

Popular, Inc. (BPOP, Buy, \$66.00 PT)

While 3Q19 EPS Beat Overshadowed by Disclosure of Expected CECL Impact on TBV, Clarity + Pullback in Share Price = Buying Opportunity

WHATYOU SHOULD KNOW: After Popular, Inc. (BPOP) this morning released a 2Q19 report including a somewhat greater-than-anticipated initial estimate of the impact on BPOP from the adoption of the Current Expected Credit Loss (CECL) accounting standard set to be implemented at the beginning of 2020, overshadowing a solid earnings beat during the quarter and triggering a modest sell-off in the company's shares, management hosted a conference call. Among the topics discussed were management's observations on the state of Puerto Rico's economy, their expectations regarding BPOP's loan growth during the rest of the year, and their thoughts on the impact of consolidation within the banking industry on the island, and the recently announced acquisition of Banco Santander's (SAN SM, Not Rated) Puerto Rico unit by First BanCorp (FBP, Not Rated).

Among our takea ways from the call were the following:

- Management observed that Puerto Rico's economic activity had leveled off somewhat in 2019 relative to the strong post-hurricane recovery seen in 2018, adding that activity nevertheless remained well a head of levels experienced during 2016 and 2017. They noted that debit and credit card sales — a measure of economic activity a bout which their business provides particularly good visibility — during 3Q19 had been up 4% versus the prior year period.
- Moreover, the island's employment situation continued to improve with total employment in September up 1% year-over-year. With that said, management said many of BPOP's customers had larger-than-usual available cash balances as a result of the economic upturn, and they had been using a portion of those to pay down loan balances. Consequently, management said they expected the company's loan balances to be flat sequentially during 4Q19.
- Management said Puerto Rico government deposits at BPOP had been \$11.4bn at the end of 3Q19, up from about \$10bn at the end of 2Q19. They added that the Commonwealth government's deposits at the bank had declined by about \$1bn since then. They reiterated that they expected this balance to decline as progress is made in Puerto Rico's debt restructuring but noted that the timing of outflows to fund retirement plans or to begin the payment of debt remained uncertain.
- We are reiterating our Buy recommendation on BPOP and our price target of \$66 based on 1.1x our FY20E tangible book value (TBV) per share of \$58.94 plus \$3.71 representing our estimate of the realizable value of its non-core investments. We believe the pullback in BPOP shares today has created an attractive entry point for the stock, particularly as clarity around the impact of CECL removes the uncertainty that some investors had cited as their reason for holding off on buying it.
- Valuation: Our price target of \$66 for BPOP is based on 1.1x our FY20E tangible book value (TBV) per share of \$58.94 plus \$3.71 representing our estimate of the realizable value of its non-core investments.

October 23, 2019

Mark Palmer

(212) 588-6582 mpalmer@btig.com

| COMPANY DATA | |
|-------------------------------|-------------|
| Closing Price: | \$55.07 |
| Price Target: | \$66.00 |
| Market Cap (\$M): | 5,326.08 |
| Shares Out (M): | 96.7 |
| Avg Daily Vol - 3 Months (M): | 0.36 |
| Dividend/Yield: | \$0.00/0.0% |
| | |

| Previous | Current |
|------------|------------------------------------|
| Buy | Buy |
| \$66.00 | \$66.00 |
| \$6.47 | \$6.62 |
| \$6.48 | \$6.38 |
| \$2,807.21 | \$2,833.74 |
| | Buy \$66.00 \$6.47 \$6.48 |

| Diluted EPS (Adjusted) | | | | | | | | | |
|------------------------|-------|-------|-------|--|--|--|--|--|--|
| FY Dec | 2018A | 2019E | 2020E | | | | | | |
| Q1 | 0.89 | 1.69 | 1.46 | | | | | | |
| Q2 | 1.18 | 1.76 | 1.62 | | | | | | |
| Q3 | 1.38 | 1.70 | 1.71 | | | | | | |
| Q4 | 1.33 | 1.46 | 1.60 | | | | | | |
| Calendar EPS | 4.77 | 6.62 | 6.38 | | | | | | |
| Calendar P/E | 11.5x | 8.3x | 8.6x | | | | | | |

| REVENUE (\$M) | | | | | | | | | | | |
|---------------|----------|----------|----------|--|--|--|--|--|--|--|--|
| FY Dec | 2018A | 2019E | 2020E | | | | | | | | |
| Q1 | 566.58 | 694.40 | 711.57 | | | | | | | | |
| Q2 | 715.66 | 709.31 | 720.75 | | | | | | | | |
| Q3 | 679.39 | 714.69 | 736.51 | | | | | | | | |
| Q4 | 712.72 | 715.34 | 730.77 | | | | | | | | |
| FY | 2,674.34 | 2,833.74 | 2,899.60 | | | | | | | | |

Source: IDC, BTIG Estimates and Company Documents (\$ in millions, except per share amount)



Investment Thesis

Our continued bullishness on BPOP is driven by the continued macroeconomic improvement in Puerto Rico in the aftermath of the September 2017 hurricanes, as demonstrated by multiple indicators, which should continue to provide the company with a tailwind. The company has significant excess capital that should enable it to both buy back an increasing number of its shares and to engage in accretive acquisitions.

Upcoming Catalysts

- 2Q19 earnings report in July demonstrating benefits of economic rebound in Puerto Rico
- Potential for approval by Federal Reserve Bank of New York (FRBNY) for increased amount of share buybacks
- Possible opportunity to buy assets becoming available as result of OFG/Scotiabank and Santander/FBP transactions

Base Case Assumptions

- Our price target of \$66 for BPOP is based on 1.1x our FY20E tangible book value (TBV) per share of \$58.94 plus \$3.71 representing our estimate of the realizable value of its non-core investments.
- We assume that BPOP will continue to receive regulatory approval for an increasing amount of share buybacks.

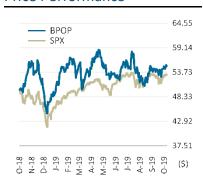
Upside Scenario

- BPOP boosts its ROE by reducing its Common Equity Tier 1 (CET1) ratio from 16.4% as of March 31 through the deployment of capital through asset sales stemming from OFG/Scotiabank and Santander/FBP transactions.
- The pace of increases in the amount of BPOP's share buybacks approved by the FRBNY accelerates, enabling the company to further reduce its CET1 and increase its ROE. The stock trades up to \$71.

Downside Scenario

- BPOP's operating performance suffers from a downturn in Puerto Rico's economy as U.S. aid to the island is curtailed. The company's CET1 remains elevated and its ROE stagnates.
- The amount of BPOP's share buybacks approved by the FRBNY levels out. The stock trades to \$42.

Price Performance



Source: IDC

Company Description

Popular, Inc. (NYSE: BPOP) is the largest bank by both assets and deposits in Puerto Rico and ranks among the top 50 U.S. bank holding companies in terms of assets. BPOP provides retail, mortgage and commercial bankings ervices in Puerto Rico and the U.S. Virgin Islands. In the mainland U.S., the company provides retail, mortgage and commercial banking services through branches in New York and Florida.



- BPOP's 3Q19 report included management's preliminary estimate of the impact on the company from the adoption of CECL. Based on the company's loan balances and macroeconomic assumptions as of June 30, 2019, management estimated that its allowance for loan losses would increase by \$360mm to \$400mm, or 85% to 95%, driven by its Puerto Rico mortgage, auto and credit card loans portfolio. Assuming BPOP's adoption of the new standard at September 30, 2019, CECL would result in a reduction of its TBV per share of approximately \$3, or 5%, they said. They added that the adoption of the new standard also would result on a 30bp reduction in its Common Equity Tier 1 (CET1) ratio.
- Management said they continued to focus on the levers that BPOP could use to deploy more of the company's excess capital, as its CET1 ratio remained high at 17.5% as of September 30, up from 16.8% in the prior quarter, and their target is closer to its U.S. regional bank peers' ratios in the 11-12% context. In addition to purchasing assets and growing organically, BPOP continues to focus on increasing its level of capital return from the \$250mm share buyback that the company was allowed by the Federal Reserve Bank of New York (FRBNY) to execute earlier this year. Management reiterated that discussions with the FRBNY were ongoing and that they hoped to be able to provide the results of those discussions early in 2020.
- While management acknowledged that the flow of U.S. government aid to Puerto Rico had been slower than many had anticipated, and that the pace of disbursement going forward was in question given increased scrutiny of the island's authorities in light of political upheaval during the summer, they said they continued to believe the amount of aid would be "significant" and that it would be sufficient to have an ongoing, positive effect on the local economy.
- Management said consolidation of the Puerto Rico banking industry, including FBP's acquisition of Banco Santander's local unit and Oriental Bank's (OFG, Not Rated) acquisition of Scotiabank's (BNS CN, Not Rated) operations on the island, would create both opportunities and challenges. On the opportunity side, the deals would enable BPOP to pursue clients who may have had particular reasons for banking with Santander or Scotiabank, including the desire to work with an international bank, they said. In terms of the challenge arising from consolidation, management noted that they now faced two enlarged competitors on the island, which meant that they would have to "up our game."



Income Statement

| Popular Inc Operating Model | Dec-16 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Dec-20 | Dec-21 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| \$ Millions | 2016A | 2017A | 1Q18A | 2Q18A | 3Q18A | 4Q18A | 2018A | 1Q19A | 2Q19A | 3Q19A | 4Q19E | 2019E | 1Q20E | 2Q20E | 3Q20E | 4Q20E | 2020E | 2021E |
| Total interest income | 1,634.57 | 1,725.94 | 453.08 | 480.85 | 528.37 | 559.56 | 2,021.85 | 557.97 | 570.98 | 571.98 | 576.39 | 2,277.31 | 573.39 | 581.79 | 587.29 | 588.33 | 2,330.81 | 2,378.19 |
| Total interest expense | 212.52 | 223.98 | 60.03 | 66.72 | 76.90 | 83.33 | 286.98 | 87.01 | 94.66 | 94.99 | 96.44 | 373.10 | 92.39 | 91.65 | 91.57 | 92.15 | 367.75 | 347.11 |
| Net interest income | 1,422.06 | 1,501.96 | 393.05 | 414.13 | 451.47 | 476.23 | 1,734.87 | 470.96 | 476.32 | 476.99 | 479.95 | 1,904.22 | 481.00 | 490.15 | 495.73 | 496.18 | 1,963.06 | 2,031.08 |
| Provision for loan losses | 170.02 | 325.42 | 71.06 | 60.05 | 54.39 | 42.57 | 228.07 | 41.83 | 40.19 | 36.54 | 54.68 | 173.23 | 81.68 | 64.58 | 57.84 | 63.40 | 267.50 | 276.61 |
| Service charges on deposit accounts | 160.84 | 153.71 | 36.46 | 37.10 | 38.15 | 38.97 | 150.68 | 38.69 | 39.62 | 40.97 | 39.95 | 159.22 | 39.46 | 40.41 | 41.79 | 40.75 | 162.41 | 165.66 |
| Other servicing fees | 234.77 | 217.27 | 60.60 | 62.88 | 64.32 | 70.23 | 258.02 | 64.31 | 74.03 | 71.31 | 64.96 | 274.61 | 65.59 | 75.51 | 72.74 | 66.26 | 280.10 | 285.70 |
| Mortgage banking activities | 56.54 | 25.50 | 12.07 | 10.07 | 11.27 | 19.39 | 52.80 | 9.93 | -1.77 | 10.49 | 10.52 | 29.16 | 10.12 | -1.81 | 10.70 | 10.73 | 29.75 | 30.34 |
| Net gain and valuation adjustments on investment securities | 1.96 | 0.33 | -0.65 | 0.23 | 0.37 | 0.00 | -0.04 | 0.00 | 0.00 | 0.21 | 0.00 | 0.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other-than-temporary losses on investment securities | -0.21 | -8.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Trading account (loss) profit | -0.79 | -0.82 | -0.20 | 0.02 | -0.12 | -2.04 | -2.34 | 1.43 | 0.53 | 0.30 | 0.00 | 2.26 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net (loss) gain on sale of loans, including valuation adjustments on loans HFS | 8.25 | -0.42 | 0.00 | 0.00 | 0.00 | 0.12 | 0.12 | 0.26 | 0.42 | 0.00 | 0.00 | 0.68 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Adjustments (expense) to indemnity reserves on loans sold | -17.29 | -22.38 | -2.93 | -0.53 | -3.03 | -6.48 | -12.96 | -0.09 | 1.84 | -3.41 | 0.00 | -1.66 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FDIC loss-share income (expense) | -207.78 | -10.07 | -8.03 | 102.75 | 0.00 | 0.00 | 94.73 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other operating income | 61.64 | 64.34 | 16.17 | 22.28 | 40.07 | 32.97 | 111.49 | 21.91 | 23.66 | 22.85 | 23.53 | 91.94 | 23.00 | 24.84 | 23.99 | 24.71 | 96.54 | 101.37 |
| Total non-interest income | 297.94 | 419.17 | 113.50 | 234.81 | 151.02 | 153.17 | 652.49 | 136.43 | 138.33 | 142.71 | 138.95 | 556.42 | 138.18 | 138.96 | 149.21 | 142.44 | 568.79 | 583.06 |
| Personnal costs | 487.48 | 484.23 | 125.85 | 124.33 | 139.76 | 173.05 | 562.99 | 143.12 | 141.50 | 147.68 | 155.94 | 588.23 | 150.27 | 142.91 | 149.16 | 157.50 | 599.84 | 611.85 |
| Net occupancy expenses | 85.65 | 89.19 | 22.80 | 22.43 | 18.60 | 24.50 | 88.33 | 23.54 | 23.30 | 24.60 | 24.72 | 96.15 | 23.77 | 23.53 | 24.84 | 24.97 | 97.11 | 98.08 |
| Equipment expenses | 62.23 | 65.14 | 17.21 | 17.78 | 18.30 | 18.50 | 71.79 | 19.71 | 21.32 | 21.60 | 21.70 | 84.33 | 19.90 | 21.54 | 21.81 | 21.92 | 85.17 | 86.02 |
| Other taxes | 42.30 | 43.38 | 10.90 | 10.88 | 11.92 | 12.58 | 46.28 | 11.66 | 12.58 | 14.03 | 14.10 | 52.37 | 11.78 | 12.70 | 14.17 | 14.24 | 52.89 | 53.42 |
| Professional fees | 323.04 | 292.49 | 82.99 | 93.90 | 83.86 | 89.10 | 349.84 | 87.47 | 95.25 | 98.56 | 90.43 | 371.71 | 88.34 | 96.20 | 99.55 | 91.34 | 375.42 | 379.18 |
| Communications | 23.90 | 22.47 | 5.91 | 5.38 | 6.05 | 5.77 | 23.11 | 5.85 | 5.96 | 5.88 | 6.23 | 23.91 | 5.91 | 6.01 | 5.94 | 6.29 | 24.15 | 24.39 |
| Business promotion | 53.01 | 58.45 | 12.01 | 16.78 | 15.48 | 21.65 | 65.92 | 14.67 | 19.12 | 18.37 | 18.46 | 70.61 | 14.82 | 19.31 | 18.55 | 18.64 | 71.32 | 72.03 |
| FDIC deposit insurance | 24.51 | 26.39 | 6.92 | 7.00 | 8.61 | 5.22 | 27.76 | 4.81 | 5.28 | 2.92 | 5.64 | 18.65 | 4.88 | 5.36 | 2.97 | 5.73 | 18.93 | 19.21 |
| Other real estate owned (OREO) expenses | 47.12 | 48.54 | 6.13 | 6.95 | 7.95 | 2.31 | 23.34 | 2.68 | 1.24 | -0.19 | -0.20 | 3.53 | 2.00 | 2.00 | 2.00 | 2.00 | 8.00 | 8.80 |
| Credit and debit card processing, volume, interchsange and other expenses | 20.80 | 26.20 | 4.61 | 9.64 | 8.95 | 4.79 | 27.98 | 8.22 | 9.90 | 9.45 | 9.50 | 37.07 | 8.35 | 10.05 | 9.59 | 9.64 | 37.63 | 38.19 |
| Total other operating expenses | 69.65 | 91.34 | 24.36 | 20.29 | 43.63 | 36.63 | 124.90 | 23.39 | 25.21 | 31.18 | 31.34 | 111.12 | 23.63 | 23.95 | 29.62 | 29.77 | 106.96 | 109.10 |
| Amortization of intangibles | 12.14 | 9.38 | 2.33 | 2.32 | 2.32 | 2.35 | 9.33 | 2.31 | 2.37 | 2.40 | 2.40 | 9.48 | 2.36 | 2.42 | 2.45 | 2.45 | 9.67 | 9.87 |
| Goodwill impairment charge | 3.80 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Restructuring costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total operating expenses | 1,255.64 | 1,257.20 | 322.00 | 337.67 | 365.44 | 396.46 | 1,421.56 | 347.42 | 363.02 | 376.48 | 380.24 | 1,467.15 | 356.00 | 365.98 | 380.64 | 384.47 | 1,487.10 | 1,510.15 |
| Income (loss) from continuing operations before tax | 294.34 | 338.51 | 113.48 | 251.22 | 182.67 | 190.37 | 737.73 | 218.15 | 211.44 | 206.69 | 183.98 | 820.26 | 181.50 | 198.54 | 206.46 | 190.75 | 777.25 | 827.39 |
| Income tax expense (benefit) | 78.78 | 230.83 | 22.16 | -28.56 | 42.02 | 83.97 | 119.58 | 50.22 | 40.33 | 41.37 | 42.32 | 174.24 | 41.74 | 45.66 | 47.49 | 43.87 | 178.77 | 190.30 |
| Income (loss) from continuing operations | 215.56 | 107.68 | 91.32 | 279.78 | 140.65 | 106.40 | 618.15 | 167.93 | 171.11 | 165.32 | 141.67 | 646.02 | 139.75 | 152.88 | 158.97 | 146.88 | 598.49 | 637.09 |
| Income from discontinued operations - net of tax | 1.14 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net income (loss) | 216.69 | 107.68 | 91.32 | 279.78 | 140.65 | 106.40 | 618.15 | 167.93 | 171.11 | 165.32 | 141.67 | 646.02 | 139.75 | 152.88 | 158.97 | 146.88 | 598.49 | 637.09 |
| Preferred stock dividends | 3.72 | 3.72 | 0.93 | 0.93 | 0.93 | 0.93 | 3.72 | 0.93 | 0.93 | 0.93 | 0.93 | 3.72 | 0.93 | 0.93 | 0.93 | 0.93 | 3.72 | 3.72 |
| Net income (loss) applicable to common stock | 212.97 | 103.96 | 90.39 | 278.85 | 139.72 | 105.47 | 614.43 | 166.99 | 170.18 | 164.39 | 140.74 | 642.29 | 138.82 | 151.95 | 158.04 | 145.95 | 594.76 | 633.37 |
| GAAP EPS | \$2.06 | \$1.02 | \$0.89 | \$2.74 | \$1.38 | \$1.06 | \$6.07 | \$1.69 | \$1.77 | \$1.71 | \$1.47 | \$6.63 | \$1.46 | \$1.62 | \$1.71 | \$1.60 | \$6.39 | \$7.14 |
| Adjusted EPS | \$3.42 | \$2.67 | \$0.89 | \$1.18 | \$1.38 | \$1.33 | \$4.77 | \$1.69 | \$1.76 | \$1.70 | \$1.46 | \$6.62 | \$1.46 | \$1.62 | \$1.71 | \$1.60 | \$6.38 | \$7.13 |
| Common shares outstanding - average | 103.28 | 101.97 | 101.70 | 101.89 | 101.07 | 99.93 | 101.15 | 98.58 | 96.31 | 96.36 | 96.01 | 96.81 | 94.84 | 93.71 | 92.48 | 91.28 | 93.08 | 88.67 |
| Common shares outstanding - diluted | 103.38 | 102.05 | 101.84 | 102.03 | 101.15 | 100.11 | 101.28 | 98.76 | 96.46 | 96.48 | 96.14 | 96.96 | 94.96 | 93.83 | 92.60 | 91.41 | 93.20 | 88.79 |
| Common shares outstanding - end of period | 103.79 | 102.07 | 102.19 | 102.30 | 100.34 | 99.94 | 99.94 | 96.63 | 96.70 | 96.71 | 96.37 | 96.37 | 95.20 | 94.06 | 92.84 | 91.64 | 91.64 | 87.43 |
| Tax rate | 26.8% | 68.2% | 19.5% | -11.4% | 23.0% | 44.1% | 16.2% | 23.0% | 19.1% | 20.0% | 23.0% | 21.2% | 23.0% | 23.0% | 23.0% | 23.0% | 23.0% | 23.0% |
| | | | | | | | | | | | | | | | | | | |
| Book value | 5,147.80 | 5,053.75 | 5,014.75 | 5,239.50 | 5,194.19 | 5,384.90 | 5,384.90 | 5,389.90 | 5,669.67 | 5,858.29 | 5,945.11 | 5,945.11 | 5,975.62 | 6,019.64 | 6,062.69 | 6,094.06 | 6,094.06 | 6,287.79 |
| Book value per share | \$49.60 | \$49.51 | \$49.07 | \$51.22 | \$51.77 | \$53.88 | \$53.88 | \$55.78 | \$58.63 | \$60.57 | \$61.69 | \$61.69 | \$62.77 | \$64.00 | \$65.30 | \$66.50 | \$66.50 | \$71.92 |
| Tangible book value | 4,475.45 | 4,390.78 | 4,354.11 | 4,581.18 | 4,477.47 | 4,686.94 | 4,686.94 | 4,694.26 | 4,974.67 | 5,165.69 | 5,252.51 | 5,252.51 | 5,283.01 | 5,327.04 | 5,370.09 | 5,401.46 | 5,401.46 | 5,595.19 |
| Tangible book value per share | \$43.12 | \$43.02 | \$42.61 | \$44.78 | \$44.62 | \$46.90 | \$46.90 | \$48.58 | \$51.44 | \$53.41 | \$54.50 | \$54.50 | \$55.50 | \$56.63 | \$57.84 | \$58.94 | \$58.94 | \$63.99 |
| Source: RTIG Estimates and Company Reports | 1 | | | | | | | | | | | | | | | | | |

Source: BTIG Estimates and Company Reports



BTIG Covered Companies Mentioned in this Report

POPULAR, INC. (BPOP, Buy, \$66.00 PT; Current Price: \$55.07; Analyst: Mark.Palmer)



Appendix: Analyst Certification and Other Important Disclosures

Analyst Certification

I, Mark Palmer, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

Regulatory Disclosures

Ratings Definitions

BTIG LLC's ("BTIG") ratings, effective June 12, 2017, are defined as follows:

BUY – A security which is expected to produce a positive total return of 15% or greater over the 12 months following the recommendation. The BUY rating may be maintained as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

SELL – A security which is expected to produce a negative total return of 15% or greater over the next 12 months following the recommendation. The SELL rating may be maintained as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

NEUTRAL – A security which is not expected to appreciate or depreciate meaningfully over the next 12 months.

NOT RATED – A security which is not rated or covered by BTIG.

UNDER REVIEW – Effective immediately, coverage of the following securities is Under Review. Ratings, price targets, disclosures, and estimates for the companies listed below are suspended and should no longer be relied upon.

Distribution of Ratings and Investment Banking Clients

BTIG must disclose in each research report the percentage of all securities rated by the member to which the member would assign a "buy", "neutral" or "sell" rating. The said ratings are updated on a quarterly basis. BTIG must also disclose the percentage of subject companies within each of these three categories for whom the member has provided investment banking services within the previous twelve months. Stocks under coverage as of the end of the most recent calendar quarter (September 30, 2019): 299

Distribution of BTIG's Research Recommendations (as of September 30, 2019):

BUY: 65.6%; NEUTRAL: 33.1%; SELL: 1.3%

Distribution of BTIG's Investment Banking Services (as of September 30, 2019):

BUY: 28.6%; NEUTRAL: 12.1%; SELL: 0.0%

For purposes of FINRA ratings distribution rules, BTIG's stock ratings of Buy, Neutral and Sell fall into Buy, Hold and Sell categories, respectively.

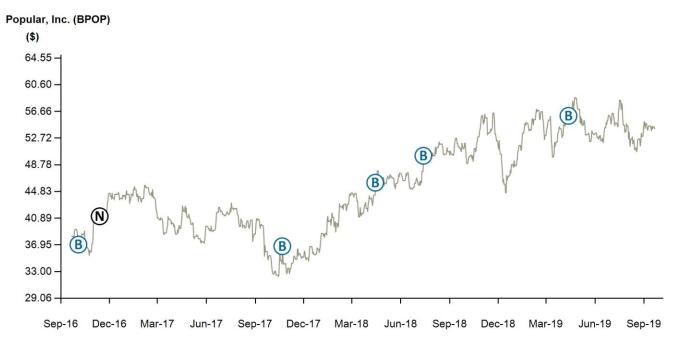
Company Valuation and Risk Disclosures

Popular, Inc. (BPOP, Buy, \$66.00 PT)

Valuation: Our price target of \$66 for BPOP is based on 1.1x our FY20E tangible book value (TBV) per share of \$58.94 plus \$3.71 representing our estimate of the realizable value of its non-core investments.

Risks: Primary risks to our recommendation include weakness in the economy within the company's geographic footprint that could negatively impact its operating results; deterioration in collateral values of properties securing the company's construction, commercial and mortgage loans that could result in credit losses; the potential negative affect on the value of company's loans to the Puerto Rico government and its portfolio of Puerto Rico government securities and increased regulatory scrutiny.





Note: Closing Price and Target Price have been adjusted for corporate actions.

| Date | Closing Price (\$) | Target Price (\$) | Analyst | Rating |
|-----------|--------------------|-------------------|-------------|---------|
| 17-Mar-14 | 29.18 | 42 | Mark Palmer | Buy |
| 23-Apr-14 | 31.68 | 41 | Mark Palmer | Buy |
| 06-Jul-15 | 29.05 | 39 | Mark Palmer | Buy |
| 24-Jul-15 | 31.02 | 41 | Mark Palmer | Buy |
| 22-Nov-16 | 41.12 | NA | Mark Palmer | Neutral |
| 31-Oct-17 | 36.68 | 46 | Mark Palmer | Buy |
| 24-Apr-18 | 46.08 | 53 | Mark Palmer | Buy |
| 23-Jul-18 | 50.05 | 58 | Mark Palmer | Buy |
| 22-Apr-19 | 55.97 | 66 | Mark Palmer | Buy |

Company-Specific Regulatory Disclosures

BTIG LLC expects to receive or intends to seek compensation for investment banking services in the next 3 months from: Popular, Inc. (BPOP)

Other Disclosures

Additional Information Available Upon Request

General Disclosures

Research reports produced by BTIG LLC ("BTIG") are published for and intended to be distributed solely to BTIG institutional and corporate clients. Recipients of BTIG reports will not be considered clients of BTIG solely because they may have received such BTIG report.

To the extent recipient accesses BTIG research, whether on a BTIG research website or through a third-party platform, BTIG is able to search, filter, download and review information on the readership of BTIG's research, including the specific research consumed and the name, company name, email address and, in certain circumstances, the location of the individual who accessed the research (the "Readership Information"). Recipient consents to BTIG's receipt of the Readership Information, including receipt of that information from a third party.



The research analyst(s) responsible for the preparation of this report receives compensation based upon a variety of factors, including the quality and accuracy of research, internal/client feedback, and overall Firm revenues.

BTIG reports are based on public information and BTIG considers the same to be reliable, comprehensive information, but makes no representation or warranty that the reports are accurate or complete. BTIG opinions and information provided in this report are as of the date of the report and may change without notice. An issuer may be classified as "Under Review" or "Research Restricted". In these cases, investors should consider any previous investment recommendation and/or rating to a subject company/issuer to no longer be current and should not be relied upon nor considered a solicitation.

This research report is not an offer to buy or sell or solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. This research report was not drafted specifically for any particular individual or entity and is not a personal recommendation to participate in any particular trading strategy or transaction. Any recipient of this research report should obtain independent advice specific to their personal circumstances before undertaking any investment activity and must make their own independent evaluation of any securities or financial instruments.

Facts, views or opinions presented in this report have not been reviewed by, and may not reflect information known to, employees or other professionals in the "BTIG Group" (BTIG Group includes, but is not limited to, BTIG and its parents, subsidiaries and/or affiliates). BTIG Group employees, including Sales Representatives and Traders, may provide oral or written commentary or advice that may be inconsistent with the opinions and/or views expressed in this research report. BTIG Group employees and/or its affiliates not involved in the preparation of this research report may have investments in securities or derivatives of securities of companies mentioned in this report that are inconsistent with the views discussed in this report.

Investors in securities products bear certain risks in conjunction with those investments. The value of, and income from, any investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors within or beyond the companies' control. Recipient of the research reports should be aware that investments in securities may pose significant risks due to the inherent uncertainty associated with relying on forecasts of various factors that can affect the earnings, cash flow and overall valuation of a company. Any investment in securities should be undertaken only upon consideration of issues relating to the recipient's overall investment portfolio and objectives (such as diversification by asset class, industry or company) as well as time horizon and liquidity needs. Further, past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. There may be time limitations on the exercise of options or other rights in any securities transactions.

Investing in foreign markets and securities, including ADRs, is subject to additional risks such as currency fluctuation, limited information, political instability, economic risk, and the potential for illiquid markets. Investing in emerging markets may accentuate these risks. Non-U.S. reporting issuers of foreign securities, however, may not make regular or complete public disclosure relating to their financial condition or the securities that they issue.

The trademarks and service marks contained herein are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability of any damages of any kind relating to such data. The report or any portion hereof may not be reprinted, sold or redistributed without the written consent of BTIG. This report is intended only for use by the recipient. The recipient acknowledges that all research and analysis in this report are the property of BTIG and agrees to limit the use of all publications received from BTIG within his, or her or its, own company or organization. No rights are given for passing on, transmitting, re transmitting or reselling the information provided.

Jurisdiction and Dissemination

BTIG is a U.S. broker-dealer and member of FINRA and SIPC.



BTIG Australia Limited ACN 128 554 601, member of ASIC and ASX; BTIG Hong Kong Limited, an Exchange Participant of SEHK and licensed and regulated by the SFC; BTIG Ltd, member of the LSE, authorized and regulated by the FSA; and BTIG Singapore Pte Ltd, registered and licensed with MAS; are all separate but affiliated entities of BTIG. Unless governing law permits otherwise, you must contact a BTIG entity in your home jurisdiction for further information, or if you want to use our services in effecting a transaction.

Issued and approved for distribution in the UK and EEA by BTIG Ltd. to eligible counterparties and professional clients only. Issued and distributed in Australia to "wholesale clients" only by BTIG Australia Limited. In Singapore and Hong Kong, further information may be obtained from BTIG Singapore Pte Ltd and BTIG Hong Kong Limited, respectively.