

POPULAR INC
Form 11-K
June 29, 2009

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 11-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2008

Or

o **TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 000-13818

POPULAR, INC. U.S.A. 401(K) SAVINGS AND INVESTMENT PLAN

(Full title of the Plan and address of the Plan, if different from that of the issuer named below)

POPULAR, INC.

209 MUÑOZ RIVERA AVENUE

HATO REY, PUERTO RICO 00918

(Name of issuer of the securities held pursuant to the plan and the address of principal executive office)

Table of Contents

**Popular, Inc. U.S.A. 401(k)
Savings & Investment Plan
Financial Statements and
Supplemental Schedule
December 31, 2008 and 2007**

**Popular, Inc. U.S.A. 401(k) Savings & Investment Plan
Index**

	Page(s)
<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4-13
Supplemental Schedule:*	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year)</u>	14
<u>Signatures</u>	15
<u>Ex. 23.1 Consent of Independent Registered Public Accounting Firm</u>	16

* Other supplementary schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted as not applicable or not required.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
Popular, Inc. U.S.A. 401(k) Savings & Investment Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Popular, Inc. U.S.A. 401(k) Savings & Investment Plan (the Plan) at December 31, 2008 and 2007 and the changes in net assets available for benefits for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held at end of year is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New York, NY

June 26, 2009

Table of Contents

**Popular, Inc. U.S.A. 401(k) Savings & Investment Plan
Statements of Net Assets Available for Benefits
December 31, 2008 and 2007**

	December 31,	
	2008	2007
Assets		
Investments, at fair value (see Note 4)	\$ 83,290,673	\$ 125,305,660
Receivables:		
Employer's contribution	513	145,463
Participants' contributions	1,142	235,900
Total receivables	1,655	381,363
Total assets	83,292,328	125,687,023
Liabilities		
Total liabilities		
Net assets available for benefits at fair value	83,292,328	125,687,023
Adjustment from fair value to contract value for fully benefit -responsive investment contracts	1,114,579	683,192
Net assets available for benefits	\$ 84,406,907	\$ 126,370,215

See accompanying notes to the financial statements.

Table of Contents

**Popular, Inc. U.S.A. 401(k) Savings & Investment Plan
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2008**

Additions (deductions) to net assets attributed to:

Investments income	
Net depreciation in fair value of investments (See Note 4)	\$ (36,538,422)
Dividends	1,696,295
Interest income, investments	539,514
Interest income, participant's loans	246,550

Total investment loss (34,056,063)

Contributions:

Participant	10,507,095
Rollovers from external sources	500,243
Employer	6,240,324
Transfers in other plans	187,260

Total contributions 17,434,922

Total additions (deductions) attributed to investments and contributions (16,621,141)

Deductions from net assets attributed to:

Benefits paid to participants	25,306,966
Administrative expenses	35,201

Total deductions 25,342,167

Net decrease in Net Assets (41,963,308)

Net assets available for plan benefits:

Beginning of year	126,370,215
End of year	\$ 84,406,907

See accompanying notes to the financial statements.

Table of Contents

**Popular, Inc. U.S.A. 401(k) Savings & Investment Plan
Notes to Financial Statements
December 31, 2008 and 2007**

1. Description of the Plan

The following brief description of the Popular, Inc. U.S.A. 401(k) Savings & Investment Plan (the Plan) provides only general information. Popular, Inc. is the Plan Sponsor. Participants should refer to the Plan document for a more complete description of the Plan's provisions. The Plan is effective as of March 1, 1997.

General

The Plan is a defined contribution plan covering any United States (excluding Puerto Rico), United States Virgin Islands and British Virgin Islands employee of the Plan Sponsor who have completed 30 days of service. The Plan consisted of four contracts, referred to as Employee Group, covering employees of the Plan Sponsor and Adopting Employers consisting of the following entities and their subsidiaries: Popular Financial Holdings, Inc., Banco Popular North America (BPNA), Evertec, Inc. and Banco Popular de Puerto Rico. The four contracts were consolidated into one contract effective April 1, 2008. The Principal Financial Group (PFG) is the record keeper for the plan and Principal Trust Company, a subsidiary of PFG, is the trustee.

Effective January 1, 2007, E-Loan 401(k) Plan was merged into the Plan, resulting in the transfer of \$13,092,762 in net assets into the Plan. E-Loan, Inc. is a subsidiary of BPNA.

Effective July 1, 2007, the Plan was amended to provide for complete pass-through to participants of voting rights on shares of common stock of the Plan Sponsor allocated to participants' accounts in the Plan. The pass-through of voting rights shall apply to voting, subscription and all other rights pertaining to shareholders of Qualifying Employer Securities, and tender or exchange offers for Qualifying Employer Securities.

On December 19, 2007, the Board adopted a resolution to align the differences in the plan provisions of the four contracts in order to combine them into one contract. Previously, the four contracts had different plan provisions related to employer matching contributions, automatic enrollment rate and definition of part time service. The changes mentioned in the resolution were effective January 1, 2008. The contract consolidation date was effective April 1, 2008.

Effective January 1, 2008, the Plan modified the definition Compensation as follows: Except as provided herein, Compensation for a specified period is the Compensation actually paid or made available (or if earlier, includible in gross income) during such period.

The Plan is subject to the provisions of ERISA.

Eligibility and vesting

Full time employees are eligible to participate in the plan on the first day of the month, following 30 days of service. Part time employees are eligible to participate in the plan on January 1 or July 1 after one year of service. Newly hired employees are automatically enrolled in the Plan and are subject to have 4% of eligible compensation contributed to the Plan on a before-tax basis unless they make a different contribution election or elect not to make a contribution. Participants are immediately vested in their voluntary contributions and earnings thereon. Vesting in the Employer's matching and discretionary contribution portion of their account plan plus actual earnings thereon is based on years of credited service. A participant begins to vest in the Plan according to the following table:

Table of Contents**Popular, Inc. U.S.A. 401(k) Savings & Investment Plan****Notes to Financial Statements****December 31, 2008 and 2007**

Years of credit service	Vesting percentage
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Participant accounts

Each participant's account is credited with the participant's contributions and allocations of the Employer's contributions and Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Plan currently offers 17 investment options for participants that include mutual funds and separate pooled accounts in addition to stock in Popular, Inc.

Contributions

Each year, employees may contribute a percentage of their annual compensation up to a maximum of \$15,500 based on IRS limitations, as defined in the Plan. Participants direct the investment of Plan contributions into various investment options offered by the Plan.

The Plan Sponsor contributes a matching percentage for each elective deferral contribution made by an employee up to 4% of annual compensation. The Plan Sponsor may make additional matching contributions in an amount determined by the Board of Directors of the Employer.

Participants who are at least age 50 as of the last day of the plan year and make the maximum Employee Contributions permitted by the Plan shall be entitled to make additional contributions (Catch-Up Contributions) on a before-tax basis up to a maximum of \$5,000.

Participant loans

Participants may borrow against their fund accounts a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50% of the vested portion of the participant's equity in the Plan. Loan transactions are treated as a transfer to (from) the investment fund from (to) participant loans. Loan terms range from one to five years or longer if used to acquire a principal residence. Loans are collateralized by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the Plan administrator. Interest rates ranged from 4% to 11%. Principal and interest are paid ratably through bi-weekly payroll deductions.

Distributions

Distributions may occur for termination, retirement, disability, or death. The Plan provides that benefits be distributed in one single sum.

Plan termination

Although it has not expressed any intent to do so, the sponsor may terminate the Plan for any reason at any time, in which event there shall be no employer duty to make contributions. In the

Table of Contents

Popular, Inc. U.S.A. 401(k) Savings & Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

event of termination, all participants become fully vested and have a nonforfeitable right to their full account balance.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. A description of the more significant accounting policies follows.

Valuation of investments

Plan investments are stated at fair value. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Popular, Inc. Common Stock is valued at its quoted market price at December 31, 2008 and 2007. Non-registered pooled separate accounts managed by Principal Life Insurance Company (PLIC) are valued daily based on the market value of the underlying assets in each separate account. The Plan's interest in the single group annuity contract is valued based on information reported by the issuing insurance company.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework of measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Plan adopted the provisions of SFAS 157 in effective January 1, 2008.

Fair Value Measurements

FASB Statement No. 157, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Table of Contents**Popular, Inc. U.S.A. 401(k) Savings & Investment Plan****Notes to Financial Statements****December 31, 2008 and 2007**

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds: Valued at quoted market prices which represent the net asset value of shares held by Plan at the year-end.

Pooled Separate Accounts: Valued daily based on the market value of the underlying assets in each separate account.

Common Stock: Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

Single Group Annuity: Valued at fair value based on information reported by the issuer.

Participant Loans: Valued at fair value equal to cost basis.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2008.

	<i>Assets at Fair Value as of December 31, 2008</i>			Total
	Level 1	Level 2	Level 3	
Mutual Funds	\$ 22,910,306			\$ 22,910,306
Pooled Separate Accounts		\$ 23,474,734	\$ 2,763,839	26,238,573
Popular Inc. Common Stock	10,105,934			10,105,934
Annuity contract with insurance company			21,177,003	21,177,003
Participant Loans			2,858,857	2,858,857
Total assets at fair value	\$ 33,016,240	\$ 23,474,734	\$ 26,799,699	\$ 83,290,673

Table of Contents

Popular, Inc. U.S.A. 401(k) Savings & Investment Plan
Notes to Financial Statements
December 31, 2008 and 2007
Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets for the year ended December 31, 2008.

	<i>Level 3 Assets</i>		
	<i>Year Ended December 31, 2008</i>		
	Annuity Contracts	Separate Account	Participant Loans
Balance, beginning of year	\$ 12,980,639	\$ 3,761,533	\$ 3,782,180
Realized gains/(losses)		212,020	
Unrealized gains/(losses) relating to instruments still held at the reporting date	(431,387)	(638,898)	
Interest Credited	539,514		
Purchases, sales, issuance and settlements (net)	8,088,237	(570,816)	(923,323)
Balance, end of year	\$ 21,177,003	2,763,839	\$ 2,858,857

Investment income

Purchases and sales of securities are recorded on a trade-date basis. The net appreciation or depreciation in the fair value of investments is a combination of net realized gains (losses) and the unrealized appreciation (depreciation) on the market value of investments remaining in the Plan in 2008. The weighted average cost basis is used when computing realized gain or loss. Dividends are recorded on the ex-dividend date.

Administrative expenses

Legal and other administrative expenses except for loan fees are paid by the Plan Sponsor and, accordingly, have not been reflected in the Plan's financial statements. Fees imposed to administer loans are used to reduce the participants' accounts.

Payment of benefits

Benefits are recorded when paid.

Forfeited accounts

Forfeitures of non-vested accounts that result because of terminations or withdrawals reduce contributions otherwise due from the Plan Sponsor. At December 31, 2008, forfeited non-vested accounts totaled \$1,106,965 and were included in the Plan's assets. At December 31, 2007, forfeited non-vested accounts totaled \$163,816. During 2008 and 2007, forfeitures applied to reduce employer contributions totaled \$257,783 and \$1,241,758, respectively.

Refundable contributions

Refundable contributions represent excess contributions arose as a result of failing non-discrimination tests which are prepared in accordance with the Internal Revenue Service

Table of Contents

Popular, Inc. U.S.A. 401(k) Savings & Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

Regulations. There were no refundable contributions for 2008 as the Plan passed the non-discrimination tests.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Risks and uncertainties

The Plan provides for various investment options in any combination of stocks, fixed income securities, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the statement of net assets available for benefits.

3. Investment Contract with Insurance Company

As described in the Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributed to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The plan invests in a single group annuity contract with a fixed rate of interest. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment in the annuity contract as well as the adjustment of the investment in the annuity contract from fair value to contract value relating to the investment contract. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

The Plan offered the Principal Fixed Income Option 401a Option (PFIO) as a stable value investment option available to plan participants. PFIO is a benefit-responsive group annuity contract issued by Principal Life Insurance Company (PLIC). The methodology for calculating the interest crediting rate is defined in the contract under the term Composite Crediting Rate. The Composite Crediting Rate is determined by solving for the rate that, when used to accrue interest from the first day of such Deposit Period to the end of such Deposit Period, including expected Net Cash Flows, will result in a value equal to the sum of (a), (b), and (c) below, rounded to the nearest 5 basis points:

- (a) The aggregate of the values of each Guaranteed Interest Fund for which the Deposit Period have closed. This value will be determined by accumulating the value immediately prior to the first day of the Deposit Period for which the Composite Crediting Rate is determined, with interest at the effective annual Guaranteed Interest Rate for each such Guaranteed Interest Fund for the Deposit Period.

Table of Contents

Popular, Inc. U.S.A. 401(k) Savings & Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

- (b) The expected value of any Guaranteed Interest Fund for which the Deposit Period has not closed. This value will be determined based on expected Net Cash Flow accumulated with interest at the effective annual Guaranteed Interest Rate for the Guaranteed Interest Fund for the Deposit Period.
- (c) The expected value of any Guaranteed Interest Fund for the Deposit Period the Composite Crediting Rate is being determined. This value will be determined based on expected Net Cash flow accumulated with interest at the effective annual Guaranteed Interest Rate for the Guaranteed Interest Fund for the Deposit Period. Under the terms of the existing contract, the crediting rate is currently reset on a semiannual basis. There was no minimum crediting rate. Changes in future interest crediting rates will not effect the amount reported on the statement of net assets available for benefits representing the adjustment for the portion of net assets attributable to fully benefit-responsive investment contracts from fair value to contract value.

The PFIO is a single group annuity contract with a fixed rate of interest. It is not a portfolio of contracts whose yields are based on changes in fair value of underlying assets as would be found in a Stable Value fund. As a result, the average yield earned by the plan is the yield earned (i.e. interest credited) on the group annuity contract. The interest rate history for the contract is as follows:

Time Period	Rate 2007	Rate 2008
January 1- June 30	3.25%	3.15%
July 1 - December 31	3.10%	3.50%

By definition, the PFIO group annuity contract is an insurance contract. As a result, the plan may transact according to the terms defined in the contract at any time. Deposits received prior to 3:00 P.M. Central Time on a business day are accepted and credited to the relevant Guaranteed Interest Fund. Interest is credited to the Guaranteed Interest Fund on a daily basis from the date deposits are accepted until paid, transferred or applied in full. Fees may be paid in one of the following three ways:

By being netted from the effective annual interest rate;

By being paid separately by the Plan sponsors; or

By being deducted from the Guaranteed Interest Fund.

Benefit Payments are deducted from the value of the Guaranteed Interest Funds, to the extent that the Composite Value is sufficient to make such payments. Payments and transfers are made in full within 3 business days after the date payment or transfer has been requested. In the event that market conditions are such that it is determined that they will not allow for the orderly transfer or sale of financials instruments, up to an additional 30 days may be required to make such payments or transfers.

If the plan sponsor wishes to terminate the plan's interest, the value of the plan's interest will be paid out twelve months after the record keeper receives notification. In lieu of the twelve (12) month delay, the record keeper may request immediate payment of the amounts requested subject

Table of Contents**Popular, Inc. U.S.A. 401(k) Savings & Investment Plan****Notes to Financial Statements****December 31, 2008 and 2007**

to a 5% surrender fee. In addition, the plan's contract shall be terminated on the date when both no current deposit arrangements have been made between the record keeper and Plan Sponsor and there are no Guaranteed Interest Funds with a value greater than zero.

4. Investments Held

Investments held by the Plan are summarized below. Those investments that represent 5 percent or more of the Plan's net assets at the end of the year are noted with an asterisk (*).

	December 31, 2008		December 31, 2007	
	Shares/Unit	Fair Value	Shares/Unit	Fair Value
PIMCO Total Return ADM Fund	777,099	\$ 7,879,788*	722,740	\$ 7,726,091*
Fidelity Adv Small CAP Fund	130,677	2,191,456	148,970	3,579,746
Capital R and M AM FDS Growth Fund	180,026	3,636,516	226,505	7,592,441
MFS Value R2 Fund	277,919	4,841,357*		
Columbia Mid Cap Value R Fund	176,116	1,486,418		
Munder MidCap Core Growth R Fund	171,936	2,874,771		
Principal Money Market SEP Account			57	2,788
Principal Lifetime 2010 SEP Account	148,515	1,564,215	145,328	2,207,673
Principal Lifetime 2020 SEP Account	507,491	5,375,292*	616,276	9,902,387*
Principal Lifetime 2030 SEP Account	169,584	1,753,016	161,294	2,630,705
Principal Lifetime 2040 SEP Account	138,615	1,389,816	102,115	1,663,449
Principal Lifetime 2050 SEP Account	270,075	2,653,190	323,738	5,246,927
Principal Lifetime STR INC SEP Account	25,083	274,563	37,571	532,268
Fidelity MDCP Growth II SEP Account			159,423	6,504,589*
Principal Large Company Value SEP Account			320,038	9,112,349*
Principal Small Company Value SEP Account	49,079	1,380,397	65,320	2,592,191
Neuberger Berman Midcap Value SEP Account			179,349	3,149,387
Principal Large Cap Stock Index SEP Account	125,694	4,632,732*	143,071	8,420,805*
Principal Diversified International SEP Account	122,494	4,451,513*	166,934	11,240,377*
Principal US Property SEP Account	4,963	2,763,839	5,836	3,761,533
Principal Fixed Income 401(A)/(K)	1,538,019	21,177,003*	974,097	12,980,639*
Popular Inc. Common Stock	1,958,514	10,105,934*	2,139,352	22,677,135*
Participant Loans		80,431,816		121,523,480
		2,858,857		3,782,180
Total		\$ 83,290,673		\$ 125,305,660

During 2008, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by (\$36,538,422) as follows:

Mutual funds and pooled separate accounts	\$ (26,010,039)
Common stock	(10,528,383)
	\$ (36,538,422)

Table of Contents

**Popular, Inc. U.S.A. 401(k) Savings & Investment Plan
Notes to Financial Statements
December 31, 2008 and 2007**

The net depreciation in fair value of investments includes the adjustment from fair value to contract value for fully benefit-responsive investment contract of \$1,114,579.

5. Income Taxes

The Popular, Inc. U.S.A. 401(k) Savings & Investment Plan received a favorable determination letter from the Internal Revenue Service, dated January 31, 2008, indicating that it qualified under Section 401(a) of the Internal Revenue Code (IRC).

6. Related Party Transactions

Certain Plan investments are shares of mutual funds and pooled separate accounts managed by Principal Investments. Principal Investments is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. The Plan also invested in common stock and cash of its sponsor, Popular, Inc. In addition, the Plan Sponsor pays certain costs on behalf of the Plan. Fees paid by the Plan Sponsor for administrative services amounted to \$38,500 for the year ended December 31, 2008.

7. Prohibited Transactions

During the year 2005, Popular, Inc. announced a special rights offering (the rights offering) pursuant to which each holder of record of its common stock (Popular Stock) on November 7, 2005 (the Record Date) received one (1) non-transferable right for each twenty-six (26) shares of Popular Stock held (the Rights). In general, the Rights allowed shareholders of Popular, Inc. to acquire additional shares of Popular Stock at a discount from market value. The deadline for exercising the Rights was December 19, 2005.

Since the Plan was the holder of record of Popular Stock on the Record Date, the grant of a Right to the Plan was a grant of an employer security under Section 407 (d) (1) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). In addition, since the Rights were not qualifying employer securities under ERISA Section 407 (d) (5), the grant of the Rights to the Plan would violate ERISA Section 406 (a) (1) (E) and Section 407 (a) (1) unless an exemption is issued.

The Plan was involved in the transaction because Popular, Inc. treated all holders of Popular Stock in a similar manner with respect to the Rights. In addition, as a holder of Popular Stock, the Plan was entitled to any rights available to the other holders of Popular Stock. Popular, Inc. has filed a petition requesting that the United States Department of Labor (the DOL) issue a prohibited transaction individual exemption (the Exemption Petition) under the authority granted pursuant to Section 408 (e) of ERISA which would apply to the Plan. The exemption was approved on December 23, 2008.

8. Partial Termination of the Plan

In 2007 and 2008, several of the Plan s employers carried out a series of independent terminations of certain employee groups. Although each instance did not constitute a partial termination of the Plan, the Plan Administrator determined that all of those terminations combined constituted a partial termination of the Plan. Some of the forfeitures of employer contributions resulting from these terminations were used to reduce employer contribution to the Plan. However, since these

Table of Contents

Popular, Inc. U.S.A. 401(k) Savings & Investment Plan

Notes to Financial Statements

December 31, 2008 and 2007

termination in combination, were considered a partial plan termination, unvested funds of the affected terminated employees should have immediately vested to the employee and not been forfeited. During 2008 the Plan Administrator identified those employees affected by the partial plan termination and determined the amount of forfeited contributions, plus earnings, to be returned to these former employees. The total impact of the partial termination of the Plan was \$1.2 million which \$864,000 was funded by the forfeiture accounts. On December 18, 2008 the Plan sponsor has funded \$349,702 to the plan to make up the shortfall between the forfeiture account balance and the total cost. These forfeitures were restored to the participant accounts in February 2009.

9. Subsequent Events

In January 2009, due to a change in IRS limitations, the maximum contribution increased to \$16,500 and the Catch-Up contribution increased to \$5,500.

In March 2009, the Plan Sponsor suspended indefinitely employer matching contributions.

Table of Contents

Popular, Inc. U.S.A. 401(k) Savings & Investment Plan
Schedule H, Line 4i
Schedule of Assets (Held at End of Year)
December 31, 2008

EXHIBIT I

(a)	(b) Identity of Issue	(c) Description of investment	(d) cost **	(e) Current Value
	PIMCO Total Return ADM Fund	mutual fund		\$ 7,879,788
	Fidelity Adv Small CAP Fund	mutual fund		2,191,456
	Capital R and M AM FDS Growth Fund	mutual fund		3,636,516
	MFS Value R2 Fund	mutual fund		4,841,357
	Columbis Mid Cap Value R Fund	mutual fund		1,486,418
	Munder MidCap Core Growth R Fund	mutual fund		2,874,771
*	Principal Lifetime 2010 SEP Account	pooled separate account		1,564,215
*	Principal Lifetime 2020 SEP Account	pooled separate account		5,375,292
*	Principal Lifetime 2030 SEP Account	pooled separate account		1,753,016
*	Principal Lifetime 2040 SEP Account	pooled separate account		1,389,816
*	Principal Lifetime 2050 SEP Account	pooled separate account		2,653,190
*	Principal Lifetime STR INC SEP Account	pooled separate account		274,563
*	Principal Small Cap Value SEP Account	pooled separate account		1,380,397
*	Principal Large Cap Stock Index SEP Account	pooled separate account		4,632,732
*	Principal Diversified International SEP Account	pooled separate account		4,451,513
*	Principal US Property SEP Account	pooled separate account		2,763,839
*	Principal Fixed Income 401(A)/(K)	insurance contract		21,177,003
*	Popular Inc. Common Stock	common stock		10,105,934
*	Participant Loans (Interest rates range between 4% and 11%)			2,858,857
	Total			\$ 83,290,673

* Party in interest to the Plan.

** Cost information is not required for participant directed funds.

Table of Contents

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the persons who administer the employee benefit plan have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**POPULAR, INC. U.S.A 401(K) SAVINGS
& INVESTMENT PLAN**
(Registrant)

Date: June 26, 2009

By: /s/ Eduardo J. Negrón
Eduardo J. Negrón
Authorized Representative