Specific Plans:

While not mandated by the CPP-required risk analysis described above, in response to the continued decline in financial markets and the adverse impact of the deteriorating economic conditions on the Corporation's financial performance, the Corporation did not grant SEOs any short-term or long-term incentive awards for 2008 performance, other than performance share unit awards granted in February 2008, which are not expected to result in any payout because of the Corporation's financial performance. In addition, on February 19, 2009, the Corporation adopted management's recommendation for a series of compensation-related actions that will generate substantial cost savings for the Corporation. The measures include the following:

- (i) reduction in executive salaries ranging from 5% to 10%, affecting approximately 80 executives, and elimination of certain executive perquisites;
- (ii) suspension of the Corporation's matching contributions to its defined contribution savings plans; and
- (iii) suspension of additional pension-related benefit accruals.

(c) Other:

The American Recovery and Reinvestment Act of 2009 includes various provisions related to compensation arrangements for financial institutions participating in TARP, including requiring the U.S. Treasury Department to adopt new compensation standards applicable to TARP recipients. Until those new compensation standards are adopted or other U.S. Treasury Department guidance is released, the Corporation intends to continue to comply with the compensation standards in effect under TARP in December 2008.

Mr. Neil M. Barofsky
March 9, 2009


I certify that the statements, representations, and supporting information contained in this letter are accurate to the best of my knowledge.

* * *

This letter and the enclosed documents contain confidential and proprietary commercial and financial information concerning the Corporation. Accordingly, the Corporation hereby requests, pursuant to Rule 83 of the U.S. Treasury Department's Disclosure of Records Regulations, 31 C.F.R. § Part I, Subpart A, and for reasons of business confidentiality and personal privacy, that this letter and the enclosed documents not be disclosed in response to any request made under the Freedom of Information Act, 5 U.S.C. §552 (1994) ("FOIA"). The foregoing request also applies to any other materials of any sort that are made by, or at the request of, the U.S. Treasury Department and incorporate, refer or relate to any of the matters contained in the enclosed documents or this letter.

If the enclosed documents or this letter become the subject of a FOIA request, please contact Mrs. Brunilda Santos de Álvarez, Esq., Chief Legal Officer of the Corporation, at (b) (6) and we will provide further information in support of this request for confidential treatment.

Sincerely,



C Brunilda Santos de Álvarez, Esq.
Chief Legal Officer

EXHIBIT A

WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.



Richard L. Carrión
Chief Executive Officer
Popular, Inc.

11/25/2008



POPULAR, INC.
PO Box 362708
San Juan, Puerto Rico 00936-2708
Telephone 787-765-9800

November 25, 2008

Richard L. Carrión
Chief Executive Officer
Popular, Inc.
209 Muñoz Rivera Ave.
Popular Center 3rd Floor
Hato Rey, Puerto Rico 00918

Dear Mr. Carrión:

Popular, Inc. (the "*Company*") intends to enter into a Securities Purchase Agreement, (the "*Participation Agreement*"), with the United States Department of Treasury ("*Treasury*") that provides for the Company's participation in the Treasury's TARP Capital Purchase Program (the "*CPP*").

For the Company to participate in the CPP and as a condition to the closing of the investment contemplated by the Participation Agreement, the Company is required to establish specified standards for incentive compensation to its senior executive officers and to make changes to its compensation arrangements. To comply with these requirements, and in consideration of the benefits that you will receive as a result of the Company's participation in the CPP, you agree as follows:

- (1) *No Golden Parachute Payments.* The Company is prohibiting any golden parachute payment to you during any "*CPP Covered Period*". A "*CPP Covered Period*" is any period during which (A) you are a senior executive officer and (B) Treasury holds an equity or debt position acquired from the Company in the CPP.
- (2) *Recovery of Bonus and Incentive Compensation.* Any bonus and incentive compensation paid to you during a CPP Covered Period is subject to recovery or "clawback" by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.
- (3) *Compensation Program Amendments.* Each of the Company's compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and employment agreements) (collectively, "*Benefit Plans*") with respect to you is hereby amended to the extent necessary to give effect to provisions (1) and (2).

In addition, the Company is required to review its Benefit Plans to ensure that they do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of the Company. To the extent any such review requires revisions to any Benefit Plan with respect to you, you and the Company agree to execute such additional documents as the Company deems necessary to effect such revisions.

- (4) *Definitions and Interpretation.* This letter shall be interpreted as follows:
 - "Senior executive officer" means the Company's "senior executive officers" as defined in subsection 111(b)(3) of EESA.
 - "Golden parachute payment" is used with the same meaning as in subsection 111(b)(2)(C) of EESA.
 - "EESA" means the Emergency Economic Stabilization Act of 2008 as implemented by guidance or regulation that has been issued and is in effect as of the "Closing Date" as defined in the Participation Agreement.

- The term "Company" includes any entities treated as a single employer with the Company under 31 C.F.R. § 30.1(b) (as in effect on the Closing Date). You are also delivering a waiver pursuant to the Participation Agreement, and, as between the Company and you, the term "employer" in that waiver will be deemed to mean the Company as used in this letter.
- The term "CPP Covered Period" shall be limited by, and interpreted in a manner consistent with, 31 C.F.R. § 30.11 (as in effect on the Closing Date).
- Provisions (1) and (2) of this letter are intended to, and will be interpreted, administered and construed to, comply with Section 111 of EESA (and, to the maximum extent consistent with the preceding, to permit operation of the Benefit Plans in accordance with their terms before giving effect to this letter).
- This letter will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all actions, suits or proceedings arising out of or relating to this letter.

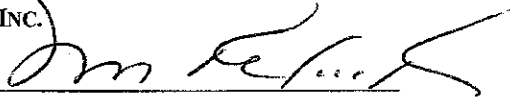
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The Board appreciates the concessions you are making and looks forward to your continued leadership during these financially turbulent times.

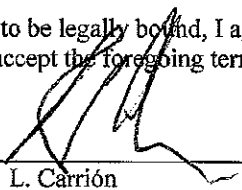
Very truly yours,

POPULAR, INC.

By:


Francisco M. Rexach Jr.,
Chairman
Compensation Committee
Board of the Directors
Popular, Inc.

Intending to be legally bound, I agree
with and accept the foregoing terms.

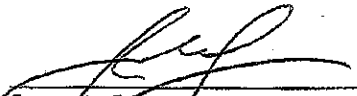

Richard L. Carrión

WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

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Jorge A. Junquera
Senior Executive Vice President
Popular, Inc.

11/25/2008

November 25, 2008

Jorge A. Junquera
Senior Executive Vice President
Popular, Inc.
209 Muñoz Rivera Ave.
Popular Center 3rd Floor
Hato Rey, Puerto Rico 00918

Dear Mr. Junquera:

Popular, Inc. (the "*Company*") intends to enter into a Securities Purchase Agreement, (the "*Participation Agreement*"), with the United States Department of Treasury ("*Treasury*") that provides for the Company's participation in the Treasury's TARP Capital Purchase Program (the "*CPP*").

For the Company to participate in the CPP and as a condition to the closing of the investment contemplated by the Participation Agreement, the Company is required to establish specified standards for incentive compensation to its senior executive officers and to make changes to its compensation arrangements. To comply with these requirements, and in consideration of the benefits that you will receive as a result of the Company's participation in the CPP, you agree as follows:

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- (2) *Recovery of Bonus and Incentive Compensation.* Any bonus and incentive compensation paid to you during a CPP Covered Period is subject to recovery or "clawback" by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.
- (3) *Compensation Program Amendments.* Each of the Company's compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and employment agreements) (collectively, "*Benefit Plans*") with respect to you is hereby amended to the extent necessary to give effect to provisions (1) and (2).

In addition, the Company is required to review its Benefit Plans to ensure that they do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of the Company. To the extent any such review requires revisions to any Benefit Plan with respect to you, you and the Company agree to execute such additional documents as the Company deems necessary to effect such revisions.

- (4) *Definitions and Interpretation.* This letter shall be interpreted as follows:
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- The term "Company" includes any entities treated as a single employer with the Company under 31 C.F.R. § 30.1(b) (as in effect on the Closing Date). You are also delivering a waiver pursuant to the Participation Agreement, and, as between the Company and you, the term "employer" in that waiver will be deemed to mean the Company as used in this letter.
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- This letter will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all actions, suits or proceedings arising out of or relating to this letter.


* * *

The Board appreciates the concessions you are making and looks forward to your continued leadership during these financially turbulent times.

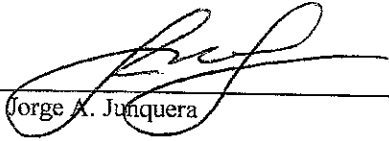
Very truly yours,

POPULAR, INC.

By:


Richard L. Carrión
Chairman of the Board
Popular, Inc.

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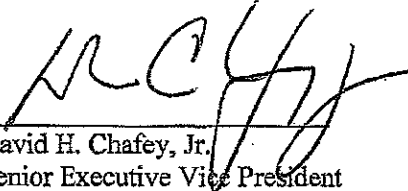

Jorge A. Junquera

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David H. Chafey, Jr.
Senior Executive Vice President
Popular, Inc.

11/25/2008



November 25, 2008

David H. Chafey
Senior Executive Vice President
Popular, Inc.
209 Muñoz Rivera Ave.
Popular Center 3rd Floor
Hato Rey, Puerto Rico 00918

Dear Mr. Chafey:

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* * *

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Very truly yours,

POPULAR, INC.

By:


Richard L. Carrión
Chairman of the Board
Popular, Inc.

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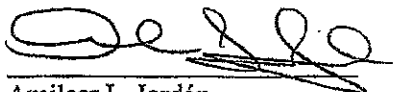

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Amilcar L. Jordán
Executive Vice President
Popular, Inc.

11/25/2008

November 25, 2008

Amilcar L. Jordán
Executive Vice President
Popular, Inc.
209 Muñoz Rivera Ave.
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POPULAR, INC.

By:


Richard L. Carrión
Chairman of the Board
Popular, Inc.

Intending to be legally bound, I agree
with and accept the foregoing terms.

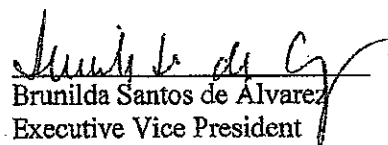

Amilcar L. Jordán

WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.


Brunilda Santos de Alvarez
Executive Vice President
Popular Inc.

11/25/2008

November 25, 2008

Brunilda Santos de Álvarez
Executive Vice President
Popular, Inc.
209 Muñoz Rivera Ave.
Popular Center 3rd Floor
Hato Rey, Puerto Rico 00918

Dear Mrs. Santos:

Popular, Inc. (the "*Company*") intends to enter into a Securities Purchase Agreement, (the "*Participation Agreement*"), with the United States Department of Treasury ("*Treasury*") that provides for the Company's participation in the Treasury's TARP Capital Purchase Program (the "*CPP*").

For the Company to participate in the CPP and as a condition to the closing of the investment contemplated by the Participation Agreement, the Company is required to establish specified standards for incentive compensation to its senior executive officers and to make changes to its compensation arrangements. To comply with these requirements, and in consideration of the benefits that you will receive as a result of the Company's participation in the CPP, you agree as follows:

- (1) *No Golden Parachute Payments.* The Company is prohibiting any golden parachute payment to you during any "CPP Covered Period". A "*CPP Covered Period*" is any period during which (A) you are a senior executive officer and (B) Treasury holds an equity or debt position acquired from the Company in the CPP.
- (2) *Recovery of Bonus and Incentive Compensation.* Any bonus and incentive compensation paid to you during a CPP Covered Period is subject to recovery or "clawback" by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.
- (3) *Compensation Program Amendments.* Each of the Company's compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and employment agreements) (collectively, "*Benefit Plans*") with respect to you is hereby amended to the extent necessary to give effect to provisions (1) and (2).

In addition, the Company is required to review its Benefit Plans to ensure that they do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of the Company. To the extent any such review requires revisions to any Benefit Plan with respect to you, you and the Company agree to execute such additional documents as the Company deems necessary to effect such revisions.

- (4) *Definitions and Interpretation.* This letter shall be interpreted as follows:
 - "Senior executive officer" means the Company's "senior executive officers" as defined in subsection 111(b)(3) of EESA.
 - "Golden parachute payment" is used with the same meaning as in subsection 111(b)(2)(C) of EESA.
 - "EESA" means the Emergency Economic Stabilization Act of 2008 as implemented by guidance or regulation that has been issued and is in effect as of the "Closing Date" as defined in the Participation Agreement.

- The term "Company" includes any entities treated as a single employer with the Company under 31 C.F.R. § 30.1(b) (as in effect on the Closing Date). You are also delivering a waiver pursuant to the Participation Agreement, and, as between the Company and you, the term "employer" in that waiver will be deemed to mean the Company as used in this letter.
- The term "CPP Covered Period" shall be limited by, and interpreted in a manner consistent with, 31 C.F.R. § 30.11 (as in effect on the Closing Date).
- Provisions (1) and (2) of this letter are intended to, and will be interpreted, administered and construed to, comply with Section 111 of EESA (and, to the maximum extent consistent with the preceding, to permit operation of the Benefit Plans in accordance with their terms before giving effect to this letter).
- This letter will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all actions, suits or proceedings arising out of or relating to this letter.


* * *

The Board appreciates the concessions you are making and looks forward to your continued leadership during these financially turbulent times.

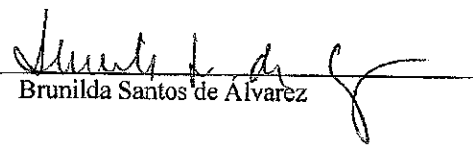
Very truly yours,

POPULAR, INC.

By:


Richard L. Carrión
Chairman of the Board
Popular, Inc.

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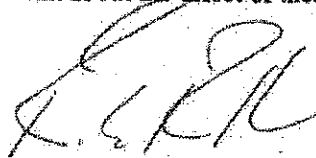

Brunilda Santos de Alvarez

WAIVER

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Roberto R. Herencia
Executive Vice President
Popular, Inc.

11/25/2008



POPULAR, Inc.

POPULAR, INC.
PO Box 362708
San Juan, Puerto Rico 00936-2708
Telephone 787-765-9800

November 25, 2008

Roberto R. Herencia
Executive Vice President
Popular, Inc.
209 Muñoz Rivera Ave.
Popular Center 3rd Floor
Hato Rey, Puerto Rico 00918

Dear Mr. Herencia:

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- This letter will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the parties hereto agrees to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all actions, suits or proceedings arising out of or relating to this letter.


* * *

The Board appreciates the concessions you are making and looks forward to your continued leadership during these financially turbulent times.

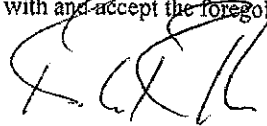
Very truly yours,

POPULAR, INC.

By:


 Richard L. Carrión
 Chairman of the Board
 Popular, Inc.

Intending to be legally bound, I agree with and accept the foregoing terms.



Roberto R. Herencia