



# 2014 REPORT

## Corporate Social Responsibility

[CEO LETTER](#) / [OUR COMPANY](#) / [CUSTOMER SERVICE](#) / [COMMUNITY](#) / [ENVIRONMENT](#) / [OUR PEOPLE](#)



Motivational workshop at Alcides Figueroa School in Añasco, as part of Echar Pa'lante's School Communities Program.

## Message from the Chairman of the Board of Directors and Chief Executive Officer

Social commitment to our communities has been one of the core values of Banco Popular since it was founded 121 years ago. For all of us at Popular, it is fundamental to get involved in the communities we serve and contribute to their development. For this reason, we are pleased to present, for the second consecutive year, our Corporate Social Responsibility Report. It includes many of the projects, initiatives and activities that we have developed for all of our stakeholders, including our employees, customers and communities.

Throughout 2014 we continued to focus our attention and resources on projects related to education. This approach reflects our conviction that education is key to the progress of every society. In this report you will see how, through Fundación Banco Popular and initiatives such as "Echar Pa'lante", "Finanzas en tus Manos", and the Popular 5K Race, among others, we promote education and foster entrepreneurship development as essential elements to help solve the economic and social problems we currently face.

We also continued to show our commitment to the environment through our recycling program and the construction of eco-friendly branches.

Our goal is to become more disciplined and demanding in all initiatives related to corporate social responsibility and the communities we serve. We want to continue serving as an example to others and encourage them to make a difference in their communities.

We want to thank our employees, as well as the people and organizations that have contributed to make these results possible.

Sincerely,



Richard L. Carrión



Make a Difference Day at the Carmen Gómez Tejera School, Río Piedras.





## Our Company

Founded in 1893, Popular, Inc. is the leading banking institution by assets and deposits in Puerto Rico and among the 50 major banks in the United States in terms of assets. In the United States, Popular operates a community bank that offers a wide range of services and financial products through its branches in New York, New Jersey and Florida.

### FINANCIAL INFORMATION AS OF DECEMBER 31, 2014

(IN THOUSANDS)	12/31/2013 NORMALIZED*	12/31/2014 NORMALIZED*
Net interest income	\$ 1,343,072	\$ 1,398,394
Other operating revenue	515,891	487,855
Total income	\$ 1,858,963	\$ 1,886,249
Provision for loan losses	218,639	211,171
Provision for losses on loans, covered by the Loss Sharing Agreement	69,396	46,135
Expenses related to the Loss Sharing Agreement	82,051	115,516
Personnel expenses	428,697	415,705
Other operating expenses	755,136	745,853
Income before tax	305,044	351,869
Income tax	89,361	51,126
Net income - continuing operations	\$ 215,683	\$ 300,743

\* Normalized results exclude discontinued operations results and non-recurring events. Income (loss) reported: \$599 million in 2013 and (\$313) million in 2014.

For complete financial results information visit: [www.popular.com/en/annual-reports](http://www.popular.com/en/annual-reports)

# Customer Service

POPULAR'S COMMITMENT IS TO REMAIN AT THE **FOREFRONT OF THE LATEST TECHNOLOGICAL ADVANCEMENTS** IN THE MARKET. WE OFFER OUR CLIENTS PRODUCTS AND SERVICES IN AN ACCESSIBLE AND EFFICIENT MANNER. WHILE **MAINTAINING THE HIGHEST SECURITY STANDARDS**.

## "MI BANCO ONLINE"

During 2014 "Mi Banco Online", our Internet banking platform where customers can manage their finances in an accessible and secure manner, reached 505,000 users—55,000 more than in 2013.

## SOCIAL MEDIA

We leverage the use of social media to communicate with our customers in a direct and transparent manner.

IN 2014 WE INTERACTED WITH MORE THAN **ONE MILLION** PEOPLE THROUGH **FACEBOOK**.



MORE THAN  
**440,000 LIKES**



@POPULAR  
**12,800 FOLLOWERS**  
@BPOPCOMM  
**1,700 FOLLOWERS**



**2,700 FOLLOWERS**



MORE THAN  
**500 VIDEOS**

## ACCESSIBILITY

**BRANCHES**      **168** IN PUERTO RICO  
                         **9** IN THE VIRGIN ISLANDS  
                         **47** IN THE UNITED STATES

**AUTOMATIC TELLERS**      **625** IN PUERTO RICO  
   **21** IN THE VIRGIN ISLANDS  
   **83** IN THE UNITED STATES

ALL AUTOMATED TELLER MACHINES ARE **TALKING ATMs** AND **114** HAVE **EASY DEPOSIT** (ENVELOPE-FREE DEPOSIT CAPABILITIES).

## ONLINE LOAN APPLICATIONS

Through "Mi Banco Online" clients can now apply for loans through their computers or mobile phones.

## MICROCIRCUIT (CHIP) TECHNOLOGY

We began the transition to microcircuit technology in the Popular / AAdvantage® credit cards. These smart cards come with a built-in microchip which uses sophisticated technology to safeguard information.

## SERVICE QUALITY AND SATISFACTION

One of our goals is to constantly enhance the customer experience and improve satisfaction levels with all the transactions and services we offer.

IN 2014, THE LEVEL OF **OVERALL SATISFACTION WAS 84%** (+1% WHEN COMPARED TO 2013).

## Claims and complaints

The level of client satisfaction with the management of claims and complaints was 82% (+2% when compared to 2013).



**5% DECREASE** IN CLAIMS AND COMPLAINTS WHEN COMPARED TO 2013

# Community

COMMITMENT TO THE COMMUNITIES IS **ONE OF OUR CORE INSTITUTIONAL VALUES**. YEAR AFTER YEAR, WE SEEK NEW AND INNOVATIVE WAYS TO **PROMOTE SOCIAL AND ECONOMIC WELFARE** IN OUR COMMUNITIES.

## FUNDACIÓN BANCO POPULAR

### 35 YEARS PROMOTING EDUCATION AND ECONOMIC DEVELOPMENT ON THE ISLAND.

Inaugurated in 1979, Fundación Banco Popular was created to improve the quality of life of Puerto Ricans, supporting non-profit organizations that foster the education of children and youth and contribute to the economic development of individuals and communities.

For more details visit [fundacionbancopopular.org/en](http://fundacionbancopopular.org/en).

#### New headquarters

As part of its 35th anniversary, the Foundation opened its headquarters, the Collaboration and Social Innovation Center, in Hato Rey. The new space houses the Foundation's offices and 11 other non-profit organizations. The Foundation's primary goal is to work hand-in-hand with communities and organizations to seek solutions to the economic and social challenges facing our society.



#### Employee Voluntary Contribution

**80% PARTICIPATION**  
**\$584,764 TOTAL CONTRIBUTION**

#### Employee Volunteer Program

**3,000 PARTICIPANTS**  
**135 COMMUNITY PROJECTS**



## POPULAR COMMUNITY BANK FOUNDATION

Popular Community Bank supports educational and community development through projects such as:

- > **Operation Hope:** Provides financial education and opportunities for growth and development in communities. The "Hope Inside" program has been implemented at select New York branches to empower entrepreneurs through workshops and training.
- > **Junior Achievement:** Free programs are offered to educate youths between the ages of 8-24 in finance-related matters. It promotes empowerment, education, responsibility and hope.
- > **March of Dimes:** An initiative that helps prevent premature birth defects and improves the health of mothers and babies in the United States.

**\$458,607** IN DONATIONS WERE GIVEN TO **46 NON-PROFIT ORGANIZATIONS** THAT ARE FOCUSED ON EDUCATION AND COMMUNITY DEVELOPMENT THROUGHOUT FLORIDA, CALIFORNIA, ILLINOIS AND NEW YORK.

#### Employee Voluntary Contribution

**61% PARTICIPATION**  
**\$148,952 TOTAL CONTRIBUTION**

#### Employee Volunteer Program

**373 PARTICIPANTS**  
**194 COMMUNITY PROJECTS**

**\$1.8 MILLION** IN DONATIONS WERE AWARDED TO **84 NON-PROFIT ORGANIZATIONS** IN 2014.

## SPECIAL PROJECTS

### Popular 5K Race - 10th Anniversary

Benefits Carlos Delgado's Extra Bases, Inc.

**3,320 PARTICIPANTS | \$50,000 DONATION**

The Popular 5K celebrated its 10<sup>th</sup> anniversary. Throughout these years, over 20,000 runners have participated and more than \$500,000 has been raised and donated to non-profit organizations.



### Ultimate Flavors of the Islands, 3rd Edition

Benefits the U.S. Virgin Islands Department of Education

**MORE THAN 500 ATTENDEES**

As part of the event, 50 local students benefited from educational sessions with participating chefs. Also, two students had the opportunity to travel to Puerto Rico to participate in educational sessions and work experiences.



### "Mi Banco, Mi Espacio" Institutional Campaign

Through this campaign, clients who use "Mi Banco" have the opportunity to promote and advertise their businesses or entities in various media, free of charge, to help them thrive.



**140 TELEVISION COMMERCIALS**

**140 RADIO SPOTS**

**50 PRESS ADS**



## CORPORATE CONTRIBUTION

**\$1.9 MILLION INVESTED IN 169 PROJECTS**

THROUGH CORPORATE SPONSORSHIPS AND DONATIONS BY BANCO POPULAR IN PUERTO RICO AND POPULAR COMMUNITY BANK IN THE UNITED STATES.

## ECONOMIC DEVELOPMENT IN THE COMMUNITY



### Construction

In 2014, Popular approved a total of \$50.6 million in construction projects for a total of 663 residences.

### Loss Mitigation

Popular's Loss Mitigation Team successfully closed 9,056 mortgage loan modifications, which allowed many families to retain their homes.

### "Pronto Popular"

This innovative program supports our clients during the process of saving for the down payment on their first home. For every \$1 that the client brings to the program's savings account, "Pronto Popular" adds \$4. During 2014, a total of 201 "Pronto Popular" accounts were awarded a total of \$99,450 in subsidies.





## EDUCATION

### "Club del Ahorro" and Populoso

Through presentations and educational workshops, Populoso, Popular's corporate mascot, advises and educates children on topics that stimulate healthy development, especially in economic and social responsibility.



**512 ACTIVITIES**

**70,452 CHILDREN PARTICIPATED**

**\$9,189 IN SPONSORSHIPS**

### Digital Media Security Conferences

Through its Fraud and Asset Protection Unit, Popular delivers a series of conferences on digital media security. These conferences are intended to guide teens in the management of digital communication and prevent behaviors such as cyberbullying and sexting.

**Over 300 students participated in seven lectures held in schools throughout the Island.**

### "Finanzas en tus Manos"

This is a financial education program that aims to educate and offer guidance to citizens on how to manage personal finances. The program hosts workshops throughout the Island for students, teachers, businesses and families.

**28,594 PEOPLE PARTICIPATED IN 547 WORKSHOPS, SUCH AS "FINANZAS EN TUS MANOS," "TEACH A CHILD TO SAVE" AND "GET SMART ABOUT CREDIT".**



## "ECHAR PA'LANTE"

Social and multisectoral initiative that unites businesses, community efforts and individuals seeking to promote economic and entrepreneurship development on the Island.

- > In Puerto Rico, Babson College trained 53 university professors to develop and strengthen their entrepreneurial skills and continue training other teachers on the Island.
- > Expanded the School Communities Program to 21 middle schools in 18 municipalities, reaching 6,700 students.
- > Over 2,500 teachers trained in financial education, economics or entrepreneurship.
- > The Senior Entrepreneurship Summit, the Youth Entrepreneurship Summit and the "Echar Pa'lante" Summit: Welcoming Cities raised awareness on how to reverse the population contraction trend.
- > Recognized by the Clinton Global Initiative as one of the "most innovative programs."
- > Conducted the 4th and 5th "Red de Apoyo a los Empresarios" meetings with the participation of more than 150 practitioners to continue fostering collaboration and strengthen entrepreneurship.

## GRAMEEN BANK

**\$150,000 IN DONATIONS**

**600 MICRO ENTREPRENEUR ACCOUNTS TO SUPPORT THE PROFESSIONAL DEVELOPMENT OF WOMEN ON THE ISLAND.**

Photo above: Students from the Luis Muñoz Marín School in Cabo Rojo participate in a workshop on generating creative ideas as part of "Echar Pa'lante" School Communities Program.

Photo below: Kurt Schindler, project manager of "Finanzas en tus Manos", addresses a group of middle school students.





## MUSICAL PRODUCTION

### “Qué Lindo es Puerto Rico”

This musical production was based on the journey of a group touring natural and iconic places in Puerto Rico. The production showcases the beauty of our island and the genres of music we have adopted or that are common in the different areas visited.



**22 ARTISTS | 16 SONGS**  
**\$125,000 DONATION TO**  
**FUNDACIÓN BANCO POPULAR**

### “b-pop musical”

In 2014, b-pop musical conducted two performances to promote the production of “Qué Lindo es Puerto Rico”:

- > **University of Puerto Rico, Río Piedras Campus:** over 300 students enjoyed a free concert.
- > **Bahía Urbana:** more than 7,000 people enjoyed a concert, free of charge.

### Toy Drive

As part of the Popular Volunteer Program and its project “Comparte tu Navidad”, over 600 toys were donated to more than 10 non-profit organizations. The gifts, which were collected at the “b-pop musical” free concert in Bahía Urbana, were handed out by Populoso to boys and girls of the selected organizations.



## EXHIBITIONS

With the purpose of promoting the arts and culture, Popular hosted four exhibitions during the year in the Popular Center lobby in Hato Rey.

### January 2014

#### **Watermelon, Smiley Faces, Ice Cream, Popsicles, Avocado and Sun**

Promoted contemporary art through an exhibition of the works of North American artist Katherine Bernhardt.

### February 2014

#### **COLPERMA, part 2**

Popular joined the Museum of Contemporary Art in the celebration of the Museum’s 30 years.

### June 2014

#### **“Fracciones en el Tiempo: recuento de la trayectoria de la Asociación de Fotoperiodistas de Puerto Rico”**

Presented a selection of photographs from the 22 years of the contest sponsored by the Puerto Rico Photojournalist Association.

### November 2014

#### **“Qué Lindo es Puerto Rico”**

Photographic overview of the musical production “Qué Lindo es Puerto Rico”.



# Environment

**WE HAVE A FIRM COMMITMENT TO PROTECT OUR ENVIRONMENT AND PROMOTE CLEAN, HEALTHY AND ECO-FRIENDLY SURROUNDINGS.**

## “COGE PON POR EL AMBIENTE”

For the seventh consecutive year, Popular and the Puerto Rico Department of Transportation and Public Works invited the public to “hitch a ride for the environment”. The initiative promotes the use of public transportation, bikes and walking to increase public awareness about the high level of CO<sup>2</sup> emissions in the environment.

## EARTH HOUR

We supported the Earth Hour initiative to educate the public about the excessive use of electricity by turning off the lights for one hour in Popular’s main buildings in Puerto Rico, United States and the U.S. Virgin Islands.



Popular executives hitch a ride for the environment.

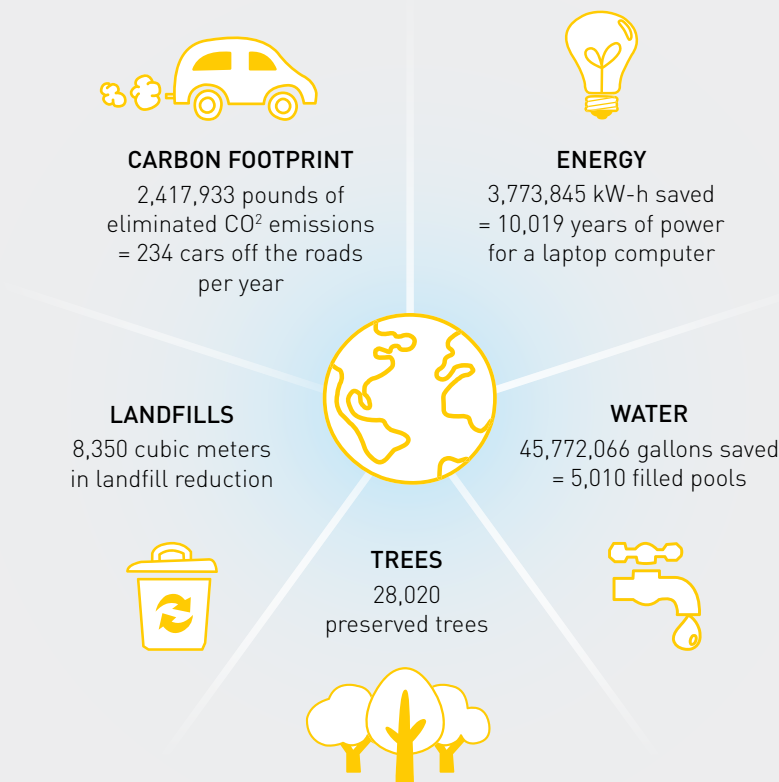
## RECYCLING

Popular’s main buildings recycled:

**4,775 LBS. LAMPS**  
**1,252 LBS. BALLAST**  
**2,295 LBS. PLASTIC**  
**20,440 LBS. NEWSPAPERS**  
**68,360 LBS. CARDBOARD**  
**2,825 LBS. ALUMINUM**  
**28,990 LBS. PAPER**



**DURING 2014, POPULAR RECYCLED 1,221 TONS OF PAPER. THIS HAS RESULTED IN:**



Results of the program for Secure Shredding with Iron Mountain from 01/2014-12/2014 in Puerto Rico and the United States.

This report was printed on Mohawk Via, 100% recycled paper, produced with wind power.

**E-BILLS / E-STATEMENTS** THE TRANSITION TO E-STATEMENTS CONTINUES TO POSITIVELY IMPACT OUR ENVIRONMENT. ELECTRONIC STATEMENTS ARE SENT TO **695,000 DEPOSIT AND CREDIT CARD ACCOUNTS.**





Pond that functions as a sustainable irrigation system.

## GREEN BUILDINGS

Popular completed two major sustainability initiatives in branches and central buildings in 2014.

### New Fundación Banco Popular headquarters



#### FIRST BUILDING IN PUERTO RICO WITH A GREEN WALL ON ITS EXTERIOR FACADE

- > It contains a pond that is home to fauna and flora, creating an ecosystem and a sustainable irrigation method.
- > A rainwater irrigation system helps water conservation and prevents discharge to the city drainage system.

- > Decorative fascia and soffits were eliminated. The interior structure of the ceiling was painted white to take advantage of the reflection of light and provide uniform general lighting in an efficient way.
- > Tank for the fire extinction system was built above ground level to prevent invasive excavations that affect the water table.
- > The exterior of the tank functions as a waterfall, a vital element in the system of rainwater management for irrigation. It provides the aeration needed for the natural purification of water.

### Lares Branch Opening

Eighth eco-friendly branch on the Island

#### IT BOASTS THE FIRST PHOTOVOLTAIC PANELS SYSTEM AT POPULAR; MITIGATES CONSUMPTION BY 70%.

- > First branch with a system of collected rainwater for reuse in irrigation system.
- > Electrical system composed of passive/active solar lamps (Solatubes) and high-performance LED lighting that reduces energy consumption.
- > Air conditioning designed in combination with inverter machines. It's tonnage is much less than what was traditionally used.
- > Walls and ceiling covered in thermal insulation. Windows protected from the sun by eaves or similar structures.
- > Large low-speed fans facilitate the circulation of the air inside and help distribute the air conditioning more efficiently.
- > Decorative fascia and soffits were eliminated. The interior structure of the ceiling was painted white to take advantage of the reflection of light and provide uniform general lighting in an efficient way.



System of photovoltaic panels to mitigate energy consumption.



# Our People

OUR PEOPLE ARE **OUR MOST IMPORTANT ASSET**. WE CONTINUE TO MOVE TOWARDS A CULTURE OF HIGH PERFORMANCE IN WHICH WE SEEK TO SUPPORT THOSE WHO WORK **EVERY DAY FOR THE WELL-BEING OF OUR INSTITUTION**.

## EMPLOYEE PROFILE

Full time	7,389
Reduced week	33
Part-time	505
Seasonal workers	95
<b>Total employees</b>	<b>8,022</b>

\* This information includes Banco Popular de Puerto Rico, Popular Community Bank and U.S. Virgin Islands.

## MINIMUM WAGE INCREASE

In order to continue evolving into a high-performance institution, during 2014 we increased the minimum base salary to \$9 per hour for our employees at Banco Popular in Puerto Rico.

**2,400 EMPLOYEES** BENEFITED  
**\$4.2 MILLION** ANNUAL INVESTMENT



## CORPORATE PROGRAMS

- > **Rafael Carrión Jr. Scholarship Fund:** Awards scholarships to children of active or retired employees for their post-secondary education.

**\$321,675** AWARDED THROUGH  
**181** SCHOLARSHIPS

## Acknowledgements to Our People

- > **“Corazón Popular”:** Acknowledges colleagues who exemplify service and show that customers are our priority and reason for being.
- > **Popular Excellence Award:** Emphasizes the exceptional performance of colleagues who exemplify our Institutional Values.
- > **Night of Stars:** In recognition of colleagues who excelled in sales and service throughout the year.
- > **Administrative Professional:** We recognize dedication and commitment of our fellow secretaries and assistants.
- > **Years of Service:** Promotes a sense of belonging, commitment and loyalty.



## HEALTH AND WELLNESS PROGRAM

We remain committed to offer health and wellness programs that allow our employees to achieve and maintain a healthy lifestyle.

### Employee participation

Annual preventive examination	1,864
Influenza vaccination	625
Health coordinators	381

### Visits to gyms

Employees	23,710
Family members	3,902
Retirees	1,596

These numbers only include employee participation in Puerto Rico.

## Physical training and sports programs

**10,956** INDIVIDUALS PARTICIPATED  
IN OUR SPONSORED GYM ACTIVITIES  
AND SPORTS LEAGUES.

## Health Risks Assessment

**347** PARTICIPANTS

Through this assessment, our employees receive an individualized overview with recommendations to maintain or improve their quality of life.

## Health and Wellness Internal Center

### 685 PARTICIPANTS

On the day of our 121<sup>st</sup> anniversary we opened our On-site Health and Wellness Center exclusively for Popular employees. The objective of the center is to allow employees to receive primary care and an annual preventive examination, free of charge. During the evaluation, employees receive guidance on how to improve or maintain their health and prevent the onset or progression of disease.

## Family programs

- > **Summer and Christmas Camp:** Dedicated to creative and sports activities.
- > **Institute for Leaders:** Develops life skills such as leadership, interpersonal relations, management of conflict and peer pressure, decision-making, values, and self-esteem. The Institute is available to teenage children of active and retired employees.



## PROFESSIONAL DEVELOPMENT

Committed to the growth and professional development of our employees at all levels of the organization; programs are offered in leadership and professional development, specialized businesses, customer service, regulatory compliance and organizational development.

### 1,259 SESSIONS | 18,550 PARTICIPANTS

- > **Leadership Academy for Executives:** Program offered to 100% of Division Managers and the Senior Management Committee.
- > **Lean Six Sigma:** Efficiency program that uses collaborative efforts to improve the performance of the institution.

### \$1.2 MILLION IN COST REDUCTIONS IN TARGETED PROJECTS

## FINANCIAL WELL-BEING

Popular offers its employees **defined contribution savings plans** in Puerto Rico and the United States to help them meet their financial goals and reduce their current income taxes.

**We contribute 50 cents for every \$1 that employees save, up to 4% of the compensation of the participant for each payroll period.**

## Employee participation

### 90% IN PUERTO RICO 85% IN UNITED STATES

PHOTO: The Alpine Tower self-esteem and teamwork exercise, part of a workshop of the Institute for Leaders.

## Workshops on personal finances

More than **500 employees participated** during 2014 in our personal finance workshops: "Your Finances, Your Future and You", "Managing your Investments", "I Want to Retire 10 Years from Now" and "Are You Ready to Retire?".

## PULSO

The PULSO internal survey aims to gather employee perception on various aspects of their work in a consistent manner.

### 74% OF EMPLOYEES WHO PARTICIPATED IN THE SURVEY ARE SATISFIED WITH POPULAR.

## AWARDS

- > **Bank of the Year in Puerto Rico**, "The Banker" magazine
- > **Best Consumer Bank in Internet Banking**, "Global Finance" magazine
- > **Best Bank in Social Media**, "Global Finance" magazine
- > **Best Financial Literacy Program in the United States and Puerto Rico**, American Bankers Association, for the program "Finanzas en tus Manos"
- > **George Bailey Distinguished Award** of the American Bankers Association presented to Kurt Schindler, vice president and project manager of "Finanzas en tus Manos"





[MENÚ](#) ← →

b-pop musical, Bahía Urbana

Free concert to promote the musical production "Qué Lindo es Puerto Rico", benefitting the efforts of Fundación Banco Popular to contribute to the musical education of young Puerto Ricans.



