



OUR ESSENCE

CORPORATE SOCIAL RESPONSIBILITY
REPORT

2017



Popular's steadfast commitment to the communities we serve has been one of our core values throughout our history.

A message from Our Leadership

Our founders, 124 years ago, set out to create an organization that would serve the neediest and most neglected segments of society. As we have grown and evolved from that small bank to a large financial institution with operations in Puerto Rico, the Virgin Islands and the U.S. mainland, that commitment has only grown stronger and runs deep among all Popular employees, from top executives to front-line employees who serve our customers on a daily basis.

Our initiatives to improve the social and economic well-being of our communities revolve around the work of our corporate foundations — Fundación Banco Popular and Popular Foundation —, corporate donations, the *Echar Pa'Lante* multisector alliance, and *Finanzas en Tus Manos*, our financial education program. In 2017, we donated more than \$3.1 million, helping to fund education, community development and financial literacy programs.

However, our efforts during the year went way beyond our traditional initiatives, as we swiftly responded to the destruction wrought by Hurricanes Irma and María that struck Puerto Rico and the Virgin Islands in the span of two weeks, leaving entire populations without power, water, telecommunications and access to basic supplies.

In the wake of this devastation, Popular demonstrated its unwavering commitment to its clients, employees and communities by rapidly restoring access to banking services and reaching out to those who needed it most. We refocused our traditional initiatives on the post-hurricane reality and launched new ones to provide relief and accelerate the recovery process. We leveraged our financial resources, contacts, physical facilities and our employees, who behaved heroically, demonstrating their remarkable resilience, unconditional support, and generous spirit.

We are proud of all we accomplished, yet aware of the great responsibility we have. As we celebrate our 125th anniversary, we reaffirm our commitment to continue working hand in hand with our customers, employees and partnering organizations to enhance the quality of life of the communities we are fortunate to serve.



RICHARD L. CARRIÓN
Executive Chairman
Popular, Inc.



IGNACIO ALVAREZ
President and Chief Executive Officer
Popular, Inc.





OUR COMMUNITY





For the past 124 years,
Popular has been committed to
the communities it serves.

Our corporate social responsibility efforts are an integral part of the Corporation's institutional values. Consistent with the foregoing, in 2017 we responded to our calling like never before after the impact of Hurricanes Irma and María.

Our initial focus for 2017 was to provide continuity to the projects that have been important in supporting the economic, social and cultural management of the communities we serve.

WE ACCOMPLISHED THIS THROUGH FOUR MAIN INITIATIVES:

1

CORPORATE FOUNDATIONS

Fundación Banco Popular and Popular Foundation, established in 1979 and 2004, respectively, with the mission of strengthening the social and economic well-being of the communities.

2

CORPORATE DONATIONS, SPONSORSHIPS AND EVENTS

We contribute to charities and nonprofit organizations in projects that are aligned with our areas of focus - Community Development, Education, Sports and Culture.

3

ECHAR PA'LANTE (EPL)

Launched in 2012, this multisector alliance promotes quality of life, education and entrepreneurship, among other initiatives, as a way of addressing our socio-economic challenges and promote local economic development.

4

FINANZAS EN TUS MANOS (FETM)

Popular program that offers financial education workshops to communities.

Through these initiatives, Popular's goal has been to replicate strategies and programs that have been effective, as well as to venture into new projects that would bring even more convincing results. Moreover, Popular has served as an advocate for local nonprofit organizations to facilitate investment from U.S. funders.

But nature had other plans for us for during latter part of the year. In September, Puerto Rico became the target of two powerful Hurricanes, Irma and María - the third-strongest hurricane ever to hit the U.S., leaving widespread devastation in its path, 100% of Puerto Rico without power and very limited communications.

During the aftermath of the storms, which also wreaked havoc on the Virgin Islands, *Fundación Banco Popular* and Popular Foundation played a key role in helping to rebuild those communities that were hit the hardest.

Our team demonstrated its creativity, dedication and generous spirit by focusing on efforts to help our islands get back on their feet as quickly as possible.

We launched two main hurricane relief efforts: *Puerto Rico Abraza las Islas* (after Hurricane Irma to provide support to neighboring islands, such as the Virgin Islands, and Culebra) and *Embracing Puerto Rico* (after Hurricane María.)

Puerto Rico Abraza las Islas was able to raise \$246,000, including the matching contribution from Popular.

Embracing Puerto Rico was started to support the recovery efforts of the most affected communities after Hurricane María, with immediate, intermediate and long-term projects. A total of \$6.1 million has been raised from corporate and individual donors, including the initial contribution of \$1 million from Popular.

Despite these tremendous challenges, *Fundación Banco Popular* and Popular Foundation accomplished significant results in 2017, setting the groundwork for the tasks that need to be completed to rebuild Puerto Rico in the post-María reality.

Fundación Banco Popular and Popular Foundation

FUNDACIÓN BANCO POPULAR 2017

75
Supported organizations

\$2,246,736
Total donations granted

CATEGORIES	
Scholarships	\$189,804
Teachers Training	\$135,000
Capacity Building	\$270,000
Economic Development/Business Training	\$122,500
Alternative Education	\$324,000
Arts Education	\$462,000
Special Education	\$235,780
After-school programs	\$267,840
Mentorship	\$239,812

POPULAR FOUNDATION 2017

25
Supported organizations

\$332,085
Total donations granted

CATEGORIES	
Non-for-profit organizations	\$159,585
Strategic Alliances	
Operation Hope	\$150,000
Cristo Rey New York High School	\$22,500

Both Foundations have become Popular's philanthropic arm, focusing mainly on supporting education and social economic development programs, promoting individual and community sustainability and helping communities work with and develop their own resources.

In 2017, both organizations helped us impact over 100 nonprofit organizations that served more than 20,000 individuals.

Fundación Banco Popular provides grants to projects by Puerto Rico nonprofit organizations that help advance our mission of improving the quality of life of Puerto Ricans. To be eligible to receive funds, every project should be directed toward one of the foundation's focus areas.

The Foundations invest exclusively in social impact programs that furnish direct services in education, community development and financial literacy.

Total Fundación Banco Popular donations reached \$2.2 million, impacting close to 20,375 individuals through 75 organizations. The Popular Foundation donated \$332,000 to 25 organizations. This was all made possible by our employees' contributions and Popular's match.

In 2017, our employee volunteer program became more relevant than ever. We merged *Make a Difference Day* - our most important annual corporate volunteer event, and *Comparte Tu Navidad* (Share your Christmas). We executed a total of 82 projects with the participation of 1,229 employees.

More than 30% of Popular employees participated in volunteer activities during 2017. We launched the Time Off for Community Work Program so that our employees can annually have eight hours of paid time-off in Puerto Rico and 16 hours in United States to engage in community service. As of December 31st, 11% of employees in Puerto Rico and over 17% of employees in the United States had taken part in this benefit.

Meanwhile, the *Rafael Carrion, Jr. Scholarship Fund* granted \$329,000 in scholarships to 234 students, children of employees and retirees of Popular and EVERTEC.

HACKEA POR UNA CAUSA

Fundación Banco Popular through its Social Collaboration and Innovation Community (our co-working and innovation space), designed and launched the *Hackea Por Una Causa* event, which brought together community leaders, nonprofit organizations and entrepreneurs to collaborate on digital solutions that create social value in Puerto Rico.

Over 300 people attended the event: 170 hackers worked in teams and 100 nonprofits participated in nine capacity building workshops. The hackathon managed to develop 17 types of technologies and recognized the best six platforms on two main criteria: functionality and social impact.

This effort's main product was Connect Relief, a mobile application that facilitated collaboration among the organizations and agencies providing aid after Hurricane María by listing specific community needs and ensuring supplies and services were distributed properly. More than 200 volunteers were trained and an additional 400 individuals used this platform to address the needs of more than 5,000 families in 277 communities across 70 municipalities. In addition, 86 nonprofit organizations used the platform to summarize and communicate their needs to funders in the aftermath of the hurricane.



Corporate Donations, Sponsorships and Events

Corporate donations totaled \$2.3 million in 2017, compared to \$1.4 million in 2016. Corporate donations exclude the corporate match of employee contributions to Fundación Banco Popular. The match donation amount for 2017 was \$532,000.



Echar Pa'Lante

The *Echar Pa'Lante* (EPL) program continued making progress by developing a critical mass of entrepreneurship educators and facilitating the establishment of an integrated collegiate community, by having 417 college educators start their certification via the EPL Capacity Building Strategy. In addition, EPL led the initiative of the private and public-sector efforts to integrate entrepreneurial education in the Pre-K to 12 curriculums. During 2017, EPL also completed the development and coordination to start offering the MIT Launch Clubs Experience in Puerto Rico - an initiative that impacted entrepreneurship clubs in over 100 public and private schools.

After Hurricane María, EPL redirected its efforts temporarily. The main objective was to leverage the EPL Multisector Alliance experts, established teams

and ongoing education and entrepreneurship workstreams to help rebuild Puerto Rico and restore growth. These efforts included:

- ▷ **Enable Collective Planning and Action:** Transfer Knowledge on Disaster Relief, Recovery and Rebuilding to Multisector Leaders via EPL forums and planning workshops.
- ▷ **Nurture Hope:** Fostered the development of a collective positive and motivate forward thinking and an enterprising renewal mindset.
- ▷ **Get kids *back to school*:** Helped PK-12 students continue their learning journey wherever they are located through enterprising Project-Based Learning and Service-Based Learning.

Finanzas en Tus Manos

Finanzas en Tus Manos (FETM) continued to develop a new corps of Popular Financial Educators through team and individual workshops, as well as one-on-one coaching. FETM focused on developing practical tools to support individuals in the management of their personal finances during this time of emergency.

FETM surpassed its original objective of reaching 25 trained educators island-wide and currently has 56 trained volunteers. The new FETM model was completed, as well as the content design. The external re-launch of the program is planned for 2018.

Hurricane Relief Efforts

PUERTO RICO ABRAZA LAS ISLAS AND EMBRACING PUERTO RICO

Fundación Banco Popular was able to deliver immediate relief such as food, water, cleaning and reconstruction materials, temporary shelter and medical attention to the most affected communities in the two months following the disaster.

Our current focus is to finance projects that will stabilize communities by providing access to clean water, solar energy and jump-starting Puerto Rico's economic recovery, among other projects.

Our plan for the next phase, the long-term impact stage, is to support projects that will help rebuild Puerto Rico. We will challenge community-based organizations to re-imagine, re-think, re-define, and co-create solutions to our most pressing social challenges and provide them with the funds to execute those solutions in a bold manner.

The Fundación Banco Popular first mobilized care trucks and partnered with 20 nonprofit organizations to assemble and deliver immediate relief to these hard-hit communities, including food, water and medical supplies.

Over \$450,000 was invested in food and water and 500,000 pounds of food were delivered in 35 completed missions. This positively impacted more than 1,000 people living in shelters, 35,000 families and a total of 140,000 individuals.

Since November 2017 the program has visited different communities. Additionally, we directly helped six communities or organizations with construction supplies or funds, so they could provide additional relief after Hurricane María.

Efforts were focused on financing projects to stabilize communities, by providing access to clean water, solar energy and jumpstarting Puerto Rico's economy. Cleaning and construction supplies were acquired and donated to rebuild 250 houses in the Caño Martín Peña community, as well as two solar-hybrid powered, reverse osmosis water purification systems, which produce 180 gallons of water per day. One of these water purification systems was also installed in the island municipality of Vieques.

Additionally, 100 families in the Villa Calma community in Toa Baja were positively impacted. Moreover, infrastructure work and remodeling has begun at the Club de Tenis de Mesa Águilas de la Montaña de Utuado, which is the table tennis club founded by Adriana Díaz in hard-hit Utuado. Adriana Díaz is a Puerto Rican table tennis player. She represented Puerto Rico in the 2016 Olympics Games in Brazil.

A collaborative program with several arts organizations that the Fundación Banco Popular supports was activated shortly after the hurricane to provide dance, music and fine arts lessons as relief therapy. The goal is to promote hope, resilience and empathy to manage post-disaster emotions through the arts. *Fundación Música y País* benefitted more than 270 children in 27 shelters throughout the island with music therapy interventions and activities. Along with the Hispanic Federation, Fundación Banco Popular invested in a collaboration between four nonprofit art organizations to impact more than 700 children and youngsters in 25 municipalities. The Boston Foundation is also supporting this initiative with \$175,000, allowing this program to run through Q3/Q4 2018.

The Fundación Banco Popular building served as an operations hub for two months after Hurricane María and hosted more than 120 entities (nonprofit

organizations, startups, etc.) during this period, ensuring business continuity. More than 100 people from different organizations worked daily in our facilities and numerous collaborations emerged from them being together during that time.

Since our building had to go back to business as usual, we identified eight university campuses in Puerto Rico to create regional hubs based on our model at the Fundación for the benefit of entrepreneurs and nonprofits that still lacked electricity and needed a place to work.

Other support projects focused on providing better energy and access to water solutions. In 2017, two communities benefitted from the installation of desalination plants. Through a partnership with Planet Water Foundation, 12 AquaTower water filtration systems were deployed in communities in need of clean and safe water consumed by more than 1,000 people each day.

An alliance was formed with Resilient Power Puerto Rico to strengthen the facilities of eight nonprofit organizations that acted as community centers to provide basic services to the community following the hurricanes.

Furthermore, \$250,000 was deployed in grants through *Grupo Guayacán Inc.*, to small businesses that are alumni of their entrepreneurial development programs, to benefit businesses with emergency funding. In general, 22 businesses in the areas of agribusiness/food, technology, creative, education, energy and tourism received these small business grants, to restart their operations, keep their doors open and resume their path to growth.

Although our employees were also affected by the 2017 hurricanes, more than 30% of them gave their time to help, different organizations, such as public schools, animal shelters and homes for the elderly.



OTHER COMMUNITY EFFORTS

Popular has been an ally of the arts for a long time, with music being one of the areas where we have contributed the most. During 2017, Popular's musical special production had its 25th year of uninterrupted production. *Nuestra Isla, Nuestro Encanto* (Our Island, Our Enchantment) includes a DVD with music and interviews reflecting on some of the festivals and musical traditions unique to Puerto Rico.

Proceeds from Popular's musical specials help the organizations, schools and communities that Fundación Banco Popular supports. In 2017, following Hurricane María, part of the proceeds went to the *Embracing Puerto Rico* program.

Because most of Puerto Rico was without electricity after Hurricane María, Popular organized seven concerts throughout Puerto Rico the day that

Nuestra Isla, Nuestro Encanto was released. We joined forces with Caribbean Cinemas to show the musical production in 22 movie theatres, reaching 15,000 people.

Sports, as a way to maintain a healthy mind and body, continues to be an area that Popular has always supported, either through sponsorship of large-scale community events, or through its own events, such as the annual 5K race. The 13th edition of this race was held on August 20, 2017.

5K POPULAR RACE

3,553
registrants

\$50K
donated for the
Fundación Hospital
Pediátrico



NUESTRA ISLA, NUESTRO ENCANTO
(OUR ISLAND, OUR ENCHANTMENT)



5K POPULAR RACE



**OUR
PEOPLE**



Our people's motivation, commitment and expertise have made Popular the company it is today.

We employ more than 7,900 people in Puerto Rico, the Virgin Islands and United States. We care for their well-being and their families and strive to offer them a meaningful and rewarding work experience.

Diversity and inclusion (D&I)

Popular is committed to an inclusive culture that respects and embraces diversity. We recognize that D&I are key enablers of creativity and innovation. We continued to give high priority to this topic, and we

established a D&I council to implement and monitor the Diversity Policy and Strategy that encompasses Popular's diversity efforts and initiatives.

Fit for the Future

Popular is committed to attracting, developing and retaining the best talent and to having the right people in the right roles. It is through our employees' knowledge, experience and background that we can succeed and serve our customers in the best way possible.

- ▷ **Talent Acquisition:** We increased our social presence in Facebook and LinkedIn, and implemented Webex as a tool for virtual interviews.
- ▷ **Rewards:** Sustaining a competitive advantage in our markets is important to Popular, thus we regularly monitor and review our compensation and benefits packages.

- ▷ **Development & Growth:** Continuous learning and developing talent for current and future roles are fundamental for business success. We are broadening our learning and development infrastructure to deliver learning solutions that will inspire our employees to develop multifaceted skills, innovate, adapt to an ever-changing landscape, and feel empowered while clearly understanding expected behaviors. We also encourage employees to change roles within the organization through promotions, transfers and job postings.



WOMEN IN POPULAR



NEW EMPLOYEES WELCOMING ORIENTATION



Well-being

To promote the well-being of our employees, we developed new benefits to help them balance their work and personal life:

- ▷ **Bonding Time Leave:** All regular employees, regardless of their gender, can enjoy two paid weeks as bonding time after the birth or adoption of a child
- ▷ **Maternity Leave:** Mothers can now enjoy a leave of 10 weeks fully paid instead of the legal minimum of 8 weeks fully paid.
- ▷ Furthermore, the offerings at our On-Site Health and Wellness Center were expanded by adding a nutritionist and other medical services. The center is staffed by three physicians and employees have free access to annual check-ups and acute care.

Our People

7,900

employees



2,000

annual check-ups completed
at the On-Site Health and
Wellness Center

1,347

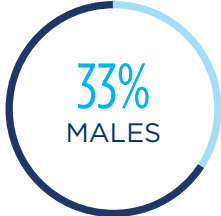
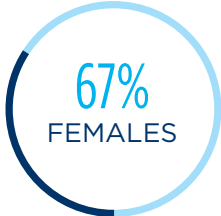
annual preventive exams
completed at contracted
facilities

40.5

avg. age

10.5

avg. tenure

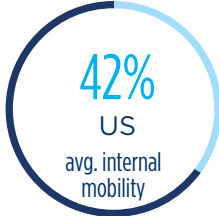
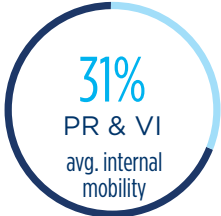


570

training
sessions

9,000

participations



Our People in the Communities

One of Popular’s most important core values is to work hand in hand with the communities we serve. More than 30% of Popular’s employees participated in volunteer activities during 2017. The employee volunteer program merged *Make a Difference Day*

and *Comparte Tu Navidad* (Share Your Christmas) into the *Embracing Puerto Rico* initiative. This volunteer effort completed 82 projects with the participation of 1,229 employees.

Hurricanes Irma and María

Our People at Popular — like so many in Puerto Rico — selflessly gave their time and resources following Hurricanes Irma and María to help those most affected by the storm. Our employees not only pulled through for our customers and communities, but also joined together to help their fellow colleagues, as well as other victims. The Our People Division team was privileged to be able to provide various types of assistance, along with Popular volunteers, to our fellow employees as well as to the community in general.

We prepared and delivered care packages, filled with basic needs to those employees in Puerto Rico and Virgin Islands who lost their homes due to Hurricanes Irma or María.

During the aftermath of the storms, the services of the *On-Site Health and Wellness Center* were extended to all employees and their dependents. Our *Wellness on Wheels* program also offered primary care throughout Puerto Rico.

For the first three weeks after Hurricane María, we offered childcare services for our employees in six of our main buildings in Puerto Rico.

We continued paying all employees their regular salaries while they were unable to arrive to their work areas during the aftermath of Hurricane María. In addition, we advanced the Christmas bonus payment for all employees in Puerto Rico.

CARE PACKAGES

600



Prepared and delivered

EMERGENCY GRANTS

\$793K



received by 261 employees

CHILDCARE

2,400



visits

DELIVERY OF SUPPLIES

2,000

meals

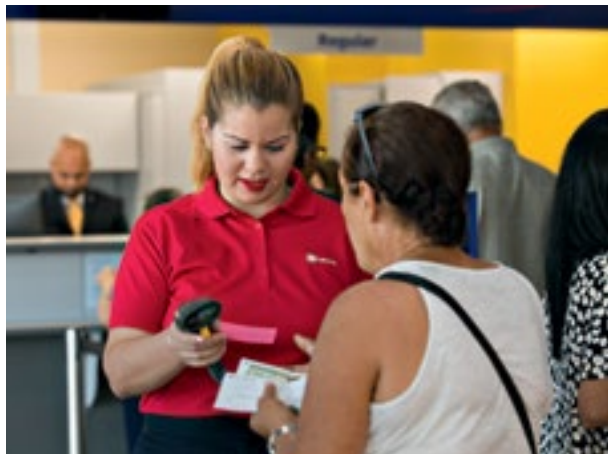
9,000

snacks

1,150



cases of water bottles



EMPLOYEE HELPING CLIENTS AFTER HURRICANE MARÍA



VIRGIN ISLANDS EMPLOYEES GIVING FOOD AFTER HURRICANE MARÍA



INNOVATION





Innovation has always been part of Popular's DNA. We are continuously looking for ways to simplify our customers' banking needs.

During 2017, Popular continued to enhance its digital channels to provide a seamless, multichannel experience for our customers, aiming for a simpler and more productive digital interaction. In 2017, *Mi Banco*, our digital banking platform, served 751,000 active customers, with an increasing trend of transactions originating through mobile devices. During the year, 77% of all logins and 78% of online payments and transfers were made through mobile devices.

Optimizing the digital experience continues to be one of our priorities, and it showed in improvements made to *Mi Banco* and our ATM channel through payment and deposit services such as *Depósito Fácil* (Easy Deposit), which enables our customers to make deposits at any time using our ATMs, and *Mobile Easy Deposit*, which allows customers to deposit checks through their mobile devices. During 2017, we captured 624,000 deposits through this channel, representing \$216 million.

Mi Banco improved the digital experience for Popular customers in 2017 by adding more features like SMS alerts for credit card purchases and enabling transactional *Mi Banco* customers to add non-Popular bank accounts to pay Popular Auto leases and mortgage loans.

We enhanced *Android* and *Samsung Pay* Digital Wallets to allow customers to use their ATH International debit card. The *ePayroll* service is now available to make it easier for commercial customers to manage their payroll. These customers can also enroll in *Mi Banco Comercial* with the *B-Smart* account to make deposits via *Mobile Easy Deposit*.

We also introduced the new *Mobile Withdrawal* service (*Retiro Móvil*), which allows *Mi Banco Móvil* customers to withdraw or send cash to anyone, even if the recipient does not have a bank account, using Banco Popular ATMs with their mobile device, eliminating the need for a debit card. By year's end, *Retiro Móvil* had 65,000 customers (60,000 BPPR and 5,000 non-BPPR) enrolled and 35,000 cardless transactions had been completed.

ATH Móvil continued to close a major service gap for the population that has a bank account, but not necessarily an ATH card. In 2017, we enabled customers to use *ATH Móvil* within the *Mi Banco app* without the need for a separate login. By the end of 2017, there were 599,000 active *ATH Móvil* users and 28 million transfers had been made totaling \$1.7 billion. Of these transfers, more than 18% were made through *Mi Banco Móvil*.



SAMSUNG PAY



RETIRO MÓVIL

The Retail Network Transformation initiative continued in the mainland U.S. By the end of 2017, 28 branches in New York, New Jersey and South Florida were transformed to provide a fully digital experience and open space concept, removing all barriers between tellers and customers. The branches also have 'smart' ATMs offering the option of *Easy Deposit*.

In terms of the employee's digital experience, 94% of the Corporation successfully migrated to Office 365, which offers greater flexibility in work arrangements and improves collaboration and productivity.

Popular continues to significantly invest in information security and to provide more robust systems to ensure that customer information is safeguarded while enhancing the digital experience.



MADISON AVENUE BRANCH, NEW YORK

Jedis

It is evident that 2017 was not a typical year in Puerto Rico and because of Hurricane María's aftermath, we were forced more than ever to operate in an unusual manner, to continue serving our customers during a crucial point in time. Since telecommunications were down, our usual, digital way of operating and reconciling accounts was not an option. This is how the "jedis" were born, a group of employees that found a solution to this issue by going back to the old ways. With shifts starting at 2 a.m., employees would meet and manually reconcile account transactions, transfer them to tablets and parted to different regions of the islands so branches could open and provide cash to customers at a time when cash was the only method of payment and gas was scarce. They would then come back to reconcile accounts once again and start the process all over the following day.



JEDIS

While innovation may be a relatively new term, it has been embedded in Popular since our very beginning. Continuing to develop new services and features, enhancing our operations and, sometimes, even having to go back to the old ways of doing things to fill an immediate need, are some ways in which our people continue to innovate and serve our customers and our communities.