

CPP ANNUAL USE OF CAPITAL SURVEY - 2013



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Popular, Inc.

| | | | |
|---|----------------|--|-------------|
| Person to be contacted regarding this report: | José A. Méndez | RSSD: (For Bank Holding Companies) | 1129382 |
| UST Sequence Number: | 117 | Holding Company Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 935,000,000 | FDIC Certificate Number: (For Depository Institutions) | |
| CPP/CDCI Funds Repaid to Date: | 0 | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | Dec 5, 2008 | City: | San Juan |
| Date Repaid ¹ : | N/A | State: | Puerto Rico |

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

| | | |
|-------------------------------------|--|-------------------------|
| <input type="checkbox"/> | Increase lending or reduce lending less than otherwise would have occurred. | |
| <input checked="" type="checkbox"/> | To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.). | See comments on page 3. |
| <input type="checkbox"/> | Increase securities purchased (ABS, MBS, etc.). | |

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|-------------------------------------|--|-------------------------|
| <input type="checkbox"/> | Make other investments | |
| <input type="checkbox"/> | Increase reserves for non-performing assets | |
| <input type="checkbox"/> | Reduce borrowings | |
| <input type="checkbox"/> | Increase charge-offs | |
| <input checked="" type="checkbox"/> | Purchase another financial institution or purchase assets from another financial institution | See comments on page 3. |
| <input type="checkbox"/> | Held as non-leveraged increase to total capital | |

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The funds received under the TARP's CPP during December 2008 gave Popular (the Corporation) the opportunity to raise capital quickly and improve our liquidity position, at low cost, with limited shareholder dilution, at a time when the unprecedented market instability made it difficult to raise capital.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Popular has used the proceeds from TARP, together with other available monies, to, among other things, make capital contributions and loans to our banking subsidiaries to ensure they remain well-capitalized thus and strengthen their ability to continue their creditworthy lending activities. This has contributed to Popular being able to continue strengthening its competitive position on Puerto Rico, increasing market share in most product categories. In addition, significant progress has been made in our United States community-based franchise (doing business as Popular Community Bank (PCB)).

During 2013 our franchise continued to demonstrate its ability to yield reasonable returns even in a challenging economic environment. Credit quality improvements, strong earnings and healthy capital levels were key drivers of our solid performance. Popular's adjusted net income of \$256 million was up 4% from 2012. Our adjusted gross revenues for the year stayed strong at \$1.9 billion while the loan loss provision, excluding bulk sales, fell by \$124 million. Popular's net interest margin (NIM) for 2013 increased to 4.52%, up 16 basis points from 2012 levels. During 2013 the Corporation completed two significant NPA sales at Banco Popular de Puerto Rico (BPPR) totaling \$944 million to complement the 2011 sale of \$128 million in NPAs. As a result of the sales, together with organic credit improvements, classified assets in BPPR and PCB have decreased by \$1.8 billion or 59% and \$1 billion or 68%, respectively, since the peaks in Q4 2011 and Q4 2010, respectively. Our capital levels remain strong and above those of peer institution. We further strengthened our risk management, stress testing and capital planning programs during 2013 by, among other efforts, permanently assigning additional resources to work on these important management and regulatory processes, and enhancing our information systems tools.

Popular continued during 2013 its lending evaluation and credit approval activities. This included, among other loan categories, approximately \$1.5 billion in mortgage loans, \$951 million in consumer loans and credit cards, \$1.2 billion in automobile and lease financing, and \$84 million in construction lending. The Corporation also completed several loan portfolio acquisitions from other institutions during 2013, including approximately \$761 million in mortgage loans.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.