

Popular, Inc.

Corporate Governance Guidelines

I. Introduction

The Board of Directors of Popular, Inc. (“Popular”), acting on the recommendation of its Corporate Governance and Nominating Committee, has developed and adopted this set of corporate governance principles (the “Guidelines”) to promote the functioning of the Board and its committees, to protect and enhance stockholder value and to set forth a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. These Guidelines are designed with Popular’s current business operations, ownership, capital structure and economic conditions in mind and will continue to evolve with changing circumstances.

II. Roles of Board and Management

The roles of the Board and management are related, but distinct. Management proposes Popular’s strategy to the Board for approval. Management also implements Popular’s strategy in the day-to-day operation of its business, reporting regularly to the Board on significant events, issues and risks that may materially affect Popular’s business or financial performance.

The Board’s function is oversight. The Board oversees, directly or through committees, the performance of Popular’s business and management. The Board reviews and approves Popular’s business strategy and oversees management’s implementation of that strategy.

The Board and each committee of the Board have complete access to management. In addition, the Board has access to independent advisors as each deems necessary or appropriate.

III. Board Composition

The composition of the Board should balance the following goals:

- The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully;
- The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to Popular’s business;
- A majority of the Board will consist of directors who the Board has determined have no material relationship with Popular and who are otherwise “independent” under the rules of The NASDAQ Stock Market, Inc.

IV. Selection of Chairman of the Board and Chief Executive Officer

The Board should be free to select its Chairman and Popular's Chief Executive Officer in the manner it considers in the best interests of Popular at any given point in time. Therefore, the Board does not have a policy on whether the roles of Chairman and CEO should be separate or combined and, if they are to be separate, whether the Chairman should be selected from the non-executive directors or be an employee.

V. Selection of Directors

A. Nominations. The Board is responsible for selecting the nominees for election to Popular's Board of Directors by the stockholders. Popular's Corporate Governance and Nominating Committee is responsible for recommending to the Board a slate of directors or one or more nominees to fill vacancies occurring between annual meetings of stockholders.

B. Criteria. The Board should, based on the recommendations of the Corporate Governance and Nominating Committee, select new nominees for the position of independent director considering the following criteria:

- Personal qualities and characteristics, accomplishments and reputation in the business community;
- Current knowledge and contacts in the communities in which Popular does business and in Popular's industry or other industries relevant to Popular's business;
- Ability and willingness to commit adequate time to Board and committee matters;
- The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of Popular; and
- Diversity of viewpoints, background, experience and other demographics.

C. Invitation. The invitation to join the Board should be extended by the Board via the Chairman of the Board and CEO of Popular, together with an independent director, when deemed appropriate.

D. Orientation and Continuing Education. Management, working with the Board, will provide an orientation process for new directors, including background material on Popular, its business plan and its risk profile, and meetings with senior management. Periodically, management will prepare additional educational sessions for all directors on matters relevant to Popular, its business plan and risk profile in accordance with applicable rules of The NASDAQ Stock Market, Inc.

VI. Voting for Directors

In accordance with Popular's By-laws, unless the number of nominees exceeds the number of directors to be elected (in which case the director nominees will be elected by plurality of the votes cast), a nominee must receive a majority of the votes cast for his or her re-election in order to be elected or re-elected to the Board. A Director will offer to tender his or her resignation if he or she fails to receive the required number of votes for re-election.

The Corporate Governance and Nominating Committee will make a recommendation to the Board on whether to accept or reject the director's offer to tender his or her resignation, or whether other action should be taken. The Corporate Governance and Nominating Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation. The Board will act on the committee's recommendation and publicly disclose its decision within 90 days from the date of the certification of the election results.

Any incumbent director who offers to tender his or her resignation will not participate in the committee's or the Board's recommendation or decision, or any deliberations related thereto.

Any incumbent director who has offered to tender his or her resignation shall promptly tender such resignation upon the Board's acceptance of such offer. If a director's offer to tender his or her resignation is accepted by the Board, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board may fill the resulting vacancy or may decrease the size of the Board pursuant to Article Eighth of Popular's Certificate of Incorporation.

VII. Election Term

The Board does not believe it should establish term limits.

VIII. Retirement of Directors

A director who would attain age 72 at the at the time of the election or during the term to be served may not stand for re-election, except that Directors who would otherwise be required to retire in 2009 based on this provision will retire from the Board at the 2011 Annual Meeting of Shareholders.

IX. Board Meetings

The Board currently plans at least eight meeting with further meetings to occur (or action to be taken by unanimous written consent) at the discretion of the Board. The meetings may consist of committee meetings and the Board meeting.

The agenda for each Board meeting will be distributed by the Office of the Corporate Secretary. Any director is free to offer agenda items for consideration by the Board. Management will seek to provide to all directors an agenda and appropriate materials

approximately one week in advance of meetings, although the Board recognizes that this timing will not always be consistent with the timing of transactions and the operations of the business and that in certain cases it may not be practicable.

Materials presented to the Board or its committees should be as concise as possible, while still providing the desired information needed for the directors to make an informed judgment. As a general rule, presentations on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. As the need arises, presentations may be made orally at meetings.

X. Executive Sessions

To ensure free and open discussion and communication among the independent directors, the independent directors will meet in executive sessions once every regularly scheduled Board meeting. In at least one executive session, the Board assesses the process and effectiveness of the Board (including opportunities for continuing education and orientation of new Directors) and considers any other matters that the Directors request. The independent directors will designate the independent director who will preside at each executive session, and those designations should be rotated.

XI. The Committees of the Board

Popular will have at least the following committees: Audit Committee, Risk Management Committee, Compensation Committee and the Corporate Governance and Nominating Committee. Each of the Audit, Compensation and Corporate Governance and Nominating Committees must have a written charter in accordance with the rules of The NASDAQ Stock Market, Inc.

All directors, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of the chair's committee or to request that an item from a committee agenda be considered by the Board. The chair of each committee will give a periodic report of the committee's activities to the Board.

Each of the Corporate Governance and Nominating Committee, the Audit Committee and the Compensation Committee will be composed of at least three directors who the Board has determined have no material relationship with Popular and who are otherwise "independent" under the rules of The NASDAQ Stock Market, Inc., applicable law and SEC rules. The required qualifications for the members of each committee are specified in the committee's charter. A director may serve on more than one committee for which the director qualifies.

XII. Board Responsibilities

A. Strategy. The Board reviews and approves management's proposed strategy for Popular and monitors implementation of Popular's strategic plans on an ongoing basis. At least

once a year, the Board conducts a strategic planning session with management. The process includes consideration of organizational needs, competitive challenges, the potential of key managers, planning for future development and emergency situations.

B. *Operating Plans and Budgets.* The Board oversees Popular's annual operating plans, reviews the annual budgets presented by management and monitors the implementation of the annual plans.

C. *Self-evaluation.* The Board evaluates its own performance annually, as described below under "Evaluating Board Performance," based on the report and recommendations of its Corporate Governance and Nominating Committee. In connection with this evaluation, the Board should actively seek means of improving its performance. As part of that process each committee should also evaluate its performance annually.

D. *Management Succession.* At least annually, the Board, acting through the Compensation Committee, will review and concur in a management succession plan, developed by the CEO, to ensure that future selections are appropriately considered. The principal components of this plan, which the CEO will report at least annually to the Board, are (1) a proposed plan for emergency CEO succession, (2) a proposed plan for CEO succession in the ordinary course of business and (3) the CEO's plan for management succession for the other policy-making officers of Popular. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible candidates within the senior management team.

E. *Evaluating and Approving Salary for the CEO.* The Board, acting through the Compensation Committee, evaluates the performance of the CEO and Popular against Popular's strategic and financial goals, and approves the compensation level of the CEO.

F. *Evaluating and Approving the Compensation of Management.* The Board, acting through the Compensation Committee, evaluates and approves the proposals of the CEO for overall compensation policies applicable to executive officers.

G. *Board Compensation.* The Board will conduct a review at least once every three years of the components and amount of Board compensation in relation to other similarly situated companies. As part of a director's total compensation and to create a direct linkage with corporate performance, the Board believes that a meaningful portion of a director's compensation should be provided and held in equity-based compensation. Board compensation should be consistent with market practices but should not be set at a level that would call into question the Board's objectivity.

H. *Reviewing and Approving Significant Transactions.* Board approval of a particular transaction may be appropriate because of several factors as detailed in the "Delegation of Authority" Resolution adopted by the Board on December 2005.

Whenever Board approval is not required, the CEO will review and approve those transactions or, where appropriate, delegate the review and approval of those transactions that implement Popular's strategic plan in the day-to-day operation of its business, reporting regularly to the Board or its committees on significant events, issues and risks that may materially affect Popular's financial performance or risk profile.

XIII. Expectations of Directors

The business and affairs of Popular are managed by or under the direction of the Board in accordance with all applicable laws. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of all stockholders of Popular. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

A. *Commitment and Attendance.* The SEC requires disclosure of the failure of any director to attend 75% of the meetings of the Board and the committees on which the director serves. All directors should make every effort to attend meetings of the Board and meetings of committees of which they are members. Members may occasionally attend by telephone or videoconference to mitigate unavoidable scheduling conflicts.

B. *Participation in Meetings.* Each director should be sufficiently familiar with the business of Popular, including its financial statements, capital structure, risks and the competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which the director serves. Upon request, management will make appropriate personnel available to answer any questions a director may have about any aspect of Popular's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive prepared to discuss the issues presented. Directors are entitled to rely on the work of management and professional advisors as discussed below under "Reliance on Management and Outside Advice".

C. *Loyalty and Ethics.* In their roles as directors, all directors owe their primary duty of loyalty to Popular and its stockholders. This duty of loyalty mandates that the best interests of Popular take precedence over any interests possessed by a director. To prevent inadvertent conflicts of interest or even the appearance of a conflict of interest, directors should disclose all other business relationships with Popular and should excuse themselves from discussions and decisions affecting those relationships.

Popular intends to conduct its business in accordance with the highest legal and ethical standards and has adopted a Code of Business Conduct and Ethics (the "Code"). Certain portions of the Code deal with activities of directors, particularly with respect to transactions in the securities of Popular and potential conflicts of interest. Directors should be familiar with the Code and should consult with Popular's Chief Legal Officer in the event of any issues.

D. Changes in Responsibility. Directors whose employment or other outside responsibilities change substantially from those held when they were elected to the Board should inform the Board, providing an opportunity to consider the desirability of their continued service on the Board.

E. Other Directorships. Popular values the experience directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a director's time and availability and may present conflicts or legal issues. Directors who also serve as CEO's or in equivalent positions should not serve on more than two boards of public companies in addition to Popular, Inc.'s board, and other directors should not serve on more than five other boards of public companies in addition to the Popular Inc.'s Board. Current positions in excess of these limits may be maintained unless the Board determines that doing so would impair the director's service on the Popular Inc.'s board.

F. Contact with Management. All directors are invited to contact the CEO at any time to discuss any aspect of Popular's business. Directors also have complete access to other members of management. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

Further, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement and substantial knowledge in those areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

G. Contact with Other Constituencies. It is important that Popular speak to constituencies other than management and the Board with a single voice, and that management serve as the primary spokesperson. If a situation arises in which it seems necessary for an individual director to make or participate in communications to one of these constituencies, the director should consult with the CEO.

H. Confidentiality. The proceedings and deliberations of the Board and its committees are strictly confidential. Each director has a fiduciary obligation to maintain the confidentiality of all information received in connection with his or her service as a director, except where the disclosure is authorized or required by law.

I. Contact About Strategic Transactions. It is important for Popular to have the opportunity to evaluate and communicate in an orderly way with respect to any potential strategic transaction. Therefore, any director who is approached by a third party about such a transaction should refrain from discussing it and refer the contact promptly to the CEO.

XIV. Evaluating Board Performance. The Board, acting through the Corporate Governance and Nominating Committee, should conduct a self-evaluation at least annually to determine whether it is functioning effectively. The Corporate Governance and Nominating Committee

should periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively.

Each committee of the Board should conduct a self-evaluation at least annually and report the results to the Board, acting through the Corporate Governance and Nominating Committee. Each committee's evaluation must compare the performance of the committee with the requirements of its written charter, if any.

XV. *Reliance on Management and Outside Advice.* In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. The Board has the authority to retain and approve the fees and retention terms of its outside advisors.

XVI. *Related Party Transactions.* Annually, each Director and Officer shall submit to Popular the name and employment affiliation of his or her immediate family members and the name of any related person's firm with which any of them are affiliated. Directors and Officers shall notify Popular promptly of any changes to this information. Each Director and Officer shall also identify any transaction that they, their immediate family members or their related person firms are or will be involved in.

The Audit Committee shall review Transactions in order to determine whether a Transaction is a "Related Person Transaction". The Committee shall take such action with respect to the "Related Person Transaction" as it deems necessary and appropriate under the circumstances, including approval, disapproval, ratification cancellation, or a recommendation to management. Only disinterested members of the Committee shall participate in those determinations. In the event it is not practical to convene a meeting of the Audit, the Chair of that Committee shall have the right to make such determination and shall promptly report his or her determination in writing to the other members of the Committee.

XVII. Stock Ownership

Each director not employed by Popular must own common stock of Popular equal to five (5) times his or hers annual retainer. Such ownership levels must be achieved within three years of being named or elected as director.

XVIII. Business Conduct and Ethics

Directors are expected to act in compliance with these Guidelines, applicable laws and regulations, and the spirit of the Popular Code of Conduct for employees. Actions by employee directors are also governed by Popular Code of Business Conduct.