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***Banking low income and unbanked  
individuals  
Popular Inc./PR Case Study***

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**Conference at Center for the New Economy  
Ginoris López-Lay  
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# Who we are

- Diversified **financial services** and **transaction processing** corporation with more than \$36 billion in assets and over 11,400 employees. . .
  - 30th largest financial institution in the US (in terms of assets)
  - Banco Popular, its main subsidiary, is the largest bank in PR, the Virgin Islands and the Caribbean Basin Region
  - In the US, Banco Popular is the largest Hispanic-owned bank and ranks among the top 10 SBA lenders
- . . .with a significant **social responsibility and commitment to low socioeconomic population**
  - We are committed to work for the social and economic well-being of the communities we serve with particular regard for the lowest socioeconomic component of the population

# How we serve low income individuals

## Initial strategy

## Evolution

## Future

### Description

- Understand low income individuals needs and behavior
- Design products for low income and unbanked individuals
- Outreach communities
- Increase penetration in low income individuals (especially with Acceso Popular)
- Reduce number of unbanked households in PR
- Learn from customers behavior
- Complement product portfolio available in Popular Inc. for low income customers:
  - Alternatives in savings and transactional products
  - Increase credit offering



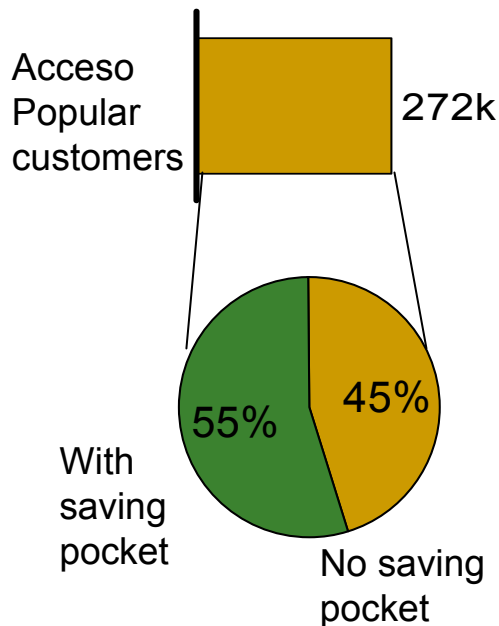
# We started by understanding and reaching to low income individuals

- **Understand unbanked individuals and design products for their specific needs**
  - ❑ Acceso 24 / Acceso Popular (1995/2001)
  - ❑ Acceso ETA (1999)
  - ❑ Envía ATH (1997)
  - ❑ Direct Deposit (1987)
  - ❑ First Home Club (2003)
- **Outreach to low income communities**
  - ❑ “Banco de la Comunidad”
  - ❑ Financial education seminars integrating services from the Corporation in PR (Ferias Popular & Talleres Educativos)
  - ❑ Visit companies and government to increase Direct Deposit penetration

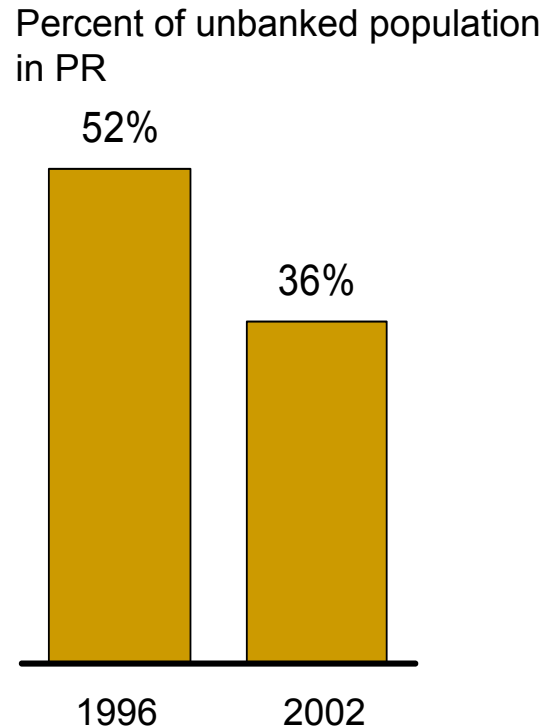


# We have been successful in banking new customers and learning from them

Acceso Popular has been successful in attracting new customers. . .



. . .unbanked population has significantly decreased. . .

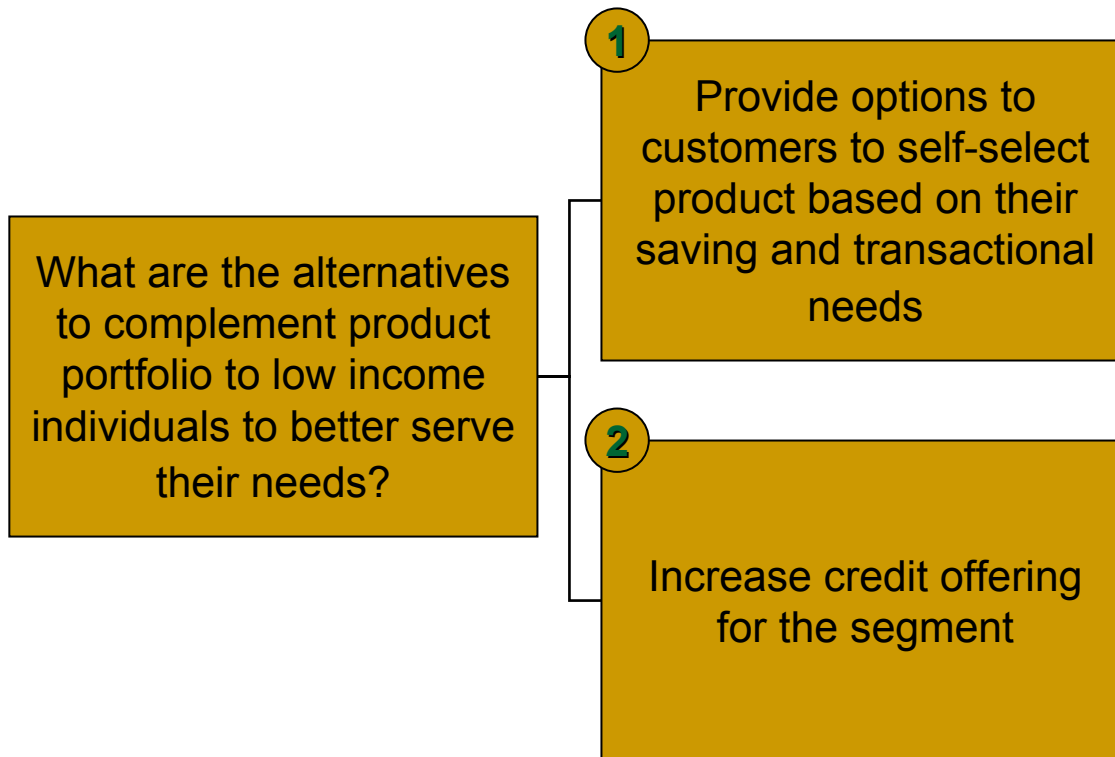


. . .and Popular has learned how to serve these individuals

- Low capacity for savings, but willingness to have possibility in account
- Can be shifted to electronic channels (ATM and POS)
- Large proportion with regular monthly income form employer or government aid (Social Security or Tarjeta de la Familia)
- Need for credit

Source: A Survey Among Unbanked Individuals in PR; Gaither International, 2002

# Going forward we will adapt offering to serve better the low income needs



## Description

- Not all low income customers have the same needs
- Product offering should give options to customers to select their best product alternative based on its needs and willingness to pay
- Credit need has not been fully attended as credit offering to low income customers is low
- Low income customers can be good credit customers under appropriate product characteristics