POPULAR INC
Form DEF 14A
March 20, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under §240.14a-12

Popular, Inc.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND
PROXY STATEMENT

DATE AND TIME

Tuesday, May 7, 2019
9:00 a.m. (local time)

PLACE

Popular Center Building
PH Floor
209 Muñoz Rivera Avenue
San Juan, Puerto Rico

RECORD DATE

March 8, 2019

ITEMS OF BUSINESS

- Elect four directors assigned to “Class 2” of the Board of Directors for a three-year term;
- Approve, on an advisory basis, our executive compensation;
- Ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2019; and
- Consider such other business as may be properly brought before the meeting or any adjournments thereof.

In San Juan, Puerto Rico, on March 20, 2019.
By Order of the Board of Directors,

Javier D. Ferrer
Executive Vice President, Chief Legal Officer and Secretary

HOW TO VOTE

Online	Phone	Mail	In Person

Only shareholders of record at the close of business on March 8, 2019 are entitled to notice of, and to vote at, the meeting. Each share of common stock is entitled to one vote. Your vote is important.

We encourage you to attend the meeting. Whether or not you plan to attend, please vote as soon as possible so that we may be assured of the presence of a quorum at the meeting.

You may vote online, in person, by telephone or, if you received a paper proxy card in the mail, by mailing the completed proxy card. The instructions on the Notice of Internet Availability of Proxy Materials or your proxy card describe how to use these convenient services.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 7, 2019:

This 2019 Proxy Statement and our Annual Report for the year ended December 31, 2018 are available free of charge at **www.popular.com** and **www.proxyvote.com**.

209 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918

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PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. You should read the entire Proxy Statement before voting.

Meeting Agenda and Voting Recommendations

PROPOSAL 1

Election of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR EACH NOMINEE.

We are asking shareholders to elect four directors for a three-year term. The table below sets forth information with respect to our four nominees standing for election. All of the nominees are currently serving as directors. Additional information about the candidates and their respective qualifications can be found on the "Nominees for Election as Directors and Other Directors" section of this Proxy Statement.

JOAQUÍN E. BACARDÍ, III	**ROBERT CARRADY**	**JOHN W. DIERCKSEN**	**MYRNA M. SOTO**
Age 53	Age 63	Age 69	Age 50
Chairman of Edmundo B. Fernández, Inc.	President of Caribbean Cinemas	Principal of Greycrest, LLC	Chief Operating Officer of Digital Hands, LLC
Director since 2013	Director since 2019	Director since 2013	Director since 2018

PROPOSAL 2

Advisory Vote to Approve Executive Compensation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.

We are asking shareholders to approve, on an advisory basis, the compensation of our named executive officers ("NEOs") as described in the sections titled "Compensation Discussion and Analysis" and "2018 Executive Compensation Tables and Compensation Information." We hold this advisory vote on an annual basis.

PROPOSAL 3

Ratification of Auditors

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR RATIFICATION.

We are asking shareholders to ratify the Audit Committee's appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2019. Information on fees paid to PricewaterhouseCoopers LLP during 2018 and 2017 appears on the "Proposal 3: Ratification of Appointment of Independent Registered Public Accounting Firm" section of this Proxy Statement.

2018 Financial Performance and Executive Compensation Highlights

2018 CORPORATE HIGHLIGHTS

During 2018, we demonstrated the continued strength of our franchise while operating in an ongoing challenging fiscal and economic environment. Results for our business in Puerto Rico were outstanding, as the economy continued to recover from the impact of Hurricanes Irma and Maria (the “Hurricanes”) in 2017. We achieved year-over-year growth in our net interest income and maintained stable credit indicators and strong capital levels.

Our Puerto Rico business experienced growth in deposits, an increase in our customer base and strong net interest margins. Popular (the “Corporation”) completed the acquisition of Wells Fargo’s auto finance business in Puerto Rico (“Reliable”), positioning the Corporation as the leader in the Island’s auto financing segment. Furthermore, we negotiated the early termination of our loss share agreements with the Federal Deposit Insurance Corporation (the “FDIC”). In the United States, our total loan portfolio grew by 7%, driven primarily by commercial loans, and net margins increased. In addition, Popular’s capital levels remained strong. A common stock repurchase program of $125 million was completed, $450 million of senior debt with a 7% coupon was redeemed, $300 million in senior debt was issued at 6.125% and $53 million of Trust Preferred Securities were redeemed by the Corporation.

During 2018, we also made progress in each of the strategic pillars established last year:

- **Sustainable and profitable growth:** We maintained strong margins, expanded our auto finance business in Puerto Rico and niche businesses in the United States and grew our customer base.
- **Simplicity:** We advanced projects to streamline our organization to reduce costs, improve quality and agility, enable a superior customer and employee experience and provide a platform for future growth.
- **Customer focus:** We executed targeted initiatives to measure and improve our customers’ experience, including the migration of transactions to digital channels.
- **Fit for the Future:** We continue to bolster a solid foundation of talent and risk management frameworks to support our future growth. We created the Corporate Security Group, focused on fraud prevention and cybersecurity efforts. We also implemented various initiatives focused on our employees’ well-being and development, including a voluntary retirement program in Puerto Rico and the Virgin Islands and base salary increases in all our markets.

True to Popular’s core value of social commitment, valuable financial and in-kind assistance was provided through Fundación Banco Popular, Popular Foundation and corporate donations and social programs. Our total social investment during 2018 was $6.1 million, impacting communities in Puerto Rico, the mainland United States and the Virgin Islands.

2018 FINANCIAL HIGHLIGHTS

Our 2018 GAAP net income increased from $107.7 million in 2017 to $618.2 million. These results were driven by strong top line revenue growth in our Puerto Rico franchise and reflect the positive contribution of the acquisition of Reliable.

Our net income reported under GAAP for 2018 was impacted by the early termination of our loss share agreements with the FDIC, entered into in connection with the acquisition of certain assets and the assumption of certain liabilities of Westernbank Puerto Rico through an FDIC-assisted transaction in 2010, as well as the impact of the 2018 Puerto Rico Tax Reform on the valuation of Popular's deferred tax asset. These factors contributed a net amount of $130.9 million to net income. To provide meaningful information about the underlying performance of our ongoing operations, the $130.9 million is deducted from net income to express our results on an adjusted net income basis, which is a non-GAAP measure; on this basis, our adjusted net income was $487.3 million. This compares favorably to our $276.0 million adjusted net income attained in 2017. In addition, for purposes of certain incentive awards, the Compensation Committee of our Board of Directors decided to make further net income adjustments related to Hurricane insurance claims, the impact of the voluntary retirement program and early extinguishment of debt to more accurately reflect our core performance so that participants are neither rewarded nor penalized for items that are non-recurring, unusual or not indicative of ongoing operations. On this basis, our after-tax adjusted net income for certain incentives was $500.0 million. Refer to the GAAP to non-GAAP reconciliation in Appendix A of this Proxy Statement.

Popular, Inc. (“BPOP”) shares closed 2018 at $47.22, 33% higher than year-end 2017. This performance compared very positively against our U.S. peers and the KBW Nasdaq Regional Banking Index (“KRX”), which declined by 18% and 19%, respectively. In fact, Popular was the best performing bank in the KRX, outperforming the Index throughout 2018 due, in part, to the Island’s steady economic recovery after the 2017 Hurricanes, strong earnings and stable credit quality metrics.

EXECUTIVE COMPENSATION PROGRAM HIGHLIGHTS

Our executive compensation program is designed to motivate and reward performance, align executives with shareholder interests, promote building long-term shareholder value, attract and retain highly qualified executives and mitigate conduct that may promote excessive or unnecessary risk taking. Our program is premised upon:

PAY-FOR-PERFORMANCE

- Focus on variable, incentive-based pay (62%-74% of total target NEO pay is performance-based)
- Combination of short-term (cash) and long-term (equity) incentives
- Equity awards promote performance and retention of high-performing talent
- Total compensation opportunity targeted at median of our peer group
- No special retirement or severance programs
- Limited perquisites

STRONG GOVERNANCE

- Incentive risk mitigation through balanced compensation design and strong internal control framework
- No speculative transactions in Popular securities nor pledging or hedging of common stock
- Clawback guideline
- Annual say-on-pay advisory vote
- Independent compensation consultant
- Compensation governance framework that includes internal guidelines covering compensation programs and incentive design

EXECUTIVE ALIGNMENT WITH LONG-TERM SHAREHOLDER VALUE

- Stock ownership requirements
- Extended equity vesting (including a portion at retirement)
- Double-trigger equity vesting upon change in control

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PAY MIX IN THE COMPENSATION PROGRAM

Our executive compensation program focuses on the achievement of annual and long-term goals that generate sustained company performance and strong returns to our shareholders. As illustrated in the graphs below, the majority of total target compensation is at-risk, subject to company and individual performance: 64% of total target compensation for the Executive Chairman, 74% for the President and CEO and 62% for the other NEOs.

2018 TARGET COMPENSATION PAY MIX

Note: Target total compensation is based on base salary as of December 31, 2018.

2018 COMPENSATION PROGRAM AND PAY DECISIONS

For 2018, the total compensation paid to or earned by our NEOs was as follows:

Name and Principal Position	Salary	Bonus	Stock Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Richard L. Carrión Executive Chairman	$1,200,000	$50,000	$1,020,000	$1,366,360	—	$328,134	$3,964,494
Ignacio Alvarez President and Chief Executive Officer (“CEO”)	1,013,231	45,833	1,665,000	1,652,800	—	40,699	4,417,563
Carlos J. Vázquez Executive Vice President and Chief Financial Officer (“CFO”)	686,423	28,688	540,000	763,111	—	18,041	2,036,262
Javier D. Ferrer Executive Vice President and	559,308	23,375	440,000	623,659	—	15,605	1,661,946

Chief Legal Officer ("CLO")							
Lidio V. Soriano Executive Vice President and Chief Risk Officer ("CRO")	508,462	21,250	400,000	523,015	—	11,889	1,464,616

BASE SALARY

In March 2018, each NEO, except for the Executive Chairman, received a 2% merit increase adjustment to his base salary upon consideration of salary market benchmarking and individual performance. Effective June 2018, the Compensation Committee approved a further increase to Mr. Alvarez's base salary to position his total compensation closer to market median while recognizing solid performance after his first year as CEO.

SHORT-TERM ANNUAL CASH INCENTIVE

The short-term annual cash incentive is awarded based on the achievement of corporate results, individual goals and leadership competencies. In 2018, it had a target of 85% of base pay for Mr. Carrión, 100% for Mr. Alvarez and 80% of base pay for the other NEOs. Actual payouts can range from zero to 1.5 times the target award. After considering all incentive components, the Compensation Committee granted annual cash incentive awards at 113.6% of base pay for Mr. Carrión, 150% for Mr. Alvarez, 110.4% for Mr. Vázquez, 110.7% for Mr. Ferrer and 102% for Mr. Soriano.

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LONG-TERM EQUITY INCENTIVE

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CORPORATE GOVERNANCE DIRECTORS AND EXECUTIVE OFFICERS

Corporate Governance

Our Board of Directors believes that high standards of corporate governance are an essential component of strengthening our corporate culture and embedding our institutional values in our day-to-day business operations. The Board's Corporate Governance and Nominating Committee recommends to the Board the adoption of corporate governance guidelines to protect and enhance shareholder value and to set forth the principles as to how the Board, its various committees, individual directors and management should perform their functions. The Corporate Governance and Nominating Committee considers developments in corporate governance and periodically recommends to the Board changes to our corporate governance principles.

KEY CORPORATE GOVERNANCE FEATURES

Director Independence	Popular's Corporate Governance Guidelines provide that at least two-thirds of the Board shall consist of independent directors. At present, all of our non-employee directors (nine of eleven directors) are independent in accordance with the standards of The Nasdaq Stock Market ("NASDAQ"). Messrs. Carrión and Alvarez are our only employee directors and are not considered independent.
Majority Voting in Director Elections	Directors are elected by the affirmative vote of a majority of the shares represented at the annual meeting. An incumbent director not elected by the affirmative vote of a majority of the shares represented at the annual meeting must tender his or her resignation to the Board, which may accept or reject the director's resignation.
Independent Lead Director	The Board has a Lead Director elected annually by a majority of the independent members of the Board.
Board Oversight of Risk Management	Popular's Board has a significant role in risk oversight. You can read about the role of the Board in risk oversight under "Board Oversight of Risk Management."
Succession Planning	The Compensation Committee annually reviews a management succession plan, developed by the CEO, to ensure an orderly succession of the CEO and executive officers in both ordinary course and emergency situations.
Director Retirement	Popular's Corporate Governance Guidelines provide that directors may serve on the Board until the end of their term following their 72nd birthday, and may not be initially elected or re-elected after reaching age 72.
Stock Ownership	Within three years of their election, directors must hold Popular stock with a value equal to five times the annual Board retainer. Within five years of designation, the Executive Chairman and the President and CEO must hold Popular stock with a value equal to six times base pay and other executive officers must hold three times their base pay.
Restrictions on Pledging, Hedging and Speculative Transactions	Popular's directors and executive officers are prohibited from pledging Popular's common stock as collateral for loans. In addition, directors and executive officers are not allowed to engage in speculative transactions, such as hedging and monetization transactions, using Popular's securities.
Annual Board and Committee Self-Assessments	The Board and each committee conduct annual self-evaluations to determine whether they are functioning effectively.
	Popular's independent directors hold executive sessions without Popular's management.

Executive Sessions of Non-Management Directors	
Limits on Board Service	To ensure that Directors have sufficient time to devote to their responsibilities on Popular's Board, Popular's Corporate Governance Guidelines contain a policy about other directorships. Directors who also serve as CEOs of public companies should not serve on more than one public company board in addition to Popular's Board, and other directors should not serve on more than four public company boards in addition to Popular's Board. In addition, members of the Audit Committee may not serve on more than three public company audit committees, including Popular's Audit Committee, without prior Board approval.

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BOARD OF DIRECTORS' INDEPENDENCE

Popular's Corporate Governance Guidelines provide that at least two-thirds of the Board shall consist of directors who the Board has determined have no material relationship with Popular and who are otherwise "independent" under the director independence standards of NASDAQ. The Board, with the assistance of the Corporate Governance and Nominating Committee, conducts an annual review of any relevant business relationships that each director may have with Popular and whether each director meets the independence standards of NASDAQ. The Board has determined that all of its directors and nominees, except for Messrs. Carrión and Alvarez, have no material relationship with Popular and meet the independence standards of NASDAQ.

As part of the process to determine director independence, the Board considered payments made by Popular in the ordinary course of business to various entities related to Ms. Ferré and Mr. Carrady in connection with advertising activities of Popular and its affiliates. In the case of Mr. Carrady, it also considered payments made and received by Popular in the ordinary course of business in connection with property lease transactions. The Board determined that these business relationships are not material and did not impair the ability of neither Ms. Ferré nor Mr. Carrady to act independently.

BOARD LEADERSHIP

Each year, the Board evaluates whether Popular's leadership structure is in the best interest of Popular. The Board does not have a policy on whether the Chairman and CEO positions should be separate or combined. Mr. Carrión served as Popular's Chairman and CEO from 1994 to July 1, 2017, when the CEO and President positions were consolidated in Mr. Alvarez, and Mr. Carrión assumed the position of Executive Chairman. In his role as Executive Chairman, Mr. Carrión continues to collaborate with Mr. Alvarez on corporate strategy, government and client relations and social responsibility initiatives. The Board could in the future decide to consolidate

the Chairman and CEO positions if it determines that doing so would serve the best interests of the Corporation.

Popular's Corporate Governance Guidelines require the designation of a Lead Director when the Chairman of the Board is not an independent director. The Lead Director is an independent director elected annually by a majority of the independent members of the Board. On February 15, 2019, Mr. Teuber was reappointed as the Lead Director. The Corporate Governance Guidelines provide that the Lead Director will have the responsibilities listed below.

Lead Director Responsibilities

- Preside over all meetings of the Board at which the Chairman is not present.
- Preside over executive sessions of the independent directors.
- Act as liaison between the independent directors and the Chairman.
- Have authority to call meetings of independent directors.
- Assist the other independent directors by ensuring that independent directors have adequate opportunities to meet in executive sessions and communicate to the Chairman, as appropriate, the results of such sessions and other private discussions among outside directors.
- Assist the Chairman and the remainder of the Board in assuming effective corporate governance in managing the affairs of the Board.
- Serve as the contact person to facilitate communications requested by major shareholders with independent members of the Board.
- Approve, in collaboration with the Chairman, meeting agendas and information sent to the Board.

Approve, in collaboration with the Chairman, meeting schedules to assure that there is sufficient time for discussion of all agenda items.

Serve temporarily as Chairman of the Board and the Board's spokesperson if the Chairman is unable to act.

Interview Board candidates.

Recommend to the Corporate Governance and Nominating Committee nominees to Board committees and sub-committees as may come to the Lead Director's attention.

Ensure the Board works as a cohesive team.

Be available for consultation and direct communication upon request of major shareholders.

Make such recommendations to the Board as the Lead Director may deem appropriate for the retention of consultants who will report to the Board.

Retain consultants, with the approval of the Board, as the Lead Director and the Board deem appropriate.

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DIRECTOR CONTINUING EDUCATION

Popular encourages directors to participate in continuing director education programs. To assist the Board in remaining current with its duties, committee responsibilities and the many important developments impacting our business, Popular participates in the Corporate Board Member's Board

Leadership Program. This program offers our directors access to a wide range of in-person, peer-based and webinar educational programs on corporate governance, committee duties, board leadership and industry developments.

BOARD MEETINGS AND EXECUTIVE SESSIONS

The Board met 13 times during 2018. Each director attended 75% or more meetings of the Board and the meetings of committees of the Board on which each such director served. While Popular has not adopted a formal policy with respect to directors' attendance at the meetings of shareholders, Popular encourages directors to attend all meetings. All of our directors, except for Mr. David Goel, who was a director at such time, attended the 2018 annual meeting of shareholders. The

Corporate Governance Guidelines provide that the independent directors will meet in executive sessions once every in-person regularly scheduled Board meeting. During 2018, the independent directors met in executive sessions without Popular's management after each regularly scheduled in-person Board meeting (except one regularly scheduled in-person Board meeting where it was determined that no executive session was necessary).

BOARD SELF-ASSESSMENT

Our Board conducts an annual self-assessment aimed at improving its performance. As part of such assessment, each director completes a written questionnaire that is designed to gather suggestions for improving Board effectiveness and solicit feedback on a wide range of issues, including:

- Board and committee composition, structure and operations;
- Board dynamics and standards of conduct;
- adequacy of materials and information provided;
- access to management; and
- Board effectiveness and accountability.

Each of the four standing Board committees also conducts its own written annual self-assessment, which generally includes issues such as:

- responsibilities and organization of the committee, including adequacy of its charter;
- operations of the committee;
- adequacy of materials and information provided; and
- assessment of the committee's performance.

Responses to the Board and committee self-assessments, including written comments, are tabulated to show trends since prior years. Responses are not attributed to individual directors in order to promote openness, discussion and collegiality. The Board self-assessment report is discussed by the Corporate Governance and Nominating Committee. Thereafter, the Chair of the Corporate Governance and Nominating Committee leads the discussion with the full Board. The committee self-assessment reports are discussed at each committee, followed by a discussion of the report with the full Board led by each Committee Chair. The Corporate Governance and Nominating Committee annually discusses the format and process to be used to carry out the Board and committee self-assessments.

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COMMITTEES OF THE BOARD

The Board has four standing Committees: an Audit Committee, a Corporate Governance and Nominating Committee, a Risk Management Committee and a Compensation Committee. All committees operate under written charters which are posted in our website under the heading Corporate Governance at www.popular.com/en/investor-relations/. The following highlights some of the key responsibilities of each committee as well as information about committee members and their independence, number of meetings in 2018 and last charter revision date, among others. For additional information on the role of certain of the standing committees in connection with risk oversight, please see the "Board Oversight of Risk Management" section of this Proxy Statement.

AUDIT COMMITTEE

Members:
Alejandro M. Ballester
John W. Diercksen (Chair)
C. Kim Goodwin
William J. Teuber, Jr.
Carlos A. Unanue

Independence:
Each member of the committee is independent

Audit Committee Financial Expert:
Messrs. Teuber and Diercksen and Ms. Goodwin are Audit Committee Financial Experts as defined by SEC rules

Meetings in 2018:
10 meetings, of which 8 were devoted to the discussion of earnings releases, Form 10-K and Form 10-Q filings

Charter last revised:
December 13, 2018

Primary Responsibilities:
Assists the Board in its oversight of:

- the outside auditors' qualifications, independence and performance;
- the performance of Popular's internal audit function;
- the integrity of Popular's financial statements, including overseeing the accounting and financial processes, principles and policies, the effectiveness of internal controls over financial reporting and the audits of the financial statements; and
- compliance with legal and regulatory requirements.

In addition, the Audit Committee issues a report, as required by the U.S. Securities and Exchange Commission (the "SEC") rules, for inclusion in Popular's annual proxy statement. The Audit Committee was established in accordance with the requirements of the Securities Exchange Act of 1934.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

Members:
Joaquín E. Bacardí, III
Alejandro M. Ballester (Chair)
Maria Luisa Ferré
William J. Teuber, Jr.

Primary Responsibilities:
The Corporate Governance and Nominating Committee is responsible for:

- exercising general oversight with respect to the governance of the Board;
- identifying and recommending individuals qualified to become Board members and recommending director nominees and committee members to the Board;

Independence:
Each member of the committee is independent

Meetings in 2018: 6

Charter last revised:
January 25, 2019

- reviewing and reporting to the Board on matters of corporate governance and developing and recommending to the Board a set of corporate governance principles applicable to Popular;
- leading the Board and assisting its committees in the annual assessment of their performance; and
- recommending to the Board the form and amount of compensation for Popular's directors.

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RISK MANAGEMENT COMMITTEE

Members:
Joaquín E. Bacardí, III
Robert Carrady
John W. Diercksen
C. Kim Goodwin (Chair)
Myrna M. Soto
William J. Teuber, Jr.

Independence:
Each member of the committee is independent

Meetings in 2018: 10

Charter last revised:
February 15, 2019

Primary Responsibilities:

Assists the Board in the oversight of:

- Popular's overall risk management framework; and
- the monitoring, review and approval of the policies and procedures that measure, limit and manage Popular's main risks, including operational, liquidity, interest rate, market, legal, compliance and credit risks.

COMPENSATION COMMITTEE

Members:
John W. Diercksen
María Luisa Ferré (Chair)
William J. Teuber, Jr.
Carlos A. Unanue

Independence:
Each member of the committee is independent

Meetings in 2018: 6

Charter last revised:
December 13, 2018

Primary Responsibilities:

Discharges the Board's responsibilities, subject to review by the full Board, relating to:

- compensation of Popular's Executive Chairman, CEO and all other executive officers;
- adoption of policies that govern Popular's compensation and benefit programs;
- overseeing plans for executive officer development and succession;
- overseeing, in consultation with management, compliance with federal, state and local laws as they affect compensation matters;
- considering, in consultation with the CRO, whether the incentives and risks arising from the compensation plans for all employees are reasonably likely to have a material adverse effect on Popular and taking necessary actions to limit any risks identified as a result of the risk-related reviews; and
- reviewing and discussing with management the "Compensation Discussion and Analysis" section for Popular's annual proxy statement in compliance with and to the extent required by applicable law, rules and regulations.

Compensation Committee Interlocks and Insider Participation:

None of the members of the Compensation Committee is or has been an officer or employee of Popular. In addition, none of our executive officers is, or was during 2018, a member of the board of directors or compensation committee (or other committee serving an equivalent function) of another company that has, or had during 2018, an executive officer serving as a member of our Compensation Committee. Other than as disclosed in the "Certain Relationships and Transactions" section of this Proxy Statement, none of the members of the Compensation Committee had any relationship with Popular requiring disclosure under Item 404 of Regulation S-K.

MEMBERSHIP IN BOARD COMMITTEES

	Audit	Compensation	Corp. Gov. & Nominating	Risk
Class 1				
Ignacio Alvarez				
Alejandro M. Ballester	•			
Richard L. Carrión				
Carlos A. Unanue	•	•		
Class 2				
Joaquín E. Bacardí, III			•	•
Robert Carrady				•
John W. Diercksen		•		•
Myrna M. Soto				•
Class 3				
María Luisa Ferré			•	
C. Kim Goodwin				
William J. Teuber, Jr. (Lead Director)		•	•	•

•Member Committee Chair Financial Expert

BOARD OVERSIGHT OF RISK MANAGEMENT

While management has primary responsibility for managing risk, the Board has a significant role in the risk oversight of Popular. The Board performs its risk oversight functions directly and through several Board committees, each of which oversees the management of risks that fall within its areas of responsibility, as described below. In discharging their responsibilities, Board committees have full access to management and independent advisors as they deem necessary or appropriate. Whenever it is deemed appropriate, management gives presentations to the full Board in connection with specific risks, such as those related to compliance and information security, among others. The principal roles and responsibilities of the Board committees in the oversight of risk management are described below:

Risk Management Committee	**Responsibilities:** • Review, approve and oversee management's implementation of Popular's risk management program and related policies, procedures and controls to measure, limit and manage Popular's risks, including operational, liquidity, interest rate, market, legal, compliance and credit risks, while taking into consideration their alignment with Popular's strategic and capital plans. •

Review and discuss with management Popular's major financial risk exposures and the steps taken by management to monitor and control such exposures.

- Review and receive reports on selected risk topics as management or the committee may deem appropriate.
- After each meeting, report to the full Board regarding its activities.

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Audit Committee	**Responsibilities:** • Oversight of accounting and financial reporting principles and policies, internal controls and procedures and controls over financial reporting. • Review reports from management, independent auditors, internal auditors, compliance group, legal counsel, regulators and outside experts, as considered appropriate, that include risks Popular faces and Popular's risk management function. • Evaluate and approve the annual risk assessment of the Internal Audit Division, which identifies the areas to be included in the annual audit plan. • After each meeting, report to the full Board regarding its activities.

Compensation Committee	**Responsibilities:** • Establish Popular's executive compensation and other incentive-based compensation programs, taking into account the risks to Popular that such programs may pose. • Periodically evaluate, in consultation with the CRO, whether the incentives and risks arising from Popular's compensation plans for all employees are likely to have a material adverse effect on Popular. • Take such action as the Committee deems necessary to limit any risks identified as a result of the risk-related reviews. • After each meeting, report to the full Board regarding its activities.

NOMINATION OF DIRECTORS

The Corporate Governance and Nominating Committee Charter provides that, in nominating candidates, the Committee will take into consideration such factors as it deems appropriate, which may include judgment, skill, diversity, experience with business and other organizations, the interplay of the candidate's experience with the experience of the existing Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board.

The Corporate Governance and Nominating Committee will consider candidates for director who are recommended by its members, by other Board members, by management, and by shareholders. There are no differences in the manner in which the Corporate Governance and Nominating Committee will evaluate nominees for director in the event the nominee is

recommended by a shareholder. There were no nominees for director recommended by shareholders for consideration by the Corporate Governance and Nominating Committee for election at the 2019 annual meeting of shareholders. Shareholders who wish to submit nominees for director for consideration by the Corporate Governance and Nominating Committee for election at Popular's 2020 annual meeting of shareholders may do so as set forth under "General Information About the Meeting—Shareholder Proposals."

Under Popular's Corporate Governance Guidelines, the Board should, based on the recommendations of the Corporate Governance and Nominating Committee, select new nominees for the position of independent director by considering the criteria outlined below:

Criteria for Nomination

Personal qualities and characteristics, accomplishments and reputation in the business community.

Current knowledge and contacts in the communities in which Popular does business and in Popular's industry or other industries relevant to Popular's business.

Ability and willingness to commit adequate time to Board and committee matters.

The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of Popular.

Diversity of viewpoints, background, experience and other demographic factors.

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BOARD DIVERSITY, EXPERIENCE AND SKILLS

The Corporate Governance and Nominating Committee does not have a specific diversity policy with respect to the director nomination process. Rather, the Committee considers diversity in the broader sense of how a candidate's viewpoints, experience, skills, background and other demographics could assist the Board in light of the Board's composition at the time. The Board believes that each director contributes to the overall diversity by providing a variety of personal and professional experiences and backgrounds. As shown below, the current

directors and nominees reflect an appropriate diversity of gender, age, race, geographical background and experience. The Board is committed to considering diversity issues in evaluating its composition.

The following summarizes the diversity, tenure, independence, age, and the main experience and skills of our Board of Directors:

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SUCCESSION PLANNING

Popular's Board recognizes that one of its most important duties is to ensure senior leadership continuity by overseeing the development of executive talent and planning for the efficient succession of the CEO and other executive officers. The Board has delegated primary responsibility for succession planning to the Compensation Committee. The Compensation Committee reviews annually a management succession plan, developed by the CEO, and reports annually to the Board on the management succession plan. The principal components of this plan are: (1) a proposed plan for emergency CEO

succession, (2) a proposed plan for CEO succession in the ordinary course of business, and (3) the CEO's plan for management succession for the other policy-making officers of Popular. The succession plan includes an assessment of the experience, performance, skills and planned career paths for possible candidates within the senior management team. Development initiatives supporting the succession plan include job enhancements and rotations, the Popular Leadership Academy, specialized external trainings and competency assessments.

CODE OF ETHICS

The Board has adopted a Code of Ethics (the "Code") to be followed by Popular's employees, officers and directors to achieve conduct that reflects our ethical principles. Directors, NEOs, other executive officers and employees are required to read and comply with the Code. Popular requires that all new employees take Code training shortly after their start date and also provides periodic Code training to all employees. All employees must certify annually that they have read the Code and complete a declaration on possible conflicts of interest. In addition, other persons performing services for Popular by contract or other agreement may be subject to the Code of Ethics for Service Providers.

The Code provides that any waivers of its terms granted to NEOs, other executive officers or directors may be made only by the independent members of the Board. Any such waivers must be promptly disclosed to the shareholders.

During 2018, Popular did not receive or grant any request from directors, NEOs or other executive officers for waivers under the provisions of the Code. The Code was last revised on September 21, 2018 and is available on the Corporate Governance section of Popular's website at www.popular.com/en/investor-relations/. Popular will post on its website any amendments to the Code and any waivers granted to the Executive Chairman, President and CEO, the CFO, the Corporate Comptroller or directors.

Popular expects employees to report behavior that concerns them or that may represent a violation of the Code. Popular offers several channels by which employees may raise an issue or concern, including any actual or potential violations of the Code. One such method is EthicsPoint, a website and telephone hotline that is available 24/7. EthicsPoint reports can be submitted anonymously.

COMMUNICATION WITH THE BOARD

Any shareholder who desires to contact the Board or any of its members may do so by writing to:

Popular, Inc., Board of Directors (751),
P.O. Box 362708, San Juan, PR 00936-2708

Alternatively, a shareholder may contact the Audit Committee or any of its members telephonically by calling the toll-free number (866) 737-6813 or electronically through www.popular.com/ethicspoint-en.

Popular’s Chief Legal Officer and Secretary reviews all correspondence addressed to the Board or any of its members and provides the Board with copies of all communications that deal with the functions of the Board or its committees, or that otherwise require Board attention. Communications received by the Audit Committee that are not related to accounting or auditing matters may, in its discretion, be forwarded by the Audit Committee or any of its members to other committees of the Board or Popular’s management for review.

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WHERE TO FIND MORE INFORMATION ON GOVERNANCE

Popular maintains a corporate governance section on its website at www.popular.com/en/investor-relations/ where investors may find copies of its principal governance documents. The corporate governance section of Popular's website contains, among others, the following documents:

- Code of Ethics
- Audit Committee Charter
- Corporate Governance and Nominating Committee Charter
- Compensation Committee Charter
- Risk Committee Charter
- Corporate Governance Guidelines
- Insider Trading Policy

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Directors and Executive Officers

NOMINEES FOR ELECTION AS DIRECTORS AND OTHER DIRECTORS

Information relating to director's participation in Popular's committees, age, principal occupation, business experience during the past five years (including positions held with Popular or its subsidiaries and the period during which each director has served in such capacity), directorships and qualifications is set forth below. All of Popular's directors are also directors of the following subsidiaries of Popular: Banco Popular de Puerto Rico ("BPPR"), Popular North America, Inc. and Popular Bank.

NOMINEES FOR ELECTION – CLASS 2 DIRECTORS (TERMS EXPIRING 2019)

JOAQUÍN E. BACARDÍ, III
Director since 2013

Age 53

Committees

- Corporate Governance & Nominating
- Risk

BACKGROUND

Chairman and majority shareholder of Edmundo B. Fernández, Inc., a privately held producer and distributor of rum since November 2017. Private investor since 2016. President and Chief Executive Officer of Bacardi Corporation, a privately held business and major producer and distributor of rum and other spirits, from April 2008 to April 2016.

QUALIFICATIONS

On November 2017, Mr. Bacardí completed the acquisition of Edmundo B. Fernández, Inc., a 137 year old privately owned rum company. Mr. Bacardí has extensive experience in the development and implementation of international marketing, sales and distribution strategies acquired throughout more than 24 years at various Bacardi companies and 3 years as Product Manager of Nestlé of Puerto Rico. As President and Chief Executive Officer of Bacardi Corporation, Mr. Bacardí directed and managed all business operations with full profit and loss responsibilities and government relations for Bacardi in the Caribbean, Mexico, Central and South America. Prior to becoming President and Chief Executive Officer of Bacardi Corporation, Mr. Bacardí held positions in various Bacardi enterprises where, among other things, he was responsible for the development of all global communication strategies for Bacardi Limited's whisky portfolio, with total sales of approximately $400 million, and supervision of marketing for all Bacardi brands globally. Mr. Bacardí's vast experience in business operations in Puerto Rico and across various international markets, as well as his expertise in global communication strategies, have been of great benefit to the Board.

BACKGROUND

ROBERT CARRADY
Director since January 2019

Age 63

Committee

- Risk

President of Caribbean Cinemas, a family-owned business and the largest movie theater chain in the Caribbean, since 2006.

QUALIFICATIONS

Mr. Carrady, as President of Caribbean Cinemas, has acquired extensive leadership and business operations experience by overseeing and managing a theater operation of approximately 570 cinema screens in 68 locations across Puerto Rico, the Dominican Republic and several other Caribbean islands, as well as in Guyana, Panama and Bolivia. His entrepreneurial skills have helped develop Caribbean Cinemas into the largest movie theater chain in the Caribbean and has transformed the company which today manages in-house the construction of new sites, theatre operations, film buying, food concessions, screen advertising, game room concessions and real estate leasing and management. Mr. Carrady's experience as a business leader and entrepreneur, as well as his thorough understanding of the Caribbean region, one of the markets where Popular operates, brings great value to our board.

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JOHN W. DIERCKSEN
Director since 2013

Age 69

Committees
- Audit (Chair and Financial Expert)
- Risk
- Compensation

BACKGROUND

Principal of Greycrest, LLC, a privately-held financial and operational advisory services company, since October 2013. Chief Executive Officer of Beachfront Wireless LLC, a privately-held investment entity organized to participate in a Federal Communications Commission airwaves auction, from December 2015 to November 2016, when it was sold. Senior Advisor at Liontree Investment Advisors, an investment banking firm, since April 2014. Director of Harman International Industries, Incorporated, an audio and infotainment equipment company, from June 2013 to June 2017, when it was sold, Intelsat, S.A., a communications satellite services provider, since September 2013 and Cyxtera Technologies, an entity that provides data center security and analytic services, since May 2017.

QUALIFICATIONS

Mr. Diercksen has 29 years of experience in the communications industry. From 2003 to 2013, he was an Executive Vice President of Verizon Communications, Inc., a global leader in delivering consumer, enterprise wireless and wire line services, as well as other communication services. At Verizon he was responsible for key strategic initiatives related to the review and assessment of potential mergers, acquisitions and divestitures and was instrumental in forging Verizon’s strategy of technology investment and repositioning its assets. He possesses a vast experience in matters related to corporate strategy, mergers, acquisitions and divestitures, business development, venture investments, strategic alliances, joint ventures and strategic planning. Mr. Diercksen’s extensive senior leadership experience, together with his financial and accounting expertise, position him well to advise the Board and senior management on a wide range of strategic and financial matters.

MYRNA M. SOTO
Director since July 2018

Age 50

Committee

- Risk

BACKGROUND

Chief Operating Officer of Digital Hands, LLC, a managed security service provider, since March 4, 2019. Partner at ForgePoint Capital, a venture capital firm concentrating exclusively on cybersecurity related companies, from April 2018 to March 2019, when she assumed the role of Venture Advisor. Senior Vice President and Global Chief Information Security Officer of Comcast Corporation, a worldwide media and technology company, from September 2009 to April 2018. Vice President of Information Technology Governance and Chief Information Security Officer of MGM Resorts International, a global hospitality company, from 2005 until September 2009. Director of CMS Energy Corporation, a publicly-traded energy company, since January 2015, and of Spirit Airlines, Inc., a publicly-traded airline company, since March 2016.

QUALIFICATIONS

Ms. Soto has over 28 years of information technology and security experience in a variety of industries, including financial services, hospitality, insurance, risk management, as well as gaming and entertainment. During her years in the information and cybersecurity field, she successfully managed global cybersecurity and technology risk programs at leading Fortune 500 companies. Ms. Soto's extensive experience in cybersecurity, as well as her experience as a business leader and as a member of several public company boards, brings an invaluable and unique perspective to our Board and helps ensure that the Corporation is well-positioned to meet the technology and cybersecurity needs of today's marketplace, a matter that becomes more critical each day.

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CLASS 1 DIRECTORS (TERMS EXPIRING 2021)

IGNACIO ALVAREZ
Director since 2017

Age 60

BACKGROUND

Chief Executive Officer of Popular, BPPR and Popular Bank since July 2017. President of Popular, BPPR and Popular Bank since October 2014 and Chief Operating Officer of Popular and BPPR from October 2014 to July 2017. Executive Vice President and Chief Legal Officer of Popular from June 2010 to September 2014. President and CEO of Popular North America, Inc. and other direct and indirect wholly-owned subsidiaries of Popular. President of the Puerto Rico Bankers Association since October 2017. Director of Centro Financiero BHD León, S.A. and Banco BHD León, from March 2018 to March 2019. Member of the Board of Trustees of Fundación Banco Popular, Inc. and of Popular Bank Foundation, Inc. since November 2015.

QUALIFICATIONS

Prior to joining Popular in 2010 as Chief Legal Officer, Mr. Alvarez was one of the six founding partners of the law firm Pietrantoni Méndez & Alvarez LLC, one of Puerto Rico's principal law firms. During his 27 years in private law practice, his main areas of expertise included banking, corporate and commercial law, corporate and public finance law, securities and capital markets. As President and Chief Operating Officer, Mr. Alvarez demonstrated his solid strategic and analytical skills, understanding of the markets in which we operate, business acumen and strength as a leader, delivering positive results in our Puerto Rico business despite challenging conditions and overseeing the repositioning of our operations in the United States. Mr. Alvarez's understanding of the Corporation and excellent business skills, as well as his background as an attorney with vast experience on corporate matters, including regulatory and corporate governance, have proven to be a great asset.

ALEJANDRO M. BALLESTER
Director since 2010

Age 52

Committees

- Audit
- Corporate Governance & Nominating (Chair)

BACKGROUND

President of Ballester Hermanos, Inc., a major food and beverage distributor in Puerto Rico, since 2007.

QUALIFICATIONS

Mr. Ballester has a comprehensive understanding of Puerto Rico’s consumer products and distribution industries acquired through over 28 years of experience at Ballester Hermanos, Inc., a privately-owned business dedicated to the importation and distribution of grocery products, as well as beer, liquors and wine for the retail and food service trade in Puerto Rico. As of December 31, 2018, Ballester Hermanos had approximately $121 million in assets and annual revenues of approximately $345 million. Mr. Ballester is familiar with the challenges faced by family-owned businesses, which constitute an important market segment for Popular’s commercial banking units. He has proven to be a successful entrepreneur establishing the food service division of Ballester Hermanos in 1999, which today accounts for 35% of the firm’s revenues. During 2009, he was a director of the Government Development Bank for Puerto Rico and member of its audit and investment committees where he obtained experience in overseeing a variety of fiscal issues related to various government agencies, instrumentalities and municipalities. The experience, skills and understanding of the Puerto Rico economy and government financial condition acquired by Mr. Ballester have been of great value to the Board.

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RICHARD L. CARRIÓN
Director since 1991

Age 66

Chairman since 1993

Executive Chairman since
July 2017

BACKGROUND

Executive Chairman of Popular since July 2017. CEO of Popular from 1994 to June 2017 and President from 1991 to January 2009 and from May 2010 to September 2014. Executive Chairman of BPPR since July 2017, Chairman since 1993 and CEO from 1989 to June 2017. President of BPPR from 1985 to 2004 and from May 2010 to September 2014. Executive Chairman of Popular Bank since July 2017 and Chairman since 1998. Chairman of Popular North America, Inc. and other direct and indirect wholly-owned subsidiaries of Popular and CEO until 2017. Director of the Federal Reserve Bank of New York from January 2008 to December 2015. Chairman of the Board of Trustees of Fundación Banco Popular, Inc. since 1991. Chairman and Director of Popular Bank Foundation, Inc. since 2005. Member of the Board of Directors of Verizon Communications, Inc. since 1995. Member of the International Olympic Committee since 1990 and Chairman of the International Olympic Committee Finance Commission from 2002 to 2013. Managing Member of RCA3 Investments, LLC, an entity engaged in financial consulting since October 2017. Chairman of the Board of Vall Banc, an Andorra-based bank, since October 2017. Member of the Supervisory Board of NIBC Holding N.V. and NIBC Bank N.V., both entities engaged in banking in the Netherlands, since 2017. Member of the Board of Directors of First Bank, an entity engaged in banking in Romania, since November 2018.

QUALIFICATIONS

Mr. Carrión's 42 years of banking experience, 33 heading Popular, give him a unique level of knowledge of the Puerto Rico financial system. Mr. Carrión is a well-recognized leader with a vast knowledge of the Puerto Rico economy, and is actively involved in major efforts impacting the local economy. His knowledge of the financial industry led him to become a director of the Federal Reserve Bank of New York for eight years.

CARLOS A. UNANUE
Director since 2010

Age 55

Committees
- Compensation
- Audit

BACKGROUND

President of Goya de Puerto Rico, Inc. since 2003 and of Goya Santo Domingo, S.A. since 1994, food processors and distributors.

QUALIFICATIONS

Mr. Unanue has 32 years of experience at Goya Foods, Inc., a privately-held family business with operations in the United States, Puerto Rico, Spain and the Dominican Republic that is dedicated to the sale, marketing and distribution of Hispanic food, as well as to the food processing and canned food manufacturing business. Through his work with Goya Foods, Mr. Unanue has developed a profound understanding of Popular’s two main markets, Puerto Rico and the United States. His experience in distribution, sales and marketing has provided him with the knowledge and experience to contribute to the development of Popular’s business strategy, while his vast experience in management at various Goya entities has allowed him to make valuable contributions to the Board in its oversight functions.

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CLASS 3 DIRECTORS (TERMS EXPIRING 2020)

MARÍA LUISA FERRÉ
Director since 2004

Age 55

Committees
- Compensation (Chair)
- Corporate Governance & Nominating

BACKGROUND

President and CEO of FRG, Inc., a diversified family holding company with operations in media, real estate, contact centers and distribution in Puerto Rico, the United States and Chile, since 2001. Member of the Board of Directors of GFR Media, LLC since 2003 and Chair from 2006 to February 2016. Publisher of El Nuevo Día, Puerto Rico's most widely read and influential newspaper, and Primera Hora since 2006. Member of the Board of Directors of W.R. Berkley Corporation, an insurance holding company, since May 2017. President and Trustee of The Luis A. Ferré Foundation, Inc. since 2003. Trustee and Vice President of the Ferré Rangel Foundation, Inc. since 1999. President of the Board of Directors of Multisensory Reading Center of PR, Inc. since 2012. Member of the Latin American Caribbean Fund of The Museum of Modern Art since 2013 and of the Smithsonian National Board since 2017. Member of the Board of Directors of Endeavor Puerto Rico since January 2018 and of the Advisory Board of Boys & Girls Club of Puerto Rico since 2017.

QUALIFICATIONS

Ms. Ferré has 17 years of experience as the President and CEO of FRG, Inc., the largest communications and media group in Puerto Rico, with consolidated assets of approximately $368 million and annual net revenues of approximately $187 million as of December 31, 2018. She holds positions as director and officer of numerous entities related to FRG, Inc. She also serves as director and trustee of philanthropic and charitable organizations related to fine arts and education. As a result of these experiences, Ms. Ferré possesses a deep understanding of Popular's main market and has developed management and oversight skills that allow her to make significant contributions to the Board. She also provides thoughtful insight regarding the communications needs of Popular.

C. KIM GOODWIN
Director since 2011

Age 59

Committees
- Risk (Chair)
- Audit (Financial Expert)

BACKGROUND

Private investor since 2008. Non-executive director of PineBridge Investments, LLC, a global asset management boutique with over $89 billion in assets under management, since May 2011, and Chair of its Audit Committee. Trustee-Director of various equity funds within the Allianz Global Investors family of funds from June 2010 to October 2014.

QUALIFICATIONS

Ms. Goodwin’s experience as chief investment officer at several global financial services firms provides the Board with insight into the perspective of institutional investors. Her analytical skills and understanding of global financial markets have proved to be valuable assets. As Head of Equities at Credit Suisse Asset Management from 2006 to 2008, Ms. Goodwin oversaw enterprise risk functions for her global department. Through her experiences as a member of the Audit Committee of Akamai Technologies, Chair of the Audit Committee of PineBridge Investments and Chair of Popular’s Risk Management Committee, Ms. Goodwin has developed profound knowledge of the risks related to our business. She has also developed expertise in identifying, assessing and managing risk exposure, successfully leading the Board's efforts on risk oversight. Finally, Ms. Goodwin also provides Popular with valuable insight regarding the use of technology by financial firms.

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WILLIAM J. TEUBER, JR.
Director since 2004

Age 67

Lead Director

Committees

- Audit (Financial Expert)
- Risk
- Compensation
- Corporate Governance & Nominating

BACKGROUND

Senior Operating Principal of Bridge Growth Partners, LLC, a private equity firm, since November 2016. Vice Chairman of EMC Corporation, a provider of information technology infrastructure solutions, from May 2006 to September 2016, when Dell Technologies acquired the company. Director of Inovalon Holdings, Inc., a provider of data driven healthcare solutions, since April 2013 and of CRH Plc, a global diversified building materials group based in Ireland, since March 2016. Director of Accedian Networks, Inc., a privately held developer of network communication and application monitoring software and hardware, and of BackOffice Associates, LLC, a software and data management services provider, since 2017.

QUALIFICATIONS

Mr. Teuber has significant financial and financial reporting expertise, which he acquired as a Partner in Coopers & Lybrand LLP from 1988 to 1995 and then as Chief Financial Officer of EMC Corporation from 1996 to 2006. At EMC he demonstrated vast management and leadership skills as he led EMC's worldwide finance operation and was responsible for all of its financial planning and reporting, balance sheet management, foreign exchange, audit, tax, treasury, investment banking, governance and investor relations function. As Vice Chairman of EMC, he focused on strategy and business development in emerging markets, assisted with government relations and worked closely with the Board of Directors. Mr. Teuber's significant financial and accounting expertise, experience in identifying, assessing and managing risk and vast management experience and skills developed throughout the years that he provided strategic direction at a multinational public company provide the Board with invaluable insight and a unique global perspective.

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EXECUTIVE OFFICERS

The following information sets forth the names of our executive officers, their age, business experience and directorships during the past five years, as well as the period during which each such person has served as executive officer of Popular.

RICHARD L. CARRIÓN
AGE: 66

Mr. Carrión has been Chairman of the Board since 1993. He has served as Executive Chairman of Popular since July 2017, as CEO from 1994 to June 2017 and as President from 1991 to January 2009 and from May 2010 to September 2014. For additional information, please refer to the "Nominees for Election as Directors and Other Directors" section of this Proxy Statement.

IGNACIO ALVAREZ
AGE: 60

Mr. Alvarez has been Chief Executive Officer of Popular since July 2017 and President and Chief Operating Officer since October 2014. Prior to that he was Executive Vice President and Chief Legal Officer of Popular from June 2010 to September 2014. For additional information, please refer to the "Nominees for Election as Directors and Other Directors" section of this Proxy Statement.

CAMILLE BURCKHART
AGE: 39

Ms. Burckhart has been Executive Vice President and Chief Information and Digital Officer of Popular since July 2015. Prior to becoming Executive Vice President, Ms. Burckhart was the Senior Vice President in charge of the Technology Management Division from December 2010 to June 2015. She has been a member of the Board of Directors of Nuestra Escuela since August 2016 and of Fundación Banco Popular since October 2018.

BEATRIZ CASTELLVÍ
AGE: 51

Ms. Castellví has been Executive Vice President and Chief Security Officer of Popular in charge of cybersecurity and fraud since May 2018. Prior to becoming Executive Vice President, she was Senior Vice President and General Auditor of the Corporation from November 2012 to April 2018. Ms. Castellví has served as a member of the Executive Council of the Puerto Rico Ellevate Chapter since 2013 and as Treasurer from 2013 to January 2019, when she became a member of its Advisory Board.

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LUIS E. CESTERO
AGE: 45

Mr. Cestero has been Executive Vice President of BPPR in charge of the Retail Banking Group since July 2017. Prior to becoming Executive Vice President, Mr. Cestero was the Senior Vice President in charge of Retail Banking Administration from May 2009 to June 2017.

MANUEL CHINEA
AGE: 53

Mr. Chinea has been Executive Vice President of Popular since January 2016 and Chief Operating Officer of Popular Bank since February 2013. He has served as a Member of the Board of Trustees of Popular Bank Foundation, Inc. since October 2013, member of the Board of Directors of the Hispanic Federation since June 2016 and member of the Board of Junior Achievement New York since October 2017.

JAVIER D. FERRER
AGE: 57

Mr. Ferrer has been the Executive Vice President, Chief Legal Officer and Secretary of the Board of Directors of Popular since October 2014 and a Director of BPPR since March 2015. In January 2019, he assumed oversight of the Corporation's strategic planning function. Prior to joining Popular, Mr. Ferrer was a Partner at Pietrantoni Méndez & Alvarez LLC, a San Juan, Puerto Rico based law firm, were he worked from September 1992 to December 2012 and from August 2013 to September 2014. From January 2013 to July 2013, Mr. Ferrer served as President of the Government Development Bank for Puerto Rico and Vice Chairman of its Board of Directors as well as Chairman of the Economic Development Bank for Puerto Rico. From March 2001 to December 2012 and from September 2013 to September 2014, Mr. Ferrer was Secretary of the Board of Directors of the First Puerto Rico Family of Funds, which, as of September 2014, was comprised of 17 funds.

JUAN O. GUERRERO
AGE: 59

Mr. Guerrero has been an Executive Vice President of BPPR in charge of the Financial and Insurance Services Group since April 2004. He has been a Director of Popular Securities LLC since 1995, Popular Insurance LLC since 2004 and of other subsidiaries of Popular. Mr. Guerrero has served as a Director of SER de Puerto Rico since December 2010 and the Puerto Rico Open since October 2016.

GILBERTO MONZÓN
AGE: 59

Mr. Monzón has been an Executive Vice President of BPPR in charge of the Individual Credit Group since October 2010. He has also served as Member of the Board of Directors of the San Jorge Children's Hospital Professional Board since 2011 and director of the Center for a New Economy and the Coalition for the Prevention of Colorectal Cancer of Puerto Rico since 2014.

EDUARDO J. NEGRÓN
AGE: 54

Mr. Negrón has been Executive Vice President of Popular since April 2008 and has been in charge of the Administration Group since December 2010. He became Chairman of Popular's Benefits Committee on April 2008. He has served as Member of the Board of Trustees and Treasurer of Fundación Banco Popular, Inc. and of the Popular Bank Foundation, Inc. since March 2008. He has also been a Director of the Fundación Puertorriqueña de las Humanidades since June 2017.

ELI S. SEPÚLVEDA
AGE: 56

Mr. Sepúlveda has been Executive Vice President of Popular since February 2010 and of BPPR since December 2009. He has been the supervisor in charge of the Commercial Credit Group in Puerto Rico since January 2010. Mr. Sepúlveda has been a member of the Board of Managers of the Puerto Rico Idea Seed Fund, LLC since December 2016.

LIDIO V. SORIANO
AGE: 50

Mr. Soriano has been the Executive Vice President and Chief Risk Officer of Popular since August 2011 and a Director of BPPR and Popular Bank since October 2014. He has been a member of the Board of Directors of the Puerto Rican League Against Cancer since August 2018.

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CARLOS J. VÁZQUEZ
AGE: 60

Mr. Vázquez has been the Chief Financial Officer of Popular since March 2013. He was President of Popular Bank from September 2010 to September 2014 and has been Executive Vice President of Popular since February 2010 and Senior Executive Vice President of BPPR since 2004. He has served as Director of BPPR and of Popular Bank since October 2010. He has been Vice Chairman of the Board of Directors of Popular Bank Foundation since November 2010, Director of the Federal Home Loan Bank of New York since November 2013 and Member of the National Board of Directors of Operation Hope since 2012.

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CERTAIN RELATIONSHIPS AND TRANSACTIONS

We may be party to transactions, arrangements or relationships with our directors, director nominees, executive officers or greater than 5% shareholders, or their immediate family members (each, a "Related Party"). We have adopted a written Policy on Related Party Transactions (the "Related Party Policy") to identify and evaluate potential conflicts of interest, independence factors and disclosure obligations arising out of transactions, arrangements or relationships between Related Parties and us.

Transactions covered by the Related Party Policy may also be subject to restrictions pursuant to Federal Reserve Board Regulation O, *Loans to Executive Officers, Directors and Principal Shareholders*, which is the subject of a separate policy.

OUR POLICY ON RELATED PARTY TRANSACTIONS

The Related Party Policy governs the review, approval or ratification of transactions, arrangements or relationships: (i) in which Popular or any subsidiary is a participant; (ii) the aggregate amount involved will or may be expected to exceed $120,000; and (iii) a Related Party has or will have a direct or indirect material interest. These transactions must be submitted to the Audit Committee for their review, evaluation and approval, unless pre-approved under the Related Party Policy.

Directors and executive officers must notify the CLO of any related party transaction in which they, or their immediate family members, have a material interest. Any unit or division proposing a related party transaction must also notify the CLO, Corporate Comptroller and the General Auditor by completing a Related Party Transaction Request Form. After review by the CLO, the form is submitted for consideration and approval of the Audit Committee. The form must contain, among other things, a description of the proposed transaction, its benefits to Popular and an assessment of whether the proposed related party transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally. Only disinterested members of the Audit Committee will participate in the review and determination of whether a related party transaction is approved. The Audit Committee will approve or ratify transactions with Related Parties when the transaction is deemed to be in, or is not inconsistent with, the best interest of Popular.

PRE-APPROVED CATEGORIES OF RELATED PARTY TRANSACTIONS

In accordance with the terms of the Related Party Policy, certain types of transactions are pre-approved and certain recurring transactions are approved annually, without the need

to submit the corresponding form to the Audit Committee. Pre-approved transactions include certain banking-related services and transactions in the ordinary course of business involving financial products and services provided by, or to, Popular, including loans, provided such transactions comply with the Sarbanes-Oxley Act of 2002, Federal Reserve Board Regulation O and other applicable laws and regulations. In the event Popular becomes aware of a transaction with a Related Party that has not been approved under the terms of the Related Party Policy, the Audit Committee considers all relevant facts and circumstances regarding the transaction with the Related Party and evaluates all options available to Popular, including ratification, revision or termination. The Audit Committee also examines the facts and circumstances pertaining to the failure of reporting such related party transaction to the Committee, as required by the Related Party Policy, and may take such actions as it deems appropriate.

RELATED PARTY TRANSACTIONS

In 2018, Popular and its subsidiaries contributed approximately $692,000 to Fundación Banco Popular, Inc. (the "BPPR Foundation") through the matching of employee contributions. During 2018, Popular also contributed to the BPPR Foundation $1.1 million of which $100,000 were from the proceeds of BPPR's Holiday Special. In addition, Popular provides human and operational resources to support the activities of the BPPR Foundation, which during 2018 amounted to approximately $1,300,000, including maintenance and the amortization of leasehold improvements for the BPPR Foundation's headquarters. BPPR and the Puerto Rico employees of Popular, through voluntary personal donations, are a significant source of funds for the BPPR Foundation. The BPPR Foundation is a Puerto Rico not-for-profit corporation created to improve the quality of life in Puerto Rico. As BPPR's philanthropic arm, it provides a scholarship fund for employees' children and supports education and community development projects. The Board of Directors of BPPR appoints six of the eleven members of the Board of Trustees. The remaining five trustees are appointed by the Board of Trustees of the BPPR Foundation. Mr. Carrión is the Chairman while Messrs. Alvarez and Negrón and Ms. Burckhart are members, of the BPPR Foundation's Board of Trustees.

During 2018, Popular Bank contributed approximately $90,000 to the Popular Bank Foundation (the "PB Foundation") through the matching of employee contributions and made additional contributions of approximately $150,000. Popular Bank and its employees, through voluntary personal donations, are the

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main source of funds of the PB Foundation. The PB Foundation, a New York not-for-profit corporation, was created to strengthen the social and economic well-being of the communities served by Popular Bank. As Popular Bank's philanthropic arm it provides support to charitable organizations for community development and education. Mr. Carrión is the Chairman while Messrs. Alvarez, Vázquez, Chinea and Negrón are members of the Board of Directors of the PB Foundation.

BPPR has loan transactions with Popular's directors and officers, and other Related Persons, and proposes to continue such transactions in the ordinary course of its business, on substantially the same terms, including interest rates and collateral, as those prevailing for comparable loan transactions with third parties. Except as discussed below, the extensions of credit have not involved and do not currently involve more than normal risks of collection or present other unfavorable features.

In June 2006, a brother-in-law of Mr. Unanue obtained a $828,000 mortgage loan from Popular Mortgage, then a subsidiary of BPPR, secured by a residential property. The loan was a fully amortizing 30-year loan with a fixed annual rate of 7%. Mr. Unanue was not a director of Popular at the time the loan was made. The loan was made in the ordinary course of business, on substantially the same terms, including interest rate and collateral, as those prevailing for comparable loan transactions with third parties at that time. The borrower became delinquent on his payments commencing in July 2010 and, after exhausting various collection and loss mitigation efforts, BPPR commenced foreclosure procedures in November 2010. In March 2012, the loan was restructured under the terms of BPPR's loan modification program. The restructured loan is a 40-year loan with a fixed annual rate of 2.5% during the first 5 years, increasing 1% each year thereafter up to a rate of 6.75%. While the principal amount of the restructured loan subject to interest payment was approximately $750,000, the borrower also agreed to repay an additional amount of $158,000 upon cancellation of the restructured loan. The total payments to be made by the borrower represent the entirety of the amount owed prior to restructuring the loan, including accrued interest. In January 2017, the borrower defaulted on his payment obligations under the restructured loan and as of December 31, 2018 the loan was 671 days past due and BPPR had recorded a loss of approximately $482,000 thereon. As of December 31, 2018, the outstanding balance of the loan was $854,356 which also represented the largest outstanding balance of the loan during 2018.

In March 2012, BPPR also entered into an agreement with Mr. Unanue's same brother-in-law to pay $97,000 of the approximately $139,000 in credit card and personal loan debt (including accrued interest) owed by him. These extensions of credit were made in the ordinary course of business prior to the date that Mr. Unanue joined the Board. The borrower agreed to make monthly payments of $538 until the amount was paid in full. In July 2017, the borrower discontinued monthly payments, thereby defaulting on the indebtedness. The outstanding debt balance as of December 31, 2018 was $65,258, which also represented the largest outstanding balance of the loan during 2018.

In September 2008, a brother of Mr. Negrón obtained a $390,000 commercial loan from BPPR secured by a commercial property. The loan was a fully amortizing 15-year loan with a variable interest rate of prime plus 0.50%. The loan was made in the ordinary course of business, on substantially the same terms, including interest rate and collateral, as those prevailing for comparable loan transactions with third parties at that time. In January 2015, BPPR approved the first of three 6-month temporary reductions to the borrower's monthly principal payments in the aggregate amount of $13,500. In August 2016, the term of the temporary loan modifications expired, and the borrower started to pay the loan under its original terms. The outstanding balance on the loan as of December 31, 2018 was approximately $174,000, and approximately $27,000 and $10,200 were paid during 2018 in principal and interest, respectively. The largest outstanding balance of the loan during 2018 was approximately $201,000.

Mr. Cestero's brother and his wife have three loans outstanding, each secured by the borrowers' principal residence, where BPPR acts as either lender or servicer. All three loans were made prior to the time Mr. Cestero became an executive officer, as follows:

- 30-year mortgage loan in the original principal amount of $537,000 made in 2003 by Popular Mortgage, then a subsidiary of BPPR, which was secured by a first mortgage over the residential property. Said mortgage was subsequently restructured in August 2005, February 2006 and July 2011. The latest restructuring resulted in a 30-year mortgage loan with an aggregate principal amount of $662,945 and a fixed annual interest rate of 6.50%. In 2006 a private investor acquired this loan and delegated to BPPR the authority to make decisions as servicer pursuant to established investor guidelines regarding the loss mitigation options available to borrowers. The borrowers became delinquent on their payments under the mortgage in September 2017 and, in July 2018, the Bank received a loss mitigation application from the borrowers as a result of

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which a three-month forbearance was granted. Payments of principal and interest of $1,157 and $3,214, respectively, were made during 2018. As of December 31, 2018, the outstanding balance of the loan was $652,971. The largest outstanding balance of the loan during 2018 was $654,128.

- 30-year mortgage loan in the original principal amount of approximately $104,000 and a fixed annual interest rate of 7.375%, made by BPPR in 2006 and secured by a second mortgage on the same residential property. The loan was restructured in 2011 and from September 2017 to January 2018 the loan participated in the moratorium of principal and interest offered to BPPR's mortgage clients in the aftermath of Hurricane Maria and also benefitted from the same three-month forbearance as the first mortgage loan. Payments of principal and interest of $529 and $2,349, respectively, were made during 2018. As of December 31, 2018, the outstanding balance of the loan was approximately $98,000, which was also the largest outstanding balance during 2018 and includes the capitalization of interest accrued during the aforementioned moratorium.
- 5-year term loan in the original principal amount of $100,000 and a fixed annual interest rate of 5%, made by BPPR in 2010 and secured by a third mortgage on the same residential property. Since 2015, when the loan matured, the borrowers have only made partial payments of principal. During 2018, only payments of principal in the amount of $1,000 were made. As of December 31, 2018, the outstanding balance of the loan was approximately $93,000. The largest outstanding balance of the loan during 2017 was approximately $94,000.

In February 2019, and pursuant to the terms of the Related Party Policy, the Audit Committee approved a series of transactions related to the aforementioned mortgages. With respect to the first mortgage, the parties will enter into a deed in lieu of foreclosure pursuant to which the property will be transferred to the investor free and clear of liens. In connection therewith, BPPR will also release the second and third mortgages over the residential property, subject to the following conditions. The borrowers will be required to make a cash contribution of $20,000 to reduce the principal amount of the second mortgage loan and issue, for the benefit of BPPR, a 5-year, cero interest, unsecured promissory note in the amount of $82,177 in order to grant BPPR the right to collect from the borrowers the balance of such debt. With respect to the third mortgage loan, the borrowers will issue an unsecured promissory note with a maturity date of June 30, 2019 that will benefit from a corporate guaranty from the entity under which

Mr. Cestero's brother operates a property appraisal business. The borrowers will be required to make monthly payments of $500 until the maturity date of the promissory note, when their financial capacity will be reevaluated and a new payment plan is expected to be entered into.

Related parties of Mr. Ballester have outstanding loans made prior to the borrowers on such loans having become Related Parties of Mr. Ballester and which were acquired by BPPR in 2010 as part of the Westernbank FDIC assisted transaction. Such loans consist of the following: (i) four commercial loans made to entities that were wholly-owned by one brother-in-law of Mr. Ballester and (ii) one commercial loan made to an entity that was owned by same brother-in-law together with Mr. Ballester's father-in-law and another brother-in-law. The loans were secured by real estate and personally guaranteed by the owners of each borrower. The loans were originated by Westerbank between 2001 and 2005 and had an aggregate outstanding principal balance of approximately $33.5 million when they were acquired by BPPR. Between 2011 and 2014, the loans were restructured to consist of (i) five notes with an aggregate outstanding principal balance of $19.8 million with a 6% annual interest rate ("Notes A") and (ii) five notes with an aggregate outstanding balance of $13.5 million with a 1% annual interest rate, to be paid upon maturity ("Notes B"). The restructured notes had a maturity of September 30, 2016 and, thereafter, various interim renewals were approved, with the last two renewals occurring in May and November of 2018. The May 2018 renewals included a six-month payment plan reduction from monthly principal and interest payments of approximately $36,000 to monthly principal payments of approximately $5,000 plus accrued interest in one of the Notes A, commencing on January 2018. The November 2018 renewals included a change in the interest rate from 6% to 4.5% for four of the Notes A and from 4.25% to 4.5% in the remaining Note A, commencing on May 2018, and an increase in the monthly principal payments of the Note A that had been modified in May from $5,000 to $10,000, effective December 2018. The renewed loans mature on June 30, 2019. The aggregate outstanding balance on the loans as of December 31, 2018 was approximately $31.7 million and, during 2018, approximately $400,000 and $925,000 were paid in principal and interest, respectively. The largest outstanding balance of the loans during 2018 was approximately $32.1 million.

Mr. Carrión is President of and owns, together with his siblings, an entity which owns 35% of a corporation that owns a commercial building. In addition, Mr. Carrión’s sister and brother-in-law are owners of an entity that has a participation of 21.5% in the same corporation. This corporation obtained

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in June 2001 a $30.4 million commercial loan from Doral Bank to provide financing for the development of the commercial building. In March 2007, Westernbank acquired the loan from Doral Bank and increased the loan amount to $40.5 million through additional borrowings. The loan had a 40-year amortization schedule, an interest rate of LIBOR plus 1.40% and a maturity date of March 2017. It was secured by the commercial building developed with the proceeds of the loan and guaranteed by the owners of the borrower. The loan was acquired by BPPR in 2010 as part of the Westernbank FDIC assisted transaction. In February 2017, the loan was extended by BPPR until June 2017 under the same terms and conditions and, in May 2017, the loan was sold by BPPR to the Corporation, which in June 2017 renewed the loan for an additional three months. In August 2017, the Corporation refinanced the then-current $37.9 million principal balance of the loan at an interest rate of 5.15%, a maturity date of February 2019 and a 30-year amortization schedule. In February 2019, the Audit Committee approved, under the Related Party Policy, a 36-month renewal of the loan at an interest rate of 5.75% and a 30-year amortization schedule. Payments of principal and interest of approximately $506,000 and $1.9 million, respectively, were made during 2018 and the borrower is current in all scheduled payments. As of December 31, 2018, the outstanding balance of the loan was approximately $37.7 million. The largest outstanding balance of the loan during 2018 was $38.2 million. The loan is current on its payments.

On August 2018, BPPR acquired certain assets and assumed certain liabilities of Reliable Financial Services and Reliable

Finance Holding Company, Puerto Rico-based subsidiaries of Wells Fargo & Company engaged in the auto finance business in Puerto Rico. Prior to the acquisition, Reliable Financial Services had entered into a lease agreement with respect to approximately 61,442 square feet of space (comprising approximately 34.54% of the rentable square feet) in the commercial building securing the aforementioned commercial loan to Related Parties of Mr. Carrión. The lease, which expires in accordance with its terms in April 2019 and is not expected to be extended, is documented pursuant to a lease agreement between Reliable Financial Services and the corporation which is the borrower in the loan and of which Mr. Carrión's Related Parties own 56.5% in the aggregate. As part of the acquisition, Popular Auto, as assignee of BPPR under the acquisition agreement, entered into an agreement with Reliable Financial Services to sublease the space necessary for Popular Auto, doing business as Reliable Auto, to continue the acquired operations until the expiration of the lease, when the property will be fully vacated by Popular Auto. Since February 2018, the lease agreement has been amended three times, most recently in January 2019 to reduce the square footage and rent payments due under the lease (and as a result, the sublease) as a result of the gradual transfer out of the building of Popular Auto operations. Rents paid pursuant to the sublease will be a source of repayment of, and serve as collateral to, the commercial loan. During 2018, Popular Auto paid to Reliable Financial Services approximately $778,500 under the sublease.

EXECUTIVE AND DIRECTOR

COMPENSATION

Compensation Discussion and Analysis

In this section, we describe the key features of Popular's executive compensation program, 2018 compensation payments and rewards and the factors that we considered in making 2018 compensation decisions regarding our named executive officers ("NEOs").

For 2018, Popular's NEOs were:

Richard L. Carrión	Executive Chairman of the Board of Directors
Ignacio Alvarez	President & Chief Executive Officer ("CEO")
Carlos J. Vázquez	Executive Vice President and Chief Financial Officer ("CFO")
Javier D. Ferrer	Executive Vice President and Chief Legal Officer ("CLO")
Lidio V. Soriano	Executive Vice President and Chief Risk Officer ("CRO")

Popular (the "Corporation") reports its financial results in accordance with generally accepted accounting principles in the United States ("GAAP"). A reconciliation of the GAAP to non-GAAP financial measures referred to herein is provided in Appendix A to this Proxy Statement. This discussion includes statements regarding financial and operating performance targets in the specific context of Popular's executive compensation program. Shareholders should not read these statements in any other context.

This Compensation Discussion and Analysis is comprised of the following sections:

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OVERVIEW

2018 CORPORATE PERFORMANCE AND HIGHLIGHTS

During 2018, we demonstrated the continued strength of our franchise while operating in an ongoing challenging fiscal and economic environment. Results for our business in Puerto Rico were outstanding, as the economy continued to recover from the impact of Hurricanes Irma and Maria (the "Hurricanes") in 2017. In the United States, we once again achieved commercial loan growth and made progress in other initiatives designed to increase revenues and strengthen our deposit franchise.

Popular, Inc. ("BPOP") shares closed 2018 at $47.22, 33% higher than year-end 2017. This performance compared very positively against our U.S. peers and the KBW Nasdaq Regional Banking Index ("KRX"), which declined by 18% and 19%, respectively. In fact, Popular was the best performing bank in the KRX, outperforming the Index throughout 2018 due, in part, to the Island's steady economic recovery after the 2017 Hurricanes and Popular's strong quarterly earnings and stable credit quality metrics.

Popular, Inc. Stock Performance

Our 2018 GAAP net income increased from $107.7 million in 2017 to $618.2 million. These results were driven by strong top line revenue growth in our Puerto Rico franchise and reflect the positive contribution of the acquisition of Reliable, Wells Fargo's auto finance business in Puerto Rico.

Our net income reported under GAAP for 2018 was impacted by the early termination of our loss share agreements with the Federal Deposit Insurance Corporation (the "FDIC"), including related tax benefits, entered into in connection with the acquisition of certain assets and the assumption of certain liabilities of Westernbank Puerto Rico through an FDIC-assisted transaction in 2010, as well as the 2018 Puerto Rico Tax Reform on the valuation of Popular's deferred tax asset. These factors contributed a net amount of $130.9 million to net income. To provide meaningful information about the underlying performance of our ongoing operations, the $130.9 million is deducted from net income to express our results on an adjusted net income basis, which is a non-GAAP measure; on this basis, our adjusted net income was $487.3 million. This compares favorably to our $276.0 million adjusted net income attained in 2017. In addition, as outlined later, for purposes of certain incentive awards the Compensation Committee of our Board of Directors (the "Committee") decided to make further net income adjustments (related to Hurricane insurance claims, the impact of the voluntary retirement program and early extinguishment of debt) to more accurately reflect our core performance so that participants were neither rewarded nor penalized for items that are non-recurring, unusual or not indicative of ongoing operations. On this basis, our after-tax adjusted net income for certain incentives was $500.0 million. Refer to the GAAP to non-GAAP reconciliation in Appendix A of this Proxy Statement.

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Some of Popular's additional key corporate accomplishments during 2018 included the following:

Puerto Rico ("P.R.") Business

- We acquired Reliable – approximately $2 billion in auto and commercial loans, positioning the Corporation as the leader in the Puerto Rico auto financing segment.
- As of 2018 year-end, we served 1.75 million customers, reflecting a 4.7% increase from 2017; our 2018 client base includes 30,000 new clients acquired as part of the Reliable transaction.
- Total deposits rose by $4 billion (14%) from 2017.
- Net interest margins remained strong at 4.27%.
- We achieved a successful early termination of our loss share agreements with the FDIC in connection with the 2010 acquisition of Westernbank's assets and liabilities.
- We continued the expansion of the U.S. consumer business managed from P.R., consisting of white label credit cards and our Eloan on-line lending platform.
- We remain focused on providing innovative solutions to our customers through our digital transformation. Digital deposits captured 47% of total deposit transactions in December 2018, up 17% from December 2017, and Mi Banco (internet) active customers reached 839,422 in 2018, up 12% from 2017.

United States ("U.S.") Business

- We completed the rebranding efforts (from Popular Community Bank to Popular) to align with Popular's strategic growth, expanded capabilities and launched several business platforms designed to attract diverse consumer and business segments. Furthermore, a significant portion of the retail branch network has been transformed to better reflect the evolving needs and expectations of our customers.
- Our total loan portfolio grew by $409 million (7%).
- Specialized business segments with nationwide scope (Popular Association Banking, healthcare and not-for-profit) have continued their healthy growth, and the private banking and residential mortgage programs are showing encouraging results.
- Digital deposit transactions increased to 47% of all deposits in December 2018, up from 43% in December 2017.

Credit Quality

- Non-performing loans held-in-portfolio as a percent of loans held-in-portfolio (2.3%) and net charge-offs as a percent of average loans held-in-portfolio (1.1%) remained stable compared to 2017. The Corporation continues to closely monitor its portfolios and related credit metrics given Puerto Rico's ongoing economic and fiscal challenges.

Capital Strategy

- Our capital levels remained robust, with year-end Common Equity Tier 1 capital equal to 16.9%.
- We completed a common stock repurchase of $125 million in 2018.
- We redeemed $450 million of senior debt with a 7% coupon and issued $300 million in senior debt at 6.125%.
- We redeemed $53 million of Trust Preferred Securities.

Organizational Excellence

- We achieved a continued effective CEO transition, ensuring our new CEO's early success. This was crucial in attaining our corporate achievements during 2018, despite the impact of the Hurricanes and the challenging economic and fiscal environment in Puerto Rico.
- We created the Corporate Security Group, focused on fraud prevention and cybersecurity.
- We continue to streamline our operations through the development of robotic automation technology and the simplification of procurement and vendor management processes.
- We made significant progress in the development of a corporate-wide customer service framework to enhance customer experience, as well as in each of the four strategic pillars that were established in 2017.
- We offered a voluntary early retirement program in Puerto Rico and the Virgin Islands. Effective February 1, 2019, 314 eligible employees retired, helping us streamline operations and be better fit for the future.
- To continue attracting top talent, we increased minimum base salaries in all our markets, with additional salary adjustments made based on market and gender pay equity analyses and employee performance.

Social Commitment

- Valuable financial and in-kind assistance was provided through Fundación Banco Popular, Popular Bank Foundation and Popular's corporate donations and social programs. Our total social investment during 2018 was $6.1 million, impacting communities in Puerto Rico, United States and Virgin Islands. In Puerto Rico and Virgin Islands, we continued efforts related to recovery in the aftermath of the Hurricanes, concentrating on longer-term projects in the areas of education, sustainable infrastructure, access to primary health services and the promotion of social innovation ideas.
- 79% of our employees made voluntary financial contributions to our foundations, which were matched by Popular.

OUR 2018 EXECUTIVE COMPENSATION PROGRAM HIGHLIGHTS

- *Performance-linked pay.* Popular's overarching compensation philosophy has always been to provide our executive officers with pay that is linked to performance and supports the long-term interests of our shareholders, while deterring improper sales practices and excessive risk-taking.
- *Continued Focus on Performance-based Compensation.* As seen in the graphs below, performance-based short- and long-term incentives represent the majority of our executive officers' target total compensation opportunity (64% of total compensation for the Executive Chairman, 74% for the President and CEO and 62% for the other NEOs). The target long-term equity incentive is based on

two components: (i) one-half (50%) is granted as restricted stock, a portion of which vests upon retirement (whose grant value considers prior-year company and individual performance); and (ii) one-half (50%) is granted as performance shares, with actual value based on future performance over a 3-year period (one-half based on Total Shareholder Return ("TSR") relative to banks with assets greater than $10 billion and one-half based on an absolute 3-year cumulative Earning per Share ("EPS") goal). A breakdown of the target incentive elements is provided in the "2018 Compensation Program and Pay Decisions" section of this Proxy Statement.

2018 Target Compensation Pay Mix

Note: Target total compensation is based on base salary as of December 31, 2018.

- *2018 Short-term Incentives.* Our NEOs 2018 short-term incentives ranged from 128% to 150% of target, reflecting Popular's strong net income results and favorable performance against pre-established financial and non-financial goals as the Corporation strengthened its franchise, grew its customer base, managed credit exposure and delivered strong topline growth.
- *2018 Long-term Awards.* Equity grants in 2018 were made at target, recognizing that although the 2017 net income goal had not been achieved, the senior management team had demonstrated strong leadership during Puerto Rico's unprecedented challenging macroeconomic conditions (due in large part to the impact of the Hurricanes).
- *2018 Salary Adjustments.* Each NEO, except for the Executive Chairman, received a 2% merit increase adjustment to his base salary upon consideration of market practice and individual performance. Effective June 2018, the Committee approved a further increase to Mr. Alvarez's base salary to position his total compensation closer to market median while recognizing solid performance after his first year as CEO.
- *Determination of 2016-2018 Performance Cycle.* With regards to long-term equity incentives, upon the conclusion of the 2016-2018 performance cycle, the Committee approved the following for each of the performance shares components, equally weighted at 50%: (i) TSR - due to Popular's 97th percentile positioning against comparator banks, the maximum award (1.5 times target) was earned, and (ii) EPS - no award was earned for this component as the absolute EPS result was below the predetermined threshold level.

The Committee approves Popular’s compensation programs upon consideration of market competitive trends, regulatory guidelines and leading practices. Furthermore, our executive compensation program is designed to discourage excessive or unnecessary risk taking and improper sales practices through the adequate balance of short-term and long-term incentives, thresholds and caps to limit payouts, and a mix of financial and non-financial goals, among other design features.

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The following key features of our executive compensation program reflect our focus on balanced performance-based or otherwise "at risk" pay, long-term shareholder value and appropriate risk taking:

WHAT WE DO

Use a combination of performance metrics to deter excessive risk-taking by eliminating focus on any single performance goal. Also, the Committee may adjust incentive payouts if results are not aligned with Popular's risk appetite and related tolerances.

Balance short-term (cash) and long-term (equity) compensation to discourage short-term risk taking at the expense of long-term results.

Use equity incentives to promote total return to shareholders, company performance and executive retention.

Require significant stock ownership from our executive officers. Our Executive Chairman and CEO have a requirement of six times their base salary, and the other NEOs must own three times their base salary. As of February 2019, all NEOs had either met the requirement or were on track to comply within the designated timeframe.

Hold a portion of equity vesting until retirement, thereby reinforcing long-term risk management and alignment with shareholder interests.

Apply clawback features to all executive officer variable pay in the event of a financial results restatement, a performance metric found to be materially inaccurate, or an executive's misconduct.

Employ "double-trigger" vesting of equity awards in the event of a change of control (i.e., vesting is only triggered upon a qualifying termination of employment following a change of control).

Conduct annual incentives and sales practices risk reviews in conjunction with Popular's Chief Risk Officer.

Engage an independent compensation consultant who advises and reports directly to the Committee.

WHAT WE DON'T DO

No tax gross-ups provided for any compensation or benefits.

No special executive retirement programs and no severance programs specific to executive officers.

No speculative transactions in Popular securities by executive officers is permitted, including: hedging and monetization transactions, such as zero-cost collars, forward sale contracts and short sales; equity swaps; options; and other derivative transactions.

No pledging of common stock as collateral for margin accounts or for loans.

No employment or change of control agreements with our NEOs.

No excessive perquisites for executives.

2018 SAY ON PAY RESULTS

At Popular's annual shareholders meeting in May 2018, 94.74% of voting shareholders approved our overall executive compensation policies and practices. We believe that this illustrates our shareholders' support of our compensation philosophy and performance-based pay program. The perspectives of shareholders and industry leading practices were taken into consideration by management and the Committee as they developed strategic objectives, business plans and compensation elements supporting the 2018 compensation decisions. The Committee plans to continue considering our shareholders' perspectives on an annual basis.

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COMPENSATION OBJECTIVES AND COMPONENTS

COMPENSATION OBJECTIVES

The key compensation objectives and guiding principles of Popular's executive compensation program and practices are as follows:

Motivate and Reward High Performance

Ensuring and sustaining a proper pay-performance relationship is one of our key objectives. For Popular, performance means a combination of financial results (e.g., net income, earnings per share, total shareholder return), strategic accomplishments and a demonstration of leadership competencies, all designed to support our company's business strategy and drive long-term shareholder value.

Base salary, as well as short- and long-term incentive compensation opportunities, are targeted at market median, with actual pay varying according to each executive's experience and performance. Our short-term incentive and equity awards provide the opportunity to earn increased pay (up to 1.5 times target) for superior performance and similar downside (no payout) should we not achieve our performance goals.

Align Executives with Shareholder Interests and Build Long-term Shareholder Value

A significant component of our compensation program is equity-based pay designed to promote long-term value by rewarding sustained earnings growth, long-term return on shareholders' investment and the retention of key high-performing talent. Performance shares promote value creation by rewarding executives for future increases in earnings (EPS) and stock appreciation (TSR) depending on the degree of achievement of pre-established 3-year EPS and TSR targets. Restricted stock is awarded upon consideration of corporate and individual performance. These awards are designed to promote executive stock ownership and retention as the shares vest over time—with a portion held until retirement—further aligning our executives' interests with those of our shareholders. We also require significant stock ownership from our executive officers.

Attract and Retain Highly Qualified Executives

Popular's executive compensation program seeks to attract, motivate and retain the talent needed to successfully deliver future earnings stability and growth. Our mix of salary and performance-based short- and long-term incentives provides a competitive offering to attract the best executive talent and promote engagement and long-term career retention. In consultation with management and its independent compensation consultant, the Committee balances competitiveness and retention features while considering individual performance, experience and qualifications, as well as market practices and Popular's financial performance.

Ensure Effective Controls and Sound Risk Management

Our incentive design seeks to dissuade our executives from taking excessive or unnecessary risks and promoting improper sales practices and ensures sound risk management and effective controls. Popular uses a balanced approach to incentive design through short-term (cash) and long-term (equity) components, a series of performance measures (financial, strategic, leadership, shareholder value), and the use of threshold performance requirements and payout caps, focusing on long-term performance periods and rewards (including a portion of equity awards that vests at retirement). The Corporation's Incentive Recoupment Guideline, which applies to cash and equity-based incentives, covers financial statement restatement, materially inaccurate performance criteria and misconduct. Also, the Compensation Committee may adjust individual awards based on consideration of compliance with policies, guidelines, laws and regulations; results and follow-up of audits and examinations; and operation within Popular's risk appetite.

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COMPENSATION COMPONENTS—PURPOSE AND KEY DESIGN FEATURES

The following key components of our compensation program, combined with strong succession and development initiatives, drive our ability to secure top executive-level talent over the long term.

	Pay Component	Rationale	How it is Paid
Fixed	**Base Pay**	Fixed compensation to reflect each executive's role, contribution and performance.	Paid in cash on a bi-weekly basis.
Variable	**Short-Term Cash Incentive**	Short-term incentive aligning performance measures with Popular's annual goals and business strategy. Actual pay depends on the prior-year achievement of performance goals (based on Popular's net income results, each NEO's individual goals and leadership competencies).	Paid in cash during the first quarter of each year.
	Long-Term Equity Incentive	Annual equity grant that rewards performance and aligns the NEOs with the interest of our shareholders. The award is granted during the first quarter of each year.	**Performance Shares (50%)** One-half of the target equity award consists of performance shares, with actual earned shares determined at the end of a 3-year performance period: • 1/2 based on TSR – relative to an index of banks. • 1/2 based on EPS – an absolute 3-year cumulative goal. **Restricted Stock (50%)** One-half of the target equity award is restricted stock granted upon consideration of corporate and individual performance. Supports NEO stock ownership and retention. Shares vest 20% annually over 4 years, holding the remaining 20% to vest upon retirement.

We also provide limited perquisites to support our objective to attract and retain talent for key positions, as well as to address security concerns. We do not provide employment or change in control agreements.

2018 COMPENSATION PROGRAM AND PAY DECISIONS

BASE SALARY

In March 2018, each NEO, except for the Executive Chairman, received a 2% merit increase adjustment to his base salary upon consideration of salary market benchmarking and individual performance. Effective June 2018, the Committee approved a further increase to Mr. Alvarez's base salary to position his total compensation closer to market median while recognizing solid performance after his first year as CEO. In consultation with its independent compensation consultant, the Committee approved the adjustments outlined below:

NEO	**New Base Salary**	**% of adjustment**
Richard L. Carrión	$ 1,200,000	0.0%
Ignacio Alvarez	1,100,000	22.2
Carlos J. Vázquez	688,500	2.0
Javier D. Ferrer	561,000	2.0
Lidio V. Soriano	510,000	2.0

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SHORT-TERM INCENTIVE COMPENSATION OPPORTUNITY

Popular’s short-term incentive rewards the achievement of annual financial and non-financial goals that reinforce our business strategy and priorities, as well as the demonstration of our leadership competencies. Actual payouts depend on performance and are capped at 1.5 times the target award. Certain threshold levels of performance are required to be achieved for any payouts to be awarded. The table below summarizes the short-term incentive opportunities (as a % of base salary) allocated to our performance measures:

Short-Term Incentives (STI)	**Level of Achievement**	**Executive Chairman**	**CEO**	**Other NEOs**
		% of base salary award		
Corporate Net Income	Threshold (85%)	12.5%	15%	10%
	Target	**25.0%**	**30%**	**25%**
	Max (115%)	37.5%	45%	40%
Individual Annual Goals (financial/non-financial)	Threshold (85%)	22.5%	25%	20%
	Target	**45.0%**	**50%**	**40%**