



January 21, 2010

Dear Stockholder:

Today we released our annual and quarterly financial results. The Corporation posted a \$213 million loss in the fourth quarter of 2009, compared with a \$125 million loss in the third quarter of 2009 and a \$703 million loss in the fourth quarter of 2008. For the year, Popular recorded a loss of \$574 million, compared with a loss of \$1.2 billion in 2008. I invite you to read the [financial press release](#).

Results continue to reflect high levels in the provision for loan losses to maintain a strong reserve in a difficult credit environment. The provision for loan losses in the fourth quarter of 2009 totaled \$353 million, compared with \$331 million in the previous quarter and \$389 million in the fourth quarter of 2008. The higher provision was driven by higher net charge-offs in the commercial and construction portfolios, resulting from depressed economic conditions in Puerto Rico and the United States and a real estate market impacted by declining property values, oversupply in certain areas, and reduced absorption rates.

We have been continuously building our allowance for loan losses, which totaled \$1.3 billion as of December 31, 2009, and taking other important measures to counteract the economic and credit environment. We have restructured our credit divisions, relocated our most experienced credit officers, worked with our clients to find individual solutions, and heightened our focus on our collections processes.

These efforts will take time to produce concrete results. Given the adverse economic conditions, the Corporation has continued to experience heightened credit losses, high levels of non-performing assets and significant levels of provision for loan losses. Yet, we are confident that these are the right measures and we are beginning to see positive trends in some areas, such as the consumer portfolios.

As I have shared with you throughout the year, we have taken other actions to improve our financial results and better position our operations for the eventual economic upturn. These include the sale or closing of unprofitable businesses, the consolidation of branches in the United States and Puerto Rico and the implementation of cost-cutting measures such as the reduction in salaries of executive officers, hiring freeze and the suspension of matching contributions to retirement plans.

Despite all of our efforts, the price of our stock has remained historically low. While it is possible that we turn the cycle on or about the end of the year, we continue to work tirelessly towards improving our U.S. operations, further strengthening our main market in Puerto Rico and maintaining our well-capitalized ratios.

I am confident that our resilience will pay off in the long term. I again thank you for your patience and look forward to the New Year.

Sincerely,

A handwritten signature in black ink, consisting of a stylized, cursive script that begins with a large, sweeping initial letter and ends with a long, horizontal flourish.

Richard Carrión
CEO and Chairman
Popular, Inc.