

# community annual report



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Popular, Inc. is a full-service financial institution based in Puerto Rico with operations in Puerto Rico, the United States, the Caribbean and Latin America. The Company was founded in 1893 in Puerto Rico for the purpose of bringing banking services to the unbanked. As the leading financial institution in Puerto Rico, with over 300 branches and offices, the Corporation offers retail and commercial banking services through its franchise, Banco Popular de Puerto Rico, as well as auto and equipment leasing and financing, mortgage loans, consumer lending, investment banking and insurance. In the United States, the Corporation has established a community banking franchise providing complete financial solutions to all the communities it serves. Banco Popular North America operates over 140 branches in California, Texas, Illinois, New York, New Jersey and Florida. Popular Financial Holdings, with 135 retail lending locations, offers mortgage and personal loans, while E-LOAN provides online consumer direct lending to obtain mortgage, auto and home equity loans. The Corporation, through its financial transaction processing company, EVERTEC, continues to use its expertise in technology and electronic banking as a competitive advantage in its expansion throughout the United States, the Caribbean and Latin America. The Corporation is exporting its 113 years of experience through these regions, while continuing its commitment to meet the needs of retail and business clients through innovation, and to fostering growth in the communities it serves.

## Message from the Chairman, President and Chief Executive Officer



I carry in my pocket a little card with a list of Popular's institutional values: social commitment, customer, integrity, excellence, innovation, our people, and shareholder value. It is no coincidence that social commitment is at the top of that list, since our company was founded with a mission to serve the underserved in our communities. More than one hundred years ago, a small group of dedicated visionaries determined to bring banking services to everyone, especially those less fortunate, founded Banco Popular in Puerto Rico. Since then, we have not wavered in that commitment to serve.

We believe businesses cannot prosper if the communities that surround them do not prosper. That belief is at the core of everything we do and the reason why we are as rigorous with our social investments as we are with our business decisions: we expect an optimum return on investment from both.

As we have grown and expanded into new markets, we also have made an effort to wield a positive impact in the communities we serve. Improving educational opportunities for the children and youth of those communities is an area of particular focus at Popular, where education is held as the key to a better future for our people.

All this has been possible through the combined efforts of Fundación Banco Popular in Puerto Rico and Banco Popular Foundation in the U.S., our Community Reinvestment Act teams, our community relations initiatives, and the hard work of more than 12,000 of my Popular colleagues. In 2006, we contributed \$4.1 million through our foundations and contribution programs. While this achievement is extremely rewarding, I am especially proud of Our People's dedication to social commitment. Across our company, we encourage our employees to volunteer, participate in not-for-profit organizations and support local causes to help develop their communities.

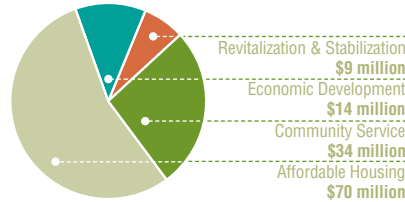
This, our first Community Annual Report, highlights the ways in which we work to build better communities. It is also a tool to track our contributions and to benchmark our progress in this continuous effort to make a difference. I wish to thank everyone who contributes to this endeavor and look forward to sharing more achievements with you in the years to come.

Sincerely,

A handwritten signature in dark blue ink, appearing to read 'Richard L. Carrión'. The signature is stylized and fluid.

Richard L. Carrión

Community Development Loans  
Puerto Rico



*In 2006, BPPR granted over \$1.9 billion in small business loans and over \$127 million in community development loans.*

At Popular, we are committed to community building and service, transforming lives and making a positive difference where we live and work. We provide meaningful support to low- and moderate-income families and neighborhoods in our communities. Our dedicated Community Reinvestment Act (CRA) teams in Banco Popular de Puerto Rico and Banco Popular North America work together with other community relations areas of Popular, transforming our mission and values into action.



### PUERTO RICO

As the leading financial institution on the island, Banco Popular de Puerto Rico (BPPR) offers a variety of services that impact small businesses, starting entrepreneurs, first-time homebuyers and not-for-profit organizations every day. Initiatives focusing on economic development and affordable housing are also part of our main objectives.

#### *Banco Popular de Puerto Rico We lend to our communities*

- > We are proud to be number one in Small Business Administration (SBA) lenders in Puerto Rico. We are also leaders in small business, community development and multifamily lending.
- > Through *Vivienda Popular*, 9,000 individuals participated in trainings and seminars related to homeownership and affordable housing products and programs.
- > Our multifamily and construction teams granted loans that allowed the development of 4,000 affordable housing units.
- > We provided over \$2.6 billion in home improvement and home purchase loans.

#### *We invest in our communities*

- > We invested over \$77.5 million in CRA qualified investments that promote affordable housing

projects and economic development initiatives.

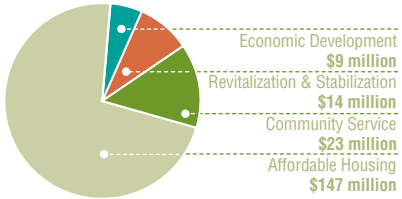
- > We granted more than \$1 million in donations that impact low- and moderate-income individuals and communities around the island.

#### *We serve our communities*

- > At BPPR, we have always been committed to meeting the needs of individuals and businesses through innovation and accessibility.
- > We are the undisputed leader in terms of presence throughout Puerto Rico with 191 branches.
- > In addition to our branches, we provide our customers with: Internet Banking, *TeleBanco Popular*, our telephone banking service, flexible banking hours, and a total of 597 ATMs around the island.

Reflects 2006 data submitted to, but not yet validated by our regulators.

Community Development Loans  
United States



*In 2006, BPNA granted over \$520 million in small business loans and over \$193 million in community development loans.*

## UNITED STATES

Banco Popular North America (BPNA) is deeply rooted in each of our communities. Their story is our story. Honoring our Corporation's century-old commitment to provide banking and financial services to those in need, we stand loyal to these values and promise to support, connect, listen to dreams, and volunteer time and energy. We promise to Make Dreams happen for and with our communities.

### *Banco Popular North America We lend to our communities*

- > We are proud to be one of the top four SBA lenders in the U.S.
- > In 2006, we assisted 3,390 businesses by granting over \$520 million in small business loans and invested over \$193 million in community development loans to revitalize our neighborhoods.
- > Our community development lending initiatives provided \$71 million in multifamily lending. With the collaboration of Housing and Urban Development and other state and loan agencies or intermediaries, we created over 3,200 units of affordable housing.
- > We granted over \$2 billion in home improvement and home purchase loans.

### *We invest in our communities*

- > We purchased over \$27 million in bonds and securities in our investment portfolio, supporting

affordable housing, economic development and other community development initiatives.

- > We contributed more than \$380,000 to organizations that impact low- and moderate-income individuals and communities within our area.

### *We serve our communities*

- > We worked together with our community partners, both locally and nationally, to provide financial literacy services. In 2006, we served over 125,000 individuals

through our First Time Home Buyer, Home Mortgage, Small Business seminars and Tax Preparation Assistance.

- > Junior Achievement is BPNA's strategic partner to inspire young people to value free enterprise, business and economics to improve the quality of their lives. Our employees reached over 3,655 students in 131 classrooms at the elementary and high school levels and contributed over \$207,000 to their school programs.



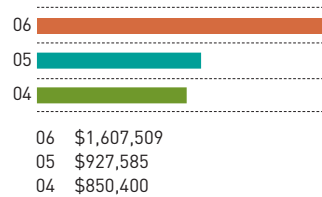
ACCION USA is a private, not-for-profit organization that provides microloans and other financial services to low- and moderate-income entrepreneurs who are unable to access bank credit for their small businesses. With economic opportunity, these entrepreneurs – often minorities and women – can build assets, better provide for their families, and strengthen their communities.

In 2003, BPNA established a partnership with ACCION USA to provide an alternative service to our clients. Through the partnership, we served over 1,400 business owners, investing over \$1 million in our communities.

In 2006, BPPR also established a partnership with ACCION, and started promoting this liaison among community-based organizations throughout the Island, government agencies, our branches and potential customers.

Reflects 2006 data submitted to, but not yet validated by our regulators.

Fundación Banco Popular in Puerto Rico  
Grants to Not-for-Profit Organizations



*In Puerto Rico, 64% of Popular employees contributed \$578,600 to Fundación Banco Popular. The Corporation matched the amount dollar for dollar.*

Fundación Banco Popular was established in 1979 to provide the Corporation with a philanthropic structure focused on the educational needs and social development of Puerto Rico.

**PUERTO RICO**

Twenty-seven years after its establishment, Fundación Banco Popular fulfills its mission through grants, scholarships, awards, and other programs. In 2006, we invested a total of \$2 million in our communities.

Through grant making, Fundación Banco Popular invests in not-for-profit organizations that offer services by means of after-school programs, community libraries, school drop-out prevention programs, mentorship and arts education. We also support programs focused on leadership development and community strengthening. This

year, we invested \$1,607,509 to support 69 not-for-profit organizations.

We seek to contribute more than financial support to each organization sponsored. Popular's employees play a vital role in Fundación Banco Popular's efforts by actively participating in the day-to-day activities, operations and governance of sponsored organizations.

Access to higher education for our youth is a main focus of Popular's philanthropic efforts. The Rafael Carrión, Jr. Scholarship Fund was established in 1992 to provide scholarships to the children of Popular employees. This year, we granted 102 scholarships totaling

\$146,200. In addition, in 1994, we endowed the Rafael Carrión, Jr. Scholarship at The Wharton School of the University of Pennsylvania to provide Puerto Rican students the opportunity to attend one of the top business schools in the world. Four students received this scholarship in 2006. In 2005, we created the Rafael Carrión, Jr. Academic Excellence Award to reward academic achievement among high school seniors in Puerto Rico. Each year, 85 students receive the Award.

We are also committed to strengthening not-for-profit performance by helping organizations maximize their resources so that they can provide better services. Five not-for-profit organizations completed the initial phase of our capacity-building program in May 2006. This first effort required each organization to evaluate its mission in order to determine more efficient ways to accomplish results.

**Fundación Banco Popular Board of Trustees**

- Richard L. Carrión, President
- Tere Loubriel, Treasurer
- Alfonso F. Ballester
- María I. Burckhart
- Francisco J. Carreras
- David H. Chafey, Jr.
- Louis Christiansen
- Jorge E. Marchand
- Manuel Morales, Jr.
- Ernesto Mayoral, Esq., Secretary

**Executive Director**  
Beatriz Polhamus

**MUSIC MATTERS** Fundación Banco Popular also supports music education as an important building block of our social and cultural development. Music education has been proven to develop critical thinking and self-discipline skills, as well as bolster self-esteem and school attendance. This year we partnered with other local organizations on "Revive La Música," a project to collect and restore used musical instruments. The 400 instruments collected will be restored and donated to schools, community bands and other not-for-profit organizations that manage music education programs.



In 2004, we established the Banco Popular Foundation in the United States with a simple but powerful mission: “To strengthen the social and economic well-being of the communities we serve and Make Dreams Happen.”

## UNITED STATES

Our Foundation focuses on community development and education programs in each of our markets: California, Florida, Illinois, New Jersey, New York and Texas.

Banco Popular Foundation is funded by the Corporation and Banco Popular North America (BPNA) employees. This year, 45% of BPNA employees participated and their donations were matched by the Corporation, raising \$400,000 to support 34 organizations. Each of these organizations has a BPNA employee who serves as a sponsor for the organization.

### Banco Popular Foundation

#### Board of Trustees

Richard L. Carrión, President  
Roberto R. Herencia, Vice Chair  
Tere Loubriel  
Chris McFadden  
Brian Doran, Esq., Secretary

#### Executive Director

Christine M. Summers



## BANCO POPULAR FOUNDATION MAKES DREAMS HAPPEN FOR OUR COMMUNITIES!

**CLEARBROOK** is a not-for-profit organization that serves more than 1,800 children and adults with developmental disabilities in Chicago and nearby communities. **New Moms** is Chicago’s leading organization serving the special needs of homeless teenage mothers and their children. Services include educational and career readiness programs. These organizations met at our Foundation’s DreamMakers Award event and realized they could form a collaborative partnership. The Clearbrook Café was created as an opportunity to provide employment for people being served by both organizations, along with a training center and on-the-job training. This innovative alliance is a great example of providing opportunity and fiscal stability in the not-for-profit arena. Banco Popular Foundation looks forward to partnering and supporting similar initiatives.

**NEW YORK CITY INDUSTRIES FOR THE BLIND**, located in Brooklyn, is the only not-for-profit in the metropolitan area providing on-site employment and training opportunities for blind and visually impaired men and women. The average unemployment rate for this group is estimated to be well over 70%. Today, there are over 100 workers of diverse nationalities at their facility, and come from all five boroughs of New York City. Our grant will be used to support specialized training for employees who are working on a government defense contract, as well as for future commercial and military projects. Banco Popular Foundation is proud to support the work of this important community organization.

## \$2.2 million in corporate donations

### Donations, Partnerships and Community

**Programs:** In addition to meeting the banking needs of low- and moderate-income neighborhoods, supporting our Foundations' causes and programs, and participating in community service activities, we have a contributions program. We support organizations and projects that focus on education, community development, sports, arts and civic endeavors. During 2006, Popular contributed a total of \$2,218,826 in Company donations. These contributions are often tied to employee volunteering.

### PUERTO RICO

#### *Compromiso Popular*

> In 2006, we launched Compromiso Popular, a program developed by Banco Popular de Puerto Rico (BPPR) that offers financial education and identity theft protection guidance. BPPR employees provided trainings in areas such as effective saving habits, credit protection, family budgets, and homeownership. The program was available to the public through our website, call center and our public town plazas across the island. In 2007, we plan to continue and expand the program with a special emphasis on financial education for all sectors and ages.



#### *Operación Éxito*

> BPPR invested \$150,000 in Operación Éxito, a technology tool that promotes a mathematics and science curriculum in public education through Internet-interactive exams. Students compete to participate in different adventures like diving, golf, and aviation by completing multiple-answer questions from their

current studies in mathematics and science, thus increasing their study time and their retention of the information. Four-thousand students from 160 public schools in Puerto Rico have already registered and 28 students have had their dreams come true winning wonderful adventures, while studying!

*Investing to improve educational opportunities for children and youth is a main focus for Popular.*

## UNITED STATES

### *DeVry University*

> Banco Popular North America (BPNA) launched the Banco Popular and DeVry University partnership for high school seniors and adult learners. The scholarship is available for high school graduates and adults who may be returning to school to obtain a college degree. In 2006, 119 of these Banco Popular Dream Scholarships, valued at more than \$1.5 million, were awarded.

### *Operation Hope*

> BPNA supports Operation Hope's Banking on Our Future program, a financial literacy program for youth ages 8–18. Operation Hope's mission is to eradicate poverty through the provision of economic education and ownership, creating stakeholders in the underserved communities of America.

### *Supplier Diversity in the United States*

We are proud of our Hispanic heritage and the Bank's commitment to diversity. We are a minority-owned institution and our philosophy is to strive to work with suppliers, whenever possible, who are also minority-owned or who demonstrate their commitment to diversity – whether that be in their customer base or vendor selection. In 2006, we exceeded our goal, and 39% of our discretionary purchases came from minority-owned businesses. Popular's long-term goal is to continue our business relationship with minority-owned businesses, especially with the people in the communities where we live and work.



## RAFAEL CARRIÓN PACHECO EXHIBITION HALL

Since 1989, the Rafael Carrión Pacheco Exhibition Hall, located in our Old San Juan landmark building, has served as a great venue for educational exhibits. From 2003 through 2006, we presented *Algo de Valor*, an exhibit about money for children and adults that explored the meaning of money in our lives. Money tells us something about ourselves, about what we value, history, culture and how we interact with others.

In 2006, some 5,707 students from our public and private school system visited our exhibit together with 5,155 visitors from the general public. As part of our public program we invested \$12,810 in reaching out to 545 students in two workshops: *About Money and Other Dilemmas* an original musical play written and produced by 45 public school students that was based on their views about the role that money plays in their lives. This workshop allowed students to expand their drama, music and dance skills using our exhibit space. The second workshop was a guided curriculum of activities for students in the Belén Blanco Zequeira Intermediate School that allowed for greater interaction between students and faculty. Bank and retired employees also volunteered, providing opportunities to discuss the value of money, financial planning and personal responsibility in our lives.

## Employee Volunteering

*In 2006, more than 6,000 Popular employees donated more than 46,000 hours of volunteer service.*

Our social commitment to work actively in promoting the social and economic well-being of the communities we serve is carried out every day by our employees. Popular and its employees go beyond what is expected and demonstrate their responsibility to their communities through our foundations, and employee giving and volunteering.

Volunteering has been part of Popular since its foundation and, in the last few years, we have been formalizing the process to support our employees' interests and efforts. To further support Banco Popular North America's (BPNA) community promise, employees may take 16 hours of paid time off during the year for community service activities. Popular Financial Holdings (PFH) employees may take two



days during the year. In addition, in 2006, we expanded our efforts to track employee volunteer hours through an Internet-based tool which will help us provide a more accurate picture of BPNA's total community contributions.

Our dedicated employees take action in our communities by participating in marathons and bowlathons benefiting not-for-profit organizations, building homes, serving meals to the homeless, visiting the sick, as well as volunteering as educators.

In 2006, we celebrated Make A Difference Day for the fourth consecutive year. This event has become our Community Day of Service. This year, Popular employees volunteered in 150 activities throughout Puerto Rico, the United States and South America. On that day, more than 3,500 of Popular's employees, family and friends participated,

investing more than 17,100 hours in the communities where we live and work.

For the first time, other leading Puerto Rican companies allied with BPPR during Make A Difference Day. We also invited other organizations and individuals to celebrate this national event of service. The outcome was a success, and we plan to continue this effort in 2007.



### HABITAT FOR HUMANITY

We serve Habitat for Humanity house-builds, in which Popular Financial Holdings' (PFH) sponsorship involved an investment of \$50,000 over a three-year period. Employees, their families and friends provided several hundred volunteer hours. As a result of this contribution, a single mom and her child will have a safe and affordable place to call their home. We are proud to have made a contribution to that effort.

### RELAY FOR LIFE, AMERICAN CANCER SOCIETY

EVERTEC's most-awaited community service activity is the Relay for Life of the American Cancer Society. For this event, employees and their families walk or run for 24 hours to raise money for cancer prevention. EVERTEC has won an award for three consecutive years for the largest number of participants and, in 2006, they won second place for raising \$50,000.