



Popular

2007

Corporate Social
Responsibility Report

SCOPE

With this our first Corporate Social Responsibility Report, we intend to inform Popular's stakeholders – our employees, clients, suppliers and shareholders, the communities we serve, and nongovernmental organizations with which we partner – how we turn our vision and values into concrete, measurable actions that reflect our deep-rooted social responsibility. It covers the most current information about Popular's main businesses from January through December 2007. When we make reference to Puerto Rico, it includes the Corporate, Banco Popular Puerto Rico (BPPR) and EVERTEC business circles, and when we refer to United States, it includes the Popular North America (PNA) business circle. While we do our best to maintain information current throughout our Corporation, we currently keep track of information about some businesses that is unavailable for others. Such differences are noted throughout the report. It is our goal to continue working to be able to report on the same information for all our businesses in our 2008 report. For this

report we relied on information given by managers that were instructed on deadlines for reporting and indicators to be completed. Such information is gathered by our financial reporting system, human resources ZAP application and other software programs, among others. We took our lead from the Global Reporting Initiative (GRI), an organization that has developed international sustainability reporting guidelines, as a reference to determine relevant content for this report.

DEFINING REPORT CONTENT

We have organized the information contained in this report around our corporate values – social commitment, customer, integrity, excellence, innovation, our people, and shareholder value. These were established in 1997 by our President and CEO, Richard L. Carrión, setting forth in writing the principles that have characterized our organization since its founding in 1893, thus rooting its actions in the past and driving our tradition into the future.

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1 Message from the Chairman, President and CEO
Excellence: We believe there is only one way to do things: the right way.

2 Our Company
Shareholder Value: Our goal is to produce high and consistent financial returns for our shareholders, based on a long-term view.

3 Governance and Compliance
Integrity: We are guided by the highest standards of ethics, integrity and morality. Our customers' trust is of utmost importance to our institution.

5 People
Our People: We strive to attract, develop, compensate and retain the most qualified people in a work environment characterized by discipline and affection.

9 Community
Social Commitment: We are committed to work actively in promoting the social and economic well-being of the communities we serve.

14 Service
Customer: We achieve satisfaction for our customers and earn their loyalty by adding value to each interaction. Our relationship with the customer takes precedence over any particular transaction.

17 Environment
Innovation: We foster a constant search for new solutions as a strategy to enhance our competitive advantage.

18 GRI Indicators (GR3)

EXCELLENCE: We believe there is only one way to do things: the right way.



Message from the Chairman, President and Chief Executive Officer

We believe the lives of our employees, customers and neighbors should be better off because of Popular. That is the founding principle of our company, which has been closely linked to the well-being of the communities we serve throughout its history. Our vision, mission and values are a reflection of that commitment, as is the effort and passion that our more than 12,000 employees put forth everyday to live them.

The past year was wrought by great challenges for the financial services industry and for our Corporation. We had to make some very tough decisions, and substantial changes have taken place. Throughout this difficult process, however, we have not lost sight of our most important asset – the people who embody our values – and of everything we must do to not only meet, but hopefully exceed their expectations.

I am enormously proud of many of the initiatives that our company undertakes. By the same token, I am well aware that we must improve in certain areas if we aspire to achieve the highest standards of corporate citizenship. In 2006, we published our first community report as a way to measure and communicate our community investment.

This year, we have made an effort to become more disciplined in our corporate social responsibility reporting, not only as a way to make our activities in this area known but, more importantly, to give ourselves a tool to measure and improve our delivery year after year. With this, our first Corporate Social Responsibility (CSR) report, we have raised the bar by referencing the G3 Guidelines and Financial Sector Supplement.

In the pages ahead we share substantial hard and anecdotal data, along with highlights of our company's history, all framed in the value structure that guides our execution. This report has a dual purpose: to share crucial information, and to challenge ourselves to continuously improve our corporate social responsibility performance going forward. My most sincere appreciation goes out to all the people who selflessly contributed to make it possible.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Richard L. Carrión'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Richard L. Carrión

Our Company



SELECTED FINANCIAL INFORMATION AS OF 12/31/07:

- > Assets: \$44.4 billion
- > Loans: \$29.9 billion
- > Deposits: \$28.3 billion
- > Net Interest Income: \$1.4 billion
- > Non-interest Income: \$694.3 million
- > Total Market Capitalization: \$3.0 billion

QUANTITY OF PRODUCTS OR SERVICES PROVIDED:

- > BPPR Clients: 1,368,911
Total Products: 2,699,377
- > BPNA Clients: 469,508
Total Products: 1,217,752
- > EVERTEC Total Transactions: 1,037,672,145

STAKEHOLDERS:

- > Full time employees (FTEs): 12,303
- > Shareholders: 29,091

SHAREHOLDER VALUE: Our goal is to produce high and consistent financial returns for our shareholders, based on a long-term view.

Popular, Inc. is a diversified, publicly owned bank holding company, registered under the Bank Holding Company Act of 1956, and subject to the supervision and regulation of the Board of Governors of the Federal Reserve System. The Company was founded 114 years ago, and its headquarters is located in Puerto Rico. The Company's common stock is traded on the NASDAQ Stock Market under the ticker "BPOP."

Our organizational structure consists of four main circles: (i) the Popular Puerto Rico Circle, which serves Puerto Rico and the Virgin Islands through a network of more than 200 branches and 600 ATMs; (ii) the Popular North America Circle, created in 2006 to group together community bank Banco Popular North America (BPNA), consumer finance and mortgage servicing subsidiary Popular Financial Holdings (PFH), and Internet-based bank E-LOAN; (iii) the Processing Circle or EVERTEC, one of the primary providers of processing and information technology solutions in Puerto Rico and the Caribbean; and (iv) the Corporate

Circle, a centralized group that supports other business circles in the areas of finance, people, corporate communication, strategic planning, risk management and legal.

Through our subsidiaries, we provide retail and commercial banking, insurance, investments and processing services. Popular, Inc. operates mainly throughout the United States (Florida, California, New York, New Jersey, Texas and Illinois), Puerto Rico, and the Virgin Islands (St. Thomas and Tortola). We are the largest financial institution in Puerto Rico and the Virgin Islands, as well as the largest Hispanic-owned financial services franchise in the U.S. Through EVERTEC, Popular has presence in 12 countries throughout Latin America. Our products and services are offered to individuals in the mass, low/moderate income, and affluent sectors of the population, and to commercial customers including small and medium businesses, corporations and government entities.

During the period included in this report, Popular underwent various changes regarding size and structure, which are detailed in the Corporation's financial annual report, available at www.popular.com.

Brief History of Popular's Corporate Citizenship

| | | | | |
|--|---|---|---|---|
| <p>1893</p> <p>Banco Popular is founded in Puerto Rico to provide banking services to everyone, especially the less fortunate</p> | <p>1933</p> <p>Rafael Carrión, Jr. Employee Savings and Credit Cooperative founded</p> | <p>1944</p> <p>Popular spearheads effort to ensure eligibility of Puerto Ricans to apply for FHA loans</p> | <p>1951</p> <p>Mobile banking branch inaugurated to bring banking services to remote, underdeveloped locations on the Island</p> | <p>1957</p> <p>Profits are first shared with employees</p> <p>1961</p> <p>First U.S. branch opened in the Bronx</p> |
|--|---|---|---|---|

Governance & Compliance

INTEGRITY: We are guided by the highest standards of ethics, integrity and morality. Our customers' trust is of utmost importance to our institution.

**IN THIS SECTION,
WE DESCRIBE:**
> How we are governed
> Our Compliance and
Ethics Program

HOW WE ARE GOVERNED

Integrity is the cornerstone of any business relationship, and it is especially important in our business. At Popular, our reputation for upholding the highest ethical standards is one of our most important assets. This commitment to integrity begins at the top level of our corporate structure with our Board of Directors. It consists of nine executives with diverse backgrounds from various industries and professions. Seven of the nine Board members are independent under the director independence standards of the NASDAQ Stock Market, Inc., and have no material relationship with Popular. Our Board has standing Audit, Risk Management, Corporate Governance and Nominating, and

Compensation committees comprised of at least four independent members. The Chairman of the Board is also our Chief Executive Officer and President. This allows the Board to work closely with our management team and better perform its oversight function. More information on these committees and the Board's responsibilities is available on our website at www.popular.com.

To ensure that our Board of Directors has the means to maintain its level of excellence and performance in the execution of its duties, we engage our Board in a series of evaluative processes. The Board undergoes a self-evaluation at least annually to determine whether it is functioning effectively. Each Committee of the Board also undergoes a self-evaluation process at least annually, and reports the results of such evaluation to the Board. Further, in 2007, the Board underwent an independent, third-party evaluation by Dr. Ram Charan, a well-known speaker, writer and advisor to boards and corporate executives, conducted through individual Board member interviews.

We also have established and/or enhanced various corporate policies that have a clear, risk-preventive approach. Among these policies are: New Product Development, Operational Risk Monitoring, Information Systems Use, Information Security, Service Provider Risk Management, Sale and Purchase of Financial Assets and Document Retention.

At Popular, we are mindful of the responsibility we have toward all of our stakeholders, and have established mechanisms to allow open, direct communication between them and our Board of Directors. Any stockholder or employee who desires to contact our Board or any of its members may do so by writing to them, and may also contact our Audit Committee or any of its members by telephone, or electronically through www.popular.com/ethicspoint-en, a confidential and anonymous web-based tool.

1976

Activity Center with sports and recreational facilities opened for employees and their families; the first on the Island with disability access

1976

Bond markets shut Puerto Rico government out. Banco Popular lends it \$100 million to lift itself out of crisis

1979

Fundación Banco Popular is established to provide the Corporation with a philanthropic structure in Puerto Rico

1982

Banco Popular receives EVE Award from U.S. Department of Labor for being founding member of the Puerto Rico Liaison Group, leading efforts to make companies comply with affirmative action laws and equal employment opportunities

1983

Banco Popular unveils first automated teller machines (ATH® Network) in Puerto Rico



By the Book

Popular's Compliance and Ethics Program seeks to ensure the highest level of integrity by addressing different subjects and factors that can be complex and difficult to learn. To overcome that obstacle, we developed a dynamic, interactive tool to periodically remind our people how crucial it is to abide by our Code of Ethics and other related policies and guidelines.

The centerpiece of the aforementioned communication is a campaign called "By the Book." It conveys the importance of ethical conduct through a series of real case studies, presented in a digital book format that employees can flip through and go back to for reference. In order to motivate employees to read the case studies and learn the lessons contained in them, we present them in a personal journal style, making them easy to read.

OUR COMPLIANCE AND ETHICS PROGRAM

Our Code of Ethics establishes the standards of ethics, integrity and responsibility that we expect all our employees and service providers to abide by.

Nevertheless, as part of our continuing efforts to ensure our compliance with the highest ethical standards, Popular has also developed a wide-ranging Compliance and Ethics Program, which goes beyond our Code of Ethics and our Employee Manual by providing the necessary infrastructure to ensure that all relevant guidelines and policies are effectively implemented and enforced. Our Board-approved Code of Ethics, which is an integral part of our Compliance and Ethics Program, requires that our employees, officers and directors achieve conduct that reflects our ethical principles. The Code is available on our website at www.popular.com and on our company intranets.

Directors, executive officers and employees are required to comply with the Code, and are periodically trained on various ethical issues, including conflicts of interest. In late 2005 and during 2006, we offered our first company-wide Compliance and Ethics Training.

IN 2007

- > We developed an ongoing internal communications campaign to reinforce the importance of complying with the Code (see sidebar).
- > Popular achieved a 96% employee participation rate in our Compliance and Ethics Training and in the Money Laundering Prevention and Detection Training. New employees take both training programs shortly after joining Popular, and participation rate is adjusted accordingly.
- > We launched a Code of Ethics for Popular Service Providers, which is also available on our website at www.popular.com.

Recognizing that our industry is especially vulnerable to the risk of money laundering, in 2000, Popular established a formal policy requiring all employees to enroll in Money Laundering Prevention and Detection training and testing. The program consists of three modules: Self-study, Electronic Testing System and Intranet Presentation.

1986

Employees carry out the first Share Your Christmas volunteer event, a corporate tradition to this day

1989

An Emergency Employee Assistance Fund was created to provide economic assistance to employees in unexpected times of need

1992

Rafael Carrión, Jr. Scholarship Fund was created to provide college scholarships to employees' and retirees' children based on financial need and scholastic achievement

1993

Telebanco (telephone banking) launched

2004

Banco Popular Foundation is established in the U.S.

2007

First financial institution in Puerto Rico to introduce bilingual ATMs with voice instruction for the visually impaired

People

IN THIS SECTION, WE DESCRIBE WHAT POPULAR IS DOING TO FULFILL OUR COMMITMENT TO:

- > Care for our people
- > Ensure financial well-being
- > Communicate with employees
- > Provide training opportunities
- > Foster diversity

People are the core of all that our company stands for and everything that our company does. We choose to call employees Our People, and care for them by providing a comprehensive benefit program to help balance their lives and careers.

CARING FOR OUR PEOPLE

Health benefits

- > In Popular Puerto Rico, employees that work 30 hours or more are eligible for low-cost medical insurance for themselves and their families, which includes dental, vision and pharmaceutical coverage, as well as a preventive health program.
- > In Popular North America, this benefit is for all employees, and extends to same and opposite sex domestic partners. Additionally, through our health insurance provider, we have established a disease management program tailored to our population to address such health trends in our workforce as diabetes, hypertension and back problems.
- > Our people are covered by short-term and long-term, employer-paid disability, life and accidental death insurance.

OUR PEOPLE: We strive to attract, develop, compensate and retain the most qualified people in a work environment characterized by discipline and affection.



Work-life balance

- > An Employee Assistance Program (EAP) is available to our people and their families. It offers a variety of support and educational mechanisms to address work-life needs including financial and legal matters, and personal and family support and consultation.
- > In Puerto Rico, we have a comprehensive occupational health and wellness program that gives employees free access to fitness centers located at

various Popular buildings, and provides them the opportunity to participate in a variety of intramural sports tournaments, among other services. In 2007, more than 1,000 employees were registered as members of the fitness centers.

- > Through the wellness program, employees may also enroll their children in summer programs designed to expand their skills according to their age group. In 2007, more than 500 children participated in these programs.

POPULAR'S EMPLOYEE PROFILE

| TYPE OF EMPLOYMENT | PUERTO RICO | UNITED STATES | LATIN AMERICA | POPULAR |
|---------------------|-------------|---------------|---------------|---------|
| Full-time Employees | 7,784 | 3,594 | 277 | 11,655 |
| Part-time Employees | 407 | 433 | - | 840 |
| Temporary Employees | 186 | 3 | - | 189 |
| Total Employees | 8,377 | 4,030 | 277 | 12,684 |



work balance

Eligible employees may take advantage of flexible work schedule options.

EVERTEC's Work at Home

Striking the oftentimes elusive balance between work and the rest of our lives is something we are constantly trying to help our employees achieve. EVERTEC carried out a study in 2006 to find out what employees understood by work flexibility. Results showed a tendency toward working from home, which prompted the development of a work at home pilot program that began in June 2007.

Seventeen employees were selected and trained. They were also given tools to establish work stations at home, such as laptop computers, cards for Internet connection and access to software and applications to perform their duties.

Six months in, 100% of the participants are satisfied with the flexibility and the effective communication with their supervisors: 84% said the program has improved their performance and their personal finances. Meanwhile, 71% of managers said the program greatly contributes to their employees' performance, and mentioned such bright spots as improved commitment from employees to exceed expectations, continuous communication, and a lower-pressure work environment.

In 2008, we will increase the number of employees participating within the same job positions and expand the positions eligible for the program.

- > We educate and counsel all employees of any serious diseases that could affect them, their families and communities. In 2007, we provided a guide for the Avian Flu, which is posted in our intranet.
- > In Puerto Rico, 315 employees are certified as Health Coordinators. These employees are responsible for advising their coworkers on health, occupational security and work environment issues.
- > Eligible employees may take advantage of flexible work schedule options. These include reduced work schedule arrangements at all of our companies and a work at home program at EVERTEC.
- > An Emergency Fund provides economic assistance to employees in unexpected times of need, such as a death in the family, losses caused by natural disasters or extraordinary medical expenses.
- > We educate and counsel all employees of any serious diseases that could affect them, their families and communities. In return, employees received increases in base salary and a matching contribution from 1% of base pay to 4% total pay in the 1165E [PR equivalent to U.S. 401(k)].
- > We made sure that all 5,000 employees impacted by this change received and understood the new changes through a coordinated communications effort.

Honoring the commitment made to employees

- > In 2007, the Bank developed and implemented measures to help employees assume greater control over their own financial future. These include:
 - Financial Planning seminars
 - Automatic enrollment in the 1165E savings plan.
- > Our U.S.-based employees enjoy highly competitive 401(k) savings and investment plan, characterized by an above-market company match of up to 4% provided by Popular.
- > Employees who are near retirement are offered retirement planning support and guidance.
- > Our people have access to an array of no-fee or discounted financial services, including checking accounts, mortgage banking, auto leasing, insurance products and financial planning.
- > In January 2006, Banco Popular de Puerto Rico implemented significant changes to its retirement program to better meet the needs of our changing employee demographics. The primary objective was to maintain total compensation competitiveness and corporate-wide alignment, while providing greater flexibility to employees, and promoting a shared responsibility for retirement saving.
- > Generally, the Bank reduced retirement benefits in the area of deferred profit sharing and the guaranteed pension

ENSURE FINANCIAL WELL-BEING

Changes in our retirement plans

training

In 2007, our people received 247,131 hours of internal training, which translates into an average of 21.2 hours of training per employee.

COMMUNICATE WITH EMPLOYEES

Intranets

Include policies, guidelines, health and safety standards, career development opportunities and company news.

Newsletters

Distributed monthly – physically or electronically – to every employee.

Leaders Meeting

Once a year, senior managers share strategic goals for the year, with middle management. Following the meeting, managers receive a communications packet to share the information with other employees.

Engagement Survey

We conduct engagement surveys every 18 months to track and manage employee satisfaction. In Puerto Rico, the 2006–2007 surveys revealed that 70% of those surveyed are “engaged,” which means they consistently speak positively about the organization, have an intense desire to be part of the organization and exert extra effort to engage in behaviors that contribute to business success.



PROVIDE TRAINING AND CAREER DEVELOPMENT OPPORTUNITIES

Training

> We have developed a comprehensive curriculum of professional development programs for employees across all levels of the company to help our people maximize their potential. In 2007, our people received 247,131 hours of internal training, an average of 21.2 hours of training per employee and an investment of more than \$1.5 million. We also give employees the opportunity to enroll in job-related external training and education which, on a case-by-case basis, is paid for partially or in full by Popular.

Our professional development programs include:

- > Executive Leadership Program
- > Executive Development Program
- > Managerial Development Programs
- > Popular Talent Management Program
- > Management Trainee Programs
- > Bank Representative Training Program

Career Development

- > All of our employees go through an annual performance evaluation process that consists of performance and career development reviews conducted in collaboration with supervisors, as well as the establishment of professional goals for the year.
- > We offer reimbursement programs to encourage employees to pursue undergraduate and graduate degree programs at accredited colleges and universities, and organizations specializing in career-related education. In 2007, Popular invested \$655,493 to support more than 250 employees who are continuing their education.



TRAINING AND DEVELOPMENT CENTER

T rue to our commitment to attract, develop and retain the best talent, we built and manage the largest training and development center in the Caribbean. The facility has 15 training rooms, including two bank branch replicas where newly-hired tellers are trained in an environment identical to their future job sites. The center is equipped with the most advanced educational technology.

The center is staffed with professionals specializing in training, organizational consulting, logistics and technology. Its curriculum caters to the professional needs of Popular’s employees, staying up to speed with the latest trends in training and development. Employees are trained in such areas as organizational development, regulatory compliance, retail banking, credit and managerial development.

Community-based, nonprofit organizations also benefit from the facility, which is available for their use free of charge.

diversity

In the U.S., 57% of employees are minorities.



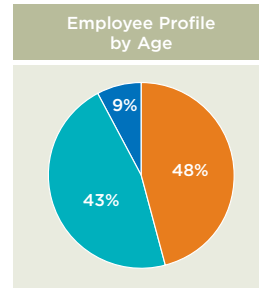
FOSTERING DIVERSITY

- > At Popular, diversity is built in. As the largest Hispanic-owned bank in the U.S., we honor our heritage by promoting diversity in our people practices, as well as in our efforts to serve as many different communities as we can within our footprint.
- > It is reasonable to assume that at least 90% of the approximately 8,000 employees based in Puerto Rico are predominantly Hispanic or Latino. In the U.S., 57% of employees are minorities.

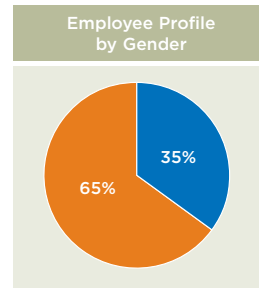
- > Popular has established Affirmative Action programs to avoid employment practices that may conflict with our antidiscrimination policies. Our Code of Ethics and Corporate Guidelines on Equal Employment Opportunity and on Harassment also reflect our commitment to this matter.
- > We provide a safe and comfortable work environment for disabled persons. In Puerto Rico, there currently are 650 registered reasonable accommodations in our organization, and we offer sign language interpreters for our corporate events and evaluations, when necessary. Additionally, we make employment opportunities accessible to this population by announcing our vacant positions in the Disabled Persons Solicitor and Vocational Rehabilitation offices, among others.

| 2007 AWARDS AND RECOGNITION | | |
|---|-----------------|---|
| ORGANIZATION | LOCATION | AWARD/RECOGNITION |
| Orlando Sentinel "Top 100 Companies for Working Families" | Central Florida | Best Employer Award |
| National Association for Business Resources | Chicago | Chicago's 101 Best and Brightest Companies to Work For |
| Best Companies and Texas Partners | Houston | Best Employer Award |
| Anaheim Chamber of Commerce | Anaheim | Large Corporation of the Year |
| National Guard and Reserve | Puerto Rico | Statement of Support |
| House of Representatives of Puerto Rico | Puerto Rico | Rafael Carrión, Jr. Employee Savings and Credit Cooperative |

POPULAR



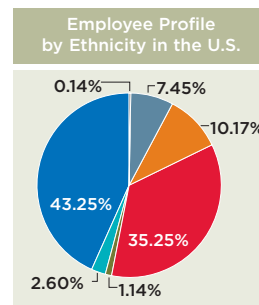
- under 35
- 35-55
- over 55



59% of managers are women

- Women
- Men

UNITED STATES



50% of managers are minorities

- American Indian or Alaskan
- Asian/Hawaiian Pacific Islander
- Black or African American
- Hispanic or Latino
- Multi-Racial
- Other
- White

Community

THIS SECTION DESCRIBES HOW POPULAR WORKS WITH COMMUNITIES THROUGH:

- > Corporate Giving
- > Our Foundations
- > Employees' Voluntary Service
- > Financial Education
- > Lending to Our Communities

Our Corporation was founded with a simple but important mission: to provide financial services to everyone, including those less fortunate. Throughout a history that spans more than a century, we have held steadfast to the commitment made by our founders and have worked shoulder to shoulder with the communities we serve to support their growth, help them through difficult times and provide them resources to encourage their education, cultural expression and economic development.



SOCIAL COMMITMENT: We are committed to work actively in promoting the social and economic well-being of the communities we serve.



CORPORATE GIVING

As part of our mission, we also give through monetary and in-kind contributions to deserving causes. These contributions are made through company donations, sponsorships, charitable events, and partnerships with community organizations that are making a difference in our communities.

We gave \$1,894,749.41 through contributions such as these:

- > **Boy Scouts:** The Corporation invested \$22,500 to help commemorate 100 years of the scouting movement, which includes a sponsorship of the Working for Puerto Rico initiative to volunteer for 20,000 hours of community service during the year and personal management workshops for boy scouts provided by our employees.
- > **5K Run:** For the third consecutive year, we hosted a 5K run to raise funds for the San Jorge Research Foundation and the Foundation for the Pediatric Oncology Department at the local university hospital. More than 2,000 people attended the race, raising \$60,000.
- > **March of Dimes:** BPNA's South Florida region raised more than \$45,000 for the March of Dimes' Walk America campaign. March of Dimes is dedicated to improving the health of babies by helping to prevent birth defects, premature birth, and infant mortality.

In 2007, we gave \$4.4 million to community organizations through our foundations and corporate giving.

giving



| FUNDACIÓN BANCO POPULAR, PUERTO RICO | | |
|--|---|--|
| PROGRAMS | DESCRIPTION | RESULTS |
| Rafael Carrión, Jr. Scholarship Fund | Provides college scholarships to our employees' and retirees' children, based on financial need and scholastic achievement | 103 students were awarded scholarships, totaling \$166,432 |
| Rafael Carrión, Jr. Academic Excellence Award | Rewards academic achievement among high school seniors | 85 recipients, an investment of \$85,000 |
| "Pilares para el Crecimiento" (Pillars for Growth) | Capacity-building program for nonprofit, community-based organizations | Six organizations enrolled in the six-month-long self-evaluation process in October 2007 |
| "Revive la Música" (Revive the Music) | Program developed in partnership with other groups to collect, refurbish and donate musical instruments to musical education programs for our youth | In September 2006, 25 organizations received donated instruments, and a second phase of collection was launched in November 2007 |



| FUNDACIÓN BANCO POPULAR, P.R. | | |
|-------------------------------|------------------------|-------------------|
| YEAR | EMPLOYEE PARTICIPATION | TOTAL CONTRIBUTED |
| 2007 | 71% | \$631,796 |
| 2006 | 64% | \$578,617 |
| 2005 | 61% | \$458,392 |

OUR FOUNDATIONS

In 1979, we gave the Corporation in Puerto Rico a formal philanthropic structure in Fundación Banco Popular. The Foundation endeavors to improve the quality of life of Puerto Ricans by supporting educational, cultural and community initiatives for children and youth. In 2004, we expanded our philanthropic structure to include Popular's operations in the United States through Banco Popular Foundation, which focuses its efforts to support education, affordable housing, small business and community development in the markets we serve.

| BANCO POPULAR FOUNDATION, U.S. | | |
|--------------------------------|------------------------|-------------------|
| YEAR | EMPLOYEE PARTICIPATION | TOTAL CONTRIBUTED |
| 2007 | 60% | \$250,000 |
| 2006 | 45% | \$200,000 |
| 2005 | 12% | \$115,390 |

Fundación Banco Popular in Puerto Rico

Fundación Banco Popular granted \$1,793,866 in donations to different community-based or nonprofit organizations. These donations were distributed as follows:

- > \$1,580,202 to 77 organizations that support education and community development
- > \$213,664 to 26 organizations through the Matching Fund Program. This program allows Popular employees in Puerto Rico to donate funds to the cause of their choice. During 2007, 71% of employees contributed to the Foundation, an 11% increase compared to 2006. This increase was achieved in part thanks to an internal communications campaign carried out by the Foundation throughout the year.

Banco Popular Foundation in the United States

In 2007, Banco Popular Foundation granted \$505,205 to 43 organizations. Every grant approved by the Foundation was endorsed by at least one employee involved with the organization. During 2007, 60% of employees contributed to the Foundation.

Employees in Puerto Rico and the United States contributed a total of \$881,796 to our foundations.

EMPLOYEES' VOLUNTARY SERVICE

Our employees embody Popular's commitment to community service. They are often the ones who make us aware of worthy organizations doing extraordinary work. Our employees selflessly gave 25,000 hours of volunteer service, as well as money and talent to support many community initiatives.

During Make a Difference Day, Popular employees carried out 120 volunteer projects.

Employees participate in activities such as these:

> **Make a Difference Day:** Popular participated for the fifth consecutive year in this nationwide volunteering event. In southern California, raging wildfires that forced the temporary

shut-down of various branches didn't stop our employees from carrying out their volunteer activities. A blood drive at our main office brought in more than 30 donors.

> **Big Brother/Big Sister Bowl-a-Thon:**

Hundreds of EVERTEC employees participated in a bowling tournament which raised \$4,800 for the Big Brother/Big Sister organization in Puerto Rico. The Company also donated a laptop computer to the nonprofit organization.

> **Muscular Dystrophy Association**

(MDA): During the summer camp for MDA participants, the organization shows support for care-givers by giving them a week off. Companies are invited to sponsor one of these days with recreational activities, and BPPR has sponsored this event for the past 20 years.



Community Build Day

In August 2007, Popular embraced a new opportunity to support the communities it serves by joining the Financial Services Roundtable's Community Build Day. This voluntary service event, which took place for the sixth consecutive year, spanned more than 200 cities in the United States and for the first time in Puerto Rico, volunteers got together to help build and refurbish homes and schools.

Popular partnered with Habitat for Humanity in Orlando and New Jersey to build new homes for deserving families. In St. Louis, we joined Rebuilding Together to remodel a home for senior citizens and in Puerto Rico volunteers helped clean, paint and plant a garden at a public high school.

Community Build Day was initiated by the Financial Services Roundtable, an organization that represents the 100 largest financial services companies in America. It highlights the work that financial services companies such as Popular do year-round to improve the communities they serve and help to build and strengthen partnerships with national and local policymakers.



support

In 2007, we offered financial literacy and financial services such as tax counseling to 224 organizations reaching 77,615 people.

ON RAILS: ANOTHER WAY OF MOVING IN OLD SAN JUAN

The Rafael Carrión Pacheco Exhibit Hall is a well-known cultural and educational venue, and an important contribution to our commitment to Puerto Rico. Located at Banco Popular's historic Art Deco building in Old San Juan, it is a center of cultural expression where exhibits on such relevant topics as transportation, the environment, music and cinema have been on display. Admission to the exhibit hall is free of charge.

We recently inaugurated a new exhibit, *On Rails: Another Way of Moving in Old San Juan*, an honest proposal to participate in our Island's well-being and future. With the idea of a tram as a launching pad, the exhibit has spurred public debate regarding the issue of transportation in urban areas, specifically in the important historic zone that is Old San Juan.

Using a modern and dynamic scale model presentation, *On Rails* makes visitors aware of the transportation challenges facing the city and proposes viable solutions to solve them. Additionally, a conference and video series have been organized to foster discussion with great success.

In November 2007, U.S. Congressman Earl Blumenauer (D-OR) addressed key government and private sectors representatives while promoting his native Portland's successful public transportation program. Blumenauer is known for his work in revitalizing run-down urban centers through practical solutions and credited Portland's streetcar with jump-starting the City's outstanding urban renewal.

Public support for this exhibit has generated more than 11,000 visitors, including groups from 68 public and private schools. The Puerto Rico College of Architects recognized the *On Rails* exhibit for its commitment to urban issues.



FINANCIAL EDUCATION

Having financially educated citizens is in our society's best interest. As the largest financial institution in Puerto Rico and the largest Hispanic-owned bank in the United States, we are compelled to share our financial know-how with our customers and the general public so they may prosper and reach their own economic well-being.

With our *Compromiso Popular* (Popular Commitment) program in Puerto Rico, we provide financial education to the general public through a series of educational seminars across the Island.

The program, which began in 2006, reached 1,500 people last year thanks to a schedule of sessions on such topics as savings, credit, budgets, housing, and identity theft.

In the U.S., Banco Popular North America has a Financial Literacy program, a comprehensive educational program designed to provide essential financial information to specific audiences utilizing age-appropriate financial literacy educational tools and resources.

In 2007, we offered financial literacy and financial services such as tax counseling to 224 organizations reaching 77,615 people.

LENDING TO OUR COMMUNITIES

Through its 114-year history, Popular has successfully provided accessible banking services and products to the unbanked population. We have been committed to meet the credit needs of the communities we serve through innovation and accessibility.

Lending in Puerto Rico

We provide financing to small businesses and small farms. Our community development loans focus on helping low- and moderate-income individuals obtain

affordable housing, activities that promote economic development and revitalize low- and middle-income areas.

- > BPPR small-business programs assisted the growth of 19,414 small businesses and 581 small farms by lending over \$1.7 billion in 2007.
- > We approved 191 community development loans, distributed as follows:
 - \$52 million in affordable housing
 - \$7 million in economic development
 - \$119 million in community service
 - \$16 million in revitalization and stabilization.
- > BPPR granted \$2.8 billion in home purchase and home improvement loans.
- > Multifamily Division closed ten loans totaling \$19.7 million. Five of these loans were for new construction projects, allowing the development of 346 residential units for the low-income elderly population.

Vivienda Popular

- > First Home Club (*Pronto Popular*) – \$70,437 granted by the Federal Home Loan Bank of New York to 15 participants.

Lending in the United States

- BPNA's presence and rich history in the U.S. of working with small businesses reflects our commitment to entrepreneurs.
- > In 2007, we provided financing to 4,567 businesses totaling nearly \$448 million.
 - > We approved 104 community development loans, distributed as follows:
 - \$182 million in affordable housing
 - \$1.5 million in economic development
 - \$20 million in community service
 - \$3 million in revitalization and stabilization.
 - > BPNA granted \$1.3 billion in home purchase and home improvement loans.



Partnering with Our Communities

Banco Popular North America is committed to supporting initiatives that promote education and economic development. We go beyond making grants and donations in pursuing community partnerships to move this commitment forward. Our current partnerships with Junior Achievement, ACCION USA, and DeVry University are focused on fostering opportunities for entrepreneurship and higher education.

> **JUNIOR ACHIEVEMENT** is our partner in education. BPNA employees serve as classroom volunteers in various states and hosted activities and fund-raisers that, along with in-kind donations, allowed us to donate \$302,982 to the organization in 2007.

> **ACCION USA** is a community partner since 1999 allowing BPNA to provide credit assistance and financing to microentrepreneurs. In 2007, we co-sponsored a loan fund of \$5.5 million for small business in Upper Manhattan, NY.

> **DEVRY UNIVERSITY** is our higher education partner. Through this relationship, \$1,089,000 in scholarships was granted to low-income, minority students seeking an opportunity for higher education in the communities we serve.

2007 AWARDS AND RECOGNITION

| ORGANIZATION | LOCATION | AWARD/RECOGNITION |
|--|--------------------------------|---|
| U.S. Small Business Administration | New Jersey New York U.S. | SBA Gold Award SBA Platinum Award Gold Award |
| NY District Assemblymen William Boyland | New York | The William Robinson Economic Development Award |
| SBA Santa Ana District | Riverside | The greatest increase in 7a loans |
| Near Northwest Neighborhood Network | Chicago | NNNN/Humboldt Park Empowerment Partnership |
| Aurora Hispanic Chamber of Commerce | Aurora | Estrella Award |
| Relay for Life, American Cancer Association | Puerto Rico | 2nd place: Company Fundraising |

Service

IN THIS SECTION, WE DISCUSS OUR RELATIONSHIP WITH OUR CUSTOMERS THROUGH:

- > Accessibility
- > Quality of service and satisfaction
- > Innovation

As a diversified bank holding company that provides services to a wide range of customers in diverse geographical locations, the work we do touches many people every day. We strive to make each of these individuals feel cared for as we do our best to provide them with the services they need.

ACCESSIBILITY

We strive to provide the best possible service to all our customers whenever and wherever they may need it. We offer a complete network of customer points of contact so that they can reach us anytime and anywhere.

Additionally, every location in our Puerto Rico branch network also serves as a payment center for utilities and other services. More than 19.9 million payments from clients and non-clients are processed through our branches every year, a monthly average of 1.7 million.

QUALITY OF SERVICE AND SATISFACTION

In 2005, we launched a full-fledged Customer Care initiative in Puerto Rico.

CUSTOMER: We achieve satisfaction for our customers and earn their loyalty by adding value to each interaction. Our relationship with the customer takes precedence over any particular transaction.

During 2007, we reached a series of notable Customer Care achievements which include:

- > A 30% time reduction in teller lines at branches thanks, in part, to a program that brings in non-branch employees on peak days to help expedite transactions by helping customers prepare for them while waiting in line.
- > The development of integrated internal communications programs to encourage employees to lead customer care initiatives, such as *Red Sonrisas* (Smiles Network) and *Líderes en Acción* (Leaders in Action).
- > The deployment of service standards to the Our People division for integration to performance review guidelines and new-hire orientations.

In Puerto Rico, we also established a central unit to handle close to 80% of all claims and complaints from our customers. We are working towards reducing the number of claims while, at the same time, providing customers an exceptional experience while handling their complaints. Thanks to a continuous focus on these objectives, in 2007, we were able to:

- > Reduce claims from our PREMIA loyalty program by 10% overall, and by up to 46% on a monthly basis.
- > Reduce payments claims by 8%.

| POPULAR'S POINTS OF CONTACT | |
|-----------------------------|---------|
| Banking branches | 351 |
| Non-banking branches | 282 |
| Offices | 633 |
| Automated Teller Machines | 4,944 |
| Point-of-Sale terminals | 100,500 |
| Internet banking | 24/7 |
| Telephone banking | 24/7 |



| BPPR CLAIMS AND COMPLAINTS | | |
|----------------------------|--|--------------|
| TYPE | DESCRIPTION | 12 MONTH AVG |
| Claims Received | Total volume of claims received for bank services interruptions | 15,944 |
| Claims Resolved | Percent of total claims received that were resolved | 99.54% |
| Complaints Received | Total complaints received related to transactions: employee, bank or product performance | 310 |
| Complaints Resolved | Percent of total claims received that were resolved | 99.40% |

talking ATM

The talking ATMs are currently located in 73 strategic points across the Island, and we expect to install 28 more in 2008.

Notwithstanding these notable improvements, we continue to work to exceed our customers expectations. We have identified a number of challenges that we must overcome to achieve our Customer Care goals, including the need to manage employee motivation during difficult times, to establish both sales and service objectives for all employees, and to move at an accelerated pace.

Meanwhile, at EVERTEC, we achieved an 80% customer satisfaction rate. These results are based on an index that measures service, product quality and value, among others.

In the United States, we hired a third party to assess our customer service performance as part of our promise to make dreams happen for our customers by helping them reach their financial goals.

At the end of 2007, we had reached important milestones such as:

- > An increase in customer engagement from 25% to 29%
- > Reduced wait times at our branches to 10 minutes or less, as noted by 81% of customers
- > A drop in average days to solve customer complaints from 12.35 to 6.31
- > Increased likelihood of customers recommending Banco Popular, from 43% to 45%.



An ATM Speaks to the Blind

A few years ago, José M. Álvarez, an advocate for the blind, paid a visit to Banco Popular de Puerto Rico President David H. Chafey. During their conversation, Álvarez suggested the Bank should integrate a voice system into its automated teller machines (ATMs) so that the more than 100,000 blind people who live on the Island could use them with ease.

Chafey thought it was a good idea and relayed the information to the Corporation's ATM Lab division. A team was quickly formed to put Álvarez's idea into action and, after many months of research and development, in March 2007 we unveiled the first talking ATMs in Puerto Rico. Álvarez remained close to the project throughout its development, providing valuable insight and recommendations to ensure the best possible outcome.

The machines take advantage of the latest tools to facilitate their use for blind people, as well as people with learning disabilities and the elderly, who often find it difficult to manage technology. The ATMs are equipped with dip card readers and voice prompts in Spanish and English, allowing this population access to the convenience of our ATM network by simply plugging standard headphones to the machine. "Having access to the talking ATMs has impacted my life beyond making transactions independently, it has contributed to my social inclusion," said Álvarez during the unveiling ceremony of the first of these machines.



payroll card

Through our continuous innovation, even the unbanked can gain access to such services as withdrawing cash from ATMs or paying at POS terminals.

Payroll Card Equals Savings & Accessibility


Approximately 40% of Puerto Rico's population does not yet have a bank account, which forces many workers to take time off to cash their checks at a bank branch or check-cashing center. Banco Popular's *Acceso Directo* payroll card program can change that.

With this innovation, even the unbanked can gain access to such services as withdrawing cash from ATMs or paying at POS terminals by having their pay deposited directly into a debit card by their employer. This electronic payroll method also reduces payroll processing costs for employers while providing employees with an easier, safer, more efficient way to get paid.

Local fast-food-chain franchisee Encantos Restaurants, for example, which has an annual payroll of \$52 million, achieved 99% enrollment of their workforce in *Acceso Directo* in 2007. This way, all 4,500 employees get paid at the same time, eliminating the costs associated with processing paper checks or handling lost or stolen ones. Similarly, the Municipality of Caguas has signed up for the service, and expects to save as much as \$15,000 of taxpayers' dollars per year by processing its payroll electronically.

INNOVATION

During the past 114 years, Popular has been on the forefront of innovation in its industry. More than 50 years ago, we brought banking services to remote locations in a mobile bank. More recently, we introduced the first Talking ATM in Puerto Rico and, today, we continue developing better technology to enhance the services we provide to our customers.



e-Statement: an environmentally-friendly, fast and secure way to access, store and print bank statements online. Since its launch in November 2007, 23,124 accounts have been registered.

In 2007, our innovative spirit was put in practice through:

- > **Callback:** Customers who call our telephone banking line during peak hours no longer wait for someone to answer. They can, instead, provide a callback number, and a customer service representative will return their call. Since its launch in May 2007, an average of 24,577 customers chose callback each month, with a 92% successful reconnection rate.
- > **e-Bill:** A free service that allows our customers to register bills online and see them before they arrive in the mail. There are 196,115 accounts registered for bills.
- > **B-Smart:** Created to provide small businesses with access to a full-service commercial account. It provides checking, savings and credit line modules at accessible fees.
- > **Acceso Directo (Direct Access):** Electronic debit payroll card for Puerto Rico employers.
- > **Ahorro Directo (Direct Savings):** Free service that rounds up purchases made with any of Banco Popular's

debit cards to the next dollar, and automatically deposits the difference into a savings account. *Ahorro Directo* stimulates the development of a much-needed savings culture on the Island. Since its launch in March, 70,700 customers have enrolled in the program.

- > **Fija Credit Card:** It provides a fixed payment which depends upon an approved credit line. Since its launch in April, 728 credit cards have been issued.

| MEMBERSHIP PARTICIPATION: |
|--|
| American Bankers Association |
| American Bar Association |
| Association of Corporate Counsel |
| Committee Encouraging Corporate Philanthropy |
| Congressional Hispanic Leadership Institute |
| Corporate Executive Board |
| Federal Reserve Bank of New York |
| Financial Services Roundtable |
| International Trademark Association |
| New American Alliance Board |
| The Economic Club of Chicago Board |
| The Executives' Club of Chicago Board |

Environment

IN THIS SECTION, WE DESCRIBE WHAT WE ARE DOING TO PROTECT THE ENVIRONMENT



Popular's commitment to social responsibility runs deep and is embedded in our values and our mission. As such, we are profoundly concerned about the impact we make on our environment, and we are looking forward to improving our execution in this area.

Where are we?

As the world becomes more and more aware of the need for urgent action to protect our planet, we began to analyze the impact our operations and business decisions have on the environment. As a company, we have yet to develop a comprehensive environmental policy to cover our entire footprint, but we are working hard on it. Since we are in the initial stages of this process, our environmental projects thus far are more tactical in nature. We are, however, committed to increasing these tactical efforts as we prepare to deploy a full environmental stewardship action plan.

INNOVATION: We foster a constant search for new solutions as a strategy to enhance our competitive advantage.

Below is an overview of the most important environmental projects being implemented across Popular:

- > **Carbon Footprint:** Since 2007, all Popular companies in Puerto Rico are in the process of measuring their carbon footprint. The process is expected to be completed in 2008, at which time we expect to develop strategies to become carbon neutral.
- > **Recycling:** At Popular Puerto Rico, we have been recycling paper since 1991. This year, we extended the recycling program to include plastic and aluminum at three of our main office buildings. In the United States, we shred paper for recycling at all our locations and also recycle paper and aluminum at our headquarters in Rosemont and some branches.
- > **Branches:** As we continue growing our network and making improvements to existing branches, we have made it a priority to make environmentally sound choices regarding design, materials and energy consumption. In Puerto Rico, our branch design has evolved to include fluorescent lighting throughout, passive solar lamps, high-efficiency fabric air-conditioning ducts and furniture with a high content of recycled materials. In the United States, we developed facilities and design



standards for our branches. The standards require the use of furniture and partitions with a high content of recycled materials, energy-efficient task lighting, and Greenguard-certified woods.

- > **Employee Communications:** We encourage our employees to develop environmentally friendly habits at work and at home by taking advantage of our many internal communication vehicles to share related information with them.
- > **Tree-planting Initiative:** In Puerto Rico, we partnered with the local Department of Natural and Environmental Resources to plant 36,000 trees alongside a highway that borders the north coast. The tree planting began in late 2007, and will run through 2008.
- > **Environmental Tokens for Customers:** During the summer of 2007, BPNA's New York Metro region took on a series of cleanup and beautification projects as part of a community outreach campaign. Through this effort, customers and visitors to the region's branches received a seed card, which could be planted to grow a tree. Meanwhile, every customer who closes a loan at any BPPR branch or subsidiary receives a voucher that can be redeemed for a young tree at a number of local nurseries.
- > **Services:** e-bill and e-statement – these free services available to our BPPR customers help save the environment by considerably reducing the use of paper.

GRI Indicators (GR3)

In addition to the Corporate Social Responsibility Report, other reports referenced in the GRI Reporting Guide can be found on our website, www.popular.com.

FAR = Financial Annual Report
Website = www.popular.com

Proxy = 2007 Proxy Statement
(pr) = partially reported

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