

Sustainability Report



The Road to **SUSTAINABILITY**
ANNUAL REPORT **2011**

Banco Popular

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Report Application Level		C	C+	B	B+	A	A+
STANDARD DISCLOSURES	G3 Profiles Disclosures OUTPUT	Report on: 1.1 21.-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9,3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, Including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor Society, Product Responsibility		Report on each core G3 and Sector Supplement * Indicator with due regard to the Materiality Principle by either: a) Reporting on the Indicator or b) Explaining the reason for its omission.	



As part of its commitment to sustainability, Banco Popular was the first Costa Rican financial institution to sign the United Nations Global Compact. It is currently a party to the actions undertaken by this initiative that fosters respect for Human Rights, Environmental issues, Labor Standards, and Anti-Corruption efforts.

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Chapter I

The **Family Bank**



The Family Bank

At Banco Popular we provide financial products and services within the framework of social politics and ethical values. Our raison d'être is to serve the working population, principle which we have responsibly observed during these 42 years.

> Mission

We are a Financial Conglomerate whose ultimate purpose is the sustained social welfare of all the nation's inhabitants.

> Vision

We aim to become a leading Corporation in providing integrated financial products and services for the economic and social development of persons, large companies, institutions, micro-, small- and medium-scale businesses, and social organizations of the country.

> Our Values

In its everyday business ventures Banco Popular includes values that represent the joint aspirations of our conduct as a banking institution toward its clientele.

- > Leadership
- > Excellence
- > Customer service
- > Integrity
- > Innovation



> Legal Status of Banco Popular

Banco Popular was founded on July 11, 1969, pursuant to Law 4351, during the administration of former President José Joaquín Trejos Fernández, who pinpointed the need of having a banking institution aimed at satisfying the financial needs of the working class.

The bill was ratified by the Legislative Assembly and it assigned priority to certain sectors of the social economy by promoting savings and credit offerings. Banco Popular is a non-state public law institution with corporate identity and its own patrimony, under full administrative and operating autonomy. This financial institution has a trait that makes it unique in the Costa Rican financial market: it is the bank whose shareholders are the country's working class.



President of the Board of Directors Message

Exercising accountability on the part of those of us who are assigned temporary posts in public institutions is a sound practice that has started spreading in the Costa Rican mentality. This new style of relating to people generates transparency and provides more and better information to the general public, especially the users of services. In our case, this obligation is of great moral importance, since our customers are, generally speaking, the owners of the Bank; in other words, the country's working population.

It should be recalled that we are subject to an ongoing monitoring by qualified organizations, aimed at verifying the stability of our institution. In addition to the control that the General Superintendence of Financial Entities (SUGEF, by its Spanish acronym) exerts on our activities by law, we have incorporated the "Sustainability Report", prepared under the methodology of the Global Reporting Initiative (GRI), in order to disclose to the public our most significant achievements and progress in a more open and secure manner. It also reports on the sound financial health of the Bank and the rating obtained, after being subjected to a careful evaluation on the part of the risk rating agency Fitch Ratings.

As evidenced in this report, the good tidings that we bring are many. We are undertaking a thorough management of the savings portfolio of the working class and we have consolidated the Bank's patrimony, thanks to our profits. This ensures our strength and, above all, allows us to increase our credit offerings and contribute in a more efficient manner to the social and human

development of the great mass of the Costa Rican population who has placed their trust in us.

In fact, during the year 2011, Banco Popular stood at first place within the Costa Rican financial system as far as net profits are concerned. With a total of 77.1 million dollars, this accomplishment represented an increase of over 50% as compared to the year 2010. The profit obtained by this institution are unsurpassed in the course of its history and exceed by over 24 million dollars the profit achieved by the financial institution that stood in second place.

Anyone who may review Banco Popular's financial reports will find indisputable strengths: the sustained growth of the credit portfolio, the excellent profit indicators and a most solid capital adequacy. All these achievements are not necessarily aimed at making a profit, but rather at satisfying the fundamental needs of those who approach us seeking to resolve immediate problems or making their dreams a reality.

The 2012 objectives are aimed at providing sustainability to the successes achieved and promoting

growth in the placement of credit close to 22%, in the areas of personal loans, development and housing, as well as consolidating our position in the social financial sector.

In order to attain these goals, we propose achieving a greater efficiency, maximizing the use of technology and generating new revenue through other channels different to intermediation, always with the purpose of achieving the main objectives that provide a *raison d'être* to Banco Popular: contribute to the wellbeing and happiness of those who forge national development day in and day out.

Working toward these goals not only generates an important source of gratification for those who temporarily conduct the destiny of this Institution, but at the same time nourishes the Bank's own management. It makes it wealthy from the human perspective, more worthy of trust, more accessible to the people.

Throughout its existence—especially in the last few years—Banco Popular has strengthened its common vision and its joint action with the social sectors which presently are the spearheads in the economic growth of the country, and in the democratization process of national wealth. We are referring to the following sectors: traditional and self-managed cooperatives, unions, professional, community and artisan, independent, education, professional and solidarity unions.

The vision of the Board of Directors and Management has allowed us to broach complementary fields beyond the financial field, such as the development of credit lines, projects and actions of an ecological nature, with very satisfactory results. We have also attained full gender equity and equality in the Bank's executive positions and have included this outlook in our credit programs, with

a very promising outcome for the women benefiting from this, as well as for the Bank's own finances, due to the low default rate observed in this case.

Upon reaching our 42nd anniversary, we have become a sound institution within the Costa Rican banking scenario, both due to our institutional and financial strengths, as well as to the merit of having translated our mission into concrete actions. We have in fact contributed in a sustained manner to the people's wellbeing, lending a hand to those who knock on our door in search of solidarity; hence we are contributing to national development but with a social purpose. This has led me to state once and again: "God forbid that Banco Popular would fail to exist."

Mr. Francisco Antonio Pacheco
President of the Board of Directors

Corporate General Manager Message

The year 2011 was characterized by the substantial instability of the international financial systems, and by a low—if not negative—economic growth rate worldwide. While it is true that the U.S. financial system has been showing signs of recovery, in Europe the banks were seriously threatened by the well-known Euro crisis generated by the tax problems in some of the member countries.



Costa Rica's Central Bank summarized the situation by pointing out that: *"In 2011, the international economic environment was characterized by an economic slowdown with an inflation slightly higher than the previous year, uncertainty and volatility in the financial markets, and the existence of tax restrictions in the majority of developed nations."* (BCCR, 2011 Annual Report, p. 4).

Costa Rica experienced a relatively more stable situation, despite the uncertain international scenario described above, and the fact that it is an open economy makes it highly vulnerable to world events.

Banco Popular was able to carry out its operations within this local and international economic context of the year 2011, with results that were not only very positive, but record breaking, having achieved the maximum net profits among all the National Financial System entities: 77.1 million dollars, an increment of 50.9% as compared to the previous year. This is an increase founded on solid bases, as evidenced by the fact that the risk rating agency Fitch Ratings after dispensing a rigorous evaluation of the institution's financial status, granted it a high rating due to

its performance (AA to the long-term issues, and F1+ to the short-term issues with a stable perspective).

In its analysis of Banco Popular, the rating agency recognized five key elements that merited this high rating: a strong capital position, its social interest function, its high level of support as a public institution, the sound financial performance, and a stable funding structure. These results undoubtedly evidence the adequate management of the institution as far as risk management and internal control are concerned, as well as the strict compliance of the regulatory management indicators.

The fact that Banco Popular has obtained excellent indicators during these times of great volatility in the international financial markets, is an accomplishment that confirms the capital soundness of the institution and the trust that the working class has placed in the Bank.

Since its creation back in 1969, Banco Popular has had a very clear vision of its nature and true social objective: taking care of the financial needs of the Costa Rican families and companies with high-quality tools that are both efficient and effective,

that provide guidance in order to have access to banking services and that, in turn, represent productive projects for his or her welfare, that of their families, and the country.

All the foregoing is valid, but one must not forget the importance of supporting the sectors in the greatest need. This is why it is a source of pride for BP that the Fitch Ratings agency expressly recognized in its report the following point: *"...every year the institution earmarks up to 15% of its profits to special development funds. These funds have been created with the purpose of satisfying the financing needs of indigenous peoples, women, youth, disabled persons, and low-cost housing. In addition, an extra 5% is earmarked for strengthening the resources of the Special Fund for the Micro-, Small- and, Medium-Scale Businesses..."* (Fitch Ratings: "Rating Basis" Report, p. 3).

These results serve as guidelines that set our course and tell us how to improve on a daily basis in order to adapt to the changing conditions of the domestic and international economies, without losing sight of our vision and mission, inherent to the Bank's articles of association. These results also allow us to

contribute to the generation of a more just and solidarity-based economy, that is inclusive of vulnerable groups and those sectors of the population that —without Banco Popular— would otherwise be excluded from the traditional financial system.

Banco Popular is fully aware of the importance of taking into consideration the environmental criteria in its operations, which contribute to an improved quality of life. To this end, in the year 2011 we supported projects that were in line with ecological standards, by funding companies that were focused on sustainable production and granting credits for eco-efficiency, thus aiding administrative associations of rural water systems to improve their economic, social and environmental sustainability, among others. That year, these projects received over 970,000 dollars in loans. Furthermore, the Bank has taken steps internally of reinforcing its actions to minimize the impact of greenhouse effect gas emissions, and promoting among its personnel systematic recycling campaigns and awareness programs concerning the adequate disposal of waste, to name a few of the this year's accomplishments.

I am deeply appreciative of the contributions and excellence of the valuable human talent in our organization, which has been key to the success in each of the programs that we have developed; I am also grateful for the trust awarded by our male and female employees throughout the country who, according to the Articles of Incorporation, are the actual owners of the institution.

The World Bank, the International Monetary Fund, and many other economic organizations all predict difficult times for the economies and the financial systems worldwide. Costa Rica shall not be exempt from the difficulties foreseen; however, the Costa Rican workforce may rest assured that they can continue counting on a solid, innovative Bank that focuses on the future by protecting their interests today.

Mr. Gerardo Porras
Corporate General Manager



Chapter II

Our **Organization**

Our Organization

What sets us apart is that we offer a service of inclusive nature and ample coverage that responds to principles of social and environmental responsibility.

Brands, Products and Services

Banco Popular features a broad array of products and services, all developed with the intention of satisfying the needs of a very diverse population in the national arena. Some of the products and services that make up this portfolio are:



Credit

The Bank offers a wide array of credits for housing that satisfy the needs of all the population strata. These financial solutions include: The Special Housing Fund, Total Housing Credit, Regular Housing Credit, Family Bond Housing Credit, and Credit for Home Remodeling, Repair and Expansion, with or without guarantors.

With regard to personal lines of credit, the Bank provides an ample portfolio of financial products such as: Extinguishing financial liabilities, purchase of a used car, Popular Crediton, personal fiduciary credit, personal credit for independent workers, personal credit without guarantors for persons in the public sector, personal credit for medical expenses and education with guarantors, Back-to-back credit, credit on jewelry, and personal mortgage loans.

Financial Savings Solutions

The uptake products offer the advantage that the interests generated are exempt by law from income tax payment*. The offering of savings products has market interest rates and some of the existing modalities are:

- Term savings*
- Checking accounts
- Programmed savings (Christmas and multi-savings)
- School salary savings of the private sector
- At-call savings

* The term savings certificates in dollars are not exempt from this tax.

Popular Debit Card

These cardholders can manage funds deposited in one or several savings accounts, so the money can be used to make purchases in authorized sales points or withdraw cash from the ATM network throughout the country. The VISA Electron debit card is another option, which allows purchasing and making cash withdrawals in ATMs internationally.

Visa Plus Debit Card

The Visa Plus debit card is a means of payment for persons whose salary is deposited with Banco Popular. It is linked to their savings account, thus allowing the cardholder to purchase goods or services in over 22 million establishments locally or abroad; it has access to its own ATM network, the ATH network, and the PLUS network, and offers special benefits such as travel accident insurance and the possibility of acquiring the Visa credit card with a preferential rate, in addition to credits and savings under special conditions.

Popular Kids Debit Card

The Popular Kids debit card targets persons under 12 years of age, and requires the user to open a voluntary savings account under his or her own name, at call and in colones. Today, over 35,000 girls and boys are learning the good habit of saving. With this card they also have access to telephone banking and to the Bank's website to check balances and make wire transfers.

The O2 Youth Debit Card

The O2 Youth Debit Card targets young people between the ages of 12 and 20. In order to obtain it, the person needs to open a voluntary personal savings account, at call and in colones. With this service, young people that wish to save are offered attractive benefits, such as a Virtual Mall specializing in this specific sector. Today, over 6,500 persons benefit from this product.

Credit Cards

At present Banco Popular offers two types of credit cards. The first is a personal credit card offering diverse modalities suited to the requirements and traits of the users, among which are: National Visa credit card, International Visa credit card, Visa Gold credit card, and Visa Platinum credit card. Visa Gold and Visa Platinum cardholders may have access to a virtual credit card that allows them to shop online both locally and abroad in a safer and more reliable way. The second type is a corporate credit card, which in turn is divided into two modalities pursuant to the scope of the business: Visa Mypymes credit card (for micro-, small- and medium-scale businesses) and Visa Corporate credit card.



The support and financing provided by Development Banking has allowed Yenory Obregón to strengthen her company *La Cuchara Tica de Yeno*.



The Banco Popular credit cards are accepted in over 70,000 commercial establishments throughout the country and are also accepted abroad. Besides, they offer a competitive market interest rate with the possibility of cashing in on the points accumulated to purchase consumer goods, vacation and travel packages, among other benefits.

Development Banking

Development Banking is an area specialized in providing financial solutions to the micro-, small- and medium-scale businesses. Due to its social and productive orientation, it holds a very special place within the management of Banco Popular.

- Other Services:**
- On-line customer service
 - Large ATM network
 - Investment fund management
 - Pension fund management
 - Insurance portfolio
 - Stock exchange post
 - Automated salary payment
 - Public utilities payment
 - Tax payments
 - International wire transfers
 - Sale of tax forms
 - Purchase and sale of foreign exchange



Chapter III

The Purpose of **our Work**

The Purpose of our Work

The purpose of our work at Banco Popular is the people. Our institutional spirit is reflected in the effort that each employee puts into his or her work to satisfy the needs of his or her the clientele.

The lodestar of our work, as a financial institution with a strong social commitment, is marked by the general guidelines and orientation set forth by the Workers' Assembly. This orientation comes as the result of various processes of consensus, consultations and agreements between multiple social sectors of the national economy. At present, Banco Popular revolves around four basic pillars:

- The development of the social economy sector
- Financial instruments of Banco Popular and its subsidiaries
- Streamlining of management and an improved institutional efficiency
- Banking policies for regional development

The foregoing guidelines promote—through its actions—the wellbeing of Costa Rican families, the strengthening of the social



Façade of Banco Popular's Headquarters building.

economy, and the generation of job opportunities and development for those sectors of the population excluded from the traditional financial system.

Banco Popular integrates the expectations of the groups of interest to the internal management by means of their normal relations

with the business areas and the support areas. This close liaison allows us to pinpoint, through the process of ongoing research, the groups' relevant topics and concerns regarding institutional performance, which translates into action and communications plans that help resolve the requirements applied for.

Operating Structure

The Board of Directors and Management of Banco Popular are governed by Organic Law No. 4351. Pursuant to Article 15 it establishes the National Board of Directors as the superior body of the financial institution. This Board is made up of seven persons, three of which are appointed by the Executive and four are designated by the Workers' Assembly.

Workers' Assembly

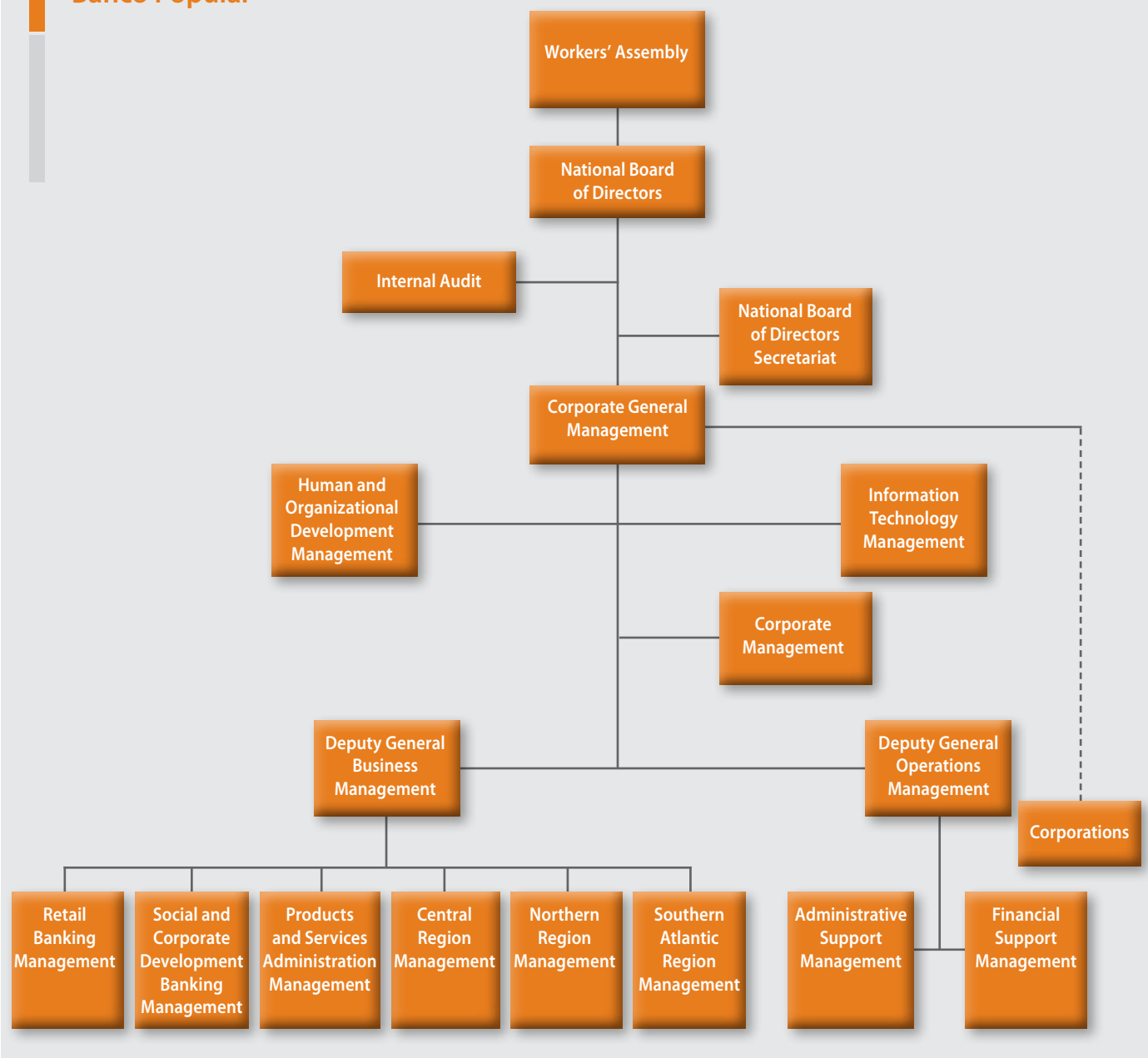
This body is in charge of guiding the Bank's general policies. It is made up of persons who represent the working class of the country appointed directly by the ten social sectors, (namely artisan, community, traditional cooperatives, self-managed cooperatives, independent, education, professional, confederation and non-confederation models of unions, and solidarity unions).

National Board of Directors

The members of this body are appointed with a gender equality criterion in mind. As such, at least 50% of the members are women, thus complying with the respective institutional policy.

Banco Popular implements a governance system with the purpose of providing economic protection and wellbeing to groups of interest throughout the country. Accordingly, during 2011, in the interest of strengthening its government structure, it published its Corporate Governance Code, as well as its Annual Report on Governance Management.

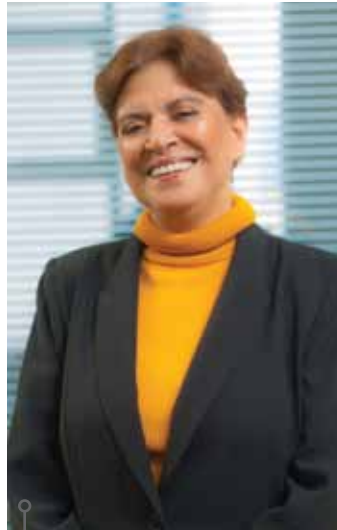
> Organizational Structure Banco Popular



> National Board of Directors



• **Francisco Antonio Pacheco
Fernández**, President



• **María Lydia Sánchez
Valverde**, Vicepresident



• **Marvin Arias Aguilar**,
Director

In order to achieve an optimum performance, the National Board of Directors relies on the work of several commissions made up of managerial staff, with the purpose of being able to study the Institution's projects and transformations at greater depth. The following are the existing commissions at present:



• **Luis Enrique Garita Bonilla,**
Director



• **José Eduardo Alvarado Campos,** Director



• **Silvia Gabriela Morales Jiménez,** Director



• **Victoria Hernández Mora,**
Director

- Corporate Policies Commission, Policy guidance from the Workers' Assembly and the Local Credit Boards
- Business and Special Funds Commission
- Plan, Budgetary and Financial Statements Commission
- Risk Committee
- Compliance Committee
- Information Technology Commission
- Corporate Auditing Committee, a pertinent internal control body that reinforces and supports the management of corporate governance

> Managerial Team and Internal Audit

Pursuant to Article 26 of its Organic Law, Banco Popular is in charge of one general management and two deputy managements, which are made up as follows:



• **Gerardo Porras Sanabria,**
Corporate General
Manager



• **Magdalena Rojas Figueredo,** General Deputy
Manager, Operations



• **Manuel González Cabezas,** General Auditor



• **Geovanni Garro Mora,**
General Deputy Manager,
Business

Conduct Based on Transparency

Pursuant to the internal Code of Ethics, Banco Popular abides by a clear set of rules of conduct that must be observed by Management, the Attorney General's office, and the persons who legally represent and counsel the temporary or permanent staff members in the Institution.

On the other hand, the Corporate Governance Code establishes the selection, retribution, qualification, and

training policies applicable to members of the board, management and deputy management, auditors, members of the support committees, and personnel. It also sets forth policies concerning the relationship with customers; suppliers, and shareholders with regard to the access and disclosure of information, rotation, and follow up on the part of Corporate Governance.

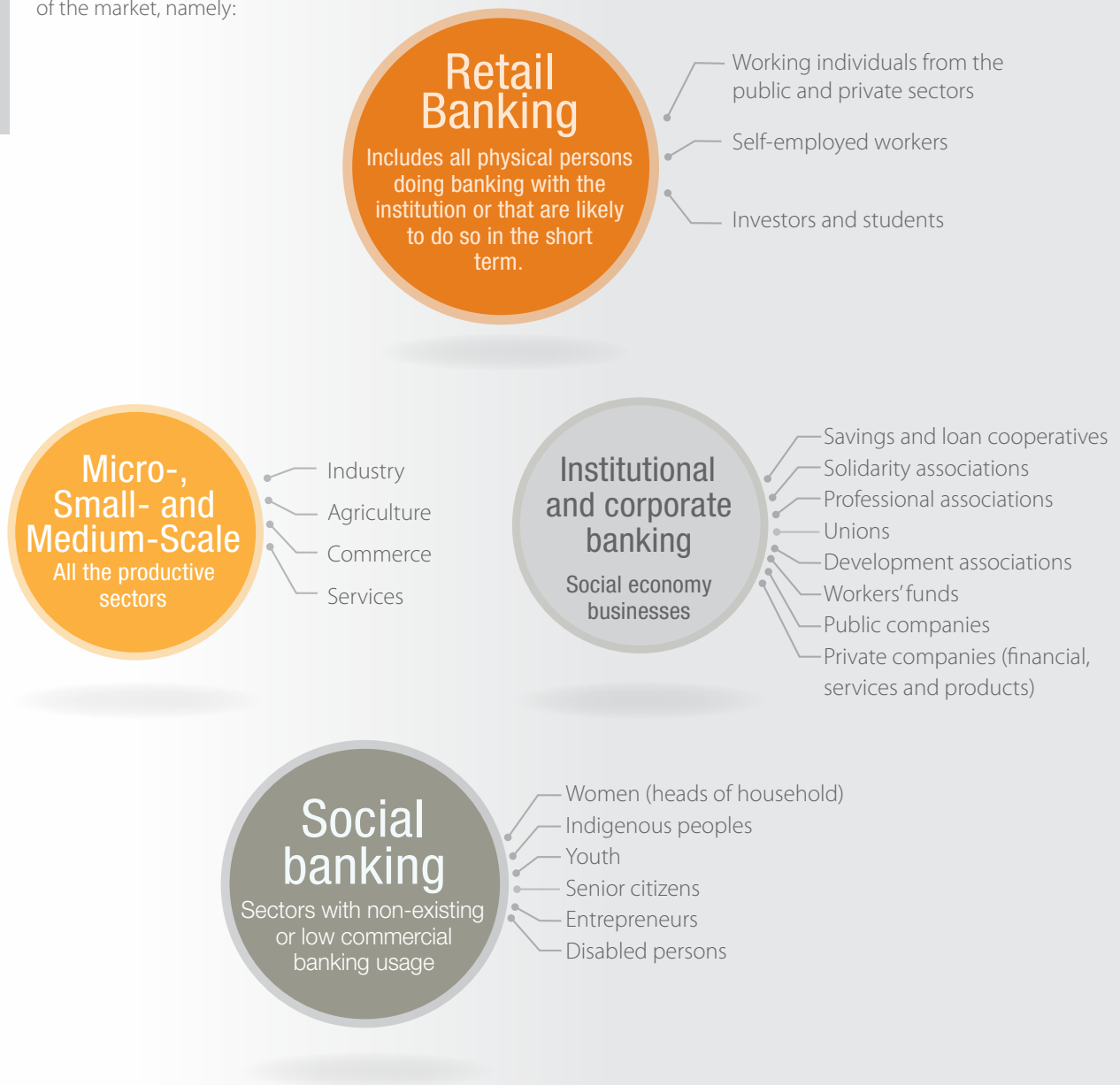
> Distribution of Agencies in the Country

Banco Popular boasts 100 business offices covering all the provinces in the country.



> Markets Served

Banco Popular serves four segments of the market, namely:



Business Dimensions: The Conglomerate

The formation of the Conglomerate is composed of Banco Popular—as financial institution—and its four corporations, all of which are subject to the supervision of the corresponding regulatory entities, namely:



Operadora de Pensiones Popular Pensiones

Pension Operator authorized and supervised by the Pension Superintendence (SUPEN, by its Spanish acronym).



Puesto de Bolsa Popular Valores

Stock Exchange supervised by the Securities General Superintendence. (SUGEVAL, by its Spanish acronym).



Popular Sociedad Agencia de Seguros

This is a company marketing insurance accredited by the National Insurance Institute (INS, by its Spanish acronym).



Popular Fondos de Inversión

Investment fund created based on the Securities Exchange Regulatory Act, aimed at managing the investment funds registered with Registro Nacional de Valores e Intermediarios Financieros (National Registry of Securities and Financial Intermediaries).



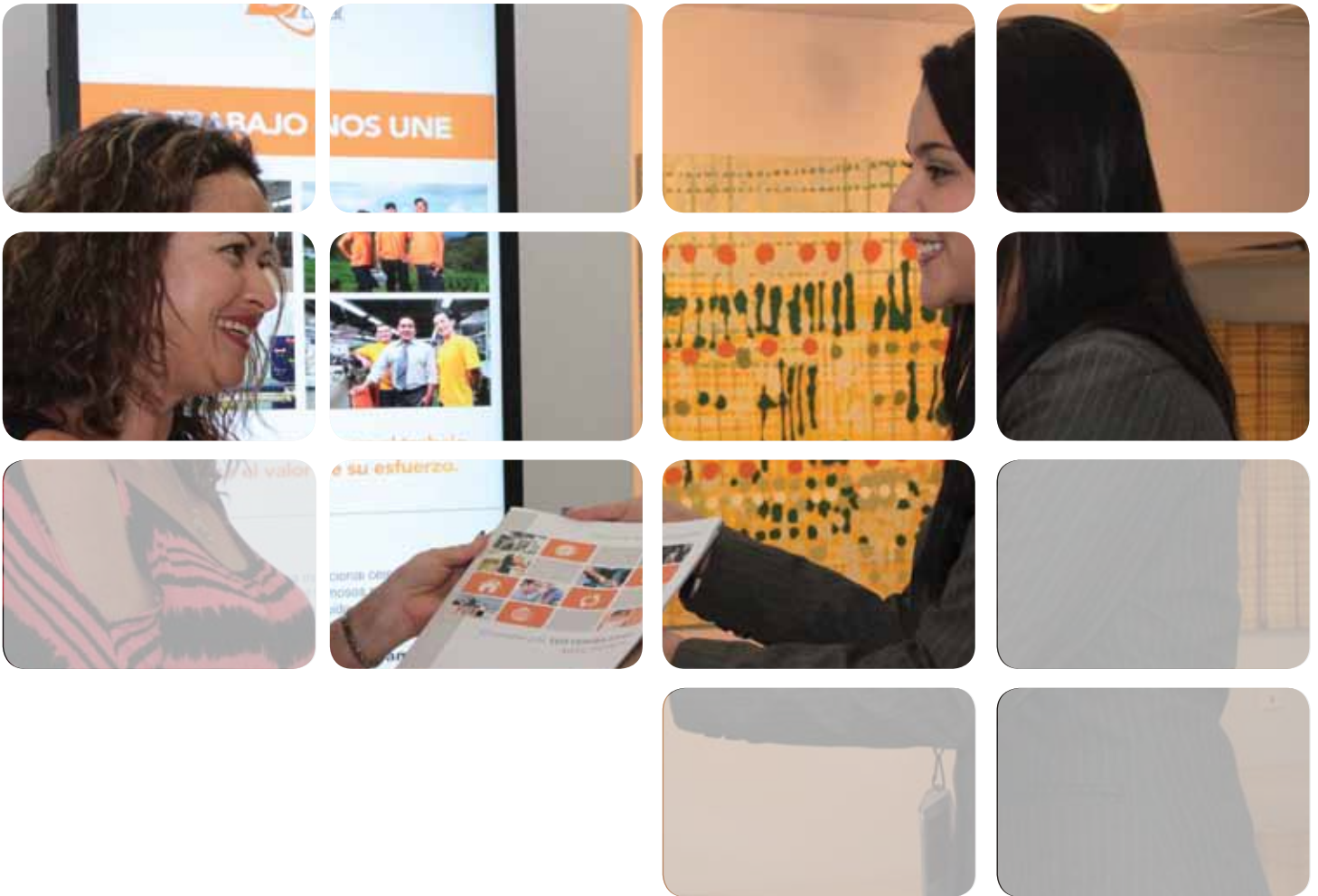
Gerardo Porras, Corporate General Manager; Maureen Clarke, President of National Institute for Women (INAMU, by its Spanish acronym); Sandra Píszk, Minister of Labor; and Francisco Antonio Pacheco, President of the Board of Directors, during the presentation of the SIGEG Certification.

Distinctions

SIGEG Certification

In the year 2011, Banco Popular managed to be the first Central American institution in being awarded the **Certification by the System of Labor Management and Gender Equity (SIGEG)**, by its Spanish acronym), granted by the National Institute for Women (INAMU, by its Spanish acronym), and based on the ISO Standards format.

The SIGEG Certification ratifies the significant and ongoing progress in gender equality and equity achieved by the Bank almost two decades ago, which reflects in practice the proportionality principle between male and female workers in its labor force. This fact has guaranteed the equitable participation of women in directive and administrative positions in the Institution.



Chapter IV

A Trustworthy **Report**

A Trustworthy Report



Banco Popular considers the Sustainability Report as a tool that facilitates a strategic analysis of the social, environmental and economic performance of this financial entity, in order to comply with its responsibility toward current and future generations.

Second Sustainability Report

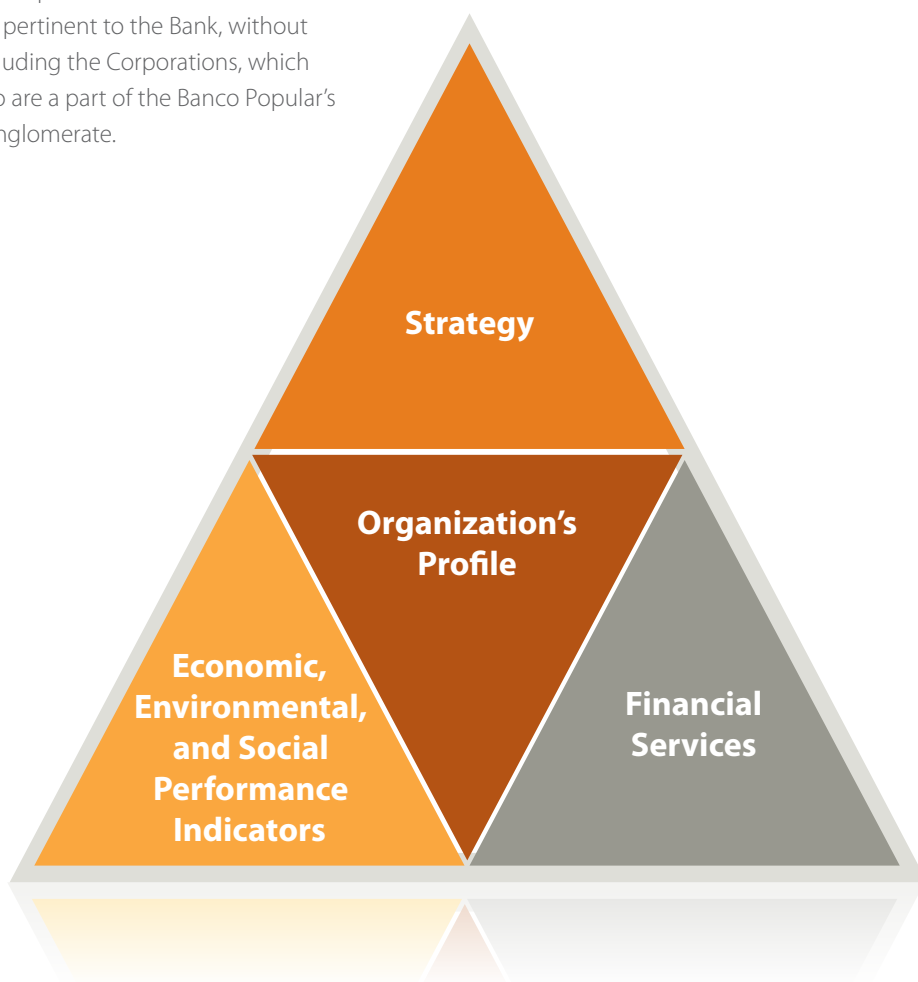
This second consecutive annual endeavor reports the results achieved between January 1 and December 31, 2011 in Costa Rican territory. It was prepared following the level C parameters of the *Guide for the Preparation of Sustainability Reports*, version 3.1 of the Global Reporting Initiative (GRI).

The information and data submitted in this document are the result of a multi-disciplinary work by a team that headed, compiled, and studied the documentation based on materiality principles, participation of groups of interest, sustainability and exhaustive nature regarding the contents submitted, which include aspects such as organizational strategy, the Institution's profile, and general performance indicators, as well as indicators specific to the financial sector.

Departing from the comparability criterion, this report revisits the contents broached in the 2010 GRI Report; nonetheless, the number of performance indicators has been increased with a view to promoting the progressive development of the evaluation tool in coming years. Thus, the 2011 Sustainability Report

does not present significant changes in scope, coverage or evaluation methods. Although this current effort does not include external verification by groups of interest, the purpose of implementing it in future editions is not ruled out.

This Report includes indicators that are pertinent to the Bank, without including the Corporations, which also are a part of the Banco Popular's Conglomerate.





Chapter V

Allies for the

Environment



Allies for the Environment

■ At Banco Popular we are committed to protecting nature as a strategic partner. Thus, its wellbeing is our wellbeing and our institutional actions are in keeping with this train of thought.

From Policies to Action on Environmental Matters

The Bank is living up to its commitment with the environment from an overall perspective in the institution's day-to-day business. The implementation of the strategy that promotes sustainable production and good environmental practices arises as a result of a five-prong approach, as follows:

➤ 1. Environmental Sustainability Policy

It sets forth the frame of action that incorporates environmental management within the global strategy and the operating and business management.

➤ 2. Business Perspective

It is aimed at the creation of environmentally-responsible financial products.

➤ 3. Institutional Environmental Management System (SIGAI, by its Spanish acronym)

The operational instrument that aims to ensure that the institutional management is consistent with the environmental policy. It has a four courses of action.

- Water management
- Energy management
- Paper and office supplies management
- Use of fossil fuels

➤ 4. Knowledge on Sustainability Management

Promotes an environmental awareness through capacity building actions among staff members, which fosters the institutional coordination in order to implement good environmental practices.

➤ 5. Eco-efficient Operating Implementation

Executes actions for the progressive reduction of environmental costs generated during the Bank's normal business.

"The interesting thing about an environmental management system that engages people is that it makes them responsible for their own carbon footprint and commits them to undertaking specific actions."

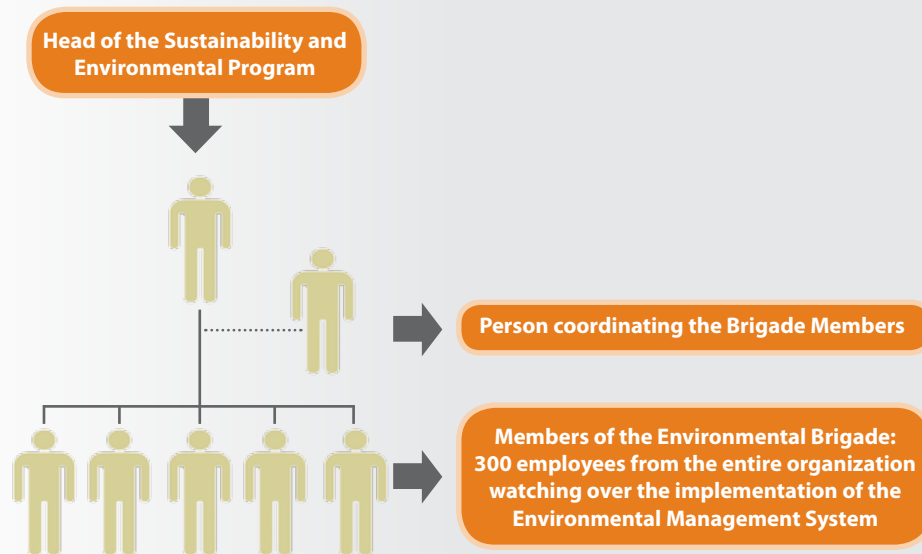
Juan Martínez Aguirre,
Environmental brigade



- 100% of the staff—or 3,233 persons from the 100 agencies throughout the country—participated in awareness campaigns and eco-efficient environmental training.
- 300 members of the green brigade and staff members from strategic areas have participated in campaigns to raise environmental awareness.

> Internal Capacity-Building:

The road to knowledge on sustainability management



Solid Waste Management

In the year 2011 areas were designated at the different Bank agencies for the placement of 30 recycling bins to collect paper, cardboard, plastic and aluminum. As an additional effort, recycling campaigns were launched. After five days, over 23,000 Kg of waste matter were collected for recycling. These campaigns not only involved Bank personnel directly, but also engaged the communities surrounding the Institution's Central Offices. The reception of waste products was held on 8th Avenue in San José at the Collection Center for the Responsible Management of Residues, constituting the first recycling center in the Costa Rican banking industry.

Green Purchases

After having implemented amendments in the procurement regulations, the Bank was able to promote green purchases. Consequently, during the year 2011, 15% of the articles that make up the catalog for the purchase of office supplies for the Bank had a reduced carbon footprint for the environment.

Energy Consumption

The Bank changed 100% of the light bulbs in all its business centers for more energy-efficient alternatives. In fact, preventive maintenance plans for electric networks were implemented and energy-efficient devices were added. These efforts are evidenced by the 5% reduction in the annual energy consumption



Eco-efficient faucets at Banco Popular.

Water Management

Improving the efficiency in water consumption on the part of the customers and personnel of Banco Popular was a priority for the year 2011. With this in mind, a series of investments were promoted:

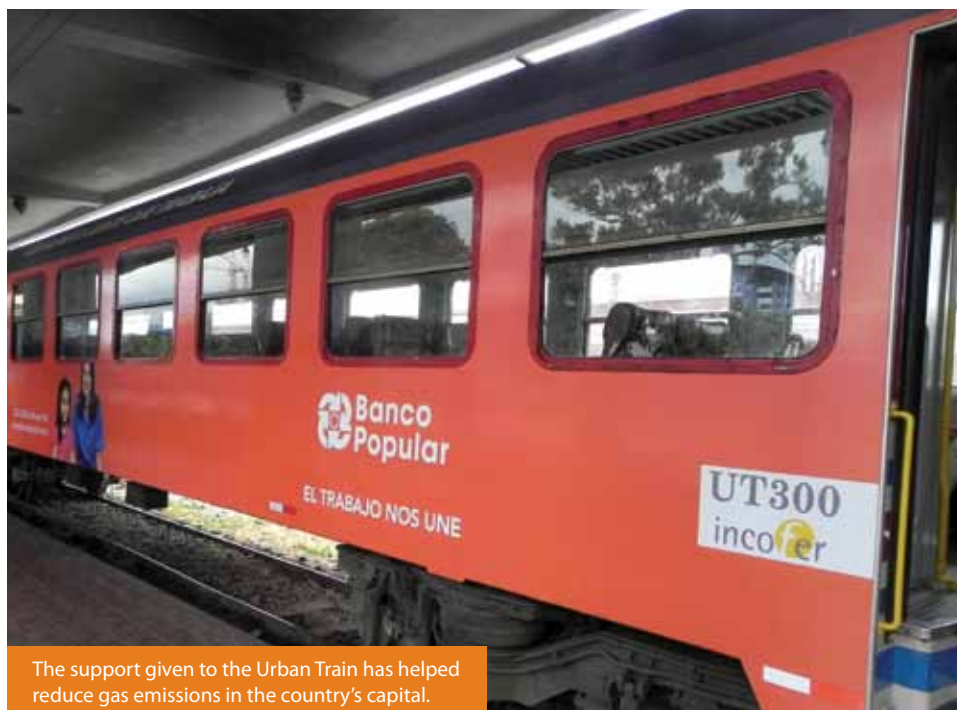
- The replacement of 100% of the faucets in the Bank headquarters. In addition, a plan was drawn for the gradual installation of 273 water-saving faucets at the different business centers.
- 100% of the toilets were replaced with modern gravity-operated units. In total, over 25 eco-efficient toilets were installed, which represent, according to the supplier's certified data, annual savings of 150,000 liters of water per toilet.

Fossil Fuels: Committed toward the reduction and compensation of the carbon footprint on transportation

A 535,000 dollar investment was made in order to replace 100% of the vehicles in operation for over five years. The old units were replaced with 15 vehicles endowed with more efficient combustion systems. In addition, the Bank acquired a hybrid vehicle that guarantees a reduction of almost 50% in CO₂ emissions, implying substantial savings in fuel consumption.

The Reduction of CO₂ Emissions by Encouraging the Use of Public Transportation

Aiming to encourage the use of public transportation as a mechanism for reducing carbon dioxide (CO₂) emissions, the Bank provided its support to the Costa Rican Railroad Institute (INCOFER, by its Spanish acronym) by sponsoring its campaign "Urban Train." This means of transportation was used by 2,109,886 persons in the year 2011, alleviating the congestion of the main thoroughfares of the Greater Metropolitan Area (GAM, by its Spanish acronym).



The support given to the Urban Train has helped reduce gas emissions in the country's capital.

There are currently 37 million dollars placed in credits with some environmental component. These funds correspond to 83 loan operations, particularly from Development Banking.

Sustainability from the Operations' Core

Banco Popular considers that sustainability must be tackled from the core of the entire operations. Thus, products and services that are in line with sustainability have been added to the financial offering. Among the actions undertaken we may underscore the marked improvement in digital transaction services, which diminishes the quantity of paper and ink used, and promotes a preference for eco-efficient services among customers.

Environmentally-Responsible Products

The Green Card: Banco Popular offers its Green Savings Account in colones and dollars. It consists of a

debit card that offers a tiered interest rate, depending on the account balance. The Bank allocates 100% of the resources raised by this account to environmentally-friendly projects. This product has 250 accounts with an average balance of approximately 50 million colones.

Eco credits: Eco-Credits are a product that targets mainly small- and medium-scale businesses whose line of business is aimed at the sustainable use of natural resources. This type of loan, with a term of up to 180 months, encourages and finances investment plans such as:

- Clean energy generation
- Management and disposal of solid waste
- Reduction of CO₂ emissions
- Energy efficiency
- Environmental conservation
- Water resource management
- Other economic activities with a positive impact on the environment

From the Development Banking division, Banco Popular has generated financial solutions for the Aqueduct Administration Associations (ASADAS, by their Spanish acronym). These organizations manage water resources in rural or semi-rural areas and have limited access to financial resources. The Bank's contribution



of over 1,000,000 dollars has allowed them to finance improvements in their rural aqueducts as well as in the protection of watersheds, conservation and recuperation of water sources, as well as improvement in the drinking water filtering systems for public consumption.

Green Investments for the Home

The Bank has also created a special financial solution addressed to enable improvements in environmental management in homes and companies, such as:

- Purchase of solar panels
- Replacement of incandescent light bulbs for fluorescent ones
- Transformation of traditional fuel to LPG, or similar
- Replacement of toilet tanks for units requiring less water capacity
- Acquisition of water-saving devices in showers, washbasins and sinks
- Waste product treatment and recycling
- Purchase of electric appliances with lower electricity and water consumption

"As a retired educator, I am proud that the Bank where I am a customer is helping to save water. This is an excellent measure because in addition to its many employees, many other people also use water in their building. I hope this measure can be implemented in other institutions."

Nidia Ortiz Viales, Retired Educator



Wilfried Hülstrunk, Director of the German International Cooperation Agency; Hermann Heise, President of the Costa Rican-German Chamber of Commerce and Industry; Ernst Martens, German Ambassador to Costa Rica; Alfio Piva, Vice-President of Costa Rica; and Gerardo Porras, General Manager of Banco Popular, during the inauguration of the Casa Alemana project.

Additional Contributions toward Environmental Management

Casa Alemana Project

The Casa Alemana project was promoted by the Costa Rican-German Chamber of Commerce and Industry. The Bank was a sponsor and lecturer in this effort whose purpose was to present before the population, entrepreneurs and government agencies, a model of an eco-efficient house with the potential to be implemented in the country.

Sustainable Housing Contest

Thanks to an alliance with International Union for the Conservation of Nature (IUCN), the Ministry of Housing and Human Settlements (MIVAH, by its Spanish acronym) and the Ministry of the Environment, Energy and Telecommunications (MINAET, by its Spanish acronym), Banco Popular was the central axis in the development of the 1st Sustainable Housing Contest. This architecture competition gathered 40 multi-disciplinary teams. In addition to raising awareness on sustainable construction, the activity refuted the urban myth that this construction solution is not accessible to the middle class.



Authorities of Banco Popular, IUCN, Ministry of the Environment, and Ministry of Housing, during the presentation of the 1st Sustainable Housing Contest.



“With its recycling policies, Banco Popular is becoming a role model for all the public institutions. I think it is great that they recycle paper, something so commonly used in this institution, but even more remarkable is the fact

that it’s now a collection center for recyclable waste products, helping out while educating its customers to be more friendly with our environment.”

Luis Gustavo León, Graphic Designer

1st Environmental Conference on Green Production

The 1st Environmental Conference on Green Production held in Costa Rica was an initiative promoted and sponsored by Banco Popular, in the framework of its commitment toward sustainable development and the environment. This initiative was aimed at promoting efforts to generate a greater commitment and environmental awareness among the Costa Rican production sector.

Young People Trained on Renewable Energy Sources

After signing an agreement with the spaceflight engineering company Ad Astra Rocket Company located in the province of Guanacaste and headed by the Costa Rican scientist Franklin Chang, Ph.D., Banco Popular developed a series of workshops held in technical professional colleges in that area.

In addition, it promoted the realization of an innovative contest called “For a Carbon Neutral School.” This program undertook a campaign aimed at carbon neutrality among public schools in Santa Cruz, based on the design of clean



Marco Vinicio López, a young Maleku Indian, is received by Messrs. Ronald and Franklin Chang at the Ad Astra Rocket laboratory.

energy wind turbines, with the participation of students and professors from the following three schools: 27 de Abril, Cartagena, and Santa Cruz.

Also, consistent with its philosophy of supporting innovation, Banco Popular sponsored an internship at the Ad Astra Rocket Company for Marco Vinicio López Elizondo, a young Maleku Indian. After a two-month internship, he was able to create a biodigestor with which he solved two of the greatest problems affecting his indigenous community: the disposal of waste from septic tanks and the generation of clean energy.

Environmental Investments in Figures

> **Credit Portfolio and Avals with an Environmental Component**
in millions of dollars

	Credit	Avals	Total
Investments for the generation of renewable energy or improvements in distribution lines	33,40		33,40
Water management: ASADAS Protection of watersheds and improvement of rural aqueducts	1,96	0,55	2,51
Energy efficiency	0,49		0,49
Waste products management	0,31		0,31
Organic agriculture	0,20		0,20
Total	36,36	0,55	36,91

Banco Popular has made a series of investments whose objective has been to improve its environmental performance standards. These endeavors are reflected in a series of improvements such as: the efficient use of water resources, the reduction of the carbon footprint, and energy efficiency. These investments are shown in the following chart:

> **Investments in Infrastructure and Equipment for Eco-Efficiency**

Type of investment	Cost
25 WATER FREE-type toilets	\$ 6.650
237 water-saving faucets	\$ 20.000
15 eco-efficient vehicles and a hybrid automobile	\$ 535.000
Eco-efficient air conditioning units	\$ 664.840