UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2023

or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-34084

POPULAR, INC.
(Exact name of registrant as specified in its charter)

Puerto Rico
(State or other jurisdiction of Incorporation or organization)

66-0667416
(IRS Employer Identification Number)

Popular Center Building
209 Muñoz Rivera Avenue
Hato Rey, Puerto Rico
(Address of principal executive offices)

00918
(Zip code)

(787) 765-9800
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock ($0.01 par value)	BPOP	The NASDAQ Stock Market
6.125% Cumulative Monthly Income Trust Preferred Securities	BPOPM	The NASDAQ Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]
Smaller reporting company [ ] Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 par value, 72,154,356 shares outstanding as of November 7, 2023.

POPULAR INC
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Forward-Looking Information

This Form 10-Q contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including, without limitation, statements about Popular, Inc.'s (the "Corporation," "Popular," "we," "us," "our") business, financial condition, results of operations, plans, objectives and future performance. These statements are not guarantees of future performance, are based on management's current expectations and, by their nature, involve risks, uncertainties, estimates and assumptions. Potential factors, some of which are beyond the Corporation's control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Risks and uncertainties include without limitation the effect of competitive and economic factors, and our reaction to those factors, the adequacy of the allowance for loan losses, delinquency trends, market risk and the impact of interest rate changes, capital markets conditions, capital adequacy and liquidity, and the effect of legal and regulatory proceedings and new accounting standards on the Corporation's financial condition and results of operations. All statements contained herein that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "continues," "expect," "estimate," "intend," "project" and similar expressions and future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions are generally intended to identify forward-looking statements.

Various factors, some of which are beyond Popular's control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- the rate of growth or decline in the economy and employment levels, as well as general business and economic conditions in the geographic areas we serve and, in particular, in the Commonwealth of Puerto Rico (the "Commonwealth" or "Puerto Rico"), where a significant portion of our business is concentrated;

- adverse economic conditions, including high levels of inflation, that adversely affect housing prices, the job market, consumer confidence and spending habits which may affect in turn, among other things, our level of non-performing assets, charge-offs and provision expense;

- changes in interest rates and market liquidity, which may reduce interest margins, impact funding sources, reduce loan originations, affect our ability to originate and distribute financial products in the primary and secondary markets and impact the value of our investment portfolio and our ability to return capital to our shareholders;

- the impact of bank failures or adverse developments at other banks and related negative media coverage of the banking industry in general on investor and depositor sentiment regarding the stability and liquidity of banks;

- the impact of the current fiscal and economic challenges of Puerto Rico and the measures taken and to be taken by the Puerto Rico Government and the Federally-appointed oversight board on the economy, our customers and our business;

- the impact of the pending debt restructuring proceedings under Title III of the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA") and of other actions taken or to be taken to address Puerto Rico's fiscal challenges on the value of our portfolio of Puerto Rico government securities and loans to governmental entities and of our commercial, mortgage and consumer loan portfolios where private borrowers could be directly affected by governmental action;

- the amount of Puerto Rico public sector deposits held at the Corporation, whose future balances are uncertain and difficult to predict and may be impacted by factors such as the amount of Federal funds received by the P.R. Government in connection with the COVID-19 pandemic and hurricane recovery assistance and the rate of expenditure of such funds, as well as the financial condition, liquidity and cash management practices of the Puerto Rico Government and its instrumentalities;

- unforeseen or catastrophic events, including extreme weather events, including hurricanes, other natural disasters, man-made disasters, acts of violence or war or pandemics, epidemics and other health-related crises, including any resurgence of COVID-19, or the fear of any such event occurring, any of which could cause adverse consequences for our business, including, but not limited to, disruptions in our operations;

- our ability to achieve the expected benefits from our transformation initiative, including our ability to achieve our targeted sustainable return on tangible common equity of 14% by the end of 2025;
- risks related to Popular's acquisition of certain information technology and related assets formerly used by Evertec, Inc. to service certain of Banco Popular de Puerto Rico's key channels, as well as the entry into amended and restated commercial agreements (the "Evertec Business Acquisition Transaction"), including Popular's ability to successfully transition and integrate the assets acquired as part of the Evertec Business Acquisition Transaction, as well as related operations, employees and third party contractors; unexpected costs, including, without limitation, costs due to exposure to any unrecorded liabilities or issues not identified during due diligence investigation of the Evertec Business Acquisition Transaction or that are not subject to indemnification or reimbursement by Evertec, Inc.; and business and other risks arising from the extension of Popular's current commercial agreements with Evertec, Inc.;
- the fiscal and monetary policies of the federal government and its agencies;
- changes in federal bank regulatory and supervisory policies, including required levels of capital, liquidity, resolution-related requirements and the impact of proposed capital standards on our capital ratios;
- additional or special Federal Deposit Insurance Corporation ("FDIC") assessments, including the special assessments being proposed by the FDIC to recover the losses to the deposit insurance fund ("DIF") resulting from the receiverships of Silicon Valley Bank and Signature Bank;
- regulatory approvals that may be necessary to undertake certain actions or consummate strategic transactions, such as acquisitions and dispositions;
- the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets in Puerto Rico and the other markets in which our borrowers are located;
- the performance of the stock and bond markets;
- competition in the financial services industry;
- possible legislative, tax or regulatory changes;
- a failure in or breach of our operational or security systems or infrastructure or those of Evertec, Inc., our provider of core financial transaction processing and information technology services, or of third parties providing services to us, including as a result of cyberattacks, e-fraud, denial-of-services and computer intrusion, that might result in, among other things, loss or breach of customer data, disruption of services, reputational damage or additional costs to Popular;
- changes in market rates and prices which may adversely impact the value of financial assets and liabilities;
- potential judgments, claims, damages, penalties, fines, enforcement actions and reputational damage resulting from pending or future litigation and regulatory or government investigations or actions, including as a result of our participation in and execution of government programs related to the COVID-19 pandemic;
- changes in accounting standards, rules and interpretations;
- our ability to grow our core businesses;
- decisions to downsize, sell or close branches or business units or otherwise change our business mix; and
- management's ability to identify and manage these and other risks.

Moreover, the outcome of legal and regulatory proceedings, as discussed in "Part II, Item 1. Legal Proceedings," is inherently uncertain and depends on judicial interpretations of law and the findings of regulators, judges and/or juries. Investors should refer to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K"), as well as "Part II, Item 1A" of our Quarterly Reports on Form 10-Q for a discussion of such factors and certain risks and uncertainties to which the Corporation is subject.

All forward-looking statements included in this Form 10-Q are based upon information available to Popular as of the date of this Form 10-Q, and other than as required by law, including the requirements of applicable securities laws, we assume no obligation to update or revise any such forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)

(In thousands, except share information)	September 30, 2023	December 31, 2022
Assets:		
Cash and due from banks	$ 535,335	$ 469,501
Money market investments:		
Time deposits with other banks	6,389,437	5,614,595
Total money market investments	6,389,437	5,614,595
Trading account debt securities, at fair value:		
Other trading account debt securities	30,988	27,723
Debt securities available-for-sale, at fair value:		
Pledged securities with creditors' right to repledge	72,062	129,203
Other debt securities available-for-sale	17,057,796	17,675,171
Debt securities held-to-maturity, at amortized cost:		
Pledged securities with creditors' right to repledge	27,047	26,496
Other debt securities held-to-maturity	8,275,035	8,498,870
Debt securities held-to-maturity (fair value 2023 - $8,065,067; 2022 - $8,440,196)	8,302,082	8,525,366
Less – Allowance for credit losses	6,057	6,911
Debt securities held-to-maturity, net	8,296,025	8,518,455
Equity securities (realizable value 2023 - $191,605; 2022 - $196,665)	190,688	195,854
Loans held-for-sale, at fair value	5,239	5,381
Loans held-in-portfolio	34,369,775	32,372,925
Less – Unearned income	340,462	295,156
Allowance for credit losses	711,068	720,302
Total loans held-in-portfolio, net	33,318,245	31,357,467
Premises and equipment, net	534,384	498,711
Other real estate	82,322	89,126
Accrued income receivable	257,833	240,195
Mortgage servicing rights, at fair value	119,030	128,350
Other assets	2,032,565	1,847,813
Goodwill	804,428	827,428
Other intangible assets	10,559	12,944
Total assets	$ 69,736,936	$ 67,637,917
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 15,201,374	$ 15,960,557
Interest bearing	48,136,226	45,266,670
Total deposits	63,337,600	61,227,227
Assets sold under agreements to repurchase	93,071	148,609
Other short-term borrowings	-	365,000
Notes payable	1,004,649	886,710
Other liabilities	844,008	916,946
Total liabilities	65,279,328	63,544,492
Commitments and contingencies (Refer to Note 21)		
Stockholders' equity:		
Preferred stock, 30,000,000 shares authorized; 885,726 shares issued and outstanding (2022 - 885,726)	22,143	22,143
Common stock, $0.01 par value; 170,000,000 shares authorized; 104,740,311 shares issued (2022 - 104,657,522) and 72,127,595 shares outstanding (2022 - 71,853,720)	1,048	1,047
Surplus	4,797,364	4,790,993
Retained earnings	4,189,865	3,834,348
Treasury stock - at cost, 32,612,716 shares (2022 - 32,803,802)	(2,018,870)	(2,030,178)
Accumulated other comprehensive loss, net of tax	(2,533,942)	(2,524,928)
Total stockholders' equity	4,457,608	4,093,425
Total liabilities and stockholders' equity	$ 69,736,936	$ 67,637,917

The accompanying notes are an integral part of these Consolidated Financial Statements.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share information)	Quarters ended September 30, 2023	Quarters ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest income:				
Loans	$ 596,886	$ 481,088	$ 1,708,216	$ 1,354,124
Money market investments	99,286	36,966	265,785	67,172
Investment securities	148,614	133,181	403,814	331,421
Total interest income	844,786	651,235	2,377,815	1,752,717
Interest expense:				
Deposits	294,121	60,897	730,824	113,507
Short-term borrowings	1,478	921	5,987	1,249
Long-term debt	15,167	9,798	43,660	30,168
Total interest expense	310,766	71,616	780,471	144,924
Net interest income	534,020	579,619	1,597,344	1,607,793
Provision for credit losses	45,117	39,637	129,946	33,499
Net interest income after provision for credit losses	488,903	539,982	1,467,398	1,574,294
Non-interest income:				
Service charges on deposit accounts	37,318	40,006	109,777	122,528
Other service fees	93,407	86,402	277,748	244,987
Mortgage banking activities (Refer to Note 10)	5,393	9,448	15,109	35,888
Net (loss) gain, including impairment on equity securities	(1,319)	(1,448)	1,165	(7,651)
Net gain (loss) on trading account debt securities	219	(274)	632	(946)
Net loss on sale of loans on loans held-for-sale, including valuation adjustments	(44)	-	(44)	-
Adjustments to indemnity reserves on loans sold	(187)	1,715	(31)	1,140
Other operating income	24,762	290,645	77,625	342,651
Total non-interest income	159,549	426,494	481,981	738,597
Operating expenses:				
Personnel costs	193,152	193,843	583,380	529,627
Net occupancy expenses	28,100	27,420	81,304	78,357
Equipment expenses	8,905	8,735	26,878	25,798
Other taxes	8,590	15,966	41,290	47,461
Professional fees	38,514	47,662	122,077	122,884
Technology and software expenses	72,930	68,341	213,843	213,638
Processing and transactional services	37,899	32,368	108,609	94,358
Communications	4,220	3,858	12,483	11,028
Business promotion	23,075	24,348	67,029	60,784
FDIC deposit insurance	8,932	6,610	24,600	20,445
Other real estate owned (OREO) income	(5,189)	(2,444)	(10,197)	(12,963)
Other operating expenses	23,061	39,593	70,274	81,814
Amortization of intangibles	795	795	2,385	2,481
Goodwill impairment charge	23,000	9,000	23,000	9,000
Total operating expenses	465,984	476,095	1,366,955	1,284,712
Income before income tax	182,468	490,381	582,424	1,028,179
Income tax expense	45,859	67,986	135,676	182,677
Net Income	$ 136,609	$ 422,395	$ 446,748	$ 845,502
Net Income Applicable to Common Stock	$ 136,256	$ 422,042	$ 445,689	$ 844,443
Net Income per Common Share – Basic	$ 1.90	$ 5.71	$ 6.22	$ 11.09
Net Income per Common Share – Diluted	$ 1.90	$ 5.70	$ 6.21	$ 11.07

The accompanying notes are an integral part of these Consolidated Financial Statements.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(UNAUDITED)

	Quarters ended, September 30,		Nine months ended, September 30,	
(In thousands)	2023	2022	2023	2022
Net income	$ 136,609	$ 422,395	$ 446,748	$ 845,502
Other comprehensive (loss) income before tax:				
Foreign currency translation adjustment	(976)	7,206	(220)	10,346
Adjustment of pension and postretirement benefit plans	-	-	-	2,030
Amortization of net losses of pension and postretirement benefit plans	4,814	3,911	14,440	11,733
Unrealized holding losses on debt securities arising during the period	(234,827)	(876,854)	(99,360)	(2,716,474)
Amortization of unrealized losses of debt securities transfer from available-for-sale to held-to-maturity	43,783	-	128,726	-
Unrealized net (losses) gains on cash flow hedges	-	392	(30)	3,903
Reclassification adjustment for net (gains) losses included in net income	-	828	(41)	(751)
Other comprehensive (loss) income before tax	(187,206)	(864,517)	43,515	(2,689,213)
Income tax (expense) benefit	(18,301)	93,202	(52,529)	289,951
Total other comprehensive loss, net of tax	(205,507)	(771,315)	(9,014)	(2,399,262)
Comprehensive (loss) income, net of tax	$ (68,898)	$ (348,920)	$ 437,734	$ (1,553,760)

Tax effect allocated to each component of other comprehensive (loss) income:

	Quarters ended September 30,		Nine months ended, September 30,	
(In thousands)	2023	2022	2023	2022
Adjustment of pension and postretirement benefit plans	$ -	$ -	$ -	$ (761)
Amortization of net losses of pension and postretirement benefit plans	(1,805)	(1,467)	(5,415)	(4,401)
Unrealized holding losses on debt securities arising during the period	(7,740)	94,956	(21,396)	295,326
Amortization of unrealized losses of debt securities transfer from available-for-sale to held-to-maturity	(8,756)	-	(25,744)	-
Unrealized net (losses) gains on cash flow hedges	-	23	11	(681)
Reclassification adjustment for net (gains) losses included in net income	-	(310)	15	468
Income tax (expense) benefit	$ (18,301)	$ 93,202	$ (52,529)	$ 289,951

The accompanying notes are an integral part of the Consolidated Financial Statements.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

(In thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance at June 30, 2022	$ 1,046	$ 22,143	$ 4,576,478	$ 3,311,951	$ (1,665,253)	$ (1,953,016)	$ 4,293,349
Net income				422,395			422,395
Issuance of stock			1,550				1,550
Dividends declared:							
Common stock [1]				(39,973)			(39,973)
Preferred stock				(353)			(353)
Common stock purchases [2]			74,118		(305,343)		(231,225)
Stock based compensation			362		48		410
Other comprehensive loss, net of tax						(771,315)	(771,315)
Balance at September 30, 2022	$ 1,046	$ 22,143	$ 4,652,508	$ 3,694,020	$ (1,970,548)	$ (2,724,331)	$ 3,674,838
Balance at June 30, 2023	$ 1,047	$ 22,143	$ 4,795,581	$ 4,093,284	$ (2,018,611)	$ (2,328,435)	$ 4,565,009
Net income				136,609			136,609
Issuance of stock	1		1,599				1,600
Dividends declared:							
Common stock [1]				(39,675)			(39,675)
Preferred stock				(353)			(353)
Common stock purchases					(250)		(250)
Stock based compensation			184		(9)		175
Other comprehensive loss, net of tax						(205,507)	(205,507)
Balance at September 30, 2023	$ 1,048	$ 22,143	$ 4,797,364	$ 4,189,865	$ (2,018,870)	$ (2,533,942)	$ 4,457,608

[1] Dividends declared per common share during the quarter ended September 30, 2023 - $ 0.55 (2022 - $0.55).
[2] During July 2022, the Corporation completed a $ 400 million accelerated share repurchase transaction with respect to its common stock. During August 2022, the Corporation entered into a $ 231 million accelerated share repurchase transaction with respect to its common stock. Both were accounted for as treasury stock transactions. Refer to Note 18 for additional information.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

(In thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance at December 31, 2021	$ 1,046	$ 22,143	$ 4,650,182	$ 2,973,745	$ (1,352,650)	$ (325,069)	$ 5,969,397
Net income				845,502			845,502
Issuance of stock			4,285				4,285
Dividends declared:							
Common stock [1]				(124,168)			(124,168)
Preferred stock				(1,059)			(1,059)
Common stock purchases [2]			(5,882)		(631,638)		(637,520)
Stock based compensation			3,923		13,740		17,663
Other comprehensive loss, net of tax						(2,399,262)	(2,399,262)
Balance at September 30, 2022	$ 1,046	$ 22,143	$ 4,652,508	$ 3,694,020	$ (1,970,548)	$ (2,724,331)	$ 3,674,838
Balance at December 31, 2022	$ 1,047	$ 22,143	$ 4,790,993	$ 3,834,348	$ (2,030,178)	$ (2,524,928)	$ 4,093,425
Cumulative effect of accounting change				28,752			28,752
Net income				446,748			446,748
Issuance of stock	1		4,716				4,717
Dividends declared:							
Common stock [1]				(118,924)			(118,924)
Preferred stock				(1,059)			(1,059)
Common stock purchases					(4,491)		(4,491)
Stock based compensation			1,655		15,799		17,454
Other comprehensive loss, net of tax						(9,014)	(9,014)
Balance at September 30, 2023	$ 1,048	$ 22,143	$ 4,797,364	$ 4,189,865	$ (2,018,870)	$ (2,533,942)	$ 4,457,608

[1] Dividends declared per common share during the nine months ended September 30, 2023 - $ 1.65 (2022 - $1.65).
[2] During the nine months ended September 30, 2022, the Corporation completed a $400 million accelerated share repurchase transaction with respect to its common stock and entered into an additional $231 million accelerated share repurchase transaction with respect to its common stock. Both were accounted for as a treasury stock transaction. Refer to Note 18 for additional information.

Disclosure of changes in number of shares:	For the period ended September 30, 2023	September 30, 2022
Preferred Stock:		
Balance at beginning and end of period	885,726	885,726
Common Stock – Issued:		
Balance at beginning of period	104,657,522	104,579,334
Issuance of stock	82,789	55,571
Balance at end of period	104,740,311	104,634,905
Treasury stock	(32,612,716)	(31,961,561)
Common Stock – Outstanding	72,127,595	72,673,344

The accompanying notes are an integral part of these Consolidated Financial Statements.

POPULAR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Nine months ended September 30, 2023	2022
Cash flows from operating activities:		
Net income	$ 446,748	$ 845,502
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	129,946	33,499
Goodwill impairment charges	23,000	9,000
Amortization of intangibles	2,385	2,481
Depreciation and amortization of premises and equipment	43,180	41,207
Net accretion of discounts and amortization of premiums and deferred fees	(22,495)	39,142
Interest capitalized on loans subject to the temporary payment moratorium or loss mitigation alternatives	(7,956)	(9,249)
Share-based compensation	15,079	14,822
Impairment charges on right-of-use and long-lived assets	-	688
Fair value adjustments on mortgage servicing rights	11,135	(2,776)
Fair value adjustment for contingent consideration	-	(9,241)
Adjustments to indemnity reserves on loans sold	31	(1,140)
Earnings from investments under the equity method, net of dividends or distributions	(17,387)	(22,011)
Deferred income tax (benefit) expense	(13,539)	50,460
(Gain) loss on:		
Disposition of premises and equipment and other productive assets	(9,744)	(7,221)
Proceeds from insurance claims	(145)	-
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	177	374
Disposition of stock as part of the Evertec Transactions	-	(240,412)
Sale of foreclosed assets, including write-downs	(18,137)	(24,339)
Acquisitions of loans held-for-sale	(6,678)	(118,368)
Proceeds from sale of loans held-for-sale	35,286	51,468
Net originations on loans held-for-sale	(60,285)	(191,570)
Net decrease (increase) in:		
Trading debt securities	29,415	338,166
Equity securities	(7,481)	3,633
Accrued income receivable	(17,638)	(21,236)
Other assets	(981)	46,812
Net increase (decrease) in:		
Interest payable	8,009	(4,936)
Pension and other postretirement benefits obligation	11,985	(2,252)
Other liabilities	(100,887)	(9,095)
Total adjustments	26,275	(32,094)
Net cash provided by operating activities	473,023	813,408
Cash flows from investing activities:		
Net (increase) decrease in money market investments	(775,597)	13,562,791
Purchases of investment securities:		
Available-for-sale	(12,665,449)	(18,142,424)
Held-to-maturity	(8,615)	(1,879,443)
Equity	(18,279)	(34,029)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	13,138,765	12,066,879
Held-to-maturity	308,129	9,185
Proceeds from sale of investment securities:		
Equity	30,926	34,450
Net disbursements on loans	(1,609,387)	(1,762,828)
Proceeds from sale of loans	133,078	56,611
Acquisition of loan portfolios	(556,659)	(580,625)
Return of capital from equity method investments	249	-
Payments to acquire equity method investments	(1,500)	(1,625)
Proceeds from disposition of stock as part of the Evertec Transactions	-	219,883
Acquisition of premises and equipment	(133,598)	(67,887)
Proceeds from insurance claims	145	-
Proceeds from sale of:		
Premises and equipment and other productive assets	6,620	8,963
Foreclosed assets	84,446	75,719
Net cash (used in) provided by investing activities	(2,066,726)	3,565,620

Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	2,085,956	(2,177,088)
Assets sold under agreements to repurchase	(55,538)	70,847
Other short-term borrowings	(365,000)	175,000
Payments of notes payable	(321,000)	(101,000)
Principal payments of finance leases	(3,557)	(2,363)
Proceeds from issuance of notes payable	437,411	-
Proceeds from issuance of common stock	4,716	4,285
Dividends paid	(119,715)	(121,190)
Net payments for repurchase of common stock	(414)	(631,749)
Payments related to tax withholding for share-based compensation	(4,077)	(5,771)
Net cash provided by (used in) financing activities	1,658,782	(2,789,029)
Net increase in cash and due from banks, and restricted cash	65,079	1,589,999
Cash and due from banks, and restricted cash at beginning of period	476,159	434,512
Cash and due from banks, and restricted cash at the end of the period	$ 541,238	$ 2,024,511

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements (Unaudited)

Note 1 – Nature of Operations

Popular, Inc. (the “Corporation” or “Popular”) is a diversified, publicly-owned financial holding company subject to the supervision and regulation of the Board of Governors of the Federal Reserve System. The Corporation has operations in Puerto Rico, the mainland United States (“U.S.”) and the U.S. and British Virgin Islands. In Puerto Rico, the Corporation provides retail, mortgage and commercial banking services, through its principal banking subsidiary, Banco Popular de Puerto Rico (“BPPR”), as well as investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. In the U.S. mainland, the Corporation provides retail, mortgage, commercial banking services, as well as equipment leasing and financing, through its New York-chartered banking subsidiary, Popular Bank (“PB” or “Popular U.S.”), which has branches located in New York, New Jersey, and Florida.

Note 2 – Basis of Presentation

Basis of Presentation

The consolidated interim financial statements have been prepared without audit. The Consolidated Statement of Financial Condition as at December 31, 2022 was derived from audited financial statements. The unaudited interim financial statements are, in the opinion of management, a fair statement of the results for the periods reported and include all necessary adjustments, all of a normal recurring nature, for a fair statement of such results.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from the unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these financial statements should be read in conjunction with the audited Consolidated Financial Statements of the Corporation for the year ended December 31, 2022, included in the 2022 Form 10-K. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

The Corporation embarked on a broad-based multi-year, technological and business process transformation during the second half of 2022. The needs and expectations of the Corporation's clients, as well as the competitive landscape, have evolved, requiring the Corporation to make important investments in its technological infrastructure and adopt more agile practices. The Corporation's technology and business transformation will be a significant priority for the Corporation over the next three years and beyond.

As part of this transformation, the Corporation aims to expand its digital capabilities, modernize its technology platform and implement agile and efficient business processes across the entire Corporation. To facilitate the transparency of the progress with the transformation initiative and to better portray the level of technology related expenses categorized by the nature of the expense, effective in the fourth quarter of 2022, the Corporation has separated technology, professional fees and transactional and items processing related expenses as standalone expense categories in the accompanying Consolidated Statement of Operations. There were no changes to the total operating expenses presented. Prior periods amount in the Consolidated Financial Statements and related disclosures have been reclassified to conform to the current presentation.

The following table provides the detail of the reclassifications for each respective quarter:

	Quarter ended			Nine months ended		
	30-Sep-22			30-Sep-22		
Financial statement line item	**As reported**	**Adjustments**	**Adjusted**	**As reported**	**Adjustments**	**Adjusted**
Equipment expenses	$ 26,626	$ (17,891)	$ 8,735	75,193	(49,395)	25,798
Professional fees	112,221	(64,559)	47,662	335,590	(212,706)	122,884
Technology and software expenses	-	68,341	68,341	-	213,638	213,638
Processing and transactional services	-	32,368	32,368	-	94,358	94,358
Communications	6,224	(2,366)	3,858	18,364	(7,336)	11,028
Other operating expenses	55,486	(15,893)	39,593	120,373	(38,559)	81,814
Net effect on operating expenses	$ 200,557	$ -	$ 200,557	$ 549,520	$ -	$ 549,520

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - New accounting pronouncements

Recently Adopted Accounting Standards Updates

Standard	*Description*	*Date of adoption*	*Effect on the financial statements*
FASB ASU 2023-04, Liabilities (Topic 405)	The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-04 in August 2023 which amends paragraphs within ASC Topic 405 to clarify the accounting and disclosure for obligations to safeguard Crypto-Assets held by an entity for its platform users.	August 2023	The Corporation was not impacted by the adoption of this ASU since it does not hold Crypto-Assets for its platform users
FASB ASU 2023-03, Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (505), and Compensation—Stock Compensation (Topic 718)	The FASB issued ASU 2023-03 in July 2023 which amends or supersedes various SEC paragraphs within the Codification to conform to past SEC announcements and guidance which updated SAB Topics 5.T, 14, and 6. B.	July 1, 2023	The Corporation was not impacted by the adoption of this ASU since it codifies previous guidance.
FASB ASU 2022-05, Financial Services - Insurance (Topic 944) Transition for Sold Contracts	The FASB issued ASU 2022-05 in December 2022, which allows an insurance entity to make an accounting policy election of applying the Long-Duration Contracts (LDTI) transition guidance on a transaction-by-transaction basis if the contracts have been derecognized because of a sale or disposal and the insurance entity has no significant continuing involvement with the derecognized contract.	January 1, 2023	The Corporation was not impacted by the adoption of ASU 2022-05 during the first quarter of 2023 since it does not hold Long-Duration Contracts (LDTI)
FASB ASU 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50) Disclosure of Supplier Finance Program Obligations	The FASB issued ASU 2022-04 in September 2022, which requires to disclose information about the use of supplier finance programs in connection with the purchase of goods and services.	January 1, 2023	The Corporation was not impacted by the adoption of ASU 2022-04 since it does not use supplier finance programs.

Recently Adopted Accounting Standards Updates

Standard	*Description*	*Date of adoption*	*Effect on the financial statements*
FASB ASU 2022-02, Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures	The FASB issued ASU 2022-02 in March 2022, which eliminates the accounting guidance for troubled debt restructurings ("TDRs") in Subtopic 310-40 Receivables—Troubled Debt Restructurings by Creditors and requires creditors to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition, the ASU enhances the disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty and enhances the vintage disclosure by requiring the disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases.	January 1, 2023	The Corporation adopted ASU 2022-02 during the first quarter of 2023. The adoption of this standard resulted in enhanced disclosure for loans modified to borrowers with financial difficulties and the disclosure of period gross charge offs by vintage year. The Corporation anticipates that there will be loans subject to disclosure under the new standard that did not qualify under the prior guidance given the removal of the concession requirement for such disclosures. The amended guidance eliminated the requirement to measure the effect of the concession from a loan modification, for which the Corporation used a discounted cash flow ("DCF") model. The impact of discontinuing the use of the DCF model to measure the concession resulted in a release of the allowance for credit losses ("ACL") of $46 million, mainly related to mortgage loans for which modifications mostly included a reduction in contractual interest rates and given the extended maturity term of these loans, this resulted in an increase in the ACL in the period of modification. For the transition method related to the recognition and measurement of TDRs, the Corporation has elected to apply the modified retrospective approach for the adoption of this standard. Accordingly, this presented an adjustment increase of $29 million, net of tax effect, to the beginning balance of retained earnings on January 1, 2023.
FASB ASU 2022-01, Derivatives and Hedging (Topic 815) – Fair Value Hedging—Portfolio Layer Method	The FASB issued ASU 2022-01 in March 2022, which amends ASC Topic 815 by allowing non prepayable financial assets also to be included in a closed portfolio hedged using the portfolio layer method. This amendment permits an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable and non-prepayable financial assets without considering prepayment risk or credit risk when measuring those assets.	January 1, 2023	The Corporation was not impacted by the adoption of ASU 2022-01 since it does not hold derivatives designated as fair value hedges.
FASB ASU 2021-08, Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The FASB issued ASU 2021-08 in October 2021, which amends ASC Topic 805 by requiring contract assets and contract liabilities arising from revenue contract with customers to be recognized in accordance with ASC Topic 606 on the acquisition date instead of fair value.	January 1, 2023	The Corporation was not impacted by the adoption of ASU 2021-08, however, it will consider this guidance for revenue contracts with customers recognized as part of business combinations entered into on or after the effective date.

Accounting Standards Updates Not Yet Adopted

Standard	*Description*	*Date of adoption*	*Effect on the financial statements*
FASB ASU 2023-06, Disclosure Improvements, Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative	The FASB issued ASU 2023-06 in October 2023 which modifies the disclosure or presentation requirements of various subtopics in the Codification with the purpose of aligning U.S. GAAP requirement with those of the SEC under Regulation S-X and S-K.	The date on which the SEC removes related disclosure requirements from Regulation S-X or Regulation S-K. If by June 30, 2027, theSEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity.	The Corporation does not expect to be impacted by the adoption of this ASU since it is currently subject to SEC's current disclosure and presentation requirements under Regulation S-X and S-K.
FASB ASU 2023-05, Business Combinations - Joint Venture Formations (Subtopic 805-60) Recognition and initial measurement	The FASB issued ASU 2023-05 in August 2023, which amends ASC subtopic 805-60 to include specific guidance about how joint ventures should recognize and initially measure assets contributed and liabilities assumed. The amendments require that a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value.	January 1, 2025	The Corporation does not expect to be impacted by the adoption of this ASU.
FASB ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323) - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method	The FASB issued ASU 2023-02 in March 2023, which amend topic ASC 323 by permitting the election to apply the proportional amortization method to account for tax equity investments that generate income tax credits through investment in low-income-housing tax credit (LIHTC) structures and other tax credit programs if certain conditions are met. The ASU also eliminates the application of the subtopic 323-740 to LIHTC investment not accounted for using the proportional amortization method and instead requires the use of other guidance.	January 1, 2024	The Corporation is currently evaluating the impact that the adoption of this guidance will have on its financial statements and presentation disclosures.

Accounting Standards Updates Not Yet Adopted

Standard	*Description*	*Date of adoption*	*Effect on the financial statements*
FASB ASU 2023-01, Leases (Topic 842), Lessors – Common Control Arrangements	The FASB issued ASU 2023-01 in March 2023, which amends ASC Topic 842 and requires to amortize leasehold improvements associated with common control leases over the useful life of the leasehold improvements to the common control group as long as the lessee controls the use of the underlying assets through a lease. In addition, the ASU requires companies to account for leasehold improvements associated with common control leases as a transfer between entities under common control through an adjustments to equity if, and when, the lessee no longer controls the use of the underlying asset.	January 1, 2024	The Corporation does not expect to be impacted by the adoption of this ASU since it does not hold common control leasehold improvements, however, it will consider this guidance to determine the amortization period for and accounting treatment of leasehold improvements associated with common control leases acquired on or after the effective date.

For other recently issued Accounting Standards Updates not yet effective, refer to Note 3 to the Consolidated Financial Statements included in the 2022 Form 10-K.

Note 4 – Summary of significant accounting policies

The accounting and financial reporting policies of Popular, Inc. and its subsidiaries (the "Corporation") conform with accounting principles generally accepted in the United States of America and with prevailing practices within the financial services industry. A description of the significant accounting and financial reporting policies can be found on Note 2 to the 2022 Form 10-K.

In connection with the implementation of the Accounting Standards Update ("ASU") 2022-02, the Corporation has modified its policy related to loan modifications. As discussed in Note 3, the new accounting guidance eliminates the recognition and measurement principle of TDRs. The Corporation has also made changes to certain of its accounting policies related to its loans portfolio and allowance for credit losses in connection with this accounting standards update.

A modification is subject to disclosure under the new ASU when the Corporation separately concludes that both of the following conditions exist: 1) the debtor is experiencing financial difficulties 2) the modification constitutes a reduction in the interest rate on the loan, a payment extension, a forgiveness of principal, or a more-than-insignificant payment delay. Determination that a borrower is experiencing financial difficulties involves a degree of judgment. The identification of loan modifications to debtors with financial difficulties is critical in the determination of the adequacy of the ACL.

The ASU also eliminates the requirement to use a DCF approach to estimated credit losses for modified loans with borrowers experiencing financial difficulties. The entity can apply a methodology similar to the one used for loans that were not modified. The Corporation applied a modified retrospective transition method for the implementation of ASU 2022-02 which resulted in a reduction of approximately $46 million, $29 million net of tax, in the reserve which was recorded as an adjustment to the beginning balance of retained earnings.

A loan modified with financial difficulties is typically in non-accrual status at the time of the modification. These loans continue in non-accrual status until the borrower has demonstrated a willingness and ability to make the restructured loan payments (at least six months of sustained performance after the modification (or one year for loans providing for quarterly or semi-annual payments)) and management has concluded that it is probable that the borrower would not be in payment default in the foreseeable future.

Refer to Note 9 to the Consolidated Financial Statements for additional qualitative information on loan modifications and the Corporation's determination of the ACL.

Refer below for changes in accounting policies due to the adoption of the new ASU and other policy adoptions:

Loans

Effective on January 1, 2023, newly originated mortgage loans held-for-sale are stated at fair value, with changes recorded through earnings. Previously held-for-sale were carried at the lower of its cost or market value. Fair value is generally determined in the aggregate and is measured based on current market prices for similar loans, outstanding investor commitments, prices of recent sales or discounted cash flow analyses which utilize inputs and assumptions which are believed to be consistent with market participants' views.

Derivative instruments

Effective on January 1, 2023, the Corporation discontinued the hedge accounting treatment of certain forward contracts for which the changes in fair value were recorded, net of taxes, in accumulated other comprehensive income/(loss) and subsequently reclassified to net income (loss) in the same period that the hedged transaction impacted earnings. As a result of this change, the changes in the fair value of these forward contracts are being recorded through net income (loss). The Corporation utilizes forward contracts to hedge the sale of mortgage-backed securities with duration terms over one month. Interest rate forwards are contracts for the delayed delivery of securities, which the seller agrees to deliver on a specified future date at a specified price or yield. These forward contracts are hedging a forecasted transaction and thus qualify for cash flow hedge accounting.

Based on the election to apply fair value accounting for its mortgage loans held for sale, effective on January 1, 2023, the Corporation discontinued the hedge accounting since the changes in the fair value of the loans is expected to be offset by the changes in the fair value of the forward contract, both of which are now recorded through net income (loss).

Note 5 - Restrictions on cash and due from banks and certain securities

BPPR is required by regulatory agencies to maintain average reserve balances with the Federal Reserve Bank of New York (the "Fed") or other banks. Those required average reserve balances amounted to $2.6 billion at September 30, 2023 (December 31, 2022 - $1.8 billion). Cash and due from banks, as well as other highly liquid securities, are used to cover the required average reserve balances.

At September 30, 2023, the Corporation held $63 million in restricted assets in the form of funds deposited in money market accounts, debt securities available for sale and equity securities (December 31, 2022 - $80 million). The restricted assets held in debt securities available for sale and equity securities consist primarily of assets held for the Corporation's non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

Note 6 – Debt securities available-for-sale

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of debt securities available-for-sale at September 30, 2023 and December 31, 2022.

	At September 30, 2023				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 7,041,817	$ 421	$ 67,663	$ 6,974,575	3.51 %
After 1 to 5 years	4,364,065	-	271,553	4,092,512	1.36
After 5 to 10 years	307,852	-	45,258	262,594	1.63
Total U.S. Treasury securities	11,713,734	421	384,474	11,329,681	2.65
Collateralized mortgage obligations - federal agencies					
After 1 to 5 years	19,312	-	1,163	18,149	1.53
After 5 to 10 years	22,371	-	1,857	20,514	2.26
After 10 years	112,566	7	13,222	99,351	2.54
Total collateralized mortgage obligations - federal agencies	154,249	7	16,242	138,014	2.37
Mortgage-backed securities					
Within 1 year	1,302	-	48	1,254	3.56
After 1 to 5 years	79,987	3	4,760	75,230	2.37
After 5 to 10 years	778,578	13	71,731	706,860	2.22
After 10 years	6,264,509	177	1,386,889	4,877,797	1.65
Total mortgage-backed securities	7,124,376	193	1,463,428	5,661,141	1.72
Other					
Within 1 year	1,022	-	-	1,022	3.99
Total other	1,022	-	-	1,022	3.99
Total debt securities available-for-sale [1]	$ 18,993,381	$ 621	$ 1,864,144	$ 17,129,858	2.30 %

[1] Includes $ 12.9 billion pledged to secure government and trust deposits, assets sold under agreements to repurchase, credit facilities and loan servicing agreements that the secured parties are not permitted to sell or repledge the collateral, of which $ 12.0 billion serve as collateral for public funds. The Corporation had unpledged Available for Sale securities with a fair value of $ 4.2 billion that could be used to increase its borrowing facilities.

(In thousands)	At December 31, 2022 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 4,576,127	$ 506	$ 47,156	$ 4,529,477	2.42 %
After 1 to 5 years	6,793,739	-	410,858	6,382,881	1.35
After 5 to 10 years	308,854	-	40,264	268,590	1.63
Total U.S. Treasury securities	11,678,720	506	498,278	11,180,948	1.78
Collateralized mortgage obligations - federal agencies					
After 1 to 5 years	3,914	-	213	3,701	1.77
After 5 to 10 years	47,979	-	3,428	44,551	1.73
After 10 years	127,639	24	10,719	116,944	2.53
Total collateralized mortgage obligations - federal agencies	179,532	24	14,360	165,196	2.30
Mortgage-backed securities					
After 1 to 5 years	74,328	11	3,428	70,911	2.33
After 5 to 10 years	866,757	43	58,997	807,803	2.16
After 10 years	6,762,150	932	1,184,626	5,578,456	1.61
Total mortgage-backed securities	7,703,235	986	1,247,051	6,457,170	1.68
Other					
After 1 to 5 years	1,062	-	2	1,060	3.98
Total other	1,062	-	2	1,060	3.98
Total debt securities available-for-sale [1]	$19,562,549	$ 1,516	$ 1,759,691	$17,804,374	1.75 %

[1] Includes $ 11.3 billion pledged to secure government and trust deposits, assets sold under agreements to repurchase, credit facilities and loan servicing agreements that the secured parties are not permitted to sell or repledge the collateral, of which $ 10.3 billion serve as collateral for public funds. The Corporation had unpledged Available for Sale securities with a fair value of $ 6.4 billion that could be used to increase its borrowing facilities.

The weighted average yield on debt securities available-for-sale is based on amortized cost; therefore, it does not give effect to changes in fair value.

Securities not due on a single contractual maturity date, such as mortgage-backed securities and collateralized mortgage obligations, are classified based on the period of final contractual maturity. The expected maturities of collateralized mortgage obligations, mortgage-backed securities and certain other securities may differ from their contractual maturities because they may be subject to prepayments or may be called by the issuer.

There were no debt securities available-for-sale sold during the nine months ended September 30, 2023 and 2022.

The following tables present the Corporation's fair value and gross unrealized losses of debt securities available-for-sale aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2023 and December 31, 2022.

	At September 30, 2023					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. Treasury securities	$ 350,471	$ 8,546	$ 7,111,545	$ 375,928	$ 7,462,016	$ 384,474
Collateralized mortgage obligations - federal agencies	8,212	214	127,961	16,028	136,173	16,242
Mortgage-backed securities	50,837	1,571	5,595,532	1,461,857	5,646,369	1,463,428
Total debt securities available-for-sale in an unrealized loss position	$ 409,520	$ 10,331	$12,835,038	$1,853,813	$13,244,558	$1,864,144

	At December 31, 2022					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. Treasury securities	$ 6,027,786	$ 288,582	$ 3,244,572	$ 209,696	$ 9,272,358	$ 498,278
Collateralized mortgage obligations - federal agencies	139,845	10,655	22,661	3,705	162,506	14,360
Mortgage-backed securities	1,740,214	138,071	4,662,195	1,108,980	6,402,409	1,247,051
Other	60	2	-	-	60	2
Total debt securities available-for-sale in an unrealized loss position	$ 7,907,905	$ 437,310	$ 7,929,428	$1,322,381	$15,837,333	$1,759,691

As of September 30, 2023, the portfolio of available-for-sale debt securities reflects gross unrealized losses of $1.9 billion, driven mainly by fixed-rate U.S. Treasury Securities and mortgage-backed securities, which have been impacted by a decline in fair value as a result of the rising interest rate environment. The portfolio of available-for-sale debt securities is comprised mainly of U.S. Treasuries and obligations from the U.S. Government, its agencies or government sponsored entities, including FNMA, FHMLC and GNMA. As discussed in Note 2 to the Consolidated Financial Statements on the 2022 Form 10-K, these securities carry an explicit or implicit guarantee from the U.S. Government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, the Corporation applies a zero-credit loss assumption and no ACL for these securities has been established.

In October 2022, the Corporation transferred U.S. Treasury securities with a fair value of $6.5 billion (par value of $7.4 billion) from its available-for-sale portfolio to its held-to-maturity portfolio. Management changed its intent, given its ability to hold these securities to maturity due to the Corporation's liquidity position and its intention to reduce the impact on accumulated other comprehensive income (loss) ("AOCI") and tangible capital of further increases in interest rates. The securities were reclassified at fair value at the time of the transfer. At the date of the transfer, these securities had pre-tax unrealized losses of $873 million recorded in AOCI. This fair value discount is being accreted to interest income and the unrealized loss remaining in AOCI is being amortized, offsetting each other through the remaining life of the securities. There were no realized gains or losses recorded as a result of this transfer.

Note 7 –Debt securities held-to-maturity

The following tables present the amortized cost, allowance for credit losses, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of debt securities held-to-maturity at September 30, 2023 and December 31, 2022.

	At September 30, 2023							
(In thousands)	Amortized cost	Book [1] Value	Allowance for Credit Losses	Carrying Value Net of Allowance	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities								
Within 1 year	$ 597,876	$ 597,876	$ -	$ 597,876	$ -	$ 9,036	$ 588,840	2.55 %
After 1 to 5 years	7,516,523	6,900,125	-	6,900,125	-	193,838	6,706,287	1.39
After 5 to 10 years	817,006	730,757	-	730,757	-	26,819	703,938	1.60
Total U.S. Treasury securities	8,931,405	8,228,758	-	8,228,758	-	229,693	7,999,065	1.49
Obligations of Puerto Rico, States and political subdivisions								
Within 1 year	4,820	4,820	13	4,807	2	17	4,792	6.17
After 1 to 5 years	20,191	20,191	154	20,037	67	266	19,838	3.80
After 5 to 10 years	845	845	28	817	-	9	808	5.80
After 10 years	39,946	39,946	5,862	34,084	2,301	3,092	33,293	1.41
Total obligations of Puerto Rico, States and political subdivisions	65,802	65,802	6,057	59,745	2,370	3,384	58,731	2.55
Collateralized mortgage obligations - federal agencies								
Within 1 year	15	15	-	15	-	-	15	6.44
After 10 years	1,547	1,547	-	1,547	-	251	1,296	2.87
Total collateralized mortgage obligations - federal agencies	1,562	1,562	-	1,562	-	251	1,311	2.90
Securities in wholly owned statutory business trusts								
After 10 years	5,960	5,960	-	5,960	-	-	5,960	6.33
Total securities in wholly owned statutory business trusts	5,960	5,960	-	5,960	-	-	5,960	6.33
Total debt securities held-to-maturity [2]	$ 9,004,729	$ 8,302,082	$ 6,057	$ 8,296,025	$ 2,370	$ 233,328	$ 8,065,067	1.50 %

[1] Book value includes $ 703 million of net unrealized loss which remains in Accumulated other comprehensive income (AOCI) related to certain securities transferred from available-for-sale securities portfolio to the held-to-maturity securities portfolio as discussed in Note 6.

[2] Includes $ 8.1 billion pledged to secure public and trust deposits that the secured parties are not permitted to sell or repledge the collateral. The Corporation had unpledged held-to-maturities securities with a fair value of $ 167 million that could be used to increase its borrowing facilities.

(In thousands)	Amortized cost	Book Value [1]	Allowance for Credit Losses	Carrying Value Net of Allowance	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
	At December 31, 2022							
U.S. Treasury securities								
Within 1 year	$ 499,034	$ 499,034	$ -	$ 499,034	$ -	$ 6,203	$ 492,831	2.83 %
After 1 to 5 years	6,147,568	5,640,767	-	5,640,767	-	59,806	5,580,961	1.49
After 5 to 10 years	2,638,238	2,313,666	-	2,313,666	-	14,857	2,298,809	1.41
Total U.S. Treasury securities	9,284,840	8,453,467	-	8,453,467	-	80,866	8,372,601	1.54
Obligations of Puerto Rico, States and political subdivisions								
Within 1 year	4,530	4,530	8	4,522	5	-	4,527	6.08 %
After 1 to 5 years	19,105	19,105	234	18,871	150	82	18,939	4.24
After 5 to 10 years	1,025	1,025	34	991	34	-	1,025	5.80
After 10 years	41,261	41,261	6,635	34,626	4,729	2,229	37,126	1.40
Total obligations of Puerto Rico, States and political subdivisions	65,921	65,921	6,911	59,010	4,918	2,311	61,617	2.61
Collateralized mortgage obligations - federal agencies								
After 1 to 5 years	19	19	-	19	-	-	19	6.44
Total collateralized mortgage obligations - federal agencies	19	19	-	19	-	-	19	6.44
Securities in wholly owned statutory business trusts								
After 10 years	5,959	5,959	-	5,959	-	-	5,959	6.33
Total securities in wholly owned statutory business trusts	5,959	5,959	-	5,959	-	-	5,959	6.33
Total debt securities held-to-maturity [2]	$ 9,356,739	$ 8,525,366	$ 6,911	$ 8,518,455	$ 4,918	$ 83,177	$ 8,440,196	1.55 %

[1] Book value includes $ 831 million of net unrealized loss which remains in Accumulated other comprehensive income (AOCI) related to certain securities transferred from available-for-sale securities portfolio to the held-to-maturity securities portfolio as discussed in Note 6.

[2] Includes $ 6.9 billion pledged to secure public and trust deposits that the secured parties are not permitted to sell or repledge the collateral. The Corporation had unpledged held-to-maturities securities with a fair value of $ 1.5 billion that could be used to increase its borrowing facilities.

Debt securities not due on a single contractual maturity date, such as collateralized mortgage obligations, are classified in the period of final contractual maturity. The expected maturities of collateralized mortgage obligations and certain other securities may differ from their contractual maturities because they may be subject to prepayments or may be called by the issuer.

Credit Quality Indicators

The following describes the credit quality indicators by major security type that the Corporation considers in its' estimate to develop the allowance for credit losses for investment securities held-to-maturity.

As discussed in Note 2 to the Consolidated Financial Statements on the 2022 Form 10-K, U.S. Treasury securities carry an explicit guarantee from the U.S. Government are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, the Corporation applies a zero-credit loss assumption and no ACL for these securities has been established.

At September 30, 2023 and December 31, 2022, the "Obligations of Puerto Rico, States and political subdivisions" classified as held-to-maturity, includes securities issued by municipalities of Puerto Rico that are generally not rated by a credit rating agency. This includes $19 million of general and special obligation bonds issued by three municipalities of Puerto Rico, that are payable primarily from certain property taxes imposed by the issuing municipality (December 31, 2022 - $25 million). In the case of general obligations, they also benefit from a pledge of the full faith, credit and unlimited taxing power of the issuing municipality, which is required by law to levy property taxes in an amount sufficient for the payment of debt service on such general obligation bonds. The Corporation performs periodic credit quality reviews of these securities and internally assigns standardized credit risk ratings based on its evaluation. The Corporation considers these ratings in its estimate to develop the allowance for credit losses associated with these securities. For the definitions of the obligor risk ratings, refer to the Credit Quality section of Note 9 to the Consolidated Financial Statements.

The following presents the amortized cost basis of securities held by the Corporation issued by municipalities of Puerto Rico aggregated by the internally assigned standardized credit risk rating:

(In thousands)	At September 30, 2023	At December 31, 2022
	Securities issued by Puerto Rico municipalities	
Watch	$ 2,255	$ 13,735
Pass	16,565	10,925
Total	$ 18,820	$ 24,660

At September 30, 2023, the portfolio of “Obligations of Puerto Rico, States and political subdivisions” also includes $40 million in securities issued by the Puerto Rico Housing Finance Authority (“HFA”), a government instrumentality, for which the underlying source of payment is second mortgage loans in Puerto Rico residential properties (not the government), but for which HFA, provides a guarantee in the event of default and upon the satisfaction of certain other conditions (December 31, 2022 - $42 million). These securities are not rated by a credit rating agency. The Corporation assesses the credit risk associated with these securities by evaluating the refreshed FICO scores of a representative sample of the underlying borrowers. At September 30, 2023, the average refreshed FICO score for the representative sample, comprised of 67% of the nominal value of the securities, used for the loss estimate was of 709 (compared to 65% and 707, respectively, at December 31, 2022). The loss estimates for this portfolio was based on the methodology established under CECL for similar loan obligations. The Corporation does not consider the government guarantee when estimating the credit losses associated with this portfolio.

A further deterioration of the Puerto Rico economy or of the fiscal health of the Government of Puerto Rico and/or its instrumentalities (including if any of the issuing municipalities become subject to a debt restructuring proceeding under PROMESA) could further affect the value of these securities, resulting in losses to the Corporation.

Refer to Note 21 to the Consolidated Financial Statements for additional information on the Corporation’s exposure to the Puerto Rico Government.

At September 30, 2023, the portfolio of “Obligations of Puerto Rico, States and political subdivisions” also includes $7 million in securities issued by the HFA for which the underlying source of payment is U.S. Treasury securities. The Corporation applies a zero-credit loss assumption for these securities, and no ACL has been established for these securities given that U.S. Treasury securities carry an explicit guarantee from the U.S. Government, are highly rated by major rating agencies, and have a long history of no credit losses. Refer to Note 2 to the Consolidated Financial Statements in the 2022 Form 10-K for further details.

Delinquency status

At September 30, 2023 and December 31, 2022, there were no securities held-to-maturity in past due or non-performing status.

Allowance for credit losses on debt securities held-to-maturity

The following table provides the activity in the allowance for credit losses related to debt securities held-to-maturity by security type at September 30, 2023 and September 30, 2022:

	For the quarters ended September 30,	
	2023	2022
(In thousands)	Obligations of Puerto Rico, States and political subdivisions	
Allowance for credit losses:		
Beginning balance	$ 6,145	$ 7,495
Provision for credit losses (benefit)	(88)	(285)
Securities charged-off	-	-
Recoveries	-	-
Ending balance	$ 6,057	$ 7,210

	For the nine months ended September 30,	
	2023	2022
(In thousands)	Obligations of Puerto Rico, States and political subdivisions	
Allowance for credit losses:		
Beginning balance	$ 6,911	$ 8,096
Provision for credit losses (benefit)	(854)	(886)
Securities charged-off	-	-
Recoveries	-	-
Ending balance	$ 6,057	$ 7,210

The allowance for credit losses for the Obligations of Puerto Rico, States and political subdivisions includes $0.2 million for securities issued by municipalities of Puerto Rico, and $5.9 million for bonds issued by the Puerto Rico HFA, which are secured by second mortgage loans on Puerto Rico residential properties (compared to $0.3 million and $6.6 million, respectively, at December 31, 2022).

Note 8 – Loans

For a summary of the accounting policies related to loans, interest recognition and allowance for credit losses refer to Note 2 – to the Consolidated Financial Statements included in the 2022 Form 10-K.

During the quarter and nine months ended September 30, 2023, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $02 million and $274 million, respectively, including $0.2 million and $0.9 million in PCD loans, and consumer loans of $5 million and $127 million, respectively. During the quarter and nine months ended September 30, 2023, the Corporation recorded purchases of $79 million and $162 million, respectively, in commercial loans.

During the quarter and nine months ended September 30, 2022, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $66 million and $219 million, respectively, including $03 million and $4 million in PCD loans, respectively, and consumer loans of $13 million and $49 million, respectively. During the quarter and nine months ended September 30, 2022, the Corporation recorded purchases of $106 million and $129 million, respectively, in commercial loans.

The Corporation performed whole-loan sales involving approximately $12 million and $39 million of residential mortgage loans during the quarter and nine months ended September 30, 2023, respectively (September 30, 2022 - $17 million and $50 million, respectively). During the quarter and nine months ended September 30, 2023, the Corporation performed sales of commercial loans, including loan participations amounting to $45 million and $81 million, respectively (September 30, 2022 - $1 million and $54 million, respectively). During the quarter and nine months ended September 30, 2023, the Corporation performed sales of consumer loans amounting to $45 million respectively.

Also, the Corporation securitized approximately $1 million and $2 million of mortgage loans into Government National Mortgage Association ("GNMA") mortgage-backed securities during the quarter and nine months ended September 30, 2023 (for the quarter and nine months ended September 30, 2022 - $14 million and $169 million, respectively). Furthermore, the Corporation securitized approximately $10 million and $33 million of mortgage loans into Federal National Mortgage Association ("FNMA") mortgage-backed securities during the quarter and nine months ended September 30, 2023, respectively (September 30, 2022 - $22 million and $117 million, respectively). Also, the Corporation did not securitize any mortgage loans into Federal Home Loan Mortgage Corporation ("FHLMC") mortgage-backed securities during the nine months ended September 30, 2023 (September 30, 2022 - $9 million for the nine months ended).

Delinquency status

The following tables present the amortized cost basis of loans held-in-portfolio ("HIP"), net of unearned income, by past due status and by loan class including those that are in non-performing status or that are accruing interest but are past due 90 days or more at September 30, 2023 and December 31, 2022.

September 30, 2023								
BPPR								
	Past due						Past due 90 days or more	
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP	Non-accrual loans	Accruing loans
Commercial multi-family	$ 4,407	$ 176	$ 184	$ 4,767	$ 290,047	$ 294,814	$ 184	$ -
Commercial real estate:								
Non-owner occupied	1,274	-	15,330	16,604	2,932,277	2,948,881	15,330	-
Owner occupied	817	827	35,089	36,733	1,370,820	1,407,553	35,089	-
Commercial and industrial	4,022	1,728	24,733	30,483	4,299,335	4,329,818	21,624	3,109
Construction	-	-	6,578	6,578	163,929	170,507	6,578	-
Mortgage	241,962	100,679	430,430	773,071	5,516,197	6,289,268	187,443	242,987
Leasing	17,915	4,574	6,842	29,331	1,668,783	1,698,114	6,842	-
Consumer:								
Credit cards	11,218	8,133	17,719	37,070	1,040,341	1,077,411	-	17,719
Home equity lines of credit	26	-	-	26	2,448	2,474	-	-
Personal	19,586	12,476	18,582	50,644	1,712,358	1,763,002	18,582	-
Auto	89,453	23,019	40,268	152,740	3,480,456	3,633,196	40,268	-
Other	567	388	2,152	3,107	144,425	147,532	1,885	267
Total	$ 391,247	$ 152,000	$ 597,907	$ 1,141,154	$ 22,621,416	$ 23,762,570	$ 333,825	$ 264,082

September 30, 2023								
Popular U.S.								
	Past due						Past due 90 days or more	
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP	Non-accrual loans	Accruing loans
Commercial multi-family	$ 1,332	$ -	$ 404	$ 1,736	$ 2,031,883	$ 2,033,619	$ 404	$ -
Commercial real estate:								
Non-owner occupied	2,628	-	734	3,362	2,082,887	2,086,249	734	-
Owner occupied	1,110	923	3,877	5,910	1,631,442	1,637,352	3,877	-
Commercial and industrial	3,000	464	3,709	7,173	2,190,091	2,197,264	3,579	130
Construction	-	-	-	-	751,605	751,605	-	-
Mortgage	946	22,313	11,980	35,239	1,260,604	1,295,843	11,980	-
Consumer:								
Credit cards	-	-	-	-	17	17	-	-
Home equity lines of credit	1,045	335	4,085	5,465	59,560	65,025	4,085	-
Personal	2,581	1,716	2,637	6,934	182,232	189,166	2,637	-
Other	113	-	402	515	10,088	10,603	402	-
Total	$ 12,755	$ 25,751	$ 27,828	$ 66,334	$ 10,200,409	$ 10,266,743	$ 27,698	$ 130

	September 30, 2023							
	Popular, Inc.							
	Past due						Past due 90 days or more	
	30-59	60-89	90 days	Total			Non-accrual	Accruing
(In thousands)	days	days	or more	past due	Current	Loans HIP [2] [3]	loans	loans
Commercial multi-family	$ 5,739	$ 176	$ 588	$ 6,503	$ 2,321,930	$ 2,328,433	$ 588	$ -
Commercial real estate:								
Non-owner occupied	3,902	-	16,064	19,966	5,015,164	5,035,130	16,064	-
Owner occupied	1,927	1,750	38,966	42,643	3,002,262	3,044,905	38,966	-
Commercial and industrial	7,022	2,192	28,442	37,656	6,489,426	6,527,082	25,203	3,239
Construction	-	-	6,578	6,578	915,534	922,112	6,578	-
Mortgage [1]	242,908	122,992	442,410	808,310	6,776,801	7,585,111	199,423	242,987
Leasing	17,915	4,574	6,842	29,331	1,668,783	1,698,114	6,842	-
Consumer:								
Credit cards	11,218	8,133	17,719	37,070	1,040,358	1,077,428	-	17,719
Home equity lines of credit	1,071	335	4,085	5,491	62,008	67,499	4,085	-
Personal	22,167	14,192	21,219	57,578	1,894,590	1,952,168	21,219	-
Auto	89,453	23,019	40,268	152,740	3,480,456	3,633,196	40,268	-
Other	680	388	2,554	3,622	154,513	158,135	2,287	267
Total	$ 404,002	$ 177,751	$ 625,735	$ 1,207,488	$ 32,821,825	$ 34,029,313	$ 361,523	$ 264,212

[1] It is the Corporation's policy to report delinquent residential mortgage loans insured by Federal Housing Administration ("FHA") or guaranteed by the U.S. Department of Veterans Affairs ("VA") as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances include $ 115 million of residential mortgage loans insured by FHA or guaranteed by the VA that are no longer accruing interest as of September 30, 2023. Furthermore, the Corporation has approximately $ 39 million in reverse mortgage loans which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation's policy to exclude these balances from non-performing assets.

[2] Loans held-in-portfolio are net of $ 340 million in unearned income and exclude $ 5 million in loans held-for-sale.

[3] Includes $ 13.7 billion pledged to secure credit facilities and public funds that the secured parties are not permitted to sell or repledge the collateral, of which $ 6.6 billion were pledged at the Federal Home Loan Bank ("FHLB") as collateral for borrowings and $ 7.1 billion at the Federal Reserve Bank ("FRB") for discount window borrowings. The Corporation had an available borrowing facility with the FHLB and the discount window of Federal Reserve Bank of New York of $ 3.7 billion and $ 4.6 billion, respectively, as of September 30, 2023.

December 31, 2022

BPPR

(In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP	Past due 90 days or more Non-accrual loans	Accruing loans
Commercial multi-family	$ 425	$ -	$ 242	$ 667	$ 280,706	$ 281,373	$ 242	$ -
Commercial real estate:								
Non-owner occupied	941	428	23,662	25,031	2,732,296	2,757,327	23,662	-
Owner occupied	729	245	23,990	24,964	1,563,092	1,588,056	23,990	-
Commercial and industrial	3,036	941	35,777	39,754	3,756,754	3,796,508	34,277	1,500
Construction	-	-	-	-	147,041	147,041	-	-
Mortgage	222,926	91,881	579,993	894,800	5,215,479	6,110,279	242,391	337,602
Leasing	11,983	3,563	5,941	21,487	1,564,252	1,585,739	5,941	-
Consumer:								
Credit cards	7,106	5,049	11,910	24,065	1,017,766	1,041,831	-	11,910
Home equity lines of credit	-	-	-	-	2,954	2,954	-	-
Personal	13,232	8,752	18,082	40,066	1,545,621	1,585,687	18,082	-
Auto	68,868	19,243	40,978	129,089	3,383,441	3,512,530	40,978	-
Other	487	87	12,682	13,256	124,324	137,580	12,446	236
Total	$ 329,733	$ 130,189	$ 753,257	$ 1,213,179	$ 21,333,726	$ 22,546,905	$ 402,009	$ 351,248

December 31, 2022

Popular U.S.

(In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP	Past due 90 days or more Non-accrual loans	Accruing loans
Commercial multi-family	$ 2,177	$ -	$ -	$ 2,177	$ 2,038,163	$ 2,040,340	$ -	$ -
Commercial real estate:								
Non-owner occupied	484	-	1,454	1,938	1,740,405	1,742,343	1,454	-
Owner occupied	-	-	5,095	5,095	1,485,398	1,490,493	5,095	-
Commercial and industrial	12,960	2,205	4,685	19,850	2,022,842	2,042,692	4,319	366
Construction	-	-	-	-	610,943	610,943	-	-
Mortgage	16,131	5,834	20,488	42,453	1,244,739	1,287,192	20,488	-
Consumer:								
Credit cards	-	-	-	-	39	39	-	-
Home equity lines of credit	413	161	4,110	4,684	64,278	68,962	4,110	-
Personal	1,808	1,467	1,958	5,233	232,659	237,892	1,958	-
Other	-	-	8	8	9,960	9,968	8	-
Total	$ 33,973	$ 9,667	$ 37,798	$ 81,438	$ 9,449,426	$ 9,530,864	$ 37,432	$ 366

	December 31, 2022							
	Popular, Inc.							
	Past due						Past due 90 days or more	
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP [2] [3]	Non-accrual loans	Accruing loans
Commercial multi-family	$ 2,602	$ -	$ 242	$ 2,844	$ 2,318,869	$ 2,321,713	$ 242	$ -
Commercial real estate:								
Non-owner occupied	1,425	428	25,116	26,969	4,472,701	4,499,670	25,116	-
Owner occupied	729	245	29,085	30,059	3,048,490	3,078,549	29,085	-
Commercial and industrial	15,996	3,146	40,462	59,604	5,779,596	5,839,200	38,596	1,866
Construction	-	-	-	-	757,984	757,984	-	-
Mortgage [1]	239,057	97,715	600,481	937,253	6,460,218	7,397,471	262,879	337,602
Leasing	11,983	3,563	5,941	21,487	1,564,252	1,585,739	5,941	-
Consumer:								
Credit cards	7,106	5,049	11,910	24,065	1,017,805	1,041,870	-	11,910
Home equity lines of credit	413	161	4,110	4,684	67,232	71,916	4,110	-
Personal	15,040	10,219	20,040	45,299	1,778,280	1,823,579	20,040	-
Auto	68,868	19,243	40,978	129,089	3,383,441	3,512,530	40,978	-
Other	487	87	12,690	13,264	134,284	147,548	12,454	236
Total	$ 363,706	$ 139,856	$ 791,055	$ 1,294,617	$ 30,783,152	$ 32,077,769	$ 439,441	$ 351,614

[1] It is the Corporation's policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances also include $ 190 million of residential mortgage loans insured by FHA or guaranteed by the VA that are no longer accruing interest as of December 31, 2022. Furthermore, the Corporation has approximately $ 42 million in reverse mortgage loans which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation's policy to exclude these balances from non-performing assets.

[2] Loans held-in-portfolio are net of $ 295 million in unearned income and exclude $ 5 million in loans held-for-sale.

[3] Includes $ 7.4 billion pledged to secure credit facilities and public funds that the secured parties are not permitted to sell or repledge the collateral, of which $ 4.8 billion were pledged at the Federal Home Loan Bank (FHLB) as collateral for borrowings and $ 2.6 billion at the Federal Reserve Bank (FRB) for discount window borrowings. The Corporation had an available borrowing facility with the FHLB and the discount window of Federal Reserve Bank of New York of $ 2.1 billion and $ 1.4 billion, respectively, as of December 31, 2022.

Recognition of interest income on mortgage loans is generally discontinued when loans are 90 days or more in arrears on payments of principal or interest. The Corporation discontinues the recognition of interest income on residential mortgage loans insured by the FHA or guaranteed by VA when 15 months delinquent as to principal or interest, since the principal repayment on these loans is insured.

At September 30, 2023, mortgage loans held-in-portfolio include $2.1 billion (December 31, 2022 - $2.0 billion) of loans insured by the FHA, or guaranteed by the VA of which $0.2 billion (December 31, 2022 - $0.3 billion) are 90 days or more past due. The portfolio of guaranteed loans includes $115 million of residential mortgage loans in Puerto Rico that are no longer accruing interest as of September 30, 2023 (December 31, 2022 - $190 million). The Corporation has approximately $39 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest at September 30, 2023 (December 31, 2022 - $42 million).

Loans with a delinquency status of 90 days past due as of September 30, 2023 include $8 million in loans previously pooled into GNMA securities (December 31, 2022 - $14 million). Under the GNMA program, issuers such as BPPR have the option but not the obligation to repurchase loans that are 90 days or more past due. For accounting purposes, these loans subject to the repurchase option are required to be reflected on the financial statements of BPPR with an offsetting liability. Loans in our serviced GNMA portfolio benefit from payment forbearance programs but continue to reflect the contractual delinquency until the borrower repays deferred payments or completes a payment deferral modification or other borrower assistance alternative.

The following tables present the amortized cost basis of non-accrual loans as of September 30, 2023 and December 31, 2022 by class of loans:

September 30, 2023						
	BPPR		Popular U.S.		Popular, Inc.	
(In thousands)	Non-accrual with no allowance	Non-accrual with allowance	Non-accrual with no allowance	Non-accrual with allowance	Non-accrual with no allowance	Non-accrual with allowance
Commercial multi-family	$ -	$ 184	$ -	$ 404	$ -	$ 588
Commercial real estate non-owner occupied	9,577	5,753	-	734	9,577	6,487
Commercial real estate owner occupied	24,463	10,626	3,877	-	28,340	10,626
Commercial and industrial	8,504	13,120	-	3,579	8,504	16,699
Construction	-	6,578	-	-	-	6,578
Mortgage	90,611	96,832	508	11,472	91,119	108,304
Leasing	294	6,548	-	-	294	6,548
Consumer:						
HELOCs	-	-	-	4,085	-	4,085
Personal	4,562	14,020	-	2,637	4,562	16,657
Auto	1,662	38,606	-	-	1,662	38,606
Other	263	1,622	-	402	263	2,024
Total	$ 139,936	$ 193,889	$ 4,385	$ 23,313	$ 144,321	$ 217,202

December 31, 2022						
	BPPR		Popular U.S.		Popular, Inc.	
(In thousands)	Non-accrual with no allowance	Non-accrual with allowance	Non-accrual with no allowance	Non-accrual with allowance	Non-accrual with no allowance	Non-accrual with allowance
Commercial multi-family	$ -	$ 242	$ -	$ -	$ -	$ 242
Commercial real estate non-owner occupied	15,639	8,023	1,454	-	17,093	8,023
Commercial real estate owner occupied	9,070	14,920	5,095	-	14,165	14,920
Commercial and industrial	20,227	14,050	-	4,319	20,227	18,369
Mortgage	119,027	123,364	71	20,417	119,098	143,781
Leasing	458	5,483	-	-	458	5,483
Consumer:						
HELOCs	-	-	-	4,110	-	4,110
Personal	4,623	13,459	-	1,958	4,623	15,417
Auto	1,177	39,801	-	-	1,177	39,801
Other	263	12,183	-	8	263	12,191
Total	$ 170,484	$ 231,525	$ 6,620	$ 30,812	$ 177,104	$ 262,337

Loans in non-accrual status with no allowance at September 30, 2023 include $144 million in collateral dependent loans (December 31, 2022 - $177 million). The Corporation recognized $3 million in interest income on non-accrual loans during the nine months ended September 30, 2023 (September 30, 2022 - $3 million).

The Corporation has designated loans classified as collateral dependent for which the ACL is measured based on the fair value of the collateral less cost to sell, when foreclosure is probable or when the repayment is expected to be provided substantially by the sale or operation of the collateral and the borrower is experiencing financial difficulty. The fair value of the collateral is based on appraisals, which may be adjusted due to their age, and the type, location, and condition of the property or area or general market conditions to reflect the expected change in value between the effective date of the appraisal and the measurement date. Appraisals are updated every one to two years depending on the type of loan and the total exposure of the borrower.

The following tables present the amortized cost basis of collateral-dependent loans, for which the ACL was measured based on the fair value of the collateral less cost to sell, by class of loans and type of collateral as of September 30, 2023 and December 31, 2022.

(In thousands)	September 30, 2023 Real Estate	Auto	Equipment	Accounts Receivables	Other	Total
BPPR						
Commercial multi-family	$ 1,289	$ -	$ -	$ -	$ -	$ 1,289
Commercial real estate:						
Non-owner occupied	169,357	-	-	-	-	169,357
Owner occupied	30,507	-	-	-	-	30,507
Commercial and industrial	1,086	-	-	-	19,025	20,111
Construction	8,747	-	-	-	-	8,747
Mortgage	100,127	-	-	-	-	100,127
Leasing	-	1,103	-	-	-	1,103
Consumer:						
Personal	4,741	-	-	-	-	4,741
Auto	-	11,941	-	-	-	11,941
Other	-	-	-	-	310	310
Total BPPR	$ 315,854	$ 13,044	$ -	$ -	$ 19,335	$ 348,233
Popular U.S.						
Commercial real estate:						
Owner occupied	$ 3,877	$ -	$ -	$ -	$ -	$ 3,877
Commercial and industrial	-	-	160	-	1,400	1,560
Construction	5,309	-	-	-	-	5,309
Mortgage	1,073	-	-	-	-	1,073
Total Popular U.S.	$ 10,259	$ -	$ 160	$ -	$ 1,400	$ 11,819
Popular, Inc.						
Commercial multi-family	$ 1,289	$ -	$ -	$ -	$ -	$ 1,289
Commercial real estate:						
Non-owner occupied	169,357	-	-	-	-	169,357
Owner occupied	34,384	-	-	-	-	34,384
Commercial and industrial	1,086	-	160	-	20,425	21,671
Construction	14,056	-	-	-	-	14,056
Mortgage	101,200	-	-	-	-	101,200
Leasing	-	1,103	-	-	-	1,103
Consumer:						
Personal	4,741	-	-	-	-	4,741
Auto	-	11,941	-	-	-	11,941
Other	-	-	-	-	310	310
Total Popular, Inc.	$ 326,113	$ 13,044	$ 160	$ -	$ 20,735	$ 360,052

	December 31, 2022					
(In thousands)	Real Estate	Auto	Equipment	Accounts Receivables	Other	Total
BPPR						
Commercial multi-family	$ 1,329	$ -	$ -	$ -	$ -	$ 1,329
Commercial real estate:						
Non-owner occupied	202,980	-	-	-	-	202,980
Owner occupied	18,234	-	-	-	-	18,234
Commercial and industrial	1,345	-	32	9,853	20,985	32,215
Mortgage	128,069	-	-	-	-	128,069
Leasing	-	1,020	-	-	-	1,020
Consumer:						
Personal	5,381	-	-	-	-	5,381
Auto	-	9,556	-	-	-	9,556
Other	-	-	-	-	263	263
Total BPPR	$ 357,338	$ 10,576	$ 32	$ 9,853	$ 21,248	$ 399,047
Popular U.S.						
Commercial real estate:						
Non-owner occupied	$ 1,454	$ -	$ -	$ -	$ -	$ 1,454
Owner occupied	5,095	-	-	-	-	5,095
Commercial and industrial	-	-	136	-	-	136
Mortgage	1,104	-	-	-	-	1,104
Total Popular U.S.	$ 7,653	$ -	$ 136	$ -	$ -	$ 7,789
Popular, Inc.						
Commercial multi-family	$ 1,329	$ -	$ -	$ -	$ -	$ 1,329
Commercial real estate:						
Non-owner occupied	204,434	-	-	-	-	204,434
Owner occupied	23,329	-	-	-	-	23,329
Commercial and industrial	1,345	-	168	9,853	20,985	32,351
Mortgage	129,173	-	-	-	-	129,173
Leasing	-	1,020	-	-	-	1,020
Consumer:						
Personal	5,381	-	-	-	-	5,381
Auto	-	9,556	-	-	-	9,556
Other	-	-	-	-	263	263
Total Popular, Inc.	$ 364,991	$ 10,576	$ 168	$ 9,853	$ 21,248	$ 406,836

Purchased Credit Deteriorated (PCD) Loans

The Corporation has purchased loans during the quarter and nine months ended September 30, 2023 and 2022, for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The carrying amount of those loans is as follows:

(In thousands)	For the quarter ended September 30, 2023	For the nine months ended September 30, 2023
Purchase price of loans at acquisition	$ 227	$ 759
Allowance for credit losses at acquisition	9	87
Non-credit discount / (premium) at acquisition	-	9
Par value of acquired loans at acquisition	$ 236	$ 855

(In thousands)	For the quarter ended September 30, 2022	For the nine months ended September 30, 2022
Purchase price of loans at acquisition	$ 247	$ 2,840
Allowance for credit losses at acquisition	59	841
Non-credit discount / (premium) at acquisition	6	131
Par value of acquired loans at acquisition	$ 312	$ 3,812

Note 9 – Allowance for credit losses – loans held-in-portfolio

The Corporation follows the current expected credit loss ("CECL") model, to establish and evaluate the adequacy of the ACL to provide for expected losses in the loan portfolio. This model establishes a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first acquired or originated. In addition, CECL provides that the initial ACL on purchased credit deteriorated ("PCD") financial assets be recorded as an increase to the purchase price, with subsequent changes to the allowance recorded as a credit loss expense. The provision for credit losses recorded in current operations is based on this methodology. Loan losses are charged and recoveries are credited to the ACL. The Corporation's modeling framework includes competing risk models that generate lifetime default and prepayment estimates as well as other loan level techniques to estimate loss severity. These models combine credit risk factors, which include the impact of loan modifications with macroeconomic expectations to derive the lifetime expected loss.

As part of the Corporation's model governance procedures a new model was implemented for the U.S commercial real estate segment. The new model enhances techniques used to capture default activity within the Corporation's geographical footprint. As part of the implementation analysis management evaluated the credit metrics of the portfolio such as risk ratings, delinquency levels, and low exposure to the commercial office sector. Qualitative reserves continue to be maintained to address risks within the U.S. commercial real estate segment. The new model including qualitative reserve accounted for $15 million of PB's reduction in ACL.

At September 30,2023, the Corporation estimated the ACL by weighting the outputs of optimistic, baseline, and pessimistic scenarios. Among the three scenarios used to estimate the ACL, the baseline is assigned the highest probability, followed by the pessimistic scenario given the uncertainties in the economic outlook and downside risk. The weightings applied are subject to evaluation on a quarterly basis as part of the ACL's governance process. The baseline scenario continues to be assigned the highest probability, followed by the pessimistic scenario, and then the optimistic scenario. The Corporation evaluates, at least on an annual basis, the assumptions tied to the CECL accounting framework. These include the reasonable and supportable period as well as the reversion window.

The 2023 annualized GDP growth in the baseline scenario improved to 1.7% and 2.0% for Puerto Rico and the United States respectively, compared to 1.5% and 1.6% in the previous quarter. The 2023 forecasted average unemployment rate for Puerto Rico improved to 6.1% from 6.3% in the previous forecast, while in the United States unemployment levels remained at 3.6%, stable when compared to the previous forecast.

GDP growth is expected to slow during 2024 for both regions, when compared to 2023, as a result of the Fed's monetary policy. 2024 GDP growth is expected to be 0.90% for Puerto Rico and 1.25% for the United States. The average 2024 unemployment rate is expected to increase to 6.80% in Puerto Rico and 4.03% in the United States.

The following tables present the changes in the ACL of loans held-in-portfolio and unfunded commitments for the quarters and nine months ended September 30, 2023 and 2022.

For the quarter ended September 30, 2023						
	BPPR					
(In thousands)	Beginning Balance	Provision for credit losses (benefit)	Allowance for credit losses - PCD Loans	Charge-offs	Recoveries	Ending Balances
Allowance for credit losses - loans:						
Commercial						
Commercial multi-family	$ 4,787	$ (1,306)	$ -	$ -	$ -	$ 3,481
Commercial real estate non-owner occupied	53,366	(326)	-	(27)	195	53,208
Commercial real estate owner occupied	41,901	(242)	-	(446)	280	41,493
Commercial and industrial	81,637	(4,605)	-	(2,311)	12,858	87,579
Total Commercial	181,691	(6,479)	-	(2,784)	13,333	185,761
Construction	9,554	(1,486)	-	(2,611)	-	5,457
Mortgage	82,899	(6,808)	9	(62)	3,862	79,900
Leasing	13,927	(2,287)	-	(2,292)	850	10,198
Consumer						
Credit cards	71,408	9,773	-	(10,865)	2,234	72,550
Home equity lines of credit	96	(39)	-	(43)	73	87
Personal	96,046	28,964	-	(19,260)	1,957	107,707
Auto	134,247	30,880	-	(14,553)	4,862	155,436
Other	6,240	1,499	-	(494)	193	7,438
Total Consumer	308,037	71,077	-	(45,215)	9,319	343,218
Total - Loans	$ 596,108	$ 54,017	$ 9	$ (52,964)	$ 27,364	$ 624,534
Allowance for credit losses - unfunded commitments:						
Commercial	$ 5,288	$ (400)	$ -	$ -	$ -	$ 4,888
Construction	3,110	(1,768)	-	-	-	1,342
Ending balance - unfunded commitments [1]	$ 8,398	$ (2,168)	$ -	$ -	$ -	$ 6,230

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the quarter ended September 30, 2023										
Popular U.S.										
(In thousands)		Beginning Balance		Provision for credit losses - (benefit)		Charge-offs		Recoveries		Ending Balance
Allowance for credit losses - loans:										
Commercial										
Commercial multi-family	$	21,392	$	(9,651)	$	-	$	1	$	11,742
Commercial real estate non-owner occupied		18,350		(4,475)		-		66		13,941
Commercial real estate owner occupied		9,506		(1,688)		(1,218)		16		6,616
Commercial and industrial		18,014		(1,109)		(1,228)		329		16,006
Total Commercial		67,262		(16,923)		(2,446)		412		48,305
Construction		1,778		3,736		-		-		5,514
Mortgage		13,194		(1,252)		-		62		12,004
Consumer										
Home equity lines of credit		2,074		238		(224)		212		2,300
Personal		19,782		3,659		(5,636)		604		18,409
Other		2		39		(43)		4		2
Total Consumer		21,858		3,936		(5,903)		820		20,711
Total - Loans	$	104,092	$	(10,503)	$	(8,349)	$	1,294	$	86,534
Allowance for credit losses - unfunded commitments:										
Commercial	$	1,348	$	197	$	-	$	-	$	1,545
Construction		1,797		3,658		-		-		5,455
Consumer		50		4		-		-		54
Ending balance - unfunded commitments [1]	$	3,195	$	3,859	$	-	$	-	$	7,054

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

(In thousands)	Beginning Balance	Provision for credit losses (benefit)	Allowance for credit losses - PCD Loans	Charge-offs	Recoveries	Ending Balance
	For the quarter ended September 30, 2023					
	Popular Inc.					
Allowance for credit losses - loans:						
Commercial						
Commercial multi-family	$ 26,179	$ (10,957)	$ -	$ -	$ 1	$ 15,223
Commercial real estate non-owner occupied	71,716	(4,801)	-	(27)	261	67,149
Commercial real estate owner occupied	51,407	(1,930)	-	(1,664)	296	48,109
Commercial and industrial	99,651	(5,714)	-	(3,539)	13,187	103,585
Total Commercial	248,953	(23,402)	-	(5,230)	13,745	234,066
Construction	11,332	2,250	-	(2,611)	-	10,971
Mortgage	96,093	(8,060)	9	(62)	3,924	91,904
Leasing	13,927	(2,287)	-	(2,292)	850	10,198
Consumer						
Credit cards	71,408	9,773	-	(10,865)	2,234	72,550
Home equity lines of credit	2,170	199	-	(267)	285	2,387
Personal	115,828	32,623	-	(24,896)	2,561	126,116
Auto	134,247	30,880	-	(14,553)	4,862	155,436
Other	6,242	1,538	-	(537)	197	7,440
Total Consumer	329,895	75,013	-	(51,118)	10,139	363,929
Total - Loans	$ 700,200	$ 43,514	$ 9	$ (61,313)	$ 28,658	$ 711,068
Allowance for credit losses - unfunded commitments:						
Commercial	$ 6,636	$ (203)	$ -	$ -	$ -	$ 6,433
Construction	4,907	1,890	-	-	-	6,797
Consumer	50	4	-	-	-	54
Ending balance - unfunded commitments [1]	$ 11,593	$ 1,691	$ -	$ -	$ -	$ 13,284

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the nine months ended September 30, 2023								
	BPPR							
(In thousands)	Beginning Balance	Impact of Adopting ASU 2022-02	Provision for credit losses (benefit)	Allowance for credit losses - PCD Loans	Charge-off	Recoveries	Net write down	Ending Balance
Allowance for credit losses - loans:								
Commercial								
Commercial multi-family	$ 5,210	$ -	$ (1,730)	$ -	$ -	$ 1	$ -	$ 3,481
Commercial real estate non-owner occupied	52,475	-	860	-	(636)	509	-	53,208
Commercial real estate owner occupied	48,393	(1,161)	(7,409)	-	(525)	2,195	-	41,493
Commercial and industrial	68,217	(552)	8,378	-	(4,979)	16,515	-	87,579
Total Commercial	174,295	(1,713)	99	-	(6,140)	19,220	-	185,761
Construction	2,978	-	5,090	-	(2,611)	-	-	5,457
Mortgage	117,344	(33,556)	(15,113)	87	(1,205)	12,343	-	79,900
Leasing	20,618	(35)	(7,023)	-	(6,249)	2,887	-	10,198
Consumer								
Credit cards	58,670	-	35,901	-	(27,998)	6,578	(601)	72,550
Home equity lines of credit	103	-	(107)	-	(111)	202	-	87
Personal	96,369	(7,020)	60,347	-	(49,441)	7,452	-	107,707
Auto	129,735	(21)	45,108	-	(34,770)	15,384	-	155,436
Other	15,433	-	3,297	-	(11,855)	563	-	7,438
Total Consumer	300,310	(7,041)	144,546	-	(124,175)	30,179	(601)	343,218
Total - Loans	$ 615,545	$ (42,345)	$ 127,599	$ 87	$ (140,380)	$ 64,629	$ (601)	$ 624,534
Allowance for credit losses - unfunded commitments:								
Commercial	$ 4,336	$ -	$ 552	$ -	$ -	$ -	$ -	$ 4,888
Construction	2,022	-	(680)	-	-	-	-	1,342
Ending balance - unfunded commitments [1]	$ 6,358	$ -	$ (128)	$ -	$ -	$ -	$ -	$ 6,230

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the nine months ended September 30, 2023						
Popular U.S.						
(In thousands)	Beginning Balance	Impact of Adopting ASU 2022-02	Provision for credit losses - (benefit)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses - loans:						
Commercial						
Commercial multi-family	$ 21,101	$ -	$ (9,363)	$ -	$ 4	$ 11,742
Commercial real estate non-owner occupied	19,065	-	(7,108)	-	1,984	13,941
Commercial real estate owner occupied	8,688	-	(738)	(1,395)	61	6,616
Commercial and industrial	12,227	-	5,943	(3,808)	1,644	16,006
Total Commercial	61,081	-	(11,266)	(5,203)	3,693	48,305
Construction	1,268	-	4,246	-	-	5,514
Mortgage	17,910	(2,098)	(3,993)	-	185	12,004
Consumer						
Credit cards	-	-	1	(1)	-	-
Home equity lines of credit	2,439	-	(419)	(419)	699	2,300
Personal	22,057	(1,140)	10,019	(14,093)	1,566	18,409
Other	2	-	134	(143)	9	2
Total Consumer	24,498	(1,140)	9,735	(14,656)	2,274	20,711
Total - Loans	$ 104,757	$ (3,238)	$ (1,278)	$ (19,859)	$ 6,152	$ 86,534
Allowance for credit losses - unfunded commitments:						
Commercial	$ 1,175	$ -	$ 370	$ -	$ -	$ 1,545
Construction	1,184	-	4,271	-	-	5,455
Consumer	88	-	(34)	-	-	54
Ending balance - unfunded commitments [1]	$ 2,447	$ -	$ 4,607	$ -	$ -	$ 7,054

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the nine months ended September 30, 2023

Popular Inc.

(In thousands)	Beginning Balance	Impact of adopting ASU 2022-02	Provision for credit losses (benefit)	Allowance for credit losses - PCD Loans	Charge-offs	Recoveries	Net write down	Ending Balance
Allowance for credit losses - loans:								
Commercial								
Commercial multi-family	$ 26,311	$ -	$ (11,093)	$ -	$ -	$ 5	$ -	$ 15,223
Commercial real estate non-owner occupied	71,540	-	(6,248)	-	(636)	2,493	-	67,149
Commercial real estate owner occupied	57,081	(1,161)	(8,147)	-	(1,920)	2,256	-	48,109
Commercial and industrial	80,444	(552)	14,321	-	(8,787)	18,159	-	103,585
Total Commercial	235,376	(1,713)	(11,167)	-	(11,343)	22,913	-	234,066
Construction	4,246	-	9,336	-	(2,611)	-	-	10,971
Mortgage	135,254	(35,654)	(19,106)	87	(1,205)	12,528	-	91,904
Leasing	20,618	(35)	(7,023)	-	(6,249)	2,887	-	10,198
Consumer								
Credit cards	58,670	-	35,902	-	(27,999)	6,578	(601)	72,550
Home equity lines of credit	2,542	-	(526)	-	(530)	901	-	2,387
Personal	118,426	(8,160)	70,366	-	(63,534)	9,018	-	126,116
Auto	129,735	(21)	45,108	-	(34,770)	15,384	-	155,436
Other	15,435	-	3,431	-	(11,998)	572	-	7,440
Total Consumer	324,808	(8,181)	154,281	-	(138,831)	32,453	(601)	363,929
Total - Loans	$ 720,302	$ (45,583)	$ 126,321	$ 87	$ (160,239)	$ 70,781	$ (601)	$ 711,068
Allowance for credit losses - unfunded commitments:								
Commercial	$ 5,511	$ -	$ 922	$ -	$ -	$ -	$ -	$ 6,433
Construction	3,206	-	3,591	-	-	-	-	6,797
Consumer	88	-	(34)	-	-	-	-	54
Ending balance - unfunded commitments [1]	$ 8,805	$ -	$ 4,479	$ -	$ -	$ -	$ -	$ 13,284

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the quarter ended September 30, 2022											
	BPPR										
(In thousands)		Beginning Balance		Provision for credit losses (benefit)		Allowance for credit losses - PCD Loans		Charge-offs		Recoveries		Ending Balance
Allowance for credit losses - loans:												
Commercial												
Commercial multi-family	$	3,522	$	682	$	-	$	-	$	-	$	4,204
Commercial real estate non-owner occupied		50,393		2,689		-		-		368		53,450
Commercial real estate owner occupied		49,472		(5,438)		-		(24)		2,419		46,429
Commercial and industrial		50,160		9,145		-		(4,794)		3,181		57,692
Total Commercial		153,547		7,078		-		(4,818)		5,968		161,775
Construction		3,074		1,181		-		-		-		4,255
Mortgage		130,030		(11,648)		59		(1,720)		3,885		120,606
Leasing		19,037		2,115		-		(2,191)		853		19,814
Consumer												
Credit cards		45,339		12,353		-		(6,669)		2,186		53,209
Home equity lines of credit		90		(128)		-		-		129		91
Personal		74,799		17,139		-		(9,963)		1,736		83,711
Auto		137,222		(770)		-		(11,238)		3,863		129,077
Other		17,439		1,374		-		(610)		193		18,396
Total Consumer		274,889		29,968		-		(28,480)		8,107		284,484
Total - Loans	$	580,577	$	28,694	$	59	$	(37,209)	$	18,813	$	590,934
Allowance for credit losses - unfunded commitments:												
Commercial	$	2,032	$	868	$	-	$	-	$	-	$	2,900
Construction		1,534		349		-		-		-		1,883
Ending balance - unfunded commitments [1]	$	3,566	$	1,217	$	-	$	-	$	-	$	4,783

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

	For the quarter ended September 30, 2022				
	Popular U.S.				
(In thousands)	Beginning Balance	Provision for credit losses (benefit)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses - loans:					
Commercial					
Commercial multi-family	$ 20,571	$ 1,138	$ -	$ 8	$ 21,717
Commercial real estate non-owner occupied	14,284	11,187	-	2	25,473
Commercial real estate owner occupied	9,076	(120)	-	26	8,982
Commercial and industrial	12,152	(717)	(720)	1,195	11,910
Total Commercial	56,083	11,488	(720)	1,231	68,082
Construction	3,839	(1,895)	-	-	1,944
Mortgage	18,275	(370)	-	23	17,928
Consumer					
Home equity lines of credit	3,455	(1,340)	(47)	954	3,022
Personal	19,520	2,901	(1,528)	291	21,184
Other	1	41	(48)	8	2
Total Consumer	22,976	1,602	(1,623)	1,253	24,208
Total - Loans	$ 101,173	$ 10,825	$ (2,343)	$ 2,507	$ 112,162
Allowance for credit losses - unfunded commitments:					
Commercial	$ 1,317	$ (201)	$ -	$ -	$ 1,116
Construction	1,961	(650)	-	-	1,311
Consumer	60	37	-	-	97
Ending balance - unfunded commitments [1]	$ 3,338	$ (814)	$ -	$ -	$ 2,524

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the quarter ended September 30, 2022						
	Popular Inc.					
(In thousands)	Beginning Balance	Provision for credit losses (benefit)	Allowance for credit losses - PCD Loans	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses - loans:						
Commercial						
Commercial multi-family	$ 24,093	$ 1,820	$ -	$ -	$ 8	$ 25,921
Commercial real estate non-owner occupied	64,677	13,876	-	-	370	78,923
Commercial real estate owner occupied	58,548	(5,558)	-	(24)	2,445	55,411
Commercial and industrial	62,312	8,428	-	(5,514)	4,376	69,602
Total Commercial	209,630	18,566	-	(5,538)	7,199	229,857
Construction	6,913	(714)	-	-	-	6,199
Mortgage	148,305	(12,018)	59	(1,720)	3,908	138,534
Leasing	19,037	2,115	-	(2,191)	853	19,814
Consumer						
Credit cards	45,339	12,353	-	(6,669)	2,186	53,209
Home equity lines of credit	3,545	(1,468)	-	(47)	1,083	3,113
Personal	94,319	20,040	-	(11,491)	2,027	104,895
Auto	137,222	(770)	-	(11,238)	3,863	129,077
Other	17,440	1,415	-	(658)	201	18,398
Total Consumer	297,865	31,570	-	(30,103)	9,360	308,692
Total - Loans	$ 681,750	$ 39,519	$ 59	$ (39,552)	$ 21,320	$ 703,096
Allowance for credit losses - unfunded commitments:						
Commercial	$ 3,349	$ 667	$ -	$ -	$ -	$ 4,016
Construction	3,495	(301)	-	-	-	3,194
Consumer	60	37	-	-	-	97
Ending balance - unfunded commitments [1]	$ 6,904	$ 403	$ -	$ -	$ -	$ 7,307

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the nine months ended September 30, 2022						
	BPPR					
(In thousands)	Beginning Balance	Provision for credit losses (benefit)	Allowance for credit losses - PCD Loans	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses - loans:						
Commercial						
Commercial multi-family	$ 3,050	$ 1,154	$ -	$ -	$ -	$ 4,204
Commercial real estate non-owner occupied	45,211	7,024	-	(30)	1,245	53,450
Commercial real estate owner occupied	54,176	(13,907)	-	(977)	7,137	46,429
Commercial and industrial	49,491	6,784	-	(5,660)	7,077	57,692
Total Commercial	151,928	1,055	-	(6,667)	15,459	161,775
Construction	1,641	1,803	-	-	811	4,255
Mortgage	138,286	(28,129)	841	(4,408)	14,016	120,606
Leasing	17,578	3,807	-	(4,094)	2,523	19,814
Consumer						
Credit cards	43,499	21,688	-	(18,770)	6,792	53,209
Home equity lines of credit	98	(213)	-	(164)	370	91
Personal	71,022	32,353	-	(25,069)	5,405	83,711
Auto	154,498	(10,793)	-	(26,766)	12,138	129,077
Other	15,612	3,590	-	(1,555)	749	18,396
Total Consumer	284,729	46,625	-	(72,324)	25,454	284,484
Total - Loans	$ 594,162	$ 25,161	$ 841	$ (87,493)	$ 58,263	$ 590,934
Allowance for credit losses - unfunded commitments:						
Commercial	$ 1,751	$ 1,149	$ -	$ -	$ -	$ 2,900
Construction	2,388	(505)	-	-	-	1,883
Ending balance - unfunded commitments [1]	$ 4,139	$ 644	$ -	$ -	$ -	$ 4,783

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the nine months ended September 30, 2022					
Popular U.S.					
(In thousands)	Beginning Balance	Provision for credit losses (benefit)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses - loans:					
Commercial					
Commercial multi-family	$ 25,418	$ (3,721)	$ -	$ 20	$ 21,717
Commercial real estate non-owner occupied	22,246	3,208	-	19	25,473
Commercial real estate owner occupied	6,053	2,681	-	248	8,982
Commercial and industrial	10,160	1,036	(1,244)	1,958	11,910
Total Commercial	63,877	3,204	(1,244)	2,245	68,082
Construction	4,722	(3,910)	-	1,132	1,944
Mortgage	16,192	1,756	(68)	48	17,928
Consumer					
Credit cards	-	(10)	-	10	-
Home equity lines of credit	3,708	(2,974)	(99)	2,387	3,022
Personal	12,700	11,604	(3,985)	865	21,184
Other	5	144	(172)	25	2
Total Consumer	16,413	8,764	(4,256)	3,287	24,208
Total - Loans	$ 101,204	$ 9,814	$ (5,568)	$ 6,712	$ 112,162
Allowance for credit losses - unfunded commitments:					
Commercial	$ 1,384	$ (268)	$ -	$ -	$ 1,116
Construction	2,337	(1,026)	-	-	1,311
Consumer	37	60	-	-	97
Ending balance - unfunded commitments [1]	$ 3,758	$ (1,234)	$ -	$ -	$ 2,524

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

For the nine months ended September 30, 2022						
Popular Inc.						
(In thousands)	Beginning Balance	Provision for credit losses (benefit)	Allowance for credit losses - PCD Loans	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses - loans:						
Commercial						
Commercial multi-family	$ 28,468	$ (2,567)	$ -	$ -	$ 20	$ 25,921
Commercial real estate non-owner occupied	67,457	10,232	-	(30)	1,264	78,923
Commercial real estate owner occupied	60,229	(11,226)	-	(977)	7,385	55,411
Commercial and industrial	59,651	7,820	-	(6,904)	9,035	69,602
Total Commercial	215,805	4,259	-	(7,911)	17,704	229,857
Construction	6,363	(2,107)	-	-	1,943	6,199
Mortgage	154,478	(26,373)	841	(4,476)	14,064	138,534
Leasing	17,578	3,807	-	(4,094)	2,523	19,814
Consumer						
Credit cards	43,499	21,678	-	(18,770)	6,802	53,209
Home equity lines of credit	3,806	(3,187)	-	(263)	2,757	3,113
Personal	83,722	43,957	-	(29,054)	6,270	104,895
Auto	154,498	(10,793)	-	(26,766)	12,138	129,077
Other	15,617	3,734	-	(1,727)	774	18,398
Total Consumer	301,142	55,389	-	(76,580)	28,741	308,692
Total - Loans	$ 695,366	$ 34,975	$ 841	$ (93,061)	$ 64,975	$ 703,096
Allowance for credit losses - unfunded commitments:						
Commercial	$ 3,135	$ 881	$ -	$ -	$ -	$ 4,016
Construction	4,725	(1,531)	-	-	-	3,194
Consumer	37	60	-	-	-	97
Ending balance - unfunded commitments [1]	$ 7,897	$ (590)	$ -	$ -	$ -	$ 7,307

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition.

Modifications

A modification constitutes a change in loan terms in the form of principal forgiveness, an interest rate reduction, other than insignificant payment delay, term extension or combination of the above made to a borrower experiencing financial difficulty.

The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified during the period ended at September 30, 2023 amounted to $17 million related to the commercial loan portfolio.

The following tables show the amortized cost basis of the loans modified to borrowers experiencing financial difficulties at the end of the reporting period disaggregated by class of financing receivable and type of concession granted for the quarter and nine months ended September 30,2023. Loans modified to borrowers under financial difficulties that were fully paid down, charged-off, or foreclosed upon by period end are not reported.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty for the quarter ended September 30,2023

Interest Rate Reduction

(In thousands)	BPPR Amortized Cost Basis at September 30,2023	BPPR % of total class of Financing Receivable	Popular U.S. Amortized Cost Basis at September 30,2023	Popular U.S. % of total class of Financing Receivable	Popular, Inc. Amortized Cost Basis at September 30,2023	Popular, Inc. % of total class of Financing Receivable
CRE owner occupied	$ 141,807	10.07%	$ -	-%	$ 141,807	4.66%
Commercial and industrial	43	-%	-	-%	43	-%
Mortgage	76	-%	-	-%	76	-%
Consumer:						
Credit cards	154	0.01%	-	-%	154	0.01%
Personal	247	0.01%	-	-%	247	0.01%
Total	$ 142,327	0.60%	$ -	-%	$ 142,327	0.42%

Term Extension

(In thousands)	BPPR Amortized Cost Basis at September 30,2023	BPPR % of total class of Financing Receivable	Popular U.S. Amortized Cost Basis at September 30,2023	Popular U.S. % of total class of Financing Receivable	Popular, Inc. Amortized Cost Basis at September 30,2023	Popular, Inc. % of total class of Financing Receivable
CRE non-owner occupied	$ 8,760	0.30%	$ -	-%	$ 8,760	0.17%
CRE owner occupied	2,667	0.19%	10,847	0.66%	13,514	0.44%
Commercial and industrial	16,535	0.38%	-	-%	16,535	0.25%
Mortgage	17,057	0.27%	933	0.07%	17,990	0.24%
Consumer:						
Personal	122	0.01%	-	-%	122	0.01%
Total	$ 45,141	0.19%	$ 11,780	0.11%	$ 56,921	0.17%

Other-Than-Insignificant Payment Delays

(In thousands)	BPPR Amortized Cost Basis at September 30,2023	BPPR % of total class of Financing Receivable	Popular U.S. Amortized Cost Basis at September 30,2023	Popular U.S. % of total class of Financing Receivable	Popular, Inc. Amortized Cost Basis at September 30,2023	Popular, Inc. % of total class of Financing Receivable
CRE owner occupied	$ 8,980	0.64%	$ -	-%	$ 8,980	0.29%
Commercial and industrial	3,287	0.08%	-	-%	3,287	0.05%
Total	$ 12,267	0.05%	$ -	-%	$ 12,267	0.04%

Combination - Term extension and Interest Rate Reduction

(In thousands)	BPPR Amortized Cost Basis at September 30,2023	BPPR % of total class of Financing Receivable	Popular U.S. Amortized Cost Basis at September 30,2023	Popular U.S. % of total class of Financing Receivable	Popular, Inc. Amortized Cost Basis at September 30,2023	Popular, Inc. % of total class of Financing Receivable
CRE non-owner occupied	$ 18,705	0.63%	$ -	-%	$ 18,705	0.37%
CRE owner occupied	14,683	1.04%	-	-%	14,683	0.48%
Commercial and industrial	558	0.01%	-	-%	558	0.01%
Mortgage	7,691	0.12%	-	-%	7,691	0.10%
Consumer:						
Personal	815	0.05%	11	0.01%	826	0.04%
Total	$ 42,452	0.18%	$ 11	-%	$ 42,463	0.12%

Combination - Other-Than-Insignificant Payment Delays and Interest Rate Reduction

(In thousands)	Puerto Rico Amortized Cost Basis at September 30,2023	Puerto Rico % of total class of Financing Receivable	Popular U.S. Amortized Cost Basis at September 30,2023	Popular U.S. % of total class of Financing Receivable	Popular, Inc. Amortized Cost Basis at September 30,2023	Popular, Inc. % of total class of Financing Receivable
CRE non-owner occupied	$ 182	0.01%	$ -	-%	$ 182	-%
Commercial and industrial	78	-%	-	-%	78	-%
Consumer:						
Credit cards	195	-%	-	-%	195	0.02%
Total	$ 455	-%	$ -	-%	$ 455	-%

Loan Modifications Made to Borrowers Experiencing Financial Difficulty for the nine months ended September 30,2023

Interest Rate Reduction

	BPPR		Popular U.S.		Popular, Inc.	
(In thousands)	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable
CRE owner occupied	$ 141,807	10.07%	$ -	-%	$ 141,807	4.66%
Commercial and industrial	43	-%	-	-%	43	-%
Mortgage	302	-%	-	-%	302	-%
Consumer:						
Credit cards	565	0.05%	-	-%	565	0.05%
Personal	540	0.03%	3	-%	543	0.03%
Other	3	-%	-	-%	3	-%
Total	$ 143,260	0.60%	$ 3	-%	$ 143,263	0.42%

Term Extension

	BPPR		Popular U.S.		Popular, Inc.	
(In thousands)	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable
CRE non-owner occupied	$ 33,059	1.12%	$ -	-%	$ 33,059	0.66%
CRE owner occupied	4,293	0.30%	26,509	1.62%	30,802	1.01%
Commercial and industrial	38,713	0.89%	-	-%	38,713	0.59%
Construction	2,169	1.27%	5,309	0.71%	7,478	0.81%
Mortgage	41,916	0.67%	5,423	0.42%	47,339	0.62%
Consumer:						
Personal	196	0.01%	129	0.07%	325	0.02%
Auto	36	-%	-	-%	36	-%
Total	$ 120,382	0.51%	$ 37,370	0.36%	$ 157,752	0.46%

Principal Forgiveness

	BPPR		Popular U.S.		Popular, Inc.	
(In thousands)	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable
CRE owner occupied	$ 18	-%	$ -	-%	$ 18	-%
Total	$ 18	-%	$ -	-%	$ 18	-%

Other-Than-Insignificant Payment Delays

	BPPR		Popular U.S.		Popular, Inc.	
(In thousands)	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable	Amortized Cost Basis at September 30,2023	% of total class of Financing Receivable
CRE non-owner occupied	$ 1,736	0.06%	$ -	-%	$ 1,736	0.03%
CRE owner occupied	12,833	0.91%	13,556	0.83%	26,389	0.87%
Commercial and industrial	4,653	0.11%	828	0.04%	5,481	0.08%
Mortgage	137	-%	-	-%	137	-%
Consumer:						
Other	31	0.02%	-	-%	31	0.02%
Total	$ 19,390	0.08%	$ 14,384	0.14%	$ 33,774	0.10%

Combination - Term extension and Interest Rate Reduction

(In thousands)	BPPR Amortized Cost Basis at September 30,2023	BPPR % of total class of Financing Receivable	Popular U.S. Amortized Cost Basis at September 30,2023	Popular U.S. % of total class of Financing Receivable	Popular, Inc. Amortized Cost Basis at September 30,2023	Popular, Inc. % of total class of Financing Receivable
CRE non-owner occupied	$ 18,705	0.63%	$ -	-%	$ 18,705	0.37%
CRE owner occupied	14,784	1.05%	-	-%	14,784	0.49%
Commercial and industrial	614	0.01%	-	-%	614	0.01%
Mortgage	29,044	0.46%	407	0.03%	29,451	0.39%
Consumer:						
Personal	1,711	0.10%	43	0.02%	1,754	0.09%
Auto	27	-%	-	-%	27	-%
Total	$ 64,885	0.27%	$ 450	-%	$ 65,335	0.19%

Combination - Other-Than-Insignificant Payment Delays and Interest Rate Reduction

(In thousands)	Puerto Rico Amortized Cost Basis at September 30,2023	Puerto Rico % of total class of Financing Receivable	Popular U.S. Amortized Cost Basis at September 30,2023	Popular U.S. % of total class of Financing Receivable	Popular, Inc. Amortized Cost Basis at September 30,2023	Popular, Inc. % of total class of Financing Receivable
CRE non-owner occupied	$ 182	0.01%	$ -	-%	$ 182	-%
Commercial and industrial	153	-%	-	-%	153	-%
Consumer:						
Credit cards	587	0.05%	-	-%	587	0.05%
Total	$ 922	-%	$ -	-%	$ 922	-%

Combination - Other-Than-Insignificant Payment Delays and Principal Forgiveness

(In thousands)	Puerto Rico Amortized Cost Basis at September 30,2023	Puerto Rico % of total class of Financing Receivable	Popular U.S. Amortized Cost Basis at September 30,2023	Popular U.S. % of total class of Financing Receivable	Popular, Inc. Amortized Cost Basis at September 30,2023	Popular, Inc. % of total class of Financing Receivable
CRE owner occupied	$ 195	0.01%	$ -	-%	$ 195	0.01%
Total	$ 195	-%	$ -	-%	$ 195	-%

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulties:

For the quarter ended September 30, 2023

Interest rate reduction

Loan Type	Financial Effect
CRE Non-owner occupied	Reduced weighted-average contractual interest rate from 9.0% to 7.2%.
CRE Owner occupied	Reduced weighted-average contractual interest rate from 8.4% to 6.6%.
Commercial and industrial	Reduced weighted-average contractual interest rate from 12.5% to 7.6%.
Mortgage	Reduced weighted-average contractual interest rate from 5.7% to 4.2%.
Consumer:	
Credit cards	Reduced weighted-average contractual interest rate from 19.6% to 3.6%.
Personal	Reduced weighted-average contractual interest rate from 17.0% to 9.1%.

Term extension

Loan Type	Financial Effect
CRE Non-owner occupied	Added a weighted-average of 28 months to the life of loans.
CRE Owner occupied	Added a weighted-average of 1 year to the life of loans.
Commercial and industrial	Added a weighted-average of 3 year to the life of loans.
Mortgage	Added a weighted-average of 11 years to the life of loans.
Consumer:	
Personal	Added a weighted-average of 7 years to the life of loans.

Other than insignificant payment delay

Loan Type	Financial Effect
CRE Non-owner occupied	Added a weighted-average of 7 months to the life of loans.
CRE Owner occupied	Added a weighted-average of 10 months to the life of loans.
Commercial and industrial	Added a weighted-average of 7 months to the life of loans.
Consumer:	
Credit cards	Added a weighted-average of 29 months to the life of loans.

For the nine months ended September 30, 2023

Interest rate reduction

Loan Type	Financial Effect	
CRE Non-owner occupied	Reduced weighted-average contractual interest rate from	9.0% to 7.2%.
CRE Owner occupied	Reduced weighted-average contractual interest rate from	8.4% to 6.6%.
Commercial and industrial	Reduced weighted-average contractual interest rate from	14.0% to 7.7%.
Mortgage	Reduced weighted-average contractual interest rate from	5.7% to 4.2%.
Consumer:		
Credit cards	Reduced weighted-average contractual interest rate from	18.0% to 4.3%.
Personal	Reduced weighted-average contractual interest rate from	18.0% to 9.7%.
Auto	Reduced weighted-average contractual interest rate from	12.64% to 12.62%.
Other	Reduced weighted-average contractual interest rate from	18.0% to 0.0%.

Term extension

Loan Type	Financial Effect	
CRE Non-owner occupied	Added a weighted-average of	19 months to the life of loans.
CRE Owner occupied	Added a weighted-average of	1 year to the life of loans.
Commercial and industrial	Added a weighted-average of	2 years to the life of loans.
Construction	Added a weighted-average of	6 months to the life of loans.
Mortgage	Added a weighted-average of	11 years to the life of loans.
Consumer:		
Personal	Added a weighted-average of	7 years to the life of loans.
Auto	Added a weighted-average of	3 years to the life of loans.

Principal forgiveness

Loan Type	Financial Effect
CRE Owner occupied	Reduced the amortized cost basis of the loans by $ 0.1 million.

Other than insignificant payment delay

Loan Type	Financial Effect	
CRE Non-owner occupied	Added a weighted-average of	12 months to the life of loans.
CRE Owner occupied	Added a weighted-average of	8 months to the life of loans.
Commercial and industrial	Added a weighted-average of	8 months to the life of loans.
Mortgage	Added a weighted-average of	40 months to the life of loans.
Consumer:		
Credit cards	Added a weighted-average of	26 months to the life of loans.
Other	Added a weighted-average of	11 months to the life of loans.

The following table presents, by class, the performance of loans that have been modified in the last nine months at September 30, 2023. The past due 90 days or more categories includes all loans modified classified as non-accruing at the time of the modification. These loans will continue in non-accrual status, and presented as past due 90 days or more, until the borrower has demonstrated a willingness and ability to make the restructured loan payments (at least six months of sustained performance after the modification or one year for loans providing for quarterly or semi-annual payments) and management has concluded that it is probable that the borrower would not be in payment default in the foreseeable future.

BPPR

For the period ended September 30, 2023

(In thousands)	30-59 days	60-89 days	Past due 90 days or more	Total past due	Current	Total	Past Due 90 days or more [1] With Payment Default	Past Due 90 days or more [1] Without Payment Default
CRE Non-owner occupied	$ -	$ -	$ 122	$ 122	$ 53,560	$ 53,682	$ -	$ 122
CRE Owner occupied	-	-	2,488	2,488	171,442	173,930	-	2,488
Commercial and industrial	-	-	1,735	1,735	42,441	44,176	729	1,006
Construction	-	-	-	-	2,169	2,169	-	-
Mortgage	4,913	2,572	22,291	29,776	41,623	71,399	4,196	18,095
Consumer:								
Credit cards	117	87	130	334	818	1,152	93	37
Personal	48	19	550	617	1,830	2,447	-	550
Auto	-	-	11	11	52	63	-	11
Other	-	-	31	31	3	34	31	-
Total	$ 5,078	$ 2,678	$ 27,358	$ 35,114	$ 313,938	$ 349,052	$ 5,049	$ 22,309

[1] Loans that were in non-accrual status at the time of modification are presented as past due until the borrower has demonstrated a willingness and ability to make the restructured loan payments. Payment default is defined as a restructured loan becoming 90 days past due after being modified, foreclosed or charged-off, whichever occurs first. The recorded investment as of period end is inclusive of all partial paydowns and charge-offs since the modification date. Loans modified with financial difficulty that were fully paid down, charged-off or foreclosed upon by period end are not reported.

Popular U.S.

For the period ended September 30, 2023

(In thousands)	30-59 days	60-89 days	Past due 90 days or more	Total past due	Current	Total	Past Due 90 days or more [1] With Payment Default	Past Due 90 days or more [1] Without Payment Default
CRE Owner occupied	$ -	$ -	$ -	$ -	$ 40,065	$ 40,065	$ -	$ -
Commercial and industrial	-	-	-	-	828	828	-	-
Construction	-	-	-	-	5,309	5,309	-	-
Mortgage	-	-	334	334	5,496	5,830	103	231
Consumer:								
Personal	-	-	129	129	46	175	-	129
Total	$ -	$ -	$ 463	$ 463	$ 51,744	$ 52,207	$ 103	$ 360

[1] Loans that were in non-accrual status at the time of modification are presented as past due until the borrower has demonstrated a willingness and ability to make the restructured loan payments. Payment default is defined as a restructured loan becoming 90 days past due after being modified, foreclosed or charged-off, whichever occurs first. The recorded investment as of period end is inclusive of all partial paydowns and charge-offs since the modification date. Loans modified with financial difficulty that were fully paid down, charged-off or foreclosed upon by period end are not reported.

Popular Inc.

For the period ended September 30, 2023

(In thousands)	30-59 days	60-89 days	Past due 90 days or more	Total past due	Current	Total	Past Due 90 days or more [1] With Payment Default	Past Due 90 days or more [1] Without Payment Default
CRE Non-owner occupied	$ -	$ -	$ 122	$ 122	$ 53,560	$ 53,682	$ -	$ 122
CRE Owner occupied	-	-	2,488	2,488	211,507	213,995	-	2,488
Commercial and industrial	-	-	1,735	1,735	43,269	45,004	729	1,006
Construction	-	-	-	-	7,478	7,478	-	-
Mortgage	4,913	2,572	22,625	30,110	47,119	77,229	4,299	18,326
Consumer:								
Credit cards	117	87	130	334	818	1,152	93	37
Personal	48	19	679	746	1,876	2,622	-	679
Auto	-	-	11	11	52	63	-	11
Other	-	-	31	31	3	34	31	-
Total	$ 5,078	$ 2,678	$ 27,821	$ 35,577	$ 365,682	$ 401,259	$ 5,152	$ 22,669

[1] Loans that were in non-accrual status at the time of modification are presented as past due until the borrower has demonstrated a willingness and ability to make the restructured loan payments. Payment default is defined as a restructured loan becoming 90 days past due after being modified, foreclosed or charged-off, whichever occurs first. The recorded inve stment as of period end is inclusive of all partial paydowns and charge-offs since the modification date. Loans modified with financial difficulty that were fully paid down, charged-off or foreclosed upon by period end are not reported.

During the nine months ended September 30, 2023, five loans with an aggregate unpaid principal balance of $6.6 million were restructured into multiple notes ("Note A / B split"), compared to three loans with an aggregate unpaid principal balance of $2.7 million during the nine months ended September 30, 2022. No charge-offs were recorded as part of Note A / B splits during 2023 and 2022. These loans were restructured after analyzing the borrowers' capacity to repay the debt, collateral and ability to perform under the modified terms.

Payment default is defined as a restructured loan becoming 90 days past due after being modified, foreclosed or charged-off, whichever occurs first. During the quarter and nine months ended September 30, 2023, the outstanding balance of loans modified for borrowers under financial difficulties that were subject to payment default during the nine months preceding the default date was $5 million and $6 million, respectively.

For the quarter ended September 30, 2023, extension of maturity and the combination of reduction of interest rate and extension of maturity amounted to $4 million and $1 million, respectively, of the outstanding balance of loans modified for borrowers under financial difficulties that were subject to payment default during the nine months preceding the default date. For the nine months ended September 30, 2023, extension of maturity and the combination of reduction of interest rate and extension of maturity amounted to $5 million and $1 million, respectively, of the outstanding balance of loans modified for borrowers under financial difficulties that were subject to payment default during the nine months preceding the default date.

Legacy TDR Modifications

A modification of a loan, prior to ASU 2022-02, constituted a troubled debt restructuring (TDR) when a borrower was experiencing financial difficulty and the modification constituted a concession. For a summary of the legacy accounting policy related to TDRs, refer to the Summary of Significant Accounting Policies included in Note 2 to the 2022 Form 10-K.

The outstanding balance of loans classified as TDRs amounted to $1.6 billion at December 31, 2022. The amount of outstanding commitments to lend additional funds to debtors owing loans whose terms have been modified in TDRs amounted to $12 million related to the commercial loan portfolio at December 31, 2022.

The following table presents the outstanding balance of loans classified as TDRs according to their accruing status and the related allowance at December 31, 2022.

	December 31, 2022			
(In thousands)	Accruing	Non-Accruing	Total	Related Allowance
Loans held-in-portfolio:				
Commercial	$ 269,784	$ 54,641	$ 324,425	$ 18,451
Mortgage [1]	1,169,976	86,790	1,256,766	58,819
Leasing	1,154	24	1,178	43
Consumer	54,395	7,883	62,278	13,577
Loans held-in-portfolio	$ 1,495,309	$ 149,338	$ 1,644,647	$ 90,890

[1] At December 31, 2022, accruing mortgage loan TDRs include $ 725 million guaranteed by U.S. sponsored entities at BPPR.

The following table presents the loan count by type of modification for those loans modified in a TDR during the quarter and nine months ended September 30, 2022. Loans modified as TDRs for the U.S. operations are considered insignificant to the Corporation.

	Popular Inc.							
	For the quarter ended September 30, 2022				For the nine months ended September 30, 2022			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	-	-	2	-	-	1	2	2
Commercial real estate owner occupied	1	3	-	2	2	9	1	2
Commercial and industrial	-	3	-	-	3	8	1	11
Mortgage	2	63	210	2	6	128	715	3
Leasing	-	-	-	-	-	-	1	-
Consumer:								
Credit cards	7	-	-	10	31	-	-	32
Personal	28	4	1	-	82	60	1	1
Auto	-	-	-	-	-	1	-	-
Total	38	73	213	14	124	207	721	51

The following table presents, by class, quantitative information related to loans modified as TDRs during the quarter and nine months ended September 30, 2022.

	Popular, Inc.			
	For the quarter ended September 30, 2022			
(In thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	2	$ 1,327	$ 1,326	$ 10
Commercial real estate owner occupied	6	2,488	2,471	(47)
Commercial and industrial	3	123	117	7
Mortgage	277	28,990	30,192	1,032
Consumer:				
Credit cards	17	157	154	1
Personal	33	542	539	146
Total	338	$ 33,627	$ 34,799	$ 1,149

Popular, Inc.				
For the nine months ended September 30, 2022				
(In thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	5	$ 4,779	$ 4,777	$ 15
Commercial real estate owner occupied	14	15,594	15,567	(2,120)
Commercial and industrial	23	49,625	49,425	2,067
Mortgage	852	93,773	96,918	3,143
Leasing	1	14	12	2
Consumer:				
Credit cards	63	567	599	8
Personal	144	2,223	2,297	411
Auto	1	28	28	5
Total	1,103	$ 166,603	$ 169,623	$ 3,531

The following table presents, by class, TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date. Payment default is defined as a restructured loan becoming 90 days past due after being modified, foreclosed or charged-off, whichever occurs first. The recorded investment as of period end is inclusive of all partial paydowns and charge-offs since the modification date. Loans modified as a TDR that were fully paid down, charged-off or foreclosed upon by period end are not reported.

Popular Inc.				
	Defaulted during the quarter ended September 30, 2022		Defaulted during the nine months ended September 30, 2022	
(In thousands)	Loan count	Recorded investment as of first default date	Loan count	Recorded Investment as of first default date
Commercial real estate owner occupied	1	$ 560	1	$ 560
Commercial and industrial	2	1,165	5	3,661
Mortgage	35	3,500	73	9,200
Leasing	1	5	1	5
Consumer:				
Credit cards	4	32	24	185
Personal	15	160	34	558
Total	58	$ 5,422	138	$ 14,169

Credit Quality

The risk rating system provides for the assignment of ratings at the obligor level based on the financial condition of the borrower. The risk rating analysis process is performed at least once a year or more frequently if events or conditions change which may deteriorate the credit quality. In the case of consumer and mortgage loans, these loans are classified considering their delinquency status at the end of the reporting period.

The following tables present the amortized cost basis, net of unearned income, of loans held-in-portfolio based on the Corporation's assignment of obligor risk ratings as defined at September 30, 2023 and December 31, 2022 and the gross write-offs recorded by vintage year. For the definitions of the obligor risk ratings, refer to the Credit Quality section of Note 9 to the Consolidated Financial Statements included in the 2022 Form 10-K:

	September 30, 2023								
	Term Loans Amortized Cost Basis by Origination Year								
(In thousands)	2023	2022	2021	2020	2019	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
BPPR									
Commercial:									
Commercial multi-family									
Watch	$ -	$ -	$ -	$ -	$ 4,132	$ 4,291	$ -	$ -	$ 8,423
Special Mention	-	-	-	-	-	5,817	-	-	5,817
Substandard	-	-	-	-	-	3,048	100	-	3,148
Pass	38,060	139,784	22,604	20,572	29,751	26,368	287	-	277,426
Total commercial multi-family	$ 38,060	$ 139,784	$ 22,604	$ 20,572	$ 33,883	$ 39,524	$ 387	$ -	$ 294,814
Commercial real estate non-owner occupied									
Watch	$ 2,611	$ 345	$ 14,870	$ 22,895	$ 14,387	$ 42,474	$ -	$ -	$ 97,582
Special Mention	652	-	25,120	63	65,283	55,662	3,563	-	150,343
Substandard	19,724	1,356	-	2,243	-	25,986	-	-	49,309
Pass	215,640	881,595	555,185	363,551	44,464	584,724	6,488	-	2,651,647
Total commercial real estate non-owner occupied	$ 238,627	$ 883,296	$ 595,175	$ 388,752	$ 124,134	$ 708,846	$ 10,051	$ -	$ 2,948,881
Year-to-Date gross write-offs	$ -	$ -	$ -	$ 609	$ -	$ 27	$ -	$ -	$ 636
Commercial real estate owner occupied									
Watch	$ 1,673	$ 11,674	$ 25,306	$ 8,021	$ 3,578	$ 65,433	$ 900	$ -	$ 116,585
Special Mention	-	16,697	6,082	143,558	996	56,793	13,069	-	237,195
Substandard	916	15,967	2,130	324	657	71,111	-	-	91,105
Doubtful	-	-	-	-	-	225	-	-	225
Pass	54,152	188,715	234,029	52,294	26,558	396,965	9,730	-	962,443
Total commercial real estate owner occupied	$ 56,741	$ 233,053	$ 267,547	$ 204,197	$ 31,789	$ 590,527	$ 23,699	$ -	$ 1,407,553
Year-to-Date gross write-offs	$ -	$ 4	$ -	$ -	$ 1	$ 520	$ -	$ -	$ 525
Commercial and industrial									
Watch	$ 5,085	$ 20,271	$ 6,051	$ 2,791	$ 16,548	$ 78,294	$ 78,361	$ -	$ 207,401
Special Mention	85	3,519	3,549	6,157	2,057	42,415	10,696	-	68,478
Substandard	5,698	2,011	6,457	19,449	2,130	34,171	33,556	-	103,472
Doubtful	-	-	-	54	-	30	-	-	84
Loss	-	-	-	-	-	-	354	-	354
Pass	679,029	688,800	522,132	246,230	132,643	265,712	1,415,483	-	3,950,029
Total commercial and industrial	$ 689,897	$ 714,601	$ 538,189	$ 274,681	$ 153,378	$ 420,622	$ 1,538,450	$ -	$ 4,329,818
Year-to-Date gross write-offs	$ 784	$ 184	$ 140	$ 317	$ 398	$ 287	$ 2,869	$ -	$ 4,979
Construction									
Watch	$ -	$ 17,156	$ 8,693	$ -	$ -	$ -	$ 20,485	$ -	$ 46,334
Substandard	-	6,578	-	2,169	-	$ -	-	-	8,747
Pass	14,035	21,688	33,249	11,843	2,308	1,056	31,247	-	115,426
Total construction	$ 14,035	$ 45,422	$ 41,942	$ 14,012	$ 2,308	$ 1,056	$ 51,732	$ -	$ 170,507
Year-to-Date gross write-offs	$ -	$ 2,611	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,611
Mortgage									
Substandard	$ -	$ 161	$ 515	$ 372	$ 2,923	$ 76,022	$ -	$ -	$ 79,993
Pass	537,050	443,989	430,508	262,407	167,447	4,367,874	-	-	6,209,275
Total mortgage	$ 537,050	$ 444,150	$ 431,023	$ 262,779	$ 170,370	$ 4,443,896	$ -	$ -	$ 6,289,268
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ 1,205	$ -	$ -	$ 1,205

(In thousands)	2023	2022	2021	2020	2019	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	September 30, 2023								
	Term Loans Amortized Cost Basis by Origination Year								
BPPR									
Leasing									
Substandard	$ 146	$ 2,269	$ 1,912	$ 923	$ 946	$ 568	$ -	$ -	$ 6,764
Loss	-	48	-	-	29	-	-	-	77
Pass	508,378	522,978	341,119	180,280	101,777	36,741	-	-	1,691,273
Total leasing	$ 508,524	$ 525,295	$ 343,031	$ 181,203	$ 102,752	$ 37,309	$ -	$ -	$ 1,698,114
Year-to-Date gross write-offs	$ 391	$ 2,638	$ 1,871	$ 530	$ 473	$ 346	$ -	$ -	$ 6,249
Consumer:									
Credit cards									
Substandard	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,717	$ -	$ 17,717
Loss	-	-	-	-	-	-	2	-	2
Pass	-	-	-	-	-	-	1,059,692	-	1,059,692
Total credit cards	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,077,411	$ -	$ 1,077,411
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,998	$ -	$ 27,998
HELOCs									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,474	$ -	$ 2,474
Total HELOCs	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,474	$ -	$ 2,474
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 111	$ -	$ 111
Personal									
Substandard	$ 677	$ 4,223	$ 2,077	$ 604	$ 1,217	$ 8,854	$ -	$ 1,104	$ 18,756
Loss	30	10	48	-	25	21	-	-	134
Pass	700,994	562,370	210,731	66,531	71,178	109,046	-	23,262	1,744,112
Total Personal	$ 701,701	$ 566,603	$ 212,856	$ 67,135	$ 72,420	$ 117,921	$ -	$ 24,366	$ 1,763,002
Year-to-Date gross write-offs	$ 1,055	$ 23,867	$ 13,973	$ 3,395	$ 3,834	$ 2,305	$ -	$ 1,012	$ 49,441
Auto									
Substandard	$ 3,213	$ 12,306	$ 11,389	$ 8,665	$ 7,369	$ 3,735	$ -	$ -	$ 46,677
Loss	11	118	18	55	32	25	-	-	259
Pass	941,464	964,237	770,038	449,165	299,099	162,257	-	-	3,586,260
Total Auto	$ 944,688	$ 976,661	$ 781,445	$ 457,885	$ 306,500	$ 166,017	$ -	$ -	$ 3,633,196
Year-to-Date gross write-offs	$ 3,625	$ 16,278	$ 8,276	$ 4,353	$ 2,238	$ -	$ -	$ -	$ 34,770
Other consumer									
Substandard	$ -	$ 28	$ -	$ 82	$ 17	$ 1,151	$ 267	$ -	$ 1,545
Loss	-	-	137	-	-	499	-	-	636
Pass	30,668	24,809	15,498	5,941	3,537	3,843	61,055	-	145,351
Total Other consumer	$ 30,668	$ 24,837	$ 15,635	$ 6,023	$ 3,554	$ 5,493	$ 61,322	$ -	$ 147,532
Year-to-Date gross write-offs	$ 20	$ 117	$ 80	$ 133	$ 53	$ 11,452	$ -	$ -	$ 11,855
Total BPPR	$ 3,759,991	$ 4,553,702	$ 3,249,447	$ 1,877,239	$ 1,001,088	$ 6,531,211	$ 2,765,526	$ 24,366	$ 23,762,570

September 30, 2023									
	Term Loans Amortized Cost Basis by Origination Year							Revolving Loans Converted to Term Loans	
(In thousands)	2023	2022	2021	2020	2019	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Popular U.S.									
Commercial:									
Commercial multi-family									
Watch	$ -	$ 742	$ -	$ 3,672	$ 51,264	$ 59,944	$ -	$ -	$ 115,622
Special Mention	-	-	867	1,178	-	16,681	-	-	18,726
Substandard	-	-	-	-	14,747	16,003	-	-	30,750
Pass	69,117	525,927	367,965	233,949	216,481	450,809	4,273	-	1,868,521
Total commercial multi-family	$ 69,117	$ 526,669	$ 368,832	$ 238,799	$ 282,492	$ 543,437	$ 4,273	$ -	$ 2,033,619
Commercial real estate non-owner occupied									
Watch	$ -	$ 5,500	$ 4,228	$ 729	$ 10,991	$ 44,329	$ -	$ -	$ 65,777
Special Mention	-	-	-	-	1,333	68,433	-	-	69,766
Substandard	-	-	-	8,112	1,718	3,210	-	-	13,040
Pass	369,327	542,901	205,752	245,659	116,282	447,229	10,516	-	1,937,666
Total commercial real estate non-owner occupied	$ 369,327	$ 548,401	$ 209,980	$ 254,500	$ 130,324	$ 563,201	$ 10,516	$ -	$ 2,086,249
Commercial real estate owner occupied									
Watch	$ -	$ -	$ 78,483	$ 1,177	$ -	$ 124,940	$ -	$ -	$ 204,600
Special Mention	-	-	-	3,809	6,114	114	-	-	10,037
Substandard	-	481	-	-	7,288	49,957	-	-	57,726
Pass	221,117	357,451	322,609	112,290	76,200	266,381	8,941	-	1,364,989
Total commercial real estate owner occupied	$ 221,117	$ 357,932	$ 401,092	$ 117,276	$ 89,602	$ 441,392	$ 8,941	$ -	$ 1,637,352
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ 1,395	$ -	$ -	$ 1,395
Commercial and industrial									
Watch	$ 2,594	$ 8,238	$ 3,940	$ 1,024	$ 1,208	$ 3,748	$ 9,507	$ -	$ 30,259
Special Mention	368	621	1,074	37	171	47	-	-	2,318
Substandard	-	259	209	186	1,773	1,867	2,428	-	6,722
Pass	94,717	276,872	366,679	326,315	176,132	495,831	421,419	-	2,157,965
Total commercial and industrial	$ 97,679	$ 285,990	$ 371,902	$ 327,562	$ 179,284	$ 501,493	$ 433,354	$ -	$ 2,197,264
Year-to-Date gross write-offs	$ 247	$ 221	$ 1,994	$ -	$ 1,307	$ -	$ 39	$ -	$ 3,808
Construction									
Watch	$ -	$ -	$ 18,542	$ -	$ -	$ -	$ -	$ -	$ 18,542
Special Mention	-	-	-	-	-	34,562	-	-	34,562
Substandard	-	-	5,213	3,214	-	2,095	-	-	10,522
Pass	180,508	305,886	121,838	28,119	50,844	784	-	-	687,979
Total construction	$ 180,508	$ 305,886	$ 145,593	$ 31,333	$ 50,844	$ 37,441	$ -	$ -	$ 751,605
Mortgage									
Substandard	$ -	$ -	$ -	$ -	$ 2,168	$ 9,812	$ -	$ -	$ 11,980
Pass	75,875	226,204	291,991	237,859	179,085	272,849	-	-	1,283,863
Total mortgage	$ 75,875	$ 226,204	$ 291,991	$ 237,859	$ 181,253	$ 282,661	$ -	$ -	$ 1,295,843

	September 30, 2023								
	Term Loans Amortized Cost Basis by Origination Year							Revolving Loans Converted to Term Loans	
(In thousands)	2023	2022	2021	2020	2019	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Popular U.S.									
Consumer:									
Credit cards									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 17	$ -	$ 17
Total credit cards	$ -	$ -	$ -	$ -	$ -	$ -	$ 17	$ -	$ 17
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 1	$ -	$ 1
HELOCs									
Substandard	$ -	$ -	$ -	$ -	$ -	$ 1,906	$ -	$ 1,046	$ 2,952
Loss	-	-	-	-	-	99	-	1,034	1,133
Pass	-	-	-	-	-	7,592	40,796	12,552	60,940
Total HELOCs	$ -	$ -	$ -	$ -	$ -	$ 9,597	$ 40,796	$ 14,632	$ 65,025
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ 419	$ -	$ -	$ 419
Personal									
Substandard	$ 327	$ 1,183	$ 379	$ 88	$ 121	$ 218	$ -	$ -	$ 2,316
Loss	69	13	-	-	-	238	-	-	320
Pass	36,704	110,755	28,371	3,750	5,358	1,592	-	-	186,530
Total Personal	$ 37,100	$ 111,951	$ 28,750	$ 3,838	$ 5,479	$ 2,048	$ -	$ -	$ 189,166
Year-to-Date gross write-offs	$ 137	$ 9,218	$ 3,319	$ 518	$ 758	$ 143	$ -	$ -	$ 14,093
Other consumer									
Substandard	$ -	$ -	$ -	$ -	$ -	$ -	$ 402	$ -	$ 402
Pass	20	-	-	-	-	-	10,181	-	10,201
Total Other consumer	$ 20	$ -	$ -	$ -	$ -	$ -	$ 10,583	$ -	$ 10,603
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 143	$ -	$ 143
Total Popular U.S.	$ 1,050,743	$ 2,363,033	$ 1,818,140	$ 1,211,167	$ 919,278	$ 2,381,270	$ 508,480	$ 14,632	$ 10,266,743

September 30, 2023									
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	
(In thousands)	2023	2022	2021	2020	2019	Prior Years			Total
Popular, Inc.									
Commercial:									
Commercial multi-family									
Watch	$ -	$ 742	$ -	$ 3,672	$ 55,396	$ 64,235	$ -	$ -	$ 124,045
Special Mention	-	-	867	1,178	-	22,498	-	-	24,543
Substandard	-	-	-	-	14,747	19,051	100	-	33,898
Pass	107,177	665,711	390,569	254,521	246,232	477,177	4,560	-	2,145,947
Total commercial multi-family	$ 107,177	$ 666,453	$ 391,436	$ 259,371	$ 316,375	$ 582,961	$ 4,660	$ -	$ 2,328,433
Commercial real estate non-owner occupied									
Watch	$ 2,611	$ 5,845	$ 19,098	$ 23,624	$ 25,378	$ 86,803	$ -	$ -	$ 163,359
Special Mention	652	-	25,120	63	66,616	124,095	3,563	-	220,109
Substandard	19,724	1,356	-	10,355	1,718	29,196	-	-	62,349
Pass	584,967	1,424,496	760,937	609,210	160,746	1,031,953	17,004	-	4,589,313
Total commercial real estate non-owner occupied	$ 607,954	$ 1,431,697	$ 805,155	$ 643,252	$ 254,458	$ 1,272,047	$ 20,567	$ -	$ 5,035,130
Year-to-Date gross write-offs	$ -	$ -	$ -	$ 609	$ -	$ 27	$ -	$ -	$ 636
Commercial real estate owner occupied									
Watch	$ 1,673	$ 11,674	$ 103,789	$ 9,198	$ 3,578	$ 190,373	$ 900	$ -	$ 321,185
Special Mention	-	16,697	6,082	147,367	7,110	56,907	13,069	-	247,232
Substandard	916	16,448	2,130	324	7,945	121,068	-	-	148,831
Doubtful	-	-	-	-	-	225	-	-	225
Pass	275,269	546,166	556,638	164,584	102,758	663,346	18,671	-	2,327,432
Total commercial real estate owner occupied	$ 277,858	$ 590,985	$ 668,639	$ 321,473	$ 121,391	$ 1,031,919	$ 32,640	$ -	$ 3,044,905
Year-to-Date gross write-offs	$ -	$ 4	$ -	$ -	$ 1	$ 1,915	$ -	$ -	$ 1,920
Commercial and industrial									
Watch	$ 7,679	$ 28,509	$ 9,991	$ 3,815	$ 17,756	$ 82,042	$ 87,868	$ -	$ 237,660
Special Mention	453	4,140	4,623	6,194	2,228	42,462	10,696	-	70,796
Substandard	5,698	2,270	6,666	19,635	3,903	36,038	35,984	-	110,194
Doubtful	-	-	-	54	-	30	-	-	84
Loss	-	-	-	-	-	-	354	-	354
Pass	773,746	965,672	888,811	572,545	308,775	761,543	1,836,902	-	6,107,994
Total commercial and industrial	$ 787,576	$ 1,000,591	$ 910,091	$ 602,243	$ 332,662	$ 922,115	$ 1,971,804	$ -	$ 6,527,082
Year-to-Date gross write-offs	$ 1,031	$ 405	$ 2,134	$ 317	$ 1,705	$ 287	$ 2,908	$ -	$ 8,787

(In thousands)	2023	2022	2021	2020	2019	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	September 30, 2023								
	Term Loans Amortized Cost Basis by Origination Year								
Popular, Inc.									
Construction									
Watch	$ -	$ 17,156	$ 27,235	$ -	$ -	$ -	$ 20,485	$ -	$ 64,876
Special Mention	-	-	-	-	-	34,562	-	-	34,562
Substandard	-	6,578	5,213	5,383	-	2,095	-	-	19,269
Pass	194,543	327,574	155,087	39,962	53,152	1,840	31,247	-	803,405
Total construction	$ 194,543	$ 351,308	$ 187,535	$ 45,345	$ 53,152	$ 38,497	$ 51,732	$ -	$ 922,112
Year-to-Date gross write-offs	$ -	$ 2,611	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,611
Mortgage									
Substandard	$ -	$ 161	$ 515	$ 372	$ 5,091	$ 85,834	$ -	$ -	$ 91,973
Pass	612,925	670,193	722,499	500,266	346,532	4,640,723	-	-	7,493,138
Total mortgage	$ 612,925	$ 670,354	$ 723,014	$ 500,638	$ 351,623	$ 4,726,557	$ -	$ -	$ 7,585,111
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ 1,205	$ -	$ -	$ 1,205
Leasing									
Substandard	$ 146	$ 2,269	$ 1,912	$ 923	$ 946	$ 568	$ -	$ -	$ 6,764
Loss	-	48	-	-	29	-	-	-	77
Pass	508,378	522,978	341,119	180,280	101,777	36,741	-	-	1,691,273
Total leasing	$ 508,524	$ 525,295	$ 343,031	$ 181,203	$ 102,752	$ 37,309	$ -	$ -	$ 1,698,114
Year-to-Date gross write-offs	$ 391	$ 2,638	$ 1,871	$ 530	$ 473	$ 346	$ -	$ -	$ 6,249

	September 30, 2023								
	Term Loans Amortized Cost Basis by Origination Year								
(In thousands)	2023	2022	2021	2020	2019	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Popular, Inc.									
Consumer:									
Credit cards									
Substandard	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,717	$ -	$ 17,717
Loss	-	-	-	-	-	-	2	-	2
Pass	-	-	-	-	-	-	1,059,709	-	1,059,709
Total credit cards	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,077,428	$ -	$ 1,077,428
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,999	$ -	$ 27,999
HELOCs									
Substandard	$ -	$ -	$ -	$ -	$ -	$ 1,906	$ -	$ 1,046	$ 2,952
Loss	-	-	-	-	-	99	-	1,034	1,133
Pass	-	-	-	-	-	7,592	43,270	12,552	63,414
Total HELOCs	$ -	$ -	$ -	$ -	$ -	$ 9,597	$ 43,270	$ 14,632	$ 67,499
Year-to-Date gross write-offs	$ -	$ -	$ -	$ -	$ -	$ 419	$ 111	$ -	$ 530
Personal									
Substandard	$ 1,004	$ 5,406	$ 2,456	$ 692	$ 1,338	$ 9,072	$ -	$ 1,104	$ 21,072
Loss	99	23	48	-	25	259	-	-	454
Pass	737,698	673,125	239,102	70,281	76,536	110,638	-	23,262	1,930,642
Total Personal	$ 738,801	$ 678,554	$ 241,606	$ 70,973	$ 77,899	$ 119,969	$ -	$ 24,366	$ 1,952,168
Year-to-Date gross write-offs	$ 1,192	$ 33,085	$ 17,292	$ 3,913	$ 4,592	$ 2,448	$ -	$ 1,012	$ 63,534
Auto									
Substandard	$ 3,213	$ 12,306	$ 11,389	$ 8,665	$ 7,369	$ 3,735	$ -	$ -	$ 46,677
Loss	11	118	18	55	32	25	-	-	259
Pass	941,464	964,237	770,038	449,165	299,099	162,257	-	-	3,586,260
Total Auto	$ 944,688	$ 976,661	$ 781,445	$ 457,885	$ 306,500	$ 166,017	$ -	$ -	$ 3,633,196
Year-to-Date gross write-offs	$ 3,625	$ 16,278	$ 8,276	$ 4,353	$ 2,238	$ -	$ -	$ -	$ 34,770
Other consumer									
Substandard	$ -	$ 28	$ -	$ 82	$ 17	$ 1,151	$ 669	$ -	$ 1,947
Loss	-	-	137	-	-	499	-	-	636
Pass	30,688	24,809	15,498	5,941	3,537	3,843	71,236	-	155,552
Total Other consumer	$ 30,688	$ 24,837	$ 15,635	$ 6,023	$ 3,554	$ 5,493	$ 71,905	$ -	$ 158,135
Year-to-Date gross write-offs	$ 20	$ 117	$ 80	$ 133	$ 53	$ 11,452	$ 143	$ -	$ 11,998
Total Popular Inc.	$ 4,810,734	$ 6,916,735	$ 5,067,587	$ 3,088,406	$ 1,920,366	$ 8,912,481	$ 3,274,006	$ 38,998	$ 34,029,313

(In thousands)	2022	2021	2020	2019	2018	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	December 31, 2022								
	Term Loans Amortized Cost Basis by Origination Year								
BPPR									
Commercial:									
Commercial multi-family									
Watch	$ -	$ -	$ -	$ 18,508	$ -	$ 4,687	$ -	$ -	$ 23,195
Special Mention	-	-	-	-	-	2,692	-	-	2,692
Substandard	-	-	-	-	-	3,326	100	-	3,426
Pass	137,411	22,850	20,821	16,145	24,640	30,193	-	-	252,060
Total commercial multi-family	$ 137,411	$ 22,850	$ 20,821	$ 34,653	$ 24,640	$ 40,898	$ 100	$ -	$ 281,373
Commercial real estate non-owner occupied									
Watch	$ 173	$ 36,228	$ 14,045	$ 14,942	$ 7,777	$ 99,269	$ -	$ -	$ 172,434
Special Mention	-	4,361	19,970	7,517	-	25,540	-	-	57,388
Substandard	8,933	-	3,209	19,004	25,490	21,064	-	-	77,700
Pass	855,839	585,690	294,086	94,056	35,105	568,893	16,136	-	2,449,805
Total commercial real estate non-owner occupied	$ 864,945	$ 626,279	$ 331,310	$ 135,519	$ 68,372	$ 714,766	$ 16,136	$ -	$ 2,757,327
Commercial real estate owner occupied									
Watch	$ 2,296	$ 5,271	$ 9,447	$ 4,275	$ 31,649	$ 71,568	$ -	$ -	$ 124,506
Special Mention	10	284	1,684	6,578	1,076	61,460	-	-	71,092
Substandard	16,205	6,177	802	800	770	84,205	-	-	108,959
Doubtful	-	-	-	-	-	505	-	-	505
Pass	227,404	258,473	274,333	30,691	68,029	407,322	16,742	-	1,282,994
Total commercial real estate owner occupied	$ 245,915	$ 270,205	$ 286,266	$ 42,344	$ 101,524	$ 625,060	$ 16,742	$ -	$ 1,588,056
Commercial and industrial									
Watch	$ 32,376	$ 2,185	$ 15,493	$ 18,829	$ 15,483	$ 51,602	$ 56,508	$ -	$ 192,476
Special Mention	2,537	2,479	5,770	1,139	6,767	46,040	6,283	-	71,015
Substandard	789	1,276	1,600	3,138	11,536	40,636	46,226	-	105,201
Doubtful	-	-	29	-	75	75	-	-	179
Loss	-	-	-	-	-	-	144	-	144
Pass	793,662	684,647	211,013	177,265	65,197	292,173	1,203,536	-	3,427,493
Total commercial and industrial	$ 829,364	$ 690,587	$ 233,905	$ 200,371	$ 99,058	$ 430,526	$ 1,312,697	$ -	$ 3,796,508
Construction									
Watch	$ 35,446	$ 3,116	$ 98	$ -	$ -	$ -	$ 141	$ -	$ 38,801
Substandard	-	-	9,629	-	-	-	-	-	9,629
Pass	13,044	34,387	15,961	2,262	-	-	32,957	-	98,611
Total construction	$ 48,490	$ 37,503	$ 25,688	$ 2,262	$ -	$ -	$ 33,098	$ -	$ 147,041
Mortgage									
Substandard	$ -	$ 574	$ 687	$ 3,926	$ 4,227	$ 93,959	$ -	$ -	$ 103,373
Pass	449,286	451,027	285,026	204,170	237,007	4,380,390	-	-	6,006,906
Total mortgage	$ 449,286	$ 451,601	$ 285,713	$ 208,096	$ 241,234	$ 4,474,349	$ -	$ -	$ 6,110,279
Leasing									
Substandard	$ 953	$ 1,491	$ 941	$ 1,172	$ 1,127	$ 215	$ -	$ -	$ 5,899
Loss	-	-	-	21	-	21	-	-	42
Pass	672,294	428,889	237,939	146,231	79,451	14,994	-	-	1,579,798
Total leasing	$ 673,247	$ 430,380	$ 238,880	$ 147,424	$ 80,578	$ 15,230	$ -	$ -	$ 1,585,739

(In thousands)	2022	2021	2020	2019	2018	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	December 31, 2022								
	Term Loans Amortized Cost Basis by Origination Year								
BPPR									
Consumer:									
Credit cards									
Substandard	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,907	$ -	$ 11,907
Loss	-	-	-	-	-	-	3	-	3
Pass	-	-	-	-	-	-	1,029,921	-	1,029,921
Total credit cards	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,041,831	$ -	$ 1,041,831
HELOCs									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,954	$ -	$ 2,954
Total HELOCs	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,954	$ -	$ 2,954
Personal									
Substandard	$ 1,330	$ 2,001	$ 764	$ 1,774	$ 503	$ 10,831	$ -	$ 1,285	$ 18,488
Loss	-	-	53	20	31	10	-	1	115
Pass	841,564	320,809	103,337	117,568	46,555	109,543	-	27,708	1,567,084
Total Personal	$ 842,894	$ 322,810	$ 104,154	$ 119,362	$ 47,089	$ 120,384	$ -	$ 28,994	$ 1,585,687
Auto									
Substandard	$ 6,764	$ 11,171	$ 10,466	$ 10,243	$ 4,597	$ 2,382	$ -	$ -	$ 45,623
Loss	23	41	48	25	7	14	-	-	158
Pass	1,156,654	961,571	588,200	426,169	248,328	85,827	-	-	3,466,749
Total Auto	$ 1,163,441	$ 972,783	$ 598,714	$ 436,437	$ 252,932	$ 88,223	$ -	$ -	$ 3,512,530
Other consumer									
Substandard	$ -	$ -	$ 100	$ 593	$ 543	$ 242	$ 10,902	$ -	$ 12,380
Loss	-	-	-	-	263	40	-	-	303
Pass	29,557	17,439	6,967	4,201	4,553	1,942	60,238	-	124,897
Total Other consumer	$ 29,557	$ 17,439	$ 7,067	$ 4,794	$ 5,359	$ 2,224	$ 71,140	$ -	$ 137,580
Total BPPR	$ 5,284,550	$ 3,842,437	$ 2,132,518	$ 1,331,262	$ 920,786	$ 6,511,660	$ 2,494,698	$ 28,994	$ 22,546,905

	December 31, 2022								
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	
(In thousands)	2022	2021	2020	2019	2018	Prior Years			Total
Popular U.S.									
Commercial:									
Commercial multi-family									
Watch	$ 750	$ 917	$ 6,218	$ 85,579	$ 9,633	$ 52,835	$ -	$ -	$ 155,932
Special Mention	-	-	1,198	-	14,491	8,372	-	-	24,061
Substandard	-	-	-	9,305	7,373	2,941	-	-	19,619
Pass	503,010	399,397	238,903	210,295	138,723	347,615	2,785	-	1,840,728
Total commercial multi-family	$ 503,760	$ 400,314	$ 246,319	$ 305,179	$ 170,220	$ 411,763	$ 2,785	$ -	$ 2,040,340
Commercial real estate non-owner occupied									
Watch	$ -	$ 2,167	$ 13,622	$ 3,355	$ 26,931	$ 29,849	$ -	$ -	$ 75,924
Special Mention	-	-	-	1,353	-	75,269	-	-	76,622
Substandard	-	2,864	2,149	3,220	1,429	4,722	-	-	14,384
Pass	552,258	209,338	211,449	109,781	100,065	383,409	9,113	-	1,575,413
Total commercial real estate non-owner occupied	$ 552,258	$ 214,369	$ 227,220	$ 117,709	$ 128,425	$ 493,249	$ 9,113	$ -	$ 1,742,343
Commercial real estate owner occupied									
Watch	$ -	$ -	$ 1,197	$ 1,079	$ 6,095	$ 55,005	$ -	$ -	$ 63,376
Special Mention	-	-	3,886	-	-	901	-	-	4,787
Substandard	-	-	-	7,403	11,165	33,586	-	-	52,154
Pass	363,655	422,959	114,988	82,971	119,565	258,881	7,157	-	1,370,176
Total commercial real estate owner occupied	$ 363,655	$ 422,959	$ 120,071	$ 91,453	$ 136,825	$ 348,373	$ 7,157	$ -	$ 1,490,493
Commercial and industrial									
Watch	$ 12,328	$ 2,218	$ 2,022	$ 2,049	$ 8,438	$ 532	$ 4,291	$ -	$ 31,878
Special Mention	1,262	1,130	314	244	60	-	3	-	3,013
Substandard	260	935	74	4,278	315	1,829	1,408	-	9,099
Loss	292	525	1	75	192	3	-	-	1,088
Pass	185,318	341,855	368,398	202,301	171,528	376,045	352,169	-	1,997,614
Total commercial and industrial	$ 199,460	$ 346,663	$ 370,809	$ 208,947	$ 180,533	$ 378,409	$ 357,871	$ -	$ 2,042,692
Construction									
Watch	$ -	$ 12,085	$ -	$ 6,979	$ 18,310	$ 34,126	$ -	$ -	$ 71,500
Special Mention	-	3	-	-	-	-	-	-	3
Substandard	-	-	1,423	-	6,540	2,095	-	-	10,058
Pass	164,272	146,062	91,486	93,118	10,863	23,581	-	-	529,382
Total construction	$ 164,272	$ 158,150	$ 92,909	$ 100,097	$ 35,713	$ 59,802	$ -	$ -	$ 610,943
Mortgage									
Substandard	$ -	$ 2,009	$ 3,478	$ 4,048	$ 1,156	$ 9,798	$ -	$ -	$ 20,489
Pass	236,595	303,204	243,468	183,846	58,026	241,564	-	-	1,266,703
Total mortgage	$ 236,595	$ 305,213	$ 246,946	$ 187,894	$ 59,182	$ 251,362	$ -	$ -	$ 1,287,192

	December 31, 2022								
	Term Loans Amortized Cost Basis by Origination Year							Revolving Loans Converted to Term Loans Amortized Cost Basis	
(In thousands)	2022	2021	2020	2019	2018	Prior Years	Revolving Loans Amortized Cost Basis		Total
Popular U.S.									
Consumer:									
Credit cards									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 39	$ -	$ 39
Total credit cards	$ -	$ -	$ -	$ -	$ -	$ -	$ 39	$ -	$ 39
HELOCs									
Substandard	$ -	$ -	$ -	$ -	$ -	$ 2,146	$ 20	$ 1,402	$ 3,568
Loss	-	-	-	-	-	4	-	538	542
Pass	-	-	-	-	-	9,169	41,724	13,959	64,852
Total HELOCs	$ -	$ -	$ -	$ -	$ -	$ 11,319	$ 41,744	$ 15,899	$ 68,962
Personal									
Substandard	$ 621	$ 454	$ 149	$ 238	$ 70	$ 6	$ -	$ -	$ 1,538
Loss	-	-	-	-	-	421	-	-	421
Pass	165,153	46,320	7,339	13,443	2,021	1,657	-	-	235,933
Total Personal	$ 165,774	$ 46,774	$ 7,488	$ 13,681	$ 2,091	$ 2,084	$ -	$ -	$ 237,892
Other consumer									
Substandard	$ -	$ -	$ -	$ -	$ -	$ -	$ 8	$ -	$ 8
Pass	-	-	-	-	-	-	9,960	-	9,960
Total Other consumer	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,968	$ -	$ 9,968
Total Popular U.S.	$ 2,185,774	$ 1,894,442	$ 1,311,762	$ 1,024,960	$ 712,989	$ 1,956,361	$ 428,677	$ 15,899	$ 9,530,864

(In thousands)	December 31, 2022								
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2022	2021	2020	2019	2018	Prior Years			
Popular, Inc.									
Commercial:									
Commercial multi-family									
Watch	$ 750	$ 917	$ 6,218	$ 104,087	$ 9,633	$ 57,522	$ -	$ -	$ 179,127
Special Mention	-	-	1,198	-	14,491	11,064	-	-	26,753
Substandard	-	-	-	9,305	7,373	6,267	100	-	23,045
Pass	640,421	422,247	259,724	226,440	163,363	377,808	2,785	-	2,092,788
Total commercial multi-family	$ 641,171	$ 423,164	$ 267,140	$ 339,832	$ 194,860	$ 452,661	$ 2,885	$ -	$ 2,321,713
Commercial real estate non-owner occupied									
Watch	$ 173	$ 38,395	$ 27,667	$ 18,297	$ 34,708	$ 129,118	$ -	$ -	$ 248,358
Special Mention	-	4,361	19,970	8,870	-	100,809	-	-	134,010
Substandard	8,933	2,864	5,358	22,224	26,919	25,786	-	-	92,084
Pass	1,408,097	795,028	505,535	203,837	135,170	952,302	25,249	-	4,025,218
Total commercial real estate non-owner occupied	$ 1,417,203	$ 840,648	$ 558,530	$ 253,228	$ 196,797	$ 1,208,015	$ 25,249	$ -	$ 4,499,670
Commercial real estate owner occupied									
Watch	$ 2,296	$ 5,271	$ 10,644	$ 5,354	$ 37,744	$ 126,573	$ -	$ -	$ 187,882
Special Mention	10	284	5,570	6,578	1,076	62,361	-	-	75,879
Substandard	16,205	6,177	802	8,203	11,935	117,791	-	-	161,113
Doubtful	-	-	-	-	-	505	-	-	505
Pass	591,059	681,432	389,321	113,662	187,594	666,203	23,899	-	2,653,170
Total commercial real estate owner occupied	$ 609,570	$ 693,164	$ 406,337	$ 133,797	$ 238,349	$ 973,433	$ 23,899	$ -	$ 3,078,549
Commercial and industrial									
Watch	$ 44,704	$ 4,403	$ 17,515	$ 20,878	$ 23,921	$ 52,134	$ 60,799	$ -	$ 224,354
Special Mention	3,799	3,609	6,084	1,383	6,827	46,040	6,286	-	74,028
Substandard	1,049	2,211	1,674	7,416	11,851	42,465	47,634	-	114,300
Doubtful	-	-	29	-	75	75	-	-	179
Loss	292	525	1	75	192	3	144	-	1,232
Pass	978,980	1,026,502	579,411	379,566	236,725	668,218	1,555,705	-	5,425,107
Total commercial and industrial	$ 1,028,824	$ 1,037,250	$ 604,714	$ 409,318	$ 279,591	$ 808,935	$ 1,670,568	$ -	$ 5,839,200

	December 31, 2022								
	Term Loans Amortized Cost Basis by Origination Year								
(In thousands)	2022	2021	2020	2019	2018	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Popular, Inc.									
Construction									
Watch	$ 35,446	$ 15,201	$ 98	$ 6,979	$ 18,310	$ 34,126	$ 141	$ -	$ 110,301
Special Mention	-	3	-	-	-	-	-	-	3
Substandard	-	-	11,052	-	6,540	2,095	-	-	19,687
Pass	177,316	180,449	107,447	95,380	10,863	23,581	32,957	-	627,993
Total construction	$ 212,762	$ 195,653	$ 118,597	$ 102,359	$ 35,713	$ 59,802	$ 33,098	$ -	$ 757,984
Mortgage									
Substandard	$ -	$ 2,583	$ 4,165	$ 7,974	$ 5,383	$ 103,757	$ -	$ -	$ 123,862
Pass	685,881	754,231	528,494	388,016	295,033	4,621,954	-	-	7,273,609
Total mortgage	$ 685,881	$ 756,814	$ 532,659	$ 395,990	$ 300,416	$ 4,725,711	$ -	$ -	$ 7,397,471
Leasing									
Substandard	$ 953	$ 1,491	$ 941	$ 1,172	$ 1,127	$ 215	$ -	$ -	$ 5,899
Loss	-	-	-	21	-	21	-	-	42
Pass	672,294	428,889	237,939	146,231	79,451	14,994	-	-	1,579,798
Total leasing	$ 673,247	$ 430,380	$ 238,880	$ 147,424	$ 80,578	$ 15,230	$ -	$ -	$ 1,585,739

(In thousands)	December 31, 2022 Term Loans Amortized Cost Basis by Origination Year 2022	2021	2020	2019	2018	Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Popular, Inc.									
Consumer:									
Credit cards									
Substandard	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,907	$ -	$ 11,907
Loss	-	-	-	-	-	-	3	-	3
Pass	-	-	-	-	-	-	1,029,960	-	1,029,960
Total credit cards	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,041,870	$ -	$ 1,041,870
HELOCs									
Substandard	$ -	$ -	$ -	$ -	$ -	$ 2,146	$ 20	$ 1,402	$ 3,568
Loss	-	-	-	-	-	4	-	538	542
Pass	-	-	-	-	-	9,169	44,678	13,959	67,806
Total HELOCs	$ -	$ -	$ -	$ -	$ -	$ 11,319	$ 44,698	$ 15,899	$ 71,916
Personal									
Substandard	$ 1,951	$ 2,455	$ 913	$ 2,012	$ 573	$ 10,837	$ -	$ 1,285	$ 20,026
Loss	-	-	53	20	31	431	-	1	536
Pass	1,006,717	367,129	110,676	131,011	48,576	111,200	-	27,708	1,803,017
Total Personal	$ 1,008,668	$ 369,584	$ 111,642	$ 133,043	$ 49,180	$ 122,468	$ -	$ 28,994	$ 1,823,579
Auto									
Substandard	$ 6,764	$ 11,171	$ 10,466	$ 10,243	$ 4,597	$ 2,382	$ -	$ -	$ 45,623
Loss	23	41	48	25	7	14	-	-	158
Pass	1,156,654	961,571	588,200	426,169	248,328	85,827	-	-	3,466,749
Total Auto	$ 1,163,441	$ 972,783	$ 598,714	$ 436,437	$ 252,932	$ 88,223	$ -	$ -	$ 3,512,530
Other consumer									
Substandard	$ -	$ -	$ 100	$ 593	$ 543	$ 242	$ 10,910	$ -	$ 12,388
Loss	-	-	-	-	263	40	-	-	303
Pass	29,557	17,439	6,967	4,201	4,553	1,942	70,198	-	134,857
Total Other consumer	$ 29,557	$ 17,439	$ 7,067	$ 4,794	$ 5,359	$ 2,224	$ 81,108	$ -	$ 147,548
Total Popular Inc.	$ 7,470,324	$ 5,736,879	$ 3,444,280	$ 2,356,222	$ 1,633,775	$ 8,468,021	$ 2,923,375	$ 44,893	$ 32,077,769

Note 10 – Mortgage banking activities

Income from mortgage banking activities includes mortgage servicing fees earned in connection with administering residential mortgage loans and valuation adjustments on mortgage servicing rights. It also includes gain on sales and securitizations of residential mortgage loans, losses on repurchased loans, including interest advances, and trading gains and losses on derivative contracts used to hedge the Corporation’s securitization activities. In addition, fair value valuation adjustments to residential mortgage loans held for sale, if any, are recorded as part of the mortgage banking activities.

The following table presents the components of mortgage banking activities:

	Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	2023	2022	2023	2022
Mortgage servicing fees, net of fair value adjustments:				
Mortgage servicing fees	$ 8,025	$ 9,126	$ 25,083	$ 27,635
Mortgage servicing rights fair value adjustments	(2,793)	(499)	(10,385)	2,846
Total mortgage servicing fees, net of fair value adjustments	5,232	8,627	14,698	30,481
Net (loss) gain on sale of loans, including valuation on loans held-for-sale	(335)	1,124	(133)	(374)
Trading account profit (loss):				
Unrealized gains on outstanding derivative positions	45	-	160	-
Realized gains (losses) on closed derivative positions	494	(240)	661	6,325
Total trading account profit (loss)	539	(240)	821	6,325
Losses on repurchased loans, including interest advances	(43)	(63)	(277)	(544)
Total mortgage banking activities	$ 5,393	$ 9,448	$ 15,109	$ 35,888

[1] Effective on January 1, 2023, loans held-for-sale are stated at fair value. Prior to such date, loans held-for-sale were stated at lower-of-cost-or-market.

Note 11 – Transfers of financial assets and mortgage servicing assets

The Corporation typically transfers conforming residential mortgage loans in conjunction with GNMA, FNMA and FHLMC securitization transactions whereby the loans are exchanged for cash or securities and servicing rights. As seller, the Corporation has made certain representations and warranties with respect to the originally transferred loans and, in the past, has sold certain loans with credit recourse to a government-sponsored entity, namely FNMA. Refer to Note 20 to the Consolidated Financial Statements for a description of such arrangements.

No liabilities were incurred as a result of these securitizations during the quarters and nine months ended September 30, 2023 and 2022 because they did not contain any credit recourse arrangements.

The following tables present the initial fair value of the assets obtained as proceeds from residential mortgage loans securitized during the quarters and nine months ended September 30, 2023 and 2022:

	Proceeds Obtained During the Quarter Ended September 30, 2023			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account debt securities:				
Mortgage-backed securities - GNMA	$ -	$ 1,421	$ -	$ 1,421
Mortgage-backed securities - FNMA	-	10,178	-	10,178
Total trading account debt securities	$ -	$ 11,599	$ -	$ 11,599
Mortgage servicing rights	$ -	$ -	$ 301	$ 301
Total	$ -	$ 11,599	$ 301	$ 11,900

	Proceeds Obtained During the Nine months Ended September 30, 2023			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account debt securities:				
Mortgage-backed securities - GNMA	$ -	$ 2,488	$ -	$ 2,488
Mortgage-backed securities - FNMA	-	33,470	-	33,470
Total trading account debt securities	$ -	$ 35,958	$ -	$ 35,958
Mortgage servicing rights	$ -	$ -	$ 945	$ 945
Total	$ -	$ 35,958	$ 945	$ 36,903

	Proceeds Obtained During the Quarter Ended September 30, 2022			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account debt securities:				
Mortgage-backed securities - GNMA	$ -	$ 14,190	$ -	$ 14,190
Mortgage-backed securities - FNMA	-	21,685	-	21,685
Total trading account debt securities	$ -	$ 35,875	$ -	$ 35,875
Mortgage servicing rights	$ -	$ -	$ 809	$ 809
Total	$ -	$ 35,875	$ 809	$ 36,684

Proceeds Obtained During the Nine months Ended September 30, 2022				
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account debt securities:				
Mortgage-backed securities - GNMA	$ -	$ 169,352	$ -	$ 169,352
Mortgage-backed securities - FNMA	-	117,015	-	117,015
Mortgage-backed securities - FHLMC	-	8,505	-	8,505
Total trading account debt securities	$ -	$ 294,872	$ -	$ 294,872
Mortgage servicing rights	$ -	$ -	$ 5,179	$ 5,179
Total	$ -	$ 294,872	$ 5,179	$ 300,051

During the nine months ended September 30, 2023, the Corporation retained servicing rights on whole loan sales involving approximately $39 million in principal balance outstanding (September 30, 2022 - $50 million), with net realized gains of approximately $0.6 million (September 30, 2022 - gains of $0.8 million). All loan sales performed during the nine months ended September 30, 2023 and 2022 were without credit recourse agreements.

The Corporation recognizes as assets the rights to service loans for others, whether these rights are purchased or result from asset transfers such as sales and securitizations. These mortgage servicing rights ("MSRs") are measured at fair value.

The Corporation uses a discounted cash flow model to estimate the fair value of MSRs. The discounted cash flow model incorporates assumptions that market participants would use in estimating future net servicing income, including estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations. Prepayment speeds are adjusted for the loans' characteristics and portfolio behavior.

The following table presents the changes in MSRs measured using the fair value method for the nine months ended September 30, 2023 and 2022.

Residential MSRs		
(In thousands)	September 30, 2023	September 30, 2022
Fair value at beginning of period	$ 128,350	$ 121,570
Additions	1,814	6,195
Changes due to payments on loans [1]	(7,569)	(8,178)
Reduction due to loan repurchases	(468)	(646)
Changes in fair value due to changes in valuation model inputs or assumptions	(1,828)	11,556
Other	(1,269)	44
Fair value at end of period [2]	$ 119,030	$ 130,541

[1] Represents changes due to collection / realization of expected cash flows over time.

[2] At September 30, 2023, PB had MSRs amounting to $ 1.9 million (September 30, 2022 - $ 2.0 million).

During the quarter ended June 30, 2023 the Corporation terminated a servicing agreement, in which it acted as sub-servicer for a third party, for a portfolio with an unpaid principal balance of approximately $260 million and a related MSR fair value of approximately $2 million. The transaction did not result in a material effect on the financial results of the Corporation.

Residential mortgage loans serviced for others were $10.1 billion at September 30, 2023 (December 31, 2022 $11.1 billion).

Net mortgage servicing fees, a component of mortgage banking activities in the Consolidated Statements of Operations, include the changes from period to period in the fair value of the MSRs, including changes due to collection / realization of expected cash flows. The banking subsidiaries receive servicing fees based on a percentage of the outstanding loan balance. These servicing fees are credited to income when they are collected. At September 30, 2023, those weighted average mortgage servicing fees were 0.31%

(September 30, 2022 0.31%). Under these servicing agreements, the banking subsidiaries do not generally earn significant prepayment penalty fees on the underlying loans serviced.

The section below includes information on assumptions used in the valuation model of the MSRs, originated and purchased. Key economic assumptions used in measuring the servicing rights derived from loans securitized or sold by the Corporation during the quarters and nine months ended September 30, 2023 and 2022 were as follows:

	Quarters ended				Nine months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
	BPPR	PB	BPPR	PB	BPPR	PB	BPPR	PB
Prepayment speed	7.3 %	7.0 %	5.5 %	7.2 %	7.1 %	7.1 %	5.2 %	8.4 %
Weighted average life (in years)	9.2	8.0	9.5	8.2	9.2	8.0	9.7	7.7
Discount rate (annual rate)	9.6 %	11.0 %	10.7 %	10.0 %	9.6 %	10.7 %	10.5 %	9.8 %

Key economic assumptions used to estimate the fair value of MSRs derived from sales and securitizations of mortgage loans performed by the banking subsidiaries and servicing rights purchased from other financial institutions, and the sensitivity to immediate changes in those assumptions, were as follows as of the end of the periods reported:

	Originated MSRs		Purchased MSRs	
(In thousands)	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Fair value of servicing rights	$ 40,346	$ 41,548	$ 78,684	$ 86,802
Weighted average life (in years)	6.6	6.8	6.7	6.9
Weighted average prepayment speed (annual rate)	6.0 %	5.9 %	7.0 %	7.0 %
Impact on fair value of 10% adverse change	$ (728)	$ (730)	$ (1,491)	$ (1,602)
Impact on fair value of 20% adverse change	$ (1,427)	$ (1,433)	$ (2,924)	$ (3,143)
Weighted average discount rate (annual rate)	11.2 %	11.2 %	10.9 %	11.0 %
Impact on fair value of 10% adverse change	$ (1,387)	$ (1,485)	$ (2,842)	$ (3,256)
Impact on fair value of 20% adverse change	$ (2,688)	$ (2,876)	$ (5,508)	$ (6,304)

The sensitivity analyses presented in the table above for servicing rights are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 and 20 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the sensitivity tables included herein, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

At September 30, 2023, the Corporation serviced $0.6 billion in residential mortgage loans with credit recourse to the Corporation (December 31, 2022 - $0.6 billion). Also refer to Note 20 to the Consolidated Financial Statements for information on changes in the Corporation's liability of estimated losses related to loans serviced with credit recourse.

Under the GNMA securitizations, the Corporation, as servicer, has the right to repurchase (but not the obligation), at its option and without GNMA's prior authorization, any loan that is collateral for a GNMA guaranteed mortgage-backed security when certain delinquency criteria are met. At the time that individual loans meet GNMA's specified delinquency criteria and are eligible for repurchase, the Corporation is deemed to have regained effective control over these loans if the Corporation was the pool issuer. At September 30, 2023, the Corporation had recorded $8 million in mortgage loans on its Consolidated Statements of Financial Condition related to this buy-back option program (December 31, 2022 - $18 million). Loans in our serviced GNMA portfolio benefit from payment forbearance programs but continue to reflect the contractual delinquency until the borrower repays deferred payments or completes a payment deferral modification or other borrower assistance alternative. As long as the Corporation continues to service the loans that continue to be collateral in a GNMA guaranteed mortgage-backed security, the MSR is recognized by the Corporation.

During the nine months ended September 30, 2023, the Corporation repurchased approximately $34 million (September 30, 2022 - $49 million) of mortgage loans from its GNMA servicing portfolio. The determination to repurchase these loans was based on the economic benefits of the transaction, which results in a reduction of the servicing costs for these severely delinquent loans, mainly related to principal and interest advances. The risk associated with the loans is reduced due to their guaranteed nature. The Corporation may place these loans under modification programs offered by FHA, VA or United States Department of Agriculture (USDA) or other loss mitigation programs offered by the Corporation, and once brought back to current status, these may be either retained in portfolio or re-sold in the secondary market.

Note 12 – Other real estate owned

The following tables present the activity related to Other Real Estate Owned ("OREO"), for the quarters and nine months ended September 30, 2023 and 2022.

	For the quarter ended September 30, 2023		
(In thousands)	OREO Commercial/Construction	OREO Mortgage	Total
Balance at beginning of period	$ 11,819	$ 74,397	$ 86,216
Write-downs in value	(123)	(567)	(690)
Additions	257	14,795	15,052
Sales	(900)	(17,356)	(18,256)
Ending balance	$ 11,053	$ 71,269	$ 82,322

	For the quarter ended September 30, 2022		
(In thousands)	OREO Commercial/Construction	OREO Mortgage	Total
Balance at beginning of period	$ 14,250	$ 77,887	$ 92,137
Write-downs in value	(84)	(376)	(460)
Additions	1,711	13,975	15,686
Sales	(1,984)	(12,065)	(14,049)
Other adjustments	-	(75)	(75)
Ending balance	$ 13,893	$ 79,346	$ 93,239

	For the nine months ended September 30, 2023		
(In thousands)	OREO Commercial/Construction	OREO Mortgage	Total
Balance at beginning of period	$ 12,500	$ 76,626	$ 89,126
Write-downs in value	(362)	(1,587)	(1,949)
Additions	1,524	54,625	56,149
Sales	(2,626)	(58,277)	(60,903)
Other adjustments	17	(118)	(101)
Ending balance	$ 11,053	$ 71,269	$ 82,322

	For the nine months ended September 30, 2022		
(In thousands)	OREO Commercial/Construction	OREO Mortgage	Total
Balance at beginning of period	$ 15,017	$ 70,060	$ 85,077
Write-downs in value	(934)	(949)	(1,883)
Additions	5,230	53,878	59,108
Sales	(5,528)	(43,110)	(48,638)
Other adjustments	108	(533)	(425)
Ending balance	$ 13,893	$ 79,346	$ 93,239

Note 13 − Other assets

The caption of other assets in the consolidated statements of financial condition consists of the following major categories:

(In thousands)	September 30, 2023	December 31, 2022
Net deferred tax assets (net of valuation allowance)	$ 896,426	$ 953,676
Investments under the equity method	234,408	210,001
Prepaid taxes	47,837	39,405
Other prepaid expenses	42,977	33,384
Capitalized software costs	79,393	81,862
Derivative assets	23,348	19,229
Trades receivable from brokers and counterparties	37,674	35,099
Receivables from investments maturities	301,000	125,000
Principal, interest and escrow servicing advances	50,881	41,916
Guaranteed mortgage loan claims receivable	44,836	59,659
Operating ROU assets (Note 28)	117,879	125,573
Finance ROU assets (Note 28)	17,917	18,884
Others	137,989	104,125
Total other assets	$ 2,032,565	$ 1,847,813

The Corporation regularly incurs in capitalizable costs associated with software development or licensing which are recorded within the Other Assets line item in the accompanying Consolidated Statements of Financial Condition. In addition, the Corporation incurs costs associated with hosting arrangements that are service contracts that are also recorded within Other Assets. The hosting arrangements can include capitalizable implementation costs that are amortized during the term of the hosting arrangement. The following table summarizes the composition of acquired or developed software costs as well as costs related to hosting arrangements:

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
September 30, 2023			
Software development costs	$ 69,318	$ 24,920	$ 44,398
Software license costs	47,747	25,006	22,741
Cloud computing arrangements	22,771	10,517	12,254
Total Capitalized software costs [1] [2]	$ 139,836	$ 60,443	$ 79,393
December 31, 2022			
Software development costs	$ 63,609	$ 16,803	$ 46,806
Software license costs	37,165	14,164	23,001
Cloud computing arrangements	20,745	8,690	12,055
Total Capitalized software costs [1] [2]	$ 121,519	$ 39,657	$ 81,862

[1] Software intangible assets are presented as part of Other Assets in the Consolidated Statements of Financial Condition.

[2] The tables above excludes assets which have been fully amortized.

Total amortization expense for all capitalized software and hosting arrangement cost, reflected as part of technology and software expenses in the consolidated statement of operations, is as follows:

	Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	2023	2022	2023	2022
Software development and license costs	$ 16,820	$ 14,589	$ 47,962	$ 39,357
Cloud computing arrangements	923	983	2,685	3,010
Total amortization expense	$ 17,743	$ 15,572	$ 50,647	$ 42,367

Note 14 – Goodwill and other intangible assets

The changes in the carrying amount of goodwill for the nine months ended September 30, 2023 and 2022, allocated by reportable segments, were as follows (refer to Note 33 for the definition of the Corporation's reportable segments):

	September 30, 2023			
(In thousands)	Balance at January 1, 2023	Goodwill on acquisition	Goodwill impairment	Balance at September 30, 2023
Banco Popular de Puerto Rico	$ 436,383	$ -	$ -	$ 436,383
Popular U.S.	391,045	-	(23,000)	368,045
Total Popular, Inc.	$ 827,428	$ -	$ (23,000)	$ 804,428

	September 30, 2022			
(In thousands)	Balance at January 1, 2022	Goodwill on acquisition	Goodwill impairment	Balance at September 30, 2022
Banco Popular de Puerto Rico	$ 320,248	$ 116,135	$ -	$ 436,383
Popular U.S.	400,045	-	(9,000)	391,045
Total Popular, Inc.	$ 720,293	$ 116,135	$ (9,000)	$ 827,428

The goodwill recognized during the quarter ended September 30, 2022 in the reportable segment of Banco Popular de Puerto Rico of $116.1 million was related to the Evertec Transactions, as defined in Note 23 to the Consolidated Financial Statements included in this Form 10-Q. During the third quarter of 2023, the Corporation recorded an impairment of $23 million as a result of its annual goodwill impairment test related to its U.S. based equipment leasing subsidiary, Popular Equipment Finance ("PEF"), due to lower forecasted cash flows and an increase in the rate used to discount cash flows. During 2022 the Corporation recognized a goodwill impairment of $9 million related to Popular Equipment Finance ("PEF") , as a result of a decrease in the projected earnings of this business unit.

Other Intangible Assets

The following table reflects the components of other intangible assets subject to amortization:

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
September 30, 2023			
Core deposits	$ 12,810	$ 10,995	$ 1,815
Other customer relationships	14,286	6,302	7,984
Total other intangible assets	$ 27,096	$ 17,297	$ 9,799
December 31, 2022			
Core deposits	$ 12,810	$ 10,034	$ 2,776
Other customer relationships	14,286	4,878	9,408
Total other intangible assets	$ 27,096	$ 14,912	$ 12,184

During the quarter ended September 30, 2023, the Corporation recognized $0.8 million in amortization expense related to other intangible assets with definite useful lives (September 30, 2022 - $0.8 million). During the nine months ended September 30, 2023, the Corporation recognized $2.4 million in amortization related to other intangible assets with definite useful lives (September 30, 2022 - $2.5 million).

The following table presents the estimated amortization of the intangible assets with definite useful lives for each of the following periods:

(In thousands)	
Remaining 2023	$ 794
Year 2024	2,938
Year 2025	1,750
Year 2026	1,440
Year 2027	959
Later years	1,918

Results of the Annual Goodwill Impairment Test

The Corporation's goodwill and other identifiable intangible assets having an indefinite useful life are tested for impairment, at least annually and on a more frequent basis if events or circumstances indicate impairment could have taken place. Such events could include, among others, a significant adverse change in the business climate, an adverse action by a regulator, an unanticipated change in the competitive environment and a decision to change the operations or dispose of a reporting unit.

Management monitors events or changes in circumstances between annual tests to determine if these events or changes in circumstances would more likely than not reduce the fair value of its reporting units below their carrying amounts.

The Corporation performed the annual goodwill impairment evaluation for the entire organization during the third quarter of 2023 using July 31, 2023 as the annual evaluation date. The reporting units utilized for this evaluation were those that are one level below the business segments, which are the legal entities within the reportable segment. The Corporation follows push-down accounting, as such all goodwill is assigned to the reporting units when carrying out a business combination.

In determining the fair value of each reporting unit, the Corporation generally uses a combination of methods, including market price multiples of comparable companies and transactions, as well as discounted cash flow analysis. Management evaluates the particular circumstances of each reporting unit in order to determine the most appropriate valuation methodology and the weights applied to each valuation methodology, as applicable. The Corporation evaluates the results obtained under each valuation methodology to identify and understand the key value drivers in order to ascertain that the results obtained are reasonable and appropriate under the circumstances. Elements considered include current market and economic conditions, developments in specific lines of business, and any particular features in the individual reporting units.

The computations require management to make estimates and assumptions. Critical assumptions that are used as part of these evaluations include:

- a selection of comparable publicly traded companies, based on nature of business, location and size;
- a selection of comparable acquisitions;
- the discount rate applied to future earnings, based on an estimate of the cost of equity;
- the potential future earnings of the reporting unit; and
- the market growth and new business assumptions.

For purposes of the market comparable companies' approach, valuations were determined by calculating average price multiples of relevant value drivers from a group of companies that are comparable to the reporting unit being analyzed and applying those price multiples to the value drivers of the reporting unit. Management uses judgment in the determination of which value drivers are considered more appropriate for each reporting unit. Comparable companies' price multiples represent minority-based multiples and thus, a control premium adjustment is added to the comparable companies' market multiples applied to the reporting unit's value drivers.

For purposes of the market comparable transactions' approach, valuations had been previously determined by the Corporation by calculating average price multiples of relevant value drivers from a group of transactions for which the target companies are comparable to the reporting unit being analyzed and applying those price multiples to the value drivers of the reporting unit.

For purposes of the discounted cash flows ("DCF") approach, the valuation is based on estimated future cash flows. The financial projections used in the DCF valuation analysis for each reporting unit are based on the most recent (as of the valuation date) financial projections presented to the Corporation's Asset / Liability Management Committee ("ALCO"). The growth assumptions included in these projections are based on management's expectations for each reporting unit's financial prospects considering economic and industry conditions as well as particular plans of each entity (i.e. restructuring plans, de-leveraging, etc.). The cost of equity used to discount the cash flows was calculated using the Ibbotson Build-Up Method and ranged from 12.30% to 16.96% for the 2023 analysis. The Ibbotson Build-Up Method builds up a cost of equity starting with the rate of return of a "risk-free" asset (20-year U.S. Treasury note) and adds to it additional risk elements such as equity risk premium, size premium, industry risk premium and a specific geographic risk premium (as applicable). The resulting discount rates were analyzed in terms of reasonability given the current market conditions.

The results of the BPPR annual goodwill impairment test as of July 31, 2023 indicated that the average estimated fair value using all valuation methodologies exceeded BPPR's equity value by approximately $3.7 billion or 468% compared to $3.1 billion or 245%, for the annual goodwill impairment test completed as of July 31, 2022. PB's annual goodwill impairment test results as of such dates indicated that the average estimated fair value using all valuation methodologies exceeded PB's equity value by approximately $129 million or 8%, compared to $670 million or 41%, for the annual goodwill impairment test completed as of July 31, 2022. Accordingly, no impairment was recognized for BPPR or PB. The goodwill balance of BPPR and PB, as legal entities, represented approximately 98% of the Corporation's total goodwill balance as of the July 31, 2023 valuation date.

An impairment of $23 million was recognized by the Corporation from the annual test as of July 31, 2023 related to PEF due to lower forecasted cash flows and an increase in the rate used to discount cash flows. During 2022 the Corporation recognized a goodwill impairment of $9 million related to PEF, as a result of a decrease in the projected earnings of this business unit. The PEF goodwill balance as of September 30, 2023 amounted to $17 million (December 31, 2022 - $40 million).

Furthermore, as part of the analyses, management performed a reconciliation of the aggregate fair values determined for the reporting units to the market capitalization of the Corporation concluding that the fair value results determined for the reporting units in the July 31, 2023 annual assessment were reasonable.

The goodwill impairment evaluation process requires the Corporation to make estimates and assumptions with regard to the fair value of the reporting units. Actual values may differ significantly from these estimates. Such differences could result in future impairment of goodwill that would, in turn, negatively impact the Corporation's results of operations and the reporting units where the goodwill is recorded. Particularly for reporting units with recognized impairments or where the estimated fair value approximates the equity value, future decreases in fair value estimates could result in additional impairment charges. Additionally, declines in the Corporation's market capitalization and adverse economic conditions sustained over a longer period of time negatively affecting forecasted earnings could increase the risk of goodwill impairment in the future.

A decline in the Corporation's stock price related to global and/or regional macroeconomic conditions, a deterioration in the Puerto Rico or the U.S. economies, increases in the rate to discount future cash flows, and lower future earnings estimates could, individually or in the aggregate, have a material impact on the determination of the fair value of our reporting units, which could in turn result in an impairment of goodwill in the future. An impairment of goodwill would result in a non-cash expense, net of tax impact. A charge to earnings related to a goodwill impairment would not materially impact regulatory capital calculations.

The following tables present the gross amount of goodwill and accumulated impairment losses by reportable segments.

September 30, 2023			
(In thousands)	Balance at September 30, 2023 (gross amounts)	Accumulated impairment losses	Balance at September 30, 2023 (net amounts)
Banco Popular de Puerto Rico	$ 440,184	$ 3,801	$ 436,383
Popular U.S.	564,456	196,411	368,045
Total Popular, Inc.	$ 1,004,640	$ 200,212	$ 804,428

December 31, 2022			
(In thousands)	Balance at December 31, 2022 (gross amounts)	Accumulated impairment losses	Balance at December 31, 2022 (net amounts)
Banco Popular de Puerto Rico	$ 440,184	$ 3,801	$ 436,383
Popular U.S.	564,456	173,411	391,045
Total Popular, Inc.	$ 1,004,640	$ 177,212	$ 827,428

Note 15 – Deposits

Total deposits as of the end of the periods presented consisted of:

(In thousands)	September 30, 2023	December 31, 2022
Savings accounts	$ 15,305,838	$ 14,746,329
NOW, money market and other interest bearing demand deposits	24,622,430	23,738,940
Total savings, NOW, money market and other interest bearing demand deposits	39,928,268	38,485,269
Certificates of deposit:		
Under $250,000	5,263,696	4,235,651
$250,000 and over	2,944,262	2,545,750
Total certificates of deposit	8,207,958	6,781,401
Total interest bearing deposits	$ 48,136,226	$ 45,266,670
Non- interest bearing deposits	$ 15,201,374	$ 15,960,557
Total deposits	$ 63,337,600	$ 61,227,227

A summary of certificates of deposits by maturity at September 30, 2023 follows:

(In thousands)	
2023	$ 2,635,150
2024	2,819,295
2025	975,844
2026	752,202
2027	406,993
2028 and thereafter	618,474
Total certificates of deposit	$ 8,207,958

At September 30, 2023, the Corporation had brokered deposits amounting to $1.7 billion (December 31, 2022 - $1.1 billion).

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans was $3.5 million at September 30, 2023 (December 31, 2022 - $5.3 million).

At September 30, 2023, Puerto Rico public sector deposits amounted to $17.8 billion. Puerto Rico public sector deposits are interest bearing accounts. Public deposit balances are difficult to predict. For example, the receipt by the Puerto Rico Government of the hurricane recovery related Federal assistance and seasonal tax collections could increase public deposit balances at BPPR. On the other hand, the amount and timing of reductions in balances are likely to be impacted by, for example, the speed at which federal assistance is distributed, the financial condition, liquidity and cash management practices of the Puerto Rico Government and its instrumentalities and the implementation of fiscal and debt adjustment plans approved pursuant to PROMESA or other actions mandated by the Fiscal Oversight and Management Board for Puerto Rico (the "Oversight Board"). Generally, these deposits require that the bank pledge high credit quality securities as collateral, therefore, liquidity risk arising from public sector deposit outflows are lower.

Note 16 – Borrowings

Assets sold under agreements to repurchase

Assets sold under agreements to repurchase amounted to $93 million at September 30, 2023 and $149 million at December 31, 2022.

The Corporation's repurchase transactions are overcollateralized with the securities detailed in the table below. The Corporation's repurchase agreements have a right of set-off with the respective counterparty under the supplemental terms of the master repurchase agreements. In an event of default, each party has a right of set-off against the other party for amounts owed in the related agreement and any other amount or obligation owed in respect of any other agreement or transaction between them. Pursuant to the Corporation's accounting policy, the repurchase agreements are not offset with other repurchase agreements held with the same counterparty.

The following table presents information related to the Corporation's repurchase transactions accounted for as secured borrowings that are collateralized with debt securities available-for-sale, debt securities held-to-maturity, other assets held-for-trading purposes or which have been obtained under agreements to resell. It is the Corporation's policy to maintain effective control over assets sold under agreements to repurchase; accordingly, such securities continue to be carried on the Consolidated Statements of Financial Condition.

Repurchase agreements accounted for as secured borrowings

(In thousands)	September 30, 2023 Repurchase liability	December 31, 2022 Repurchase liability
U.S. Treasury securities		
Within 30 days	$ 12,736	$ 410
After 30 to 90 days	13,199	30,739
After 90 days	18,180	17,521
Total U.S. Treasury securities	44,115	48,670
Mortgage-backed securities		
Within 30 days	28,211	98,984
After 30 to 90 days	-	791
After 90 days	20,499	-
Total mortgage-backed securities	48,710	99,775
Collateralized mortgage obligations		
Within 30 days	246	164
Total collateralized mortgage obligations	246	164
Total	$ 93,071	$ 148,609

Repurchase agreements in this portfolio are generally short-term, often overnight. As such our risk is very limited. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations, when appropriate.

Other short-term borrowings

There were no other short-term borrowings outstanding at September 30, 2023, compared to $365 million in FHLB Advances at December 31, 2022.

Notes Payable

The following table presents the composition of notes payable at September 30, 2023 and December 31, 2022.

(In thousands)		September 30, 2023		December 31, 2022
Advances with the FHLB with maturities ranging from 2023 through 2029 paying interest at monthly fixed rates ranging from 0.39% to 4.17%	$	412,632	$	389,282
Unsecured senior debt securities maturing on 2028 paying interest semiannually at a fixed rate of 7.25%, net of debt issuance costs of $ 6,322[1]		393,678		299,109
Junior subordinated deferrable interest debentures (related to trust preferred securities) maturing on 2034 with fixed interest rates ranging from 6.125% to 6.564%, net of debt issuance costs of $ 295		198,339		198,319
Total notes payable	$	1,004,649	$	886,710

Note: Refer to the 2022 Form 10-K for rates information at December 31, 2022.

[1] On March 13, 2023, the Corporation issued $ 400 million aggregate principal amount of 7.25% Senior Notes due 2028 (the "2028 Notes") in an underwritten public offering. The Corporation used a portion of the net proceeds of the 2028 Notes offering to redeem, on August 14, 2023, the outstanding $ 300 million aggregate principal amount of its 6.125% Senior Notes which were due on September 2023. The redemption price was equal to 100% of the principal amount plus accrued and unpaid interest through the redemption date.

A breakdown of borrowings by contractual maturities at September 30, 2023 is included in the table below.

(In thousands)		Assets sold under agreements to repurchase		Notes payable		Total
2023	$	54,393	$	22,261	$	76,654
2024		38,678		91,943		130,621
2025		-		139,920		139,920
2026		-		74,500		74,500
Later years		-		676,025		676,025
Total borrowings	$	93,071	$	1,004,649	$	1,097,720

At September 30, 2023 and December 31, 2022, the Corporation had FHLB borrowing facilities whereby the Corporation could borrow up to $4.4 billion and $3.3 billion, respectively, of which $0.4 billion and $0.8 billion, respectively, were used. In addition, at September 30, 2023 and December 31, 2022, the Corporation had placed $0.3 billion and $0.4 billion, respectively, of the available FHLB credit facility as collateral for municipal letters of credit to secure deposits. The FHLB borrowing facilities are collateralized with securities and loans held-in-portfolio, and do not have restrictive covenants or callable features.

Also, at September 30, 2023, the Corporation has a borrowing facility at the discount window of the Federal Reserve Bank of New York amounting to $4.6 billion (December 31, 2022 - $1.4 billion), which remained unused at September 30, 2023 and December 31, 2022. The facility is a collateralized source of credit that is highly reliable even under difficult market conditions.

Note 17 − Other liabilities

The caption of other liabilities in the consolidated statements of financial condition consists of the following major categories:

(In thousands)	September 30, 2023	December 31, 2022
Accrued expenses	$ 266,300	$ 337,284
Accrued interest payable	47,297	39,288
Accounts payable	84,501	76,456
Dividends payable	39,793	39,525
Trades payable	14,761	9,461
Liability for GNMA loans sold with an option to repurchase	8,298	14,271
Reserves for loan indemnifications	6,941	7,520
Reserve for operational losses	28,723	39,266
Operating lease liabilities (Note 28)	129,023	137,290
Finance lease liabilities (Note 28)	23,180	24,737
Pension benefit obligation	6,050	8,290
Postretirement benefit obligation	118,121	118,336
Others	71,020	65,222
Total other liabilities	$ 844,008	$ 916,946

Note 18 – Stockholders' equity

As of September 30, 2023, stockholders' equity totaled $4.5 billion. During the nine months ended September 30, 2023, the Corporation declared cash dividends of $1.65 (2022 - $1.65) per common share amounting to $118.9 million (2022 - $124.2 million). The quarterly dividend declared to stockholders of record as of the close of business on September 8, 2023 was paid on October 2, 2023.

Accelerated share repurchase transaction ("ASR")

On August 24, 2022, the Corporation entered into a $231 million ASR transaction with respect to its common stock (the "August ASR Agreement"), which was accounted for as a treasury stock transaction. As a result of the receipt of the initial 2,339,241 shares, the Corporation recognized in stockholders' equity approximately $185 million in treasury stock and $46 million as a reduction of capital surplus. The Corporation completed the transaction on December 7, 2022 and received 840,024 additional shares of common stock and recognized approximately $60 million as treasury stock with a corresponding increase in its capital surplus. In total, the Corporation repurchased a total of 3,179,265 shares at an average purchased price of $72.6583 under the August ASR Agreement.

On March 1, 2022, the Corporation announced that on February 28, 2022 it entered into a $400 million ASR transaction with respect to its common stock (the "March ASR Agreement"), which was accounted for as a treasury stock transaction. As a result of the receipt of the initial 3,483,942 shares, the Corporation recognized in stockholders' equity approximately $320 million in treasury stock and $80 million as a reduction of capital surplus. The Corporation completed the transaction on July 12, 2022 and received 1,582,922 additional shares of common stock and recognized $120 million in treasury stock with a corresponding increase in its capital surplus. In total, the Corporation repurchased a total of 5,066,864 shares at an average purchased price of $78.9443 under the ASR.

Note 19 – Other comprehensive loss

The following table presents changes in accumulated other comprehensive loss by component for the quarters and nine months ended September 30, 2023 and 2022.

	Changes in Accumulated Other Comprehensive Loss by Component [1]				
		Quarters ended September 30,		Nine months ended September 30,	
(In thousands)		2023	2022	2023	2022
Foreign currency translation	Beginning Balance	$ (55,979)	$ (64,167)	$ (56,735)	$ (67,307)
	Other comprehensive (loss) income	(976)	7,206	(220)	10,346
	Net change	(976)	7,206	(220)	10,346
	Ending balance	$ (56,955)	$ (56,961)	$ (56,955)	$ (56,961)
Adjustment of pension and postretirement benefit plans	Beginning Balance	$ (138,319)	$ (152,837)	$ (144,335)	$ (158,994)
	Other comprehensive income before reclassifications	-	-	-	1,269
	Amounts reclassified from accumulated other comprehensive loss for amortization of net losses	3,009	2,444	9,025	7,332
	Net change	3,009	2,444	9,025	8,601
	Ending balance	$ (135,310)	$ (150,393)	$ (135,310)	$ (150,393)
Unrealized net holding losses on debt securities	Beginning Balance	$ (2,134,137)	$ (1,735,370)	$ (2,323,903)	$ (96,120)
	Other comprehensive loss	(242,567)	(781,898)	(120,756)	(2,421,148)
	Amounts reclassified from accumulated other comprehensive loss for amortization of net unrealized losses of debt securities transferred from available-for-sale to held-to-maturity	35,027	-	102,982	-
	Net change	(207,540)	(781,898)	(17,774)	(2,421,148)
	Ending balance	$ (2,341,677)	$ (2,517,268)	$ (2,341,677)	$ (2,517,268)
Unrealized net (losses) gains on cash flow hedges	Beginning Balance	$ -	$ (642)	$ 45	$ (2,648)
	Other comprehensive (loss) income before reclassifications	-	415	(19)	3,222
	Amounts reclassified from accumulated other comprehensive income (loss)	-	518	(26)	(283)
	Net change	-	933	(45)	2,939
	Ending balance	$ -	$ 291	$ -	$ 291
	Total	$ (2,533,942)	$ (2,724,331)	$ (2,533,942)	$ (2,724,331)

[1] All amounts presented are net of tax.

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss during the quarters and nine months ended September 30, 2023 and 2022.

	Reclassifications Out of Accumulated Other Comprehensive Loss				
		Quarters ended		Nine months ended	
	Affected Line Item in the	September 30,		September 30,	
(In thousands)	Consolidated Statements of Operations	2023	2022	2023	2022
Adjustment of pension and postretirement benefit plans					
Amortization of net losses	Other operating expenses	$ (4,814)	$ (3,911)	$ (14,440)	$ (11,733)
	Total before tax	(4,814)	(3,911)	(14,440)	(11,733)
	Income tax benefit	1,805	1,467	5,415	4,401
	Total net of tax	$ (3,009)	$ (2,444)	$ (9,025)	$ (7,332)
Unrealized net holding losses on debt securities					
Amortization of unrealized net losses of debt securities transferred to held-to-maturity	Interest income from investment securities	$ (43,783)	$ -	$ (128,726)	$ -
	Total before tax	(43,783)	-	(128,726)	-
	Income tax expense	8,756	-	25,744	-
	Total net of tax	$ (35,027)	$ -	$ (102,982)	$ -
Unrealized net (losses) gains on cash flow hedges					
Forward contracts	Mortgage banking activities	$ -	$ (609)	$ 41	$ 1,249
Interest rate swaps	Other operating income	-	(219)	-	(498)
	Total before tax	-	(828)	41	751
	Income tax benefit	-	310	(15)	(468)
	Total net of tax	$ -	$ (518)	$ 26	$ 283
	Total reclassification adjustments, net of tax	$ (38,036)	$ (2,962)	$ (111,981)	$ (7,049)

Note 20 – Guarantees

At September 30, 2023, the Corporation recorded a liability of $1 million (December 31, 2022 - $1.3 million), which represents the unamortized balance of the obligations undertaken in issuing the guarantees under the standby letters of credit. Management does not anticipate any material losses related to these instruments.

From time to time, the Corporation securitized mortgage loans into guaranteed mortgage-backed securities subject to limited, and in certain instances, lifetime credit recourse on the loans that serve as collateral for the mortgage-backed securities. The Corporation has not sold any mortgage loans subject to credit recourse since 2009. At September 30, 2023, the Corporation serviced $0.6 billion (December 31, 2022 - $0.6 billion) in residential mortgage loans subject to credit recourse provisions, principally loans associated with FNMA and FHLMC residential mortgage loan securitization programs. In the event of any customer default, pursuant to the credit recourse provided, the Corporation is required to repurchase the loan or reimburse the third party investor for the incurred loss. The maximum potential amount of future payments that the Corporation would be required to make under the recourse arrangements in the event of nonperformance by the borrowers is equivalent to the total outstanding balance of the residential mortgage loans serviced with recourse and interest, if applicable. During the quarter and nine months ended September 30, 2023, the Corporation repurchased approximately $0.4 million and $2 million, respectively, of unpaid principal balance in mortgage loans subject to the credit recourse provisions (September 30, 2022 - $2 million and $6 million, respectively). In the event of nonperformance by the borrower, the Corporation has rights to the underlying collateral securing the mortgage loan. The Corporation suffers ultimate losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing the related property. At September 30, 2023, the Corporation's liability established to cover the estimated credit loss exposure related to loans sold or serviced with credit recourse amounted to $6 million (December 31, 2022 - $7 million).

The following table shows the changes in the Corporation's liability of estimated losses related to loans serviced with credit recourse provisions during the quarters and nine months ended September 30, 2023 and 2022.

	Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	2023	2022	2023	2022
Balance as of beginning of period	$ 6,223	$ 9,095	$ 6,897	$ 11,800
Provision (benefit) for recourse liability	228	(1,718)	52	(2,067)
Net charge-offs	(54)	(184)	(552)	(2,540)
Balance as of end of period	$ 6,397	$ 7,193	$ 6,397	$ 7,193

From time to time, the Corporation sells loans and agrees to indemnify the purchaser for credit losses or any breach of certain representations and warranties made in connection with the sale. The loan repurchase activity under these indemnity agreements for the quarter and nine months ended September 30, 2023 as well as the liability for estimated losses at period end was not considered material for the Corporation.

Servicing agreements relating to the mortgage-backed securities programs of FNMA, FHLMC and GNMA, and to mortgage loans sold or serviced to certain other investors, including FHLMC, require the Corporation to advance funds to make scheduled payments of principal, interest, taxes and insurance, if such payments have not been received from the borrowers. At September 30, 2023, the Corporation serviced $10.1 billion in mortgage loans for third-parties, including the loans serviced with credit recourse (December 31, 2022 - $11.1 billion). The Corporation generally recovers funds advanced pursuant to these arrangements from the mortgage owner, from liquidation proceeds when the mortgage loan is foreclosed or, in the case of FHA/VA loans, under the applicable FHA and VA insurance and guarantees programs. However, in the meantime, the Corporation must absorb the cost of the funds it advances during the time the advance is outstanding. The Corporation must also bear the costs of attempting to collect on delinquent and defaulted mortgage loans. In addition, if a defaulted loan is not cured, the mortgage loan would be canceled as part of the foreclosure proceedings and the Corporation would not receive any future servicing income with respect to that loan. At September 30, 2023, the outstanding balance of funds advanced by the Corporation under such mortgage loan servicing agreements was approximately $51 million (December 31, 2022 - $42 million). To the extent the mortgage loans underlying the Corporation's servicing portfolio experience increased delinquencies, the Corporation would be required to dedicate additional cash resources to comply with its obligation to advance funds as well as incur additional administrative costs related to increases in collection efforts.

Popular, Inc. Holding Company (“PIHC”) fully and unconditionally guarantees certain borrowing obligations issued by certain of its 100% owned consolidated subsidiaries amounting to $94 million at September 30, 2023 and December 31, 2022. In addition, at September 30, 2023 and December 31, 2022, PIHC fully and unconditionally guaranteed on a subordinated basis $193 million of capital securities (trust preferred securities) issued by wholly-owned issuing trust entities to the extent set forth in the applicable guarantee agreement. Refer to Note 18 to the Consolidated Financial Statements in the 2022 Form 10-K for further information on the trust preferred securities.

Note 21 – Commitments and contingencies

Off-balance sheet risk

The Corporation is a party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financial needs of its customers. These financial instruments include loan commitments, letters of credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit and financial guarantees is represented by the contractual notional amounts of those instruments. The Corporation uses the same credit policies in making these commitments and conditional obligations as it does for those reflected on the consolidated statements of financial condition.

Financial instruments with off-balance sheet credit risk, whose contract amounts represent potential credit risk as of the end of the periods presented were as follows:

(In thousands)	September 30, 2023	December 31, 2022
Commitments to extend credit:		
Credit card lines	$ 5,720,469	$ 5,853,990
Commercial and construction lines of credit	4,374,553	4,425,825
Other consumer unused credit commitments	250,571	250,271
Commercial letters of credit	3,083	3,351
Standby letters of credit	53,089	27,868
Commitments to originate or fund mortgage loans	25,104	45,170

At September 30, 2023 and December 31, 2022, the Corporation maintained a reserve of approximately $13.3 million and $8.8 million, respectively, for potential losses associated with unfunded loan commitments related to commercial and construction lines of credit.

Other commitments

At September 30, 2023 and December 31, 2022, the Corporation also maintained other non-credit commitments for approximately $8.3 million and $4.8 million, respectively, primarily for the acquisition of other investments.

Business concentration

Since the Corporation's business activities are concentrated primarily in Puerto Rico, its results of operations and financial condition are dependent upon the general trends of the Puerto Rico economy and, in particular, the residential and commercial real estate markets. The concentration of the Corporation's operations in Puerto Rico exposes it to greater risk than other banking companies with a wider geographic base. Its asset and revenue composition by geographical area is presented in Note 33 to the Consolidated Financial Statements.

Puerto Rico has faced significant fiscal and economic challenges for over a decade. In response to such challenges, the U.S. Congress enacted the Puerto Rico Oversight Management and Economic Stability Act ("PROMESA") in 2016, which, among other things, established the Oversight Board and a framework for the restructuring of the debts of the Commonwealth, its instrumentalities and municipalities. The Commonwealth and several of its instrumentalities have commenced debt restructuring proceedings under PROMESA. As of the date of this report, while municipalities have been designated as covered entities under PROMESA, no municipality has commenced, or has been authorized by the Oversight Board to commence, any such debt restructuring proceeding under PROMESA.

At September 30, 2023, the Corporation's direct exposure to the Puerto Rico government and its instrumentalities and municipalities totaled $362 million, of which $333 million were outstanding ($374 million and $327 million at December 31, 2022). Of the amount outstanding, $314 million consists of loans and $19 million are securities ($302 million and $25 million at December 31, 2022). Substantially all of the amount outstanding at September 30, 2023 and December 31, 2022 were obligations from various Puerto Rico municipalities. In most cases, these were "general obligations" of a municipality, to which the applicable municipality has pledged its good faith, credit and unlimited taxing power, or "special obligations" of a municipality, to which the applicable municipality has pledged other revenues. At September 30, 2023, 76% of the Corporation's exposure to municipal loans and securities was concentrated in the municipalities of San Juan, Guaynabo, Carolina and Caguas.

The following table details the loans and investments representing the Corporation's direct exposure to the Puerto Rico government according to their maturities as of September 30, 2023:

(In thousands)	Investment Portfolio	Loans	Total Outstanding	Total Exposure
Central Government				
After 1 to 5 years	$ 10	$ -	$ 10	$ 10
After 5 to 10 years	1	-	1	1
After 10 years	29	-	29	29
Total Central Government	40	-	40	40
Municipalities				
Within 1 year	4,820	13,217	18,037	43,037
After 1 to 5 years	13,155	141,519	154,674	158,674
After 5 to 10 years	845	112,169	113,014	113,014
After 10 years	-	46,823	46,823	46,823
Total Municipalities	18,820	313,728	332,548	361,548
Total Direct Government Exposure	$ 18,860	$ 313,728	$ 332,588	$ 361,588

In addition, at September 30, 2023, the Corporation had $242 million in loans insured or securities issued by Puerto Rico governmental entities but for which the principal source of repayment is non-governmental ($251 million at December 31, 2022). These included $195 million in residential mortgage loans insured by the Puerto Rico Housing Finance Authority ("HFA"), a governmental instrumentality that has been designated as a covered entity under PROMESA (December 31, 2022 - $209 million). These mortgage loans are secured by first mortgages on Puerto Rico residential properties and the HFA insurance covers losses in the event of a borrower default and upon the satisfaction of certain other conditions. The Corporation also had at September 30, 2023, $40 million in bonds issued by HFA which are secured by second mortgage loans on Puerto Rico residential properties, and for which HFA also provides insurance to cover losses in the event of a borrower default and upon the satisfaction of certain other conditions (December 31, 2022 - $42 million). In the event that the mortgage loans insured by HFA and held by the Corporation directly or those serving as collateral for the HFA bonds default and the collateral is insufficient to satisfy the outstanding balance of these loans, HFA's ability to honor its insurance will depend, among other factors, on the financial condition of HFA at the time such obligations become due and payable. The Corporation does not consider the government guarantee when estimating the credit losses associated with this portfolio. Although the Governor is currently authorized by local legislation to impose a temporary moratorium on the financial obligations of the HFA, a moratorium on such obligations has not been imposed as of the date hereof.

BPPR's commercial loan portfolio also includes loans to private borrowers who are service providers, lessors, suppliers or have other relationships with the government. These borrowers could be negatively affected by the Commonwealth's fiscal crisis and the ongoing Title III proceedings under PROMESA. Similarly, BPPR's mortgage and consumer loan portfolios include loans to government employees and retirees, which could also be negatively affected by fiscal measures such as employee layoffs or furloughs or reductions in pension benefits.

In addition, $1.7 billion of residential mortgages, $10 million of Small Business Administration ("SBA") loans under the Paycheck Protection Program ("PPP") and $72 million commercial loans were insured or guaranteed by the U.S. Government or its agencies at September 30, 2023 (compared to $1.6 billion, $38 million and $72 million, respectively, at December 31, 2022). The Corporation also had U.S. Treasury and obligations from the U.S. Government, its agencies or government sponsored entities within the portfolio of available-for-sale and held-to-maturity securities as described in Note 6 and 7 to the Consolidated Financial Statements.

At September 30, 2023, the Corporation has operations in the United States Virgin Islands (the "USVI") and has approximately $28 million in direct exposure to USVI government entities (December 31, 2022 - $28 million). The USVI has been experiencing a number of fiscal and economic challenges that could adversely affect the ability of its public corporations and instrumentalities to service their outstanding debt obligations.

At September 30, 2023, the Corporation has operations in the British Virgin Islands ("BVI"), which was negatively affected by the COVID-19 pandemic, particularly as a reduction in the tourism activity which accounts for a significant portion of its economy. Although the Corporation has no significant exposure to a single borrower in the BVI, it has a loan portfolio amounting to approximately $201 million comprised of various retail and commercial clients, compared to a loan portfolio of $214 million at December 31, 2022.

Legal Proceedings

The nature of Popular’s business ordinarily generates claims, litigation, investigations, and legal and administrative cases and proceedings (collectively, “Legal Proceedings”). When the Corporation determines that it has meritorious defenses to the claims asserted, it vigorously defends itself. The Corporation will consider the settlement of cases (including cases where it has meritorious defenses) when, in management’s judgment, it is in the best interest of the Corporation and its stockholders to do so. On at least a quarterly basis, Popular assesses its liabilities and contingencies relating to outstanding Legal Proceedings utilizing the most current information available. For matters where it is probable that the Corporation will incur a material loss and the amount can be reasonably estimated, the Corporation establishes an accrual for the loss. Once established, the accrual is adjusted on at least a quarterly basis to reflect any relevant developments, as appropriate. For matters where a material loss is not probable or the amount of the loss cannot be reasonably estimated, no accrual is established.

In certain cases, exposure to loss exists in excess of any accrual to the extent such loss is reasonably possible, but not probable. Management believes and estimates that the range of reasonably possible losses (with respect to those matters where such limits may be determined, in excess of amounts accrued) for current Legal Proceedings ranged from $0 to approximately $18.4 million as of September 30, 2023. In certain cases, management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the Legal Proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current Legal Proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the Legal Proceedings, and the inherent uncertainty of the various potential outcomes of such Legal Proceedings. Accordingly, management’s estimate will change from time-to-time, and actual losses may be more or less than the current estimate.

While the outcome of Legal Proceedings is inherently uncertain, based on information currently available, advice of counsel, and available insurance coverage, management believes that the amount it has already accrued is adequate and any incremental liability arising from the Legal Proceedings in matters in which a loss amount can be reasonably estimated will not have a material adverse effect on the Corporation’s consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters in a reporting period, if unfavorable, could have a material adverse effect on the Corporation’s consolidated financial position for that period.

Set forth below is a description of the Corporation’s significant Legal Proceedings.

BANCO POPULAR DE PUERTO RICO

Mortgage-Related Litigation

BPPR was named a defendant in a putative class action captioned Yiries Josef Saad Maura v. Banco Popular, et al. on behalf of residential customers of the defendant banks who have allegedly been subject to illegal foreclosures and/or loan modifications through their mortgage servicers. Plaintiffs contend that when they sought to reduce their loan payments, defendants failed to provide them with such reduced loan payments, instead subjecting them to lengthy loss mitigation processes while filing foreclosure claims against them in parallel, all in violation of the Truth In Lending Act (“TILA”), the Real Estate Settlement Procedures Act (“RESPA”), the Equal Credit Opportunity Act (“ECOA”), the Fair Credit Reporting Act (“FCRA”), the Fair Debt Collection Practices Act (“FDCPA”) and other consumer-protection laws and regulations. Plaintiffs did not include a specific amount of damages in their complaint. After waiving service of process, BPPR filed a motion to dismiss the complaint (as did most co-defendants, separately). BPPR further filed a motion to oppose class certification, which the Court granted in September 2018. In April 2019, the Court entered an Opinion and Order granting BPPR’s and several other defendants’ motions to dismiss with prejudice. Plaintiffs filed a Motion for Reconsideration in April 2019, which Popular timely opposed. In September 2019, the Court issued an Amended Opinion and Order dismissing plaintiffs’ claims against all defendants, denying the reconsideration requests and other pending motions, and issuing final judgment. In October 2019, plaintiffs filed a Motion for Reconsideration of the Court’s Amended Opinion and Order, which was denied in December 2019. In January 2020, plaintiffs filed a Notice of Appeal to the U.S. Court of Appeals for the First Circuit. Plaintiffs filed their appeal brief in July 2020, Appellees filed their brief in September 2020, and Appellants filed their reply brief in January 2021. On March 13, 2023, the U.S. Court of Appeals for the First Circuit entered judgment affirming the trial court's order dismissing the complaint. On March 23, 2023, Plaintiffs filed a Petition for Rehearing and/or Rehearing *en Banc*.

On August 29, 2023, the U.S. Court of Appeals for the First Circuit entered an Order denying Plaintiff's Petition for Rehearing and/or Rehearing en Banc. The formal mandate of the U.S. Court of Appeals remanding the case to the lower court was issued on September 6, 2023. This matter is now closed.

Insufficient Funds and Overdraft Fees Class Actions

Popular was named as a defendant on a putative class action complaint captioned Golden v. Popular, Inc. filed in March 2020 before the U.S. District Court for the Southern District of New York, seeking damages, restitution and injunctive relief. Plaintiff alleged breach of contract, violation of the covenant of good faith and fair dealing, unjust enrichment and violation of New York consumer protection law due to Popular's purported practice of charging overdraft fees ("OD Fees") on transactions that, under plaintiffs' theory, do not overdraw the account. Plaintiff described Popular's purported practice of charging OD Fees as "Authorize Positive, Purportedly Settle Negative" ("APPSN") transactions and alleged that Popular assesses OD Fees over authorized transactions for which sufficient funds are held for settlement. In August 2020, Popular filed a Motion to Dismiss on several grounds, including failure to state a claim against Popular, Inc. and improper venue. In October 2020, Plaintiff filed a Notice of Voluntary Dismissal before the U.S. District Court for the Southern District of New York and, simultaneously, filed an identical complaint in the U.S. District Court for the District of the Virgin Islands against Popular, Inc., Popular Bank and BPPR. In November 2020, Plaintiff filed a Notice of Voluntary Dismissal against Popular, Inc. and Popular Bank following a Motion to Dismiss filed on behalf of such entities, which argued failure to state a claim and lack of minimum contacts of such parties with the U.S.V.I. district court jurisdiction. BPPR, the only defendant remaining in the case, was served with process in November 2020 and filed a Motion to Dismiss in January 2021.

In October 2021, the District Court, notwithstanding that BPPR's Motion to Dismiss remained pending resolution, held an initial scheduling conference and, thereafter, issued a trial management order where it scheduled the deadline for all discovery for November 2022, and several other trial-related deadlines for June 2023. During a mediation hearing held in October 2022, the parties reached a settlement in principle on a class-wide basis subject to final court approval. In January 2023, the parties filed before the Court a motion for preliminary approval of the settlement agreement and, on March 31, 2023, the Court issued an order granting preliminary approval of the settlement agreement. The Court scheduled the final approval hearing for September 8, 2023.

On September 8, 2023, the Court held a hearing to consider the final approval of the class settlement agreement and on September 29, 2023, the Court issued an Opinion and Order granting final approval to the settlement agreement. The matter is now closed.

On January 31, 2022, Popular was also named as a defendant on a putative class action complaint captioned Lipsett v. Popular Inc. d/b/a Banco Popular, filed before the U.S. District Court for the Southern District of New York, seeking damages, restitution and injunctive relief. Similar to the claims set forth in the aforementioned Golden complaint, Plaintiff alleges breach of contract, including violations of the covenant of good faith and fair dealing, as a result of Popular's purported practice of charging OD Fees for APPSN transactions. The complaint further alleged that Popular assesses OD Fees over authorized transactions for which sufficient funds are held for settlement. Popular waived service of process and filed a Motion to Compel Arbitration. In response to Popular's motion, Plaintiff filed a Notice of Voluntary Dismissal in April 2022.

On May 13, 2022, Plaintiff in the Lipsett complaint filed a new complaint captioned Lipsett v. Banco Popular North America d/b/a Popular Community Bank with the same allegations of his previous complaint against Popular. In June 2022, after serving Plaintiff with a written notice of election to arbitrate the claims asserted in the complaint which went unanswered, Popular Bank ("PB") filed a Pre-Motion Conference motion related to a new Motion to Compel Arbitration. After Plaintiff responded to the Pre-Motion conference motion, the Court allowed PB to file its Motion to Compel Arbitration, which it did in September 2022. Plaintiff opposed such motion in October 2022, and PB filed its reply in November 2022.

On December 9, 2022, the Court issued a Decision and Order denying PB's Motion to Compel Arbitration. On December 20, 2022, PB filed a Notice of Appeal with the United States Court of Appeals for the Second Circuit. PB filed its appeal brief on April 5, 2023 and Plaintiff filed his opposition brief on July 5, 2023. PB filed its reply brief on July 26, 2023. The matter is now fully briefed, and pending resolution.

POPULAR SECURITIES

Puerto Rico Bonds and Closed-End Investment Funds

The volatility in prices and declines in value that Puerto Rico municipal bonds and closed-end investment companies that invest primarily in Puerto Rico municipal bonds experienced following August 2013 led to regulatory inquiries, customer complaints and arbitrations for most broker-dealers in Puerto Rico, including Popular Securities. Popular Securities received numerous customer complaints since 2013 and, as of September 30, 2023, remained named as a respondent in six (6) pending arbitration proceedings with initial claimed amounts of approximately $5.8 million in the aggregate. Popular Securities and claimants in five (5) of the pending six (6) arbitration proceedings, however, have reached settlements in principle and agreements related thereto have been executed with two (2) of such claimants. Popular Securities expects to complete the execution of the remaining agreements, and to resolve the one (1) pending unsettled arbitration proceeding ($1.3 million in claimed amounts) by the end of the first quarter of 2024.

Note 22 – Non-consolidated variable interest entities

The Corporation is involved with three statutory trusts which it created to issue trust preferred securities to the public. These trusts are deemed to be variable interest entities ("VIEs") since the equity investors at risk have no substantial decision-making rights. The Corporation does not hold any variable interest in the trusts, and therefore, cannot be the trusts' primary beneficiary. Furthermore, the Corporation concluded that it did not hold a controlling financial interest in these trusts since the decisions of the trusts are predetermined through the trust documents and the guarantee of the trust preferred securities is irrelevant since in substance the sponsor is guaranteeing its own debt.

Also, the Corporation is involved with various special purpose entities mainly in guaranteed mortgage securitization transactions, including GNMA and FNMA. The Corporation has also engaged in securitization transactions with FHLMC, but considers its exposure in the form of servicing fees and servicing advances not to be significant at September 30, 2023 These special purpose entities are deemed to be VIEs since they lack equity investments at risk. The Corporation's continuing involvement in these guaranteed loan securitizations includes owning certain beneficial interests in the form of securities as well as the servicing rights retained. The Corporation is not required to provide additional financial support to any of the variable interest entities to which it has transferred the financial assets. The mortgage-backed securities, to the extent retained, are classified in the Corporation's Consolidated Statements of Financial Condition as available-for-sale or trading securities. The Corporation concluded that, essentially, these entities (FNMA and GNMA) control the design of their respective VIEs, dictate the quality and nature of the collateral, require the underlying insurance, set the servicing standards via the servicing guides and can change them at will, and can remove a primary servicer with cause, and without cause in the case of FNMA. Moreover, through their guarantee obligations, agencies (FNMA and GNMA) have the obligation to absorb losses that could be potentially significant to the VIE.

The Corporation holds variable interests in these VIEs in the form of agency mortgage-backed securities and collateralized mortgage obligations, including those securities originated by the Corporation and those acquired from third parties. Additionally, the Corporation holds agency mortgage-backed securities and agency collateralized mortgage obligations issued by third party VIEs in which it has no other form of continuing involvement. Refer to Note 24 to the Consolidated Financial Statements for additional information on the debt securities outstanding at September 30, 2023 and December 31, 2022, which are classified as available-for-sale and trading securities in the Corporation's Consolidated Statements of Financial Condition. In addition, the Corporation holds variable interests in the form of servicing fees, since it retains the right to service the transferred loans in those government-sponsored special purpose entities ("SPEs") and may also purchase the right to service loans in other government-sponsored SPEs that were transferred to those SPEs by a third-party.

The following table presents the carrying amount and classification of the assets related to the Corporation's variable interests in non-consolidated VIEs and the maximum exposure to loss as a result of the Corporation's involvement as servicer of GNMA and FNMA loans at September 30, 2023 and December 31, 2022.

(In thousands)	September 30, 2023	December 31, 2022
Assets		
Servicing assets:		
Mortgage servicing rights	$ 93,884	$ 99,614
Total servicing assets	$ 93,884	$ 99,614
Other assets:		
Servicing advances	$ 6,419	$ 6,157
Total other assets	$ 6,419	$ 6,157
Total assets	$ 100,303	$ 105,771
Maximum exposure to loss	$ 100,303	$ 105,771

The size of the non-consolidated VIEs, in which the Corporation has a variable interest in the form of servicing fees, measured as the total unpaid principal balance of the loans, amounted to $7.4 billion at September 30, 2023 (December 31, 2022 - $7.7 billion).

The Corporation determined that the maximum exposure to loss includes the fair value of the MSRs and the assumption that the servicing advances at September 30, 2023 and December 31, 2022, will not be recovered. The agency debt securities are not included as part of the maximum exposure to loss since they are guaranteed by the related agencies.

ASU 2009-17 requires that an ongoing primary beneficiary assessment should be made to determine whether the Corporation is the primary beneficiary of any of the VIEs it is involved with. The conclusion on the assessment of these non-consolidated VIEs has not changed since their initial evaluation. The Corporation concluded that it is still not the primary beneficiary of these VIEs, and therefore, these VIEs are not required to be consolidated in the Corporation’s financial statements at September 30, 2023.

Note 23 – Related party transactions

The Corporation considers its equity method investees as related parties. The following provides information on transactions with equity method investees considered related parties.

EVERTEC

Until August 15, 2022, the Corporation had an investment in Evertec, Inc. ("Evertec") which provides various processing and information technology services to the Corporation and its subsidiaries and gave BPPR access to the ATH network owned and operated by Evertec. This investment was accounted for under the equity method. The Corporation recorded $1.5 million in dividends from its investment in Evertec during the nine months ended September 30, 2022.

On July 1, 2022, BPPR completed the acquisition of certain assets from Evertec Group, LLC ("Evertec Group") to service certain BPPR channels, in exchange for shares of Evertec held by BPPR. The transaction was accounted for as a business combination. In connection with this transaction, BPPR also entered into amended and restated service agreements with Evertec Group pursuant to which Evertec Group continues to provide various information technology and transaction processing services to Popular, BPPR and their respective subsidiaries. As part of the transaction, BPPR and Evertec entered into a revenue sharing structure for BPPR in connection with its merchant acquiring relationship with Evertec. On August 15, 2022, the Corporation completed the sale of its remaining shares of common stock of Evertec, together with the aforementioned business acquisition (the "Evertec Transactions"). As a result, the Corporation discontinued accounting for its proportionate share of Evertec's income (loss) and changes in stockholder's equity under the equity method of accounting in the third quarter of 2022. In connection with the Evertec Transactions and related accounting adjustments, the Corporation recorded an aggregate pre-tax gain of $257.7 million considering the initial exchange of Evertec shares as well as the sale of the remaining shares.

The following table presents the Corporation's proportionate share of Evertec's income (loss) and changes in stockholders' equity for the quarter and nine months ended September 30, 2022.

(In thousands)	Quarter ended September 30, 2022	Nine months ended September 30, 2022
Share of income from the investment in Evertec [1]	$ 257,712	$ 269,539
Share of other changes in Evertec's stockholders' equity	-	3,168
Share of Evertec's changes in equity recognized in income	$ 257,712	$ 272,707

[1] The Gain from Evertec Transactions and related accounting adjustments are reflected within other operating income in the accompanying consolidated financial statements. The Corporation recognized an additional $ 17.3 million as an operating expense in connection with the Evertec Transactions.

The following table presents the impact of transactions and service payments between the Corporation and Evertec (as an affiliate) and their impact on the results of operations for the nine months ended September 30, 2022. Items that represent expenses to the Corporation are presented with parenthesis.

(In thousands)	Nine months ended September 30, 2022 [1]	Category
Interest expense on deposits	$ (267)	Interest expense
ATH and credit cards interchange income from services to Evertec	13,955	Other service fees
Rental income charged to Evertec	3,258	Net occupancy
Processing fees on services provided by Evertec	(128,681)	Professional fees
Other services provided to Evertec	420	Other operating expenses
Total	$ (111,315)	

[1] Includes activity through June 30, 2022.

Centro Financiero BHD, S.A.

At September 30, 2023, the Corporation had a 15.84% equity interest in Centro Financiero BHD, S.A. (“BHD”), one of the largest banking and financial services groups in the Dominican Republic. During the nine months ended September 30, 2023, the Corporation recorded $8 million in equity pickup from its investment in BHD (September 30, 2022 - $28 million), which had a carrying amount of $223.7 million at September 30, 2023 (December 31, 2022 - $199.8 million). The Corporation received $14.1 million in cash dividend distributions and $2.1 million in stock dividends during the nine months ended September 30, 2023 from its investment in BHD (September 30, 2022 - $6 million cash dividends).

Investment Companies

The Corporation, through its subsidiary Popular Asset Management LLC (“PAM”), provides advisory services to several investment companies registered under the Investment Company Act of 1940 in exchange for a fee. The Corporation, through its subsidiary BPPR, also provides transfer agency services to these investment companies. These fees are calculated at an annual rate of the average net assets of the investment company, as defined in each agreement. Due to its advisory role, the Corporation considers these investment companies as related parties.

For the nine months ended September 30, 2023 administrative fees charged to these investment companies amounted to $1.7 million (September 30, 2022 - $1.9 million) and waived fees amounted to $0.7 million (September 30, 2022 - $0.7 million), for a net fee of $1 million (September 30, 2022 - $1.2 million).

Note 24 – Fair value measurement

ASC Subtopic 820-10 “Fair Value Measurements and Disclosures” establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels in order to increase consistency and comparability in fair value measurements and disclosures. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- *Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date. Valuation on these instruments does not necessitate a significant degree of judgment since valuations are based on quoted prices that are readily available in an active market.
- *Level 2* - Quoted prices other than those included in Level 1 that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or that can be corroborated by observable market data for substantially the full term of the financial instrument.
- *Level 3* - Inputs are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Corporation’s own judgements about assumptions that market participants would use in pricing the asset or liability.

The Corporation maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Fair value is based upon quoted market prices when available. If listed prices or quotes are not available, the Corporation employs internally-developed models that primarily use market-based inputs including yield curves, interest rates, volatilities, and credit curves, among others. Valuation adjustments are limited to those necessary to ensure that the financial instrument’s fair value is adequately representative of the price that would be received or paid in the marketplace. These adjustments include amounts that reflect counterparty credit quality, the Corporation’s credit standing, constraints on liquidity and unobservable parameters that are applied consistently. There have been no changes in the Corporation’s methodologies used to estimate the fair value of assets and liabilities from those disclosed in the 2022 Form 10-K.

The estimated fair value may be subjective in nature and may involve uncertainties and matters of significant judgment for certain financial instruments. Changes in the underlying assumptions used in calculating fair value could significantly affect the results.

Fair Value on a Recurring and Nonrecurring Basis

The following fair value hierarchy tables present information about the Corporation’s assets and liabilities measured at fair value on a recurring basis at September 30, 2023 and December 31, 2022:

	At September 30, 2023				
(In thousands)	Level 1	Level 2	Level 3	Measured at NAV	Total
RECURRING FAIR VALUE MEASUREMENTS					
Assets					
Debt securities available-for-sale:					
U.S. Treasury securities	$ 3,871,643	$ 7,458,038	$ -	$ -	$ 11,329,681
Collateralized mortgage obligations - federal agencies	-	138,014	-	-	138,014
Mortgage-backed securities	-	5,660,488	653	-	5,661,141
Other	-	22	1,000	-	1,022
Total debt securities available-for-sale	$ 3,871,643	$ 13,256,562	$ 1,653	$ -	$ 17,129,858
Trading account debt securities, excluding derivatives:					
U.S. Treasury securities	$ 15,644	$ -	$ -	$ -	$ 15,644
Obligations of Puerto Rico, States and political subdivisions	-	57	-	-	57
Collateralized mortgage obligations	-	42	10	-	52
Mortgage-backed securities	-	14,747	137	-	14,884
Other	-	-	188	-	188
Total trading account debt securities, excluding derivatives	$ 15,644	$ 14,846	$ 335	$ -	$ 30,825
Equity securities	$ -	$ 35,026	$ -	$ 286	$ 35,312
Mortgage servicing rights	-	-	119,030	-	119,030
Loans held-for-sale	-	5,239	-	-	5,239
Derivatives	-	23,511	-	-	23,511
Total assets measured at fair value on a recurring basis	$ 3,887,287	$ 13,335,184	$ 121,018	$ 286	$ 17,343,775
Liabilities					
Derivatives	$ -	$ (21,747)	$ -	$ -	$ (21,747)
Total liabilities measured at fair value on a recurring basis	$ -	$ (21,747)	$ -	$ -	$ (21,747)

At December 31, 2022					
(In thousands)	Level 1	Level 2	Level 3	Measured at NAV	Total
RECURRING FAIR VALUE MEASUREMENTS					
Assets					
Debt securities available-for-sale:					
U.S. Treasury securities	$ 1,908,589	$ 9,272,359	$ -	$ -	$ 11,180,948
Collateralized mortgage obligations - federal agencies	-	165,196	-	-	165,196
Mortgage-backed securities	-	6,456,459	711	-	6,457,170
Other	-	60	1,000	-	1,060
Total debt securities available-for-sale	$ 1,908,589	$ 15,894,074	$ 1,711	$ -	$ 17,804,374
Trading account debt securities, excluding derivatives:					
U.S. Treasury securities	$ 13,069	$ -	$ -	$ -	$ 13,069
Obligations of Puerto Rico, States and political subdivisions	-	64	-	-	64
Collateralized mortgage obligations	-	47	113	-	160
Mortgage-backed securities	-	14,008	215	-	14,223
Other	-	-	207	-	207
Total trading account debt securities, excluding derivatives	$ 13,069	$ 14,119	$ 535	$ -	$ 27,723
Equity securities	$ -	$ 29,302	$ -	$ 330	$ 29,632
Mortgage servicing rights	-	-	128,350	-	128,350
Derivatives	-	19,229	-	-	19,229
Total assets measured at fair value on a recurring basis	$ 1,921,658	$ 15,956,724	$ 130,596	$ 330	$ 18,009,308
Liabilities					
Derivatives	$ -	$ (17,000)	$ -	$ -	$ (17,000)
Total liabilities measured at fair value on a recurring basis	$ -	$ (17,000)	$ -	$ -	$ (17,000)

Beginning in the first quarter of 2023, the Corporation has elected the fair value option for BPPR mortgage loans held for sale. This election better aligns with the management of the portfolio from a business perspective. As of December 31, 2022, the Corporation had not elected the fair value option for any of the loans in the held for sale portfolio.

Loans held-for-sale measured at fair value

Loans held-for-sale measured at fair value were priced based on secondary market prices. These loans are classified as Level 2.

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance for mortgage loans held for sale measured at fair value as of September 30,2023.

(In thousands)	September 30, 2023		
	Fair Value	Aggregate Unpaid Principal Balance	Difference
Loans held for sale	$ 5,239	$ 5,364	$ (125)

No loans held for sell were 90 or more days past due or on nonaccrual status as of September 30,2023.

During the quarter and nine months ended September 30,2023, the Corporation recognized an unrealized gain of $23 thousand and an unrealized loss of $104 thousand, respectively, for changes in the fair value of mortgage loans held for sale for which we elected the fair value option, that was offset by the changes in the fair value of the related hedging instrument, both of which are recorded within the mortgage banking activities line item of the accompanying Statement of Operations.

The fair value information included in the following tables is not as of period end, but as of the date that the fair value measurement was recorded during the quarters and nine months ended September 30, 2023 and 2022 and excludes nonrecurring fair value measurements of assets no longer outstanding as of the reporting date.

Nine months ended September 30, 2023					
(In thousands)	Level 1	Level 2	Level 3	Total	
NONRECURRING FAIR VALUE MEASUREMENTS					
Assets					Write-downs
Loans [1]	$ -	$ -	$ 9,113	$ 9,113	$ (3,087)
Other real estate owned [2]	-	-	5,457	5,457	(1,012)
Other foreclosed assets [2]	-	-	44	44	(14)
Total assets measured at fair value on a nonrecurring basis	$ -	$ -	$ 14,614	$ 14,614	$ (4,113)

[1] Relates mainly to certain impaired collateral dependent loans. The impairment was measured based on the fair value of the collateral, which is derived from appraisals that take into consideration prices in observed transactions involving similar assets in similar locations. Costs to sell are excluded from the reported fair value amount.

[2] Represents the fair value of foreclosed real estate and other collateral owned that were written down to their fair value. Costs to sell are excluded from the reported fair value amount.

Nine months ended September 30, 2022					
(In thousands)	Level 1	Level 2	Level 3	Total	
NONRECURRING FAIR VALUE MEASUREMENTS					
Assets					Write-downs
Loans [1]	$ -	$ -	$ 9,933	$ 9,933	$ (9,580)
Loans held-for-sale [2]	-	-	8,080	8,080	(224)
Other real estate owned [3]	-	-	3,067	3,067	(940)
Other foreclosed assets [3]	-	-	30	30	(1)
Long-lived assets held-for-sale [4]	-	-	686	686	(688)
Total assets measured at fair value on a nonrecurring basis	$ -	$ -	$ 21,796	$ 21,796	$ (11,433)

[1] Relates mainly to certain impaired collateral dependent loans. The impairment was measured based on the fair value of the collateral, which is derived from appraisals that take into consideration prices in observed transactions involving similar assets in similar locations. Costs to sell are excluded from the reported fair value amount.

[2] Relates to a quarterly valuation on loans held-for-sale. Costs to sell are excluded from the reported fair value amount.

[3] Represents the fair value of foreclosed real estate and other collateral owned that were written down to their fair value. Costs to sell are excluded from the reported fair value amount.

[4] Represents the fair value of long-lived assets held-for-sale that were written down to their fair value.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarters and nine months ended September 30, 2023 and 2022.

Quarter ended September 30, 2023							
(In thousands)	MBS classified as debt securities available-for-sale	Other securities classified as debt securities available-for-sale	CMOs classified as trading account debt securities	MBS classified as trading account debt securities	Other securities classified as trading account debt securities	Mortgage servicing rights	Total assets
Balance at June 30, 2023	$ 655	$ 1,000	$ 56	$ 163	$ 191	$ 121,249	$ 123,314
Gains (losses) included in earnings	-	-	-	-	(3)	(2,793)	(2,796)
Gains (losses) included in OCI	(2)	-	-	-	-	-	(2)
Additions	-	-	-	-	-	574	574
Settlements	-	-	(46)	(26)	-	-	(72)
Balance at September 30, 2023	$ 653	$ 1,000	$ 10	$ 137	$ 188	$ 119,030	$ 121,018
Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2023	$ -	$ -	$ -	$ -	$ 4	$ (381)	$ (377)

Nine months ended September 30, 2023							
(In thousands)	MBS classified as debt securities available-for-sale	Other securities classified as debt securities available-for-sale	CMOs classified as trading account debt securities	MBS classified as trading account debt securities	Other securities classified as trading account debt securities	Mortgage servicing rights	Total assets
Balance at January 1, 2023	$ 711	$ 1,000	$ 113	$ 215	$ 207	$ 128,350	$ 130,596
Gains (losses) included in earnings	-	-	-	(2)	(19)	(10,386)	(10,407)
Gains (losses) included in OCI	(8)	-	-	-	-	-	(8)
Additions	-	-	4	-	-	1,814	1,818
Sales	-	-	-	-	-	(1,269)	(1,269)
Settlements	(50)	-	(107)	(76)	-	521	288
Balance at September 30, 2023	$ 653	$ 1,000	$ 10	$ 137	$ 188	$ 119,030	$ 121,018
Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2023	$ -	$ -	$ -	$ (1)	$ 22	$ (1,828)	$ (1,807)

(In thousands)	Quarter ended September 30, 2022 MBS classified as debt securities available-for-sale	Other securities classified as debt securities available-for-sale	CMOs classified as trading account debt securities	Other securities classified as trading account debt securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at June 30, 2022	$ 779	$ 500	$ 152	$ 264	$ 129,877	$ 131,572	$ (9,241)	$ (9,241)
Gains (losses) included in earnings	-	-	(1)	(9)	(499)	(509)	9,241	9,241
Gains (losses) included in OCI	(18)	-	-	-	-	(18)	-	-
Additions	-	500	3	-	1,163	1,666	-	-
Settlements	(50)	-	(19)	-	-	(69)	-	-
Balance at September 30, 2022	$ 711	$ 1,000	$ 135	$ 255	$ 130,541	$ 132,642	$ -	$ -
Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2022	$ -	$ -	$ (1)	$ 7	$ 1,984	$ 1,990	$ -	$ -

(In thousands)	Nine months ended September 30, 2022 MBS classified as debt securities available-for-sale	Other securities classified as debt securities available-for-sale	CMOs classified as trading account debt securities	Other securities classified as trading account debt securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at January 1, 2022	$ 826	$ -	$ 198	$ 280	$ 121,570	$ 122,874	$ (9,241)	$ (9,241)
Gains (losses) included in earnings	-	-	(2)	(25)	2,776	2,749	9,241	9,241
Gains (losses) included in OCI	(15)	-	-	-	-	(15)	-	-
Additions	-	1,000	5	-	6,195	7,200	-	-
Settlements	(100)	-	(66)	-	-	(166)	-	-
Balance at September 30, 2022	$ 711	$ 1,000	$ 135	$ 255	$ 130,541	$ 132,642	$ -	$ -
Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2022	$ -	$ -	$ (2)	$ 14	$ 11,556	$ 11,568	$ -	$ -

Gains and losses (realized and unrealized) included in earnings for the quarters and nine months ended September 30, 2023 and 2022 for Level 3 assets and liabilities included in the previous tables are reported in the consolidated statement of operations as follows:

	Quarter ended September 30, 2023		Nine months ended September 30, 2023	
(In thousands)	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date
Mortgage banking activities	$ (2,793)	$ (381)	$ (10,386)	$ (1,828)
Trading account profit (loss)	(3)	4	(21)	21
Total	$ (2,796)	$ (377)	$ (10,407)	$ (1,807)

	Quarter ended September 30, 2022		Nine months ended September 30, 2022	
(In thousands)	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date
Mortgage banking activities	$ (499)	$ 1,984	$ 2,776	$ 11,556
Trading account profit (loss)	(10)	6	(27)	12
Other operating income	9,241	-	9,241	-
Total	$ 8,732	$ 1,990	$ 11,990	$ 11,568

The following tables include quantitative information about significant unobservable inputs used to derive the fair value of Level 3 instruments, excluding those instruments for which the unobservable inputs were not developed by the Corporation such as prices of prior transactions and/or unadjusted third-party pricing sources at September 30, 2023 and 2022.

(In thousands)	Fair value at September 30, 2023	Valuation technique	Unobservable inputs	Weighted average (range) [1]
CMO's - trading	$ 10	Discounted cash flow model	Weighted average life	0.2 years (0.2 - 0.3 years)
			Yield	4.9%
			Prepayment speed	7.3%
Other - trading	$ 188	Discounted cash flow model	Weighted average life	2.5 years
			Yield	12.0 %
			Prepayment speed	10.8 %
Loans held-in-portfolio	$ 9,044 [2]	External appraisal	Haircut applied on external appraisals	7.2% (5.0% - 10.0%)
Other real estate owned	$ 325 [3]	External appraisal	Haircut applied on external appraisals	35.0%

[1] Weighted average of significant unobservable inputs used to develop Level 3 fair value measurements were calculated by relative fair value.
[2] Loans held-in-portfolio in which haircuts were not applied to external appraisals were excluded from this table.
[3] Other real estate owned in which haircuts were not applied to external appraisals were excluded from this table.

(In thousands)	Fair value at September 30, 2022	Valuation technique	Unobservable inputs	Weighted average (range) [1]
CMO's - trading	$ 135	Discounted cash flow model	Weighted average life	0.5 years (0.2 - 0.7 years)
			Yield	4.9% (4.9% - 5.4%)
			Prepayment speed	10.7% (10.1% - 18.5%)
Other - trading	$ 255	Discounted cash flow model	Weighted average life	2.9 years
			Yield	12.0 %
			Prepayment speed	10.8 %
Loans held-in-portfolio	$ 4,473 [2]	External appraisal	Haircut applied on external appraisals	16.1% (5.0% - 25.0%)
Other real estate owned	$ 289 [3]	External appraisal	Haircut applied on external appraisals	27% (5.0% - 35.0%)

[1] Weighted average of significant unobservable inputs used to develop Level 3 fair value measurements were calculated by relative fair value.
[2] Loans held-in-portfolio in which haircuts were not applied to external appraisals were excluded from this table.
[3] Other real estate owned in which haircuts were not applied to external appraisals were excluded from this table.

Note 25 – Fair value of financial instruments

The fair value of financial instruments is the amount at which an asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For those financial instruments with no quoted market prices available, fair values have been estimated using present value calculations or other valuation techniques, as well as management's best judgment with respect to current economic conditions, including discount rates, estimates of future cash flows, and prepayment assumptions. Many of these estimates involve various assumptions and may vary significantly from amounts that could be realized in actual transactions.

The fair values reflected herein have been determined based on the prevailing rate environment at September 30, 2023 and December 31, 2022, as applicable. In different interest rate environments, fair value estimates can differ significantly, especially for certain fixed rate financial instruments. In addition, the fair values presented do not attempt to estimate the value of the Corporation's fee generating businesses and anticipated future business activities, that is, they do not represent the Corporation's value as a going concern. There have been no changes in the Corporation's valuation methodologies and inputs used to estimate the fair values for each class of financial assets and liabilities not measured at fair value.

The following tables present the carrying amount and estimated fair values of financial instruments with their corresponding level in the fair value hierarchy. The aggregate fair value amounts of the financial instruments disclosed do not represent management's estimate of the underlying value of the Corporation.

(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Measured at NAV	Fair value
	September 30, 2023					
Financial Assets:						
Cash and due from banks	$ 535,335	$ 535,335	$ -	$ -	$ -	$ 535,335
Money market investments	6,389,437	6,383,534	5,903	-	-	6,389,437
Trading account debt securities, excluding derivatives [1]	30,825	15,644	14,846	335	-	30,825
Debt securities available-for-sale [1]	17,129,858	3,871,643	13,256,562	1,653	-	17,129,858
Debt securities held-to-maturity:						
U.S. Treasury securities	$ 8,228,758	$ -	$ 7,999,065	$ -	$ -	$ 7,999,065
Obligations of Puerto Rico, States and political subdivisions	59,745	-	6,866	51,865	-	58,731
Collateralized mortgage obligation-federal agency	1,562	-	1,296	15	-	1,311
Securities in wholly owned statutory business trusts	5,960	-	5,960	-	-	5,960
Total debt securities held-to-maturity	$ 8,296,025	$ -	$ 8,013,187	$ 51,880	$ -	$ 8,065,067
Equity securities:						
FHLB stock	$ 50,358	$ -	$ 50,358	$ -	$ -	$ 50,358
FRB stock	99,064	-	99,064	-	-	99,064
Other investments	41,266	-	35,026	6,871	286	42,183
Total equity securities	$ 190,688	$ -	$ 184,448	$ 6,871	$ 286	$ 191,605
Loans held-for-sale	$ 5,239	$ -	$ 5,239	$ -	$ -	$ 5,239
Loans held-in-portfolio	33,318,245	-	-	31,646,073	-	31,646,073
Mortgage servicing rights	119,030	-	-	119,030	-	119,030
Derivatives	23,511	-	23,511	-	-	23,511

(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Measured at NAV	Fair value
	September 30, 2023					
Financial Liabilities:						
Deposits:						
Demand deposits	$ 55,129,643	$ -	$ 55,129,643	$ -	$ -	$ 55,129,643
Time deposits	8,207,957	-	7,835,985	-	-	7,835,985
Total deposits	$ 63,337,600	$ -	$ 62,965,628	$ -	$ -	$ 62,965,628
Assets sold under agreements to repurchase	$ 93,071	$ -	$ 93,050	$ -	$ -	$ 93,050
Notes payable:						
FHLB advances	$ 412,632	$ -	$ 388,483	$ -	$ -	$ 388,483
Unsecured senior debt securities	393,678	-	402,324	-	-	402,324
Junior subordinated deferrable interest debentures (related to trust preferred securities)	198,339	-	180,183	-	-	180,183
Total notes payable	$ 1,004,649	$ -	$ 970,990	$ -	$ -	$ 970,990
Derivatives	$ 21,747	$ -	$ 21,747	$ -	$ -	$ 21,747

[1] Refer to Note 24 to the Consolidated Financial Statements for the fair value by class of financial asset and its hierarchy level.

(In thousands)	December 31, 2022 Carrying amount	Level 1	Level 2	Level 3	Measured at NAV	Fair value
Financial Assets:						
Cash and due from banks	$ 469,501	$ 469,501	$ -	$ -	$ -	$ 469,501
Money market investments	5,614,595	5,607,937	6,658	-	-	5,614,595
Trading account debt securities, excluding derivatives [1]	27,723	13,069	14,119	535	-	27,723
Debt securities available-for-sale [1]	17,804,374	1,908,589	15,894,074	1,711	-	17,804,374
Debt securities held-to-maturity:						
U.S. Treasury securities	$ 8,453,467	$ -	$ 8,372,601	$ -	$ -	$ 8,372,601
Obligations of Puerto Rico, States and political subdivisions	59,010	-	-	61,617	-	61,617
Collateralized mortgage obligation-federal agency	19	-	-	19	-	19
Securities in wholly owned statutory business trusts	5,959	-	5,959	-	-	5,959
Total debt securities held-to-maturity	$ 8,518,455	$ -	$ 8,378,560	$ 61,636	$ -	$ 8,440,196
Equity securities:						
FHLB stock	$ 65,861	$ -	$ 65,861	$ -	$ -	$ 65,861
FRB stock	96,206	-	96,206	-	-	96,206
Other investments	33,787	-	29,302	4,966	330	34,598
Total equity securities	$ 195,854	$ -	$ 191,369	$ 4,966	$ 330	$ 196,665
Loans held-for-sale	$ 5,381	$ -	$ -	$ 5,404	$ -	$ 5,404
Loans held-in-portfolio	31,357,467	-	-	29,366,365	-	29,366,365
Mortgage servicing rights	128,350	-	-	128,350	-	128,350
Derivatives	19,229	-	19,229	-	-	19,229

(In thousands)	December 31, 2022 Carrying amount	Level 1	Level 2	Level 3	Measured at NAV	Fair value
Financial Liabilities:						
Deposits:						
Demand deposits	$ 54,445,825	$ -	$ 54,445,825	$ -	$ -	$ 54,445,825
Time deposits	6,781,402	-	6,464,943	-	-	6,464,943
Total deposits	$ 61,227,227	$ -	$ 60,910,768	$ -	$ -	$ 60,910,768
Assets sold under agreements to repurchase	$ 148,609	$ -	$ 148,566	$ -	$ -	$ 148,566
Other short-term borrowings [2]	365,000	-	365,000	-	-	365,000
Notes payable:						
FHLB advances	$ 389,282	$ -	$ 361,951	$ -	$ -	$ 361,951
Unsecured senior debt securities	299,109	-	300,027	-	-	300,027
Junior subordinated deferrable interest debentures (related to trust preferred securities)	198,319	-	173,938	-	-	173,938
Total notes payable	$ 886,710	$ -	$ 835,916	$ -	$ -	$ 835,916
Derivatives	$ 17,000	$ -	$ 17,000	$ -	$ -	$ 17,000

[1] Refer to Note 24 to the Consolidated Financial Statements for the fair value by class of financial asset and its hierarchy level.

[2] Refer to Note 16 to the Consolidated Financial Statements for the composition of other short-term borrowings.

The notional amount of commitments to extend credit at September 30, 2023 and December 31, 2022 is $10.3 billion and $10.5 billion, respectively, and represents the unused portion of credit facilities granted to customers. The notional amount of letters of credit at September 30, 2023 and December 31, 2022 is $56 million and $31 million, respectively, and represents the contractual amount that is required to be paid in the event of nonperformance. The fair value of commitments to extend credit and letters of credit, which are based on the fees charged to enter into those agreements, are not material to Popular's financial statements.

Note 26 – Net income per common share

The following table sets forth the computation of net income per common share ("EPS"), basic and diluted, for the quarters and nine months ended September 30, 2023 and 2022:

	Quarters ended September 30,		Nine months ended September 30,	
(In thousands, except per share information)	2023	2022	2023	2022
Net income	$ 136,609	$ 422,395	$ 446,748	$ 845,502
Preferred stock dividends	(353)	(353)	(1,059)	(1,059)
Net income applicable to common stock	$ 136,256	$ 422,042	$ 445,689	$ 844,443
Average common shares outstanding	71,794,934	73,955,184	71,676,630	76,173,783
Average potential dilutive common shares	23,168	102,148	59,884	130,436
Average common shares outstanding - assuming dilution	71,818,102	74,057,332	71,736,514	76,304,219
Basic EPS	$ 1.90	$ 5.71	$ 6.22	$ 11.09
Diluted EPS	$ 1.90	$ 5.70	$ 6.21	$ 11.07

For the quarters and nine months ended September 30, 2023 and 2022, the Corporation calculated the impact of potential dilutive common shares under the treasury stock method, consistent with the method used for the preparation of the financial statements for the year ended December 31, 2022. For a discussion of the calculation under the treasury stock method, refer to Note 21 of the Consolidated Financial Statements included in the 2022 Form 10-K.

Note 27 – Revenue from contracts with customers

The following table presents the Corporation's revenue streams from contracts with customers by reportable segment for the quarters and nine months ended September 30, 2023 and 2022

(In thousands)	Quarter ended September 30, 2023		Nine months ended September 30, 2023	
	BPPR	Popular U.S.	BPPR	Popular U.S.
Service charges on deposit accounts	$ 34,740	$ 2,578	$ 102,145	$ 7,632
Other service fees:				
Debit card fees	13,364	213	39,689	654
Insurance fees, excluding reinsurance	11,487	1,535	34,437	4,130
Credit card fees, excluding late fees and membership fees	36,362	340	110,928	1,255
Sale and administration of investment products	6,820	-	19,454	-
Trust fees	6,540	-	19,304	-
Total revenue from contracts with customers [1]	$ 109,313	$ 4,666	$ 325,957	$ 13,671

[1] The amounts include intersegment transactions of $ 1.2 million and $ 5 million, respectively, for the quarter and nine months ended September 30, 2023.

(In thousands)	Quarter ended September 30, 2022		Nine months ended September 30, 2022	
	BPPR	Popular U.S.	BPPR	Popular U.S.
Service charges on deposit accounts	$ 37,047	$ 2,959	$ 114,025	$ 8,503
Other service fees:				
Debit card fees	11,912	221	36,134	660
Insurance fees, excluding reinsurance	9,985	1,210	30,005	3,906
Credit card fees, excluding late fees and membership fees	34,369	313	99,376	948
Sale and administration of investment products	5,952	-	17,760	-
Trust fees	5,680	-	18,187	-
Total revenue from contracts with customers [1]	$ 104,945	$ 4,703	$ 315,487	$ 14,017

[1] The amounts include intersegment transactions of $(0.6) million and $ 4.4 million, respectively, for the quarter and nine months ended September 30, 2022.

Revenue from contracts with customers is recognized when, or as, the performance obligations are satisfied by the Corporation by transferring the promised services to the customers. A service is transferred to the customer when, or as, the customer obtains control of that service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized based on the services that have been rendered to date. Revenue from a performance obligation satisfied at a point in time is recognized when the customer obtains control over the service. The transaction price, or the amount of revenue recognized, reflects the consideration the Corporation expects to be entitled to in exchange for those promised services. In determining the transaction price, the Corporation considers the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Corporation is the principal in a transaction if it obtains control of the specified goods or services before they are transferred to the customer. If the Corporation acts as principal, revenues are presented in the gross amount of consideration to which it expects to be entitled and are not netted with any related expenses. On the other hand, the Corporation is an agent if it does not control the specified goods or services before they are transferred to the customer. If the Corporation acts as an agent, revenues are presented in the amount of consideration to which it expects to be entitled, net of related expenses.

Following is a description of the nature and timing of revenue streams from contracts with customers:

Service charges on deposit accounts

Service charges on deposit accounts are earned on retail and commercial deposit activities and include, but are not limited to, nonsufficient fund fees, overdraft fees and checks stop payment fees. These transaction-based fees are recognized at a point in time, upon occurrence of an activity or event or upon the occurrence of a condition which triggers the fee assessment. The Corporation is acting as principal in these transactions.

Debit card fees

Debit card fees include, but are not limited to, interchange fees, surcharging income and foreign transaction fees. These transaction-based fees are recognized at a point in time, upon occurrence of an activity or event or upon the occurrence of a condition which triggers the fee assessment. Interchange fees are recognized upon settlement of the debit card payment transactions. The Corporation is acting as principal in these transactions.

Insurance fees

Insurance fees include, but are not limited to, commissions and contingent commissions. Commissions and fees are recognized when related policies are effective since the Corporation does not have an enforceable right to payment for services completed to date. An allowance is created for expected adjustments to commissions earned related to policy cancellations. Contingent commissions are recorded on an accrual basis when the amount to be received is notified by the insurance company. The Corporation is acting as an agent since it arranges for the sale of the policies and receives commissions if, and when, it achieves the sale.

Credit card fees

Credit card fees include, but are not limited to, interchange fees, additional card fees, cash advance fees, balance transfer fees, foreign transaction fees, and returned payments fees. Credit card fees are recognized at a point in time, upon the occurrence of an activity or an event. Interchange fees are recognized upon settlement of the credit card payment transactions. The Corporation is acting as principal in these transactions.

Sale and administration of investment products

Fees from the sale and administration of investment products include, but are not limited to, commission income from the sale of investment products, asset management fees, underwriting fees, and mutual fund fees.

Commission income from investment products is recognized on the trade date since clearing, trade execution, and custody services are satisfied when the customer acquires or disposes of the rights to obtain the economic benefits of the investment products and brokerage contracts have no fixed duration and are terminable at will by either party. The Corporation is acting as principal in these transactions since it performs the service of providing the customer with the ability to acquire or dispose of the rights to obtain the economic benefits of investment products.

Asset management fees are satisfied over time and are recognized in arrears. At contract inception, the estimate of the asset management fee is constrained from the inclusion in the transaction price since the promised consideration is dependent on the market and thus is highly susceptible to factors outside the manager's influence. As advisor, the broker-dealer subsidiary is acting as principal.

Underwriting fees are recognized at a point in time, when the investment products are sold in the open market at a markup. When the broker-dealer subsidiary is lead underwriter, it is acting as an agent. In turn, when it is a participating underwriter, it is acting as principal.

Mutual fund fees, such as distribution fees, are considered variable consideration and are recognized over time, as the uncertainty of the fees to be received is resolved as NAV is determined and investor activity occurs. The promise to provide distribution-related services is considered a single performance obligation as it requires the provision of a series of distinct services that are substantially the same and have the same pattern of transfer. When the broker-dealer subsidiary is acting as a distributor, it is acting as principal. In turn, when it acts as third-party dealer, it is acting as an agent.

Trust fees

Trust fees are recognized from retirement plan, mutual fund administration, investment management, trustee, escrow, and custody and safekeeping services. These asset management services are considered a single performance obligation as it requires the provision of a series of distinct services that are substantially the same and have the same pattern of transfer. The performance obligation is satisfied over time, except for optional services and certain other services that are satisfied at a point in time. Revenues are recognized in arrears, when, or as, the services are rendered. The Corporation is acting as principal since, as asset manager, it has the obligation to provide the specified service to the customer and has the ultimate discretion in establishing the fee paid by the customer for the specified services.

Note 28 – Leases

The Corporation enters in the ordinary course of business into operating and finance leases for land, buildings and equipment. These contracts generally do not include purchase options or residual value guarantees. The remaining lease terms of 0.1 to 31.30 years considers options to extend the leases for up to 20 years. The Corporation identifies leases when it has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.

The Corporation recognizes right-of-use assets ("ROU assets") and lease liabilities related to operating and finance leases in its Consolidated Statements of Financial Condition under the caption of other assets and other liabilities, respectively. Refer to Note 13 and Note 17 to the Consolidated Financial Statements, respectively, for information on the balances of these lease assets and liabilities.

The Corporation uses the incremental borrowing rate for purposes of discounting lease payments for operating and finance leases, since it does not have enough information to determine the rates implicit in the leases. The discount rates are based on fixed-rate and fully amortizing borrowing facilities of its banking subsidiaries that are collateralized. For leases held by non-banking subsidiaries, a credit spread is added to this rate based on financing transactions with a similar credit risk profile.

The following table presents the undiscounted cash flows of operating and finance leases for each of the following periods:

	September 30, 2023								
(In thousands)	Remaining 2023	2024	2025	2026	2027	Later Years	Total Lease Payments	Less: Imputed Interest	Total
Operating Leases	$ 7,690	$ 30,084	$ 27,214	$ 18,806	$ 13,571	$ 50,056	$ 147,421	$ (18,398)	$ 129,023
Finance Leases	2,061	3,991	4,084	3,839	2,468	9,346	25,789	(2,609)	23,180

The following table presents the lease cost recognized by the Corporation in the Consolidated Statements of Operations as follows:

	Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	2023	2022	2023	2022
Finance lease cost:				
Amortization of ROU assets	$ 1,071	$ 643	$ 2,966	$ 2,088
Interest on lease liabilities	219	261	749	848
Operating lease cost	7,924	7,498	23,578	22,785
Short-term lease cost	101	231	322	399
Variable lease cost	49	33	150	86
Sublease income	(20)	(9)	(46)	(28)
Total lease cost [1]	$ 9,344	$ 8,657	$ 27,719	$ 26,178

[1] Total lease cost is recognized as part of net occupancy expense, except for the net gain recognized from sale and leaseback transactions which was included as part of other operating income.

The following table presents supplemental cash flow information and other related information related to operating and finance leases:

(Dollars in thousands)	Nine months ended September 30, 2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 23,218	$ 22,389
Operating cash flows from finance leases	749	848
Financing cash flows from finance leases	3,557	2,363
ROU assets obtained in exchange for new lease obligations:		
Operating leases	$ 4,864	$ 1,937
Finance leases	1,796	556
Weighted-average remaining lease term:		
Operating leases	7.3 years	7.4 years
Finance leases	7.8 years	8.4 years
Weighted-average discount rate:		
Operating leases	3.2%	2.8%
Finance leases	3.8%	4.3%

As of September 30, 2023, the Corporation has additional operating leases contracts that have not yet commenced with an undiscounted contract amount of $4.1 million, which will have lease terms ranging from 10 to 20 years.

Note 29 – Pension and postretirement benefits

The Corporation has a non-contributory defined benefit pension plan and supplementary pension benefit restoration plans for regular employees of certain of its subsidiaries (the “Pension Plans”). The accrual of benefits under the Pension Plans is frozen to all participants. The Corporation also provides certain postretirement health care benefits for retired employees of certain subsidiaries (the “OPEB Plan”).

The components of net periodic cost for the Pension Plans and the OPEB Plan for the periods presented were as follows:

	Pension Plans Quarter ended September 30,		OPEB Plan Quarter ended September 30,	
(In thousands)	2023	2022	2023	2022
Personnel Cost:				
Service cost	$ -	$ -	$ 48	$ 121
Other operating expenses:				
Interest cost	7,886	4,800	1,520	983
Expected return on plan assets	(8,591)	(8,847)	-	-
Amortization of prior service cost/(credit)	-	-	-	-
Amortization of net loss	5,367	3,911	(553)	-
Total net periodic pension cost	$ 4,662	$ (136)	$ 1,015	$ 1,104

	Pension Plans Nine months ended September 30,		OPEB Plan Nine months ended September 30,	
(In thousands)	2023	2022	2023	2022
Personnel Cost:				
Service cost	$ -	$ -	$ 143	$ 364
Other operating expenses:				
Interest cost	23,661	14,399	4,561	2,948
Expected return on plan assets	(25,774)	(26,541)	-	-
Amortization prior service cost/(credit)	-	-	-	-
Amortization of net loss	16,099	11,733	(1,659)	-
Total net periodic pension cost	$ 13,986	$ (409)	$ 3,045	$ 3,312

The Corporation paid the following contributions to the plans for the nine months ended September 30, 2023 and expects to pay the following contributions for the year ending December 31, 2023.

(In thousands)	For the nine months ended September 30, 2023	For the year ending December 31, 2023
Pension Plans	$ 171	$ 228
OPEB Plan	$ 4,896	$ 5,924

Note 30 - Stock-based compensation

Incentive Plan

On May 12, 2020, the shareholders of the Corporation approved the Popular, Inc. 2020 Omnibus Incentive Plan, which permits the Corporation to issue several types of stock-based compensation to employees and directors of the Corporation and/or any of its subsidiaries (the "2020 Incentive Plan"). The 2020 Incentive Plan replaced the Popular, Inc. 2004 Omnibus Incentive Plan, which was in effect prior to the adoption of the 2020 Incentive Plan (the "2004 Incentive Plan" and, together with the 2020 Incentive Plan the "Incentive Plan"). Participants under the Incentive Plan are designated by the Talent and Compensation Committee of the Board of Directors (or its delegate, as determined by the Board). Under the Incentive Plan, the Corporation has issued restricted stock and performance shares to its employees and restricted stock and restricted stock units ("RSUs") to its directors.

The restricted stock granted under the Incentive Plan to employees becomes vested based on the employees' continued service with Popular.Unless otherwise stated in an agreement, the compensation cost associated with the shares of restricted stock granted prior to 2021 was determined based on a two-prong vesting schedule. The first part is vested ratably over five or four years commencing at the date of grant ("the graduated vesting portion") and the second part is vested at termination of employment after attainment of 55 years of age and 10 years of service or 60 years of age and 5 years of service ("the retirement vesting portion"). The graduated vesting portion is accelerated at termination of employment after attaining 55 years of age and 10 years of service or 60 years of age and 5 years of service. Restricted stock granted on or after 2021 will vest ratably in equal annual installments over a period of 4 years or 3 years, depending on the classification of the employee. The vesting schedule is accelerated at termination of employment after attaining the earlier of 55 years of age and 10 years of service or 60 years of age and 5 years of service.

The performance share awards granted under the Incentive Plan consist of the opportunity to receive shares of Popular, Inc.'s common stock provided that the Corporation achieves certain goals during a three-year performance cycle. The goals will be based on two metrics weighted equally: the Relative Total Shareholder Return ("TSR") and the Absolute Return on Average Tangible Common Equity ("ROATCE") goal. The TSR metric is considered to be a market condition under ASC 718. For equity-settled awards based on a market condition, the fair value is determined as of the grant date and is not subsequently revised based on actual performance. The ROATCE metric is considered to be a performance condition under ASC 718. The fair value is determined based on the probability of achieving the ROATCE goal as of each reporting period. The TSR and ROATCE metrics are equally weighted and work independently.The number of shares that will ultimately vest ranges from 50 % to a 150 % of target based on both market (TSR) and performance (ROATCE) conditions. The performance shares vest at the end of the three-year performance cycle. If a participant terminates employment after attaining the earlier of 55 years of age and 10 years of service or 60 years of age and 5 years of service, the performance shares shall continue outstanding and vest at the end of the performance cycle.

The following table summarizes the restricted stock and performance shares activity under the Incentive Plan for members of management.

(Not in thousands)	Shares		Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2021	321,883	$	47.98
Granted	194,791		84.29
Performance Shares Quantity Adjustment	6,947		78.02
Vested	(240,033)		66.11
Forfeited	(1,625)		78.86
Non-vested at December 31, 2022	281,963	$	56.50
Granted	251,658		66.79
Performance Shares Quantity Adjustment	16,374		76.07
Vested	(232,717)		66.38
Forfeited	(16,082)		55.56
Non-vested at September 30, 2023	301,196	$	58.14

During the quarter ended September 30, 2023, no shares of restricted stock (September 30, 2022 - 2,888) were awarded to management under the Incentive Plan. During the quarters ended September 30, 2023 and 2022, no performance shares were awarded to management under the Incentive Plan. For the nine months ended September 30, 2023, 200,303 shares of restricted stock (September 30, 2022 - 137,934) and 51,355 performance shares (September 30, 2022 - 56,857) were awarded to management under the Incentive Plan.

During the quarter ended September 30, 2023, the Corporation recognized $2.0 million of restricted stock expense related to management incentive awards, with a tax benefit of $0.4 million (September 30, 2022 - $1.5 million, with a tax benefit of $0.3 million). For the nine months ended September 30, 2023, the Corporation recognized $9.7 million of restricted stock expense related to management incentive awards, with a tax benefit of $1.5 million (September 30, 2022 - $8.9 million, with a tax benefit of $1.5 million). For the nine months ended September 30, 2023, the fair market value of the restricted stock and performance shares vested was $11.3 million at grant date and $14.1 million at vesting date. This differential triggers a windfall of $1.0 million that was recorded as a reduction on income tax expense. During the quarter ended September 30, 2023 the Corporation recognized $0.1 million of performance shares benefit, with a tax expense of $8 thousand due to performance shares target adjustment (September 30, 2022 - $0.3 million, with a tax benefit of $13 thousand). For the nine months ended September 30, 2023, the Corporation recognized $3.6 million of performance shares expense, with a tax benefit of $0.1 million (September 30, 2022 - $4.3 million, with a tax benefit of $0.3 million). The total unrecognized compensation cost related to non-vested restricted stock awards and performance shares to members of management at September 30, 2023 was $13.6 million and is expected to be recognized over a weighted-average period of 1.6 years.

The following table summarizes the restricted stock activity under the Incentive Plan for members of the Board of Directors:

(Not in thousands)		RSUs / Unrestricted stock		Weighted-Average Grant Date Fair Value per Unit
Non-vested at December 31, 2021	$	-	$	-
Granted		25,321		77.48
Vested		(25,321)		77.48
Forfeited		-		-
Non-vested at December 31, 2022	$	-	$	-
Granted		37,712		55.05
Vested		(37,712)		55.05
Forfeited		-		-
Non-vested at September 30, 2023	$	-	$	-

The equity awards granted to members of the Board of Directors of Popular, Inc. (the "Directors") will vest and become non-forfeitable on the grant date of such award. Effective in May 2019, all equity awards granted to the Directors may be paid in either unrestricted stock or RSUs at each Directors election. If RSUs are elected, the Directors may defer the delivery of the shares of common stock underlying the RSUs award until their retirement. To the extent that cash dividends are paid on the Corporation's outstanding common stock, the Directors will receive an additional number of RSUs that reflect a reinvested dividend equivalent.

For 2023 and 2022, Directors elected RSUs and unrestricted stock. During the quarter ended September 30, 2023, 1,384 RSUs and no unrestricted stocks were granted to the Directors (September 30, 2022 - 857 RSUs) and the Corporation recognized expense related to these shares of $0.1 million with a tax benefit of $16 thousand (September 30, 2022 - $0.1 million with a tax benefit of $25 thousand). For the nine months ended September 30, 2023, the Corporation granted 35,412 RSUs and 2,300 unrestricted stocks to the Directors (September 30, 2022 - 24,409 RSUs) and the Corporation recognized $2.1 million of expense related to these shares, with a tax benefit of $0.4 million, (September 30, 2022 - $1.9 million, with a tax benefit of $0.4 million). The fair value at vesting date of the shares vested during the nine months ended September 30, 2023 for the Directors was $2.1 million.

Note 31 – Income taxes

The reason for the difference between the income tax expense applicable to income before provision for income taxes and the amount computed by applying the statutory tax rate in Puerto Rico, were as follows:

	Quarters ended					
	September 30, 2023			September 30, 2022		
(In thousands)		Amount	% of pre-tax income		Amount	% of pre-tax income
Computed income tax expense at statutory rates	$	68,426	38 %	$	183,893	38 %
Net benefit of tax exempt interest income		(22,862)	(13)		(35,403)	(8)
Effect of income subject to preferential tax rate		(199)	-		(109,588)	(22)
Deferred tax asset valuation allowance		1,355	1		3,724	1
Difference in tax rates due to multiple jurisdictions		(2,839)	(2)		(7,147)	(2)
Unrecognized tax benefits		-	-		(1,503)	-
State and local taxes		2,436	1		3,726	1
Others		(458)	-		30,284	6
Income tax expense	$	45,859	25 %	$	67,986	14 %

	Nine months ended					
	September 30, 2023			September 30, 2022		
(In thousands)		Amount	% of pre-tax income		Amount	% of pre-tax income
Computed income tax expense at statutory rates	$	218,409	38 %	$	385,567	38 %
Net benefit of tax exempt interest income		(72,080)	(13)		(112,669)	(12)
Effect of income subject to preferential tax rate		(775)	-		(116,630)	(11)
Deferred tax asset valuation allowance		(2,217)	-		9,662	1
Difference in tax rates due to multiple jurisdictions		(11,879)	(3)		(20,457)	(2)
Unrecognized tax benefits		-	-		(1,503)	-
State and local taxes		8,829	2		10,957	1
Others		(4,611)	(1)		27,750	3
Income tax expense	$	135,676	23 %	$	182,677	18 %

For the quarter and nine months ended September 30, 2023, the Corporation recorded an income tax expense of $45.9 million and $135.7 million, respectively, compared to $68.0 million and $182.7 million for the respective periods of 2022. The decrease in income tax expense was due in essence to a lower pre-tax income, including lower volume of income subject to preferential tax rates, for the quarter and nine months ended September 30, 2023.

The following table presents a breakdown of the significant components of the Corporation's deferred tax assets and liabilities.

(In thousands)	September 30, 2023 PR	US	Total
Deferred tax assets:			
Tax credits available for carryforward	$ 261	$ 10,754	$ 11,015
Net operating loss and other carryforward available	123,196	644,007	767,203
Postretirement and pension benefits	46,823	-	46,823
Allowance for credit losses	242,095	26,366	268,461
Depreciation	5,972	6,445	12,417
FDIC-assisted transaction	152,665	-	152,665
Lease liability	29,056	20,237	49,293
Unrealized net loss on investment securities	218,866	27,119	245,985
Difference in outside basis from pass-through entities	38,439	-	38,439
Mortgage Servicing Rights	14,685	-	14,685
Other temporary differences	30,804	7,395	38,199
Total gross deferred tax assets	902,862	742,323	1,645,185
Deferred tax liabilities:			
Intangibles	83,961	50,392	134,353
Right of use assets	26,655	17,506	44,161
Deferred loan origination fees/cost	1,990	1,944	3,934
Loans acquired	19,698	-	19,698
Other temporary differences	6,053	422	6,475
Total gross deferred tax liabilities	138,357	70,264	208,621
Valuation allowance	140,033	401,318	541,351
Net deferred tax asset	$ 624,472	$ 270,741	$ 895,213

(In thousands)	December 31, 2022 PR	US	Total
Deferred tax assets:			
Tax credits available for carryforward	$ 261	$ 2,781	$ 3,042
Net operating loss and other carryforward available	121,742	661,144	782,886
Postretirement and pension benefits	47,122	-	47,122
Allowance for credit losses	250,615	32,688	283,303
Depreciation	5,972	6,309	12,281
FDIC-assisted transaction	152,665	-	152,665
Lease liability	28,290	23,521	51,811
Unrealized net loss on investment securities	265,955	23,913	289,868
Difference in outside basis from pass-through entities	40,602	-	40,602
Mortgage Servicing Rights	13,711	-	13,711
Other temporary differences	17,122	7,815	24,937
Total gross deferred tax assets	944,057	758,171	1,702,228
Deferred tax liabilities:			
Intangibles	81,174	54,623	135,797
Right of use assets	26,015	20,262	46,277
Deferred loan origination fees/cost	1,076	2,961	4,037
Loans acquired	23,353	-	23,353
Other temporary differences	1,531	-	1,531
Total gross deferred tax liabilities	133,149	77,846	210,995
Valuation allowance	137,863	402,333	540,196
Net deferred tax asset	$ 673,045	$ 277,992	$ 951,037

The net deferred tax asset shown in the table above at September 30, 2023, is reflected in the consolidated statements of financial condition as $0.9 billion in net deferred tax assets in the "Other assets" caption (December 31, 2022 - $1.0 billion) and $1.2 million in deferred tax liabilities in the "Other liabilities" caption (December 31, 2022 - $0.6 million), reflecting the aggregate deferred tax assets or liabilities of individual tax-paying subsidiaries of the Corporation in their respective tax jurisdiction, Puerto Rico or the United States.

At September 30, 2023 the net deferred tax asset of the U.S. operations amounted to $672 million with a valuation allowance of approximately $401 million, for a net deferred tax asset after valuation allowance of approximately $271 million. The Corporation evaluates the realization of the deferred tax asset on a quarterly basis by taxing jurisdiction. The U.S. operation has sustained profitability for last three calendar years and for the period ended September 30, 2023. While the pre-tax income for the nine-month period ended in September 2023 is lower when compared to the same period last year, these results, when combined with recent historical results, still demonstrated financial stability for the U.S. operations. The historical financial results are objectively verifiable positive evidence, evaluated together with the positive evidence of stable credit metrics, in combination with the length of the expiration of the NOLs. On the other hand, the Corporation evaluated the negative evidence accumulated over the years, including financial results lower than expectations and challenges to the economy due to inflationary pressures and global geopolitical uncertainty, that have resulted in a reduction of pre-tax income for the year 2023. As of September 30, 2023, after weighting all positive and negative evidence, the Corporation concluded that it is more likely than not that approximately $271 million of the deferred tax asset from the U.S. operations, comprised mainly of net operating losses, will be realized. The Corporation based this determination on its estimated earnings available to realize the deferred tax asset for the remaining carryforward period, together with the historical level of book income adjusted by permanent differences. Management will continue to monitor and review the U.S. operation's results, the pre-tax earnings forecast, any new tax initiative, and other factors, including net income versus forecast, targeted loan growth, net interest income margin, changes in deposit costs, allowance for credit losses, charge offs, NPLs inflows and NPA balances, to assess the future realization of the deferred tax asset.

At September 30, 2023, the Corporation's net deferred tax assets related to its Puerto Rico operations amounted to $624 million.

The Corporation's Puerto Rico Banking operation is not in a cumulative loss position and has sustained profitability for the last three calendar years and for the period ended September 30, 2023. This is considered a strong piece of objectively verifiable positive evidence that outweighs any negative evidence considered by management in the evaluation of the realization of the deferred tax asset. Based on this evidence and management's estimate of future taxable income, the Corporation has concluded that it is more likely than not that such net deferred tax asset of the Puerto Rico Banking operations will be realized.

The Holding Company operation is in a cumulative loss position, taking into account taxable income exclusive of reversing temporary differences, for the last three calendar years and for the period ended September 30, 2023. Management expects these losses will be a trend in future years. This objectively verifiable negative evidence is considered by management strong negative evidence that will suggest that income in future years will be insufficient to support the realization of all deferred tax assets. After weighting of all positive and negative evidence management concluded, as of the reporting date, that it is more likely than not that the Holding Company will not be able to realize any portion of the deferred tax assets. Accordingly, the Corporation has maintained a valuation allowance on the deferred tax asset of $140 million as of September 30, 2023.

The reconciliation of unrecognized tax benefits, excluding interest, was as follows:

(In millions)	2023	2022
Balance at January 1	$ 2.5	$ 3.5
Balance at March 31	$ 2.5	$ 3.5
Balance at June 30	$ 2.5	$ 3.5
Reduction as a result of lapse of statute of limitations - July through September	-	(1.1)
Balance at September 30	$ 2.5	$ 2.4

At September 30, 2023, the total amount of accrued interest recognized in the statement of financial condition amounted to $2.7 million (December 31, 2022 – $2.6 million). The total interest expense recognized at September 30, 2023 was $79 thousand, (September 30, 2022– $202 thousand). Management determined that at September 30, 2023 and December 31, 2022 there was no need to accrue for the payment of penalties. The Corporation's policy is to report interest related to unrecognized tax benefits in income tax expense, while the penalties, if any, are reported in other operating expenses in the consolidated statements of operations.

After consideration of the effect on U.S. federal tax of unrecognized U.S. state tax benefits, the total amount of unrecognized tax benefits, including U.S. and Puerto Rico, that if recognized, would affect the Corporation's effective tax rate, was approximately $4.4 million at September 30, 2023 (December 31, 2022 - $4.3 million).

The amount of unrecognized tax benefits may increase or decrease in the future for various reasons including adding amounts for current tax year positions, expiration of open income tax returns due to the statutes of limitation, changes in management's judgment about the level of uncertainty, status of examinations, litigation and legislative activity and the addition or elimination of uncertain tax positions. The Corporation anticipates a reduction in the total amount of unrecognized tax benefits within the next 12 months amounting to $1.5 million.

The Corporation and its subsidiaries file income tax returns in Puerto Rico, the U.S. federal jurisdiction, various U.S. states and political subdivisions, and foreign jurisdictions. At September 30, 2023, the following years remain subject to examination in the U.S. Federal jurisdiction: 2019 and thereafter; and in the Puerto Rico jurisdiction, 2018 and thereafter.

Note 32 – Supplemental disclosure on the consolidated statements of cash flows

Additional disclosures on cash flow information and non-cash activities for the nine months ended September 30, 2023 and September 30, 2022 are listed in the following table:

(In thousands)		September 30, 2023		September 30, 2022
Non-cash activities:				
Loans transferred to other real estate	$	48,704	$	50,359
Loans transferred to other property		53,021		38,066
Total loans transferred to foreclosed assets		101,725		88,425
Loans transferred to other assets		15,738		6,631
Financed sales of other real estate assets		7,617		6,231
Financed sales of other foreclosed assets		38,136		29,505
Total financed sales of foreclosed assets		45,753		35,736
Financed sale of premises and equipment		59,345		31,894
Transfers from premises and equipment to long-lived assets held-for-sale		-		1,126
Transfers from loans held-in-portfolio to loans held-for-sale		55,497		11,522
Transfers from loans held-for-sale to loans held-in-portfolio		3,772		25,706
Loans securitized into investment securities [1]		35,958		294,872
Trades receivable from brokers and counterparties		11,823		12,973
Trades payable to brokers and counterparties		14,761		5,793
Net change in receivables from investments maturities		176,000		-
Recognition of mortgage servicing rights on securitizations or asset transfers		1,814		6,195
Loans booked under the GNMA buy-back option		2,805		3,984
Capitalization of lease right of use asset		14,672		4,453
Acquisition of software intangible assets		-		28,650
Goodwill on acquisition		-		116,135
Total stock consideration related to Evertec transactions		-		144,785

[1] Includes loans securitized into trading securities and subsequently sold before quarter end.

The following table provides a reconciliation of cash and due from banks, and restricted cash reported within the Consolidated Statement of Financial Condition that sum to the total of the same such amounts shown in the Consolidated Statement of Cash Flows.

(In thousands)		September 30, 2023		September 30, 2022
Cash and due from banks	$	509,538	$	1,937,638
Restricted cash and due from banks		25,797		79,674
Restricted cash in money market investments		5,903		7,199
Total cash and due from banks, and restricted cash [2]	$	541,238	$	2,024,511

[2] Refer to Note 5 - Restrictions on cash and due from banks and certain securities for nature of restrictions.

Note 33 – Segment reporting

The Corporation's corporate structure consists of two reportable segments – Banco Popular de Puerto Rico and Popular U.S. Management determined the reportable segments based on the internal reporting used to evaluate performance and to assess where to allocate resources. The segments were determined based on the organizational structure, which focuses primarily on the markets the segments serve, as well as on the products and services offered by the segments.

Banco Popular de Puerto Rico:

The Banco Popular de Puerto Rico reportable segment includes commercial, consumer and retail banking operations conducted at BPPR, including U.S. based activities conducted through its New York Branch. It also includes the lending operations of Popular Auto and Popular Mortgage. Other financial services within the BPPR segment include the trust service units of BPPR, asset management services of Popular Asset Management, the brokerage and investment banking operations of Popular Securities, and the insurance agency and reinsurance businesses of Popular Insurance, Popular Risk Services, Popular Life Re, and Popular Re.

Popular U.S.:

Popular U.S. reportable segment consists of the banking operations of Popular Bank (PB), Popular Insurance Agency, U.S.A., and PEF. PB operates through a retail branch network in the U.S. mainland under the name of Popular, and equipment leasing and financing services through PEF. Popular Insurance Agency, U.S.A. offers investment and insurance services across the PB branch network.

The Corporate group consists primarily of the holding companies Popular, Inc., Popular North America, Popular International Bank and certain of the Corporation's investments accounted for under the equity method, including Evertec, until August 15, 2022, and Centro Financiero BHD, León.

The accounting policies of the individual operating segments are the same as those of the Corporation. Transactions between reportable segments are primarily conducted at market rates, resulting in profits that are eliminated for reporting consolidated results of operations.

The tables that follow present the results of operations and total assets by reportable segments:

2023

For the quarter ended September 30, 2023

(In thousands)		BPPR		Popular U.S.		Intersegment Eliminations
Net interest income	$	453,879	$	87,445	$	1
Provision for credit losses (benefit)		51,899		(6,644)		-
Non-interest income		144,691		5,894		(134)
Amortization of intangibles		484		311		-
Goodwill impairment charge		-		23,000		-
Depreciation expense		12,880		1,962		-
Other operating expenses		369,738		58,341		(134)
Income tax expense		40,861		5,358		-
Net income	$	122,708	$	11,011	$	1
Segment assets	$	57,039,000	$	12,806,630	$	(448,100)

For the quarter ended September 30, 2023

(In thousands)		Reportable Segments		Corporate		Eliminations		Total Popular, Inc.
Net interest income (expense)	$	541,325	$	(7,305)	$	-	$	534,020
Provision for credit losses (benefit)		45,255		(138)		-		45,117
Non-interest income		150,451		10,179		(1,081)		159,549
Amortization of intangibles		795		-		-		795
Goodwill impairment charge		23,000		-		-		23,000
Depreciation expense		14,842		381		-		15,223
Other operating expenses		427,945		180		(1,159)		426,966
Income tax expense (benefit)		46,219		(396)		36		45,859
Net income	$	133,720	$	2,847	$	42	$	136,609
Segment assets	$	69,397,530	$	5,554,370	$	(5,214,964)	$	69,736,936

For the nine months ended September 30, 2023

(In thousands)		BPPR		Popular U.S.		Intersegment Eliminations
Net interest income	$	1,356,774	$	265,033	$	2
Provision for credit losses		126,952		3,328		-
Non-interest income		435,966		18,165		(404)
Amortization of intangibles		1,453		932		-
Goodwill impairment charge		-		23,000		-
Depreciation expense		36,424		5,661		-
Other operating expenses		1,119,522		182,809		(404)
Income tax expense		120,996		16,184		-
Net income	$	387,393	$	51,284	$	2
Segment assets	$	57,039,000	$	12,806,630	$	(448,100)

For the nine months ended September 30, 2023

(In thousands)		Reportable Segments		Corporate		Eliminations		Total Popular, Inc.
Net interest income (expense)	$	1,621,809	$	(24,465)	$	-	$	1,597,344
Provision for credit losses (benefit)		130,280		(334)		-		129,946
Non-interest income		453,727		32,905		(4,651)		481,981
Amortization of intangibles		2,385		-		-		2,385
Goodwill impairment charge		23,000		-		-		23,000
Depreciation expense		42,085		1,095		-		43,180
Other operating expenses		1,301,927		(146)		(3,391)		1,298,390
Income tax expense (benefit)		137,180		(1,006)		(498)		135,676
Net income	$	438,679	$	8,831	$	(762)	$	446,748
Segment assets	$	69,397,530	$	5,554,370	$	(5,214,964)	$	69,736,936

2022

For the quarter ended September 30, 2022

(In thousands)		BPPR		Popular U.S.		Intersegment Eliminations
Net interest income	$	488,123	$	98,874	$	1
Provision for credit losses		29,813		10,011		-
Non-interest income		262,587		15,203		(137)
Amortization of intangibles		484		311		-
Goodwill impairment charge		-		9,000		-
Depreciation expense		11,862		1,693		-
Other operating expenses		396,655		57,127		(135)
Income tax expense		48,209		10,628		-
Net income	$	263,687	$	25,307	$	(1)
Segment assets	$	59,640,784	$	11,106,409	$	(319,999)

For the quarter ended September 30, 2022

(In thousands)		Reportable Segments		Corporate		Eliminations		Total Popular, Inc.
Net interest income (expense)	$	586,998	$	(7,379)	$	-	$	579,619
Provision for credit losses (benefit)		39,824		(187)		-		39,637
Non-interest income		277,653		148,228		613		426,494
Amortization of intangibles		795		-		-		795
Goodwill impairment charge		9,000		-		-		9,000
Depreciation expense		13,555		298		-		13,853
Other operating expenses		453,647		(46)		(1,154)		452,447
Income tax expense		58,837		8,469		680		67,986
Net income	$	288,993	$	132,315	$	1,087	$	422,395
Segment assets	$	70,427,194	$	5,341,051	$	(5,038,570)	$	70,729,675

For the nine months ended September 30, 2022

(In thousands)		BPPR		Popular U.S.		Intersegment Eliminations
Net interest income	$	1,351,086	$	278,825	$	3
Provision for credit losses		24,941		8,580		-
Non-interest income		542,826		26,076		(410)
Amortization of intangibles		1,453		1,028		-
Goodwill impairment charge		-		9,000		-
Depreciation expense		35,054		5,272		-
Other operating expenses		1,069,512		166,677		(407)
Income tax expense		141,113		33,917		-
Net income	$	621,839	$	80,427	$	-
Segment assets	$	59,640,784	$	11,106,409	$	(319,999)

For the nine months ended September 30, 2022

(In thousands)		Reportable Segments		Corporate		Eliminations		Total Popular, Inc.
Net interest income (expense)	$	1,629,914	$	(22,121)	$	-	$	1,607,793
Provision for credit losses (benefit)		33,521		(22)		-		33,499
Non-interest income		568,492		174,060		(3,955)		738,597
Amortization of intangibles		2,481		-		-		2,481
Goodwill impairment charge		9,000		-		-		9,000
Depreciation expense		40,326		881		-		41,207
Other operating expenses		1,235,782		(149)		(3,609)		1,232,024
Income tax expense		175,030		7,802		(155)		182,677
Net income	$	702,266	$	143,427	$	(191)	$	845,502
Segment assets	$	70,427,194	$	5,341,051	$	(5,038,570)	$	70,729,675

Geographic Information

The following information presents selected financial information based on the geographic location where the Corporation conducts its business. The banking operations of BPPR are primarily based in Puerto Rico, where it has the largest retail banking franchise. BPPR also conducts banking operations in the U.S. Virgin Islands, the British Virgin Islands and New York. BPPR's banking operations in the mainland United States include commercial lending activities. BPPR's commercial lending activities in the U.S., through its New York Branch, include periodic loan participations with PB. During the quarter and nine months ended, BPPR participated in loans originated by PB totaling $10 million and $3 million, respectively (2022 - $69 million and $160 million, respectively). At September 30, 2023, total assets for the BPPR segment related to its operations in the United States amounted to $1.4 billion (December 31, 2022 - $1.2 billion). During the nine months ended September 30, 2023, the BPPR segment generated approximately $86.0 million (2022 - $45.0 million) in revenues from its operations in the United States, including net interest income and other service fees. In the Virgin Islands, the BPPR segment offers banking products, including loans and deposits. The BPPR segment generated $33.6 million in revenues during the nine months ended September 30, 2023 (2022 - $24.6 million) from its operations in the U.S. and British Virgin Islands.

Geographic Information

(In thousands)	Quarter ended September 30, 2023	Quarter ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenues: [1]				
Puerto Rico	$ 539,985	$ 852,149	$ 1,623,963	$ 1,940,457
United States	131,698	133,071	389,463	347,614
Other	21,886	20,893	65,899	58,319
Total consolidated revenues	$ 693,569	$ 1,006,113	$ 2,079,325	$ 2,346,390

[1] Total revenues include net interest income, service charges on deposit accounts, other service fees, mortgage banking activities, net (loss) gain, including impairment on equity securities, net gain (loss) on trading account debt securities, net loss on sale of loans, including valuation adjustments on loans held-for-sale, adjustments to indemnity reserves on loans sold, and other operating income.

Selected Balance Sheet Information:

(In thousands)	September 30, 2023	December 31, 2022
Puerto Rico		
Total assets	$ 54,259,904	$ 53,541,427
Loans	21,866,754	20,884,442
Deposits	52,035,227	51,138,790
United States		
Total assets	$ 14,218,288	$ 12,718,775
Loans	11,625,969	10,643,964
Deposits	9,605,215	8,182,702
Other		
Total assets	$ 1,258,744	$ 1,377,715
Loans	541,829	554,744
Deposits [1]	1,697,158	1,905,735

[1] Represents deposits from BPPR operations located in the U.S. and British Virgin Islands.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report includes management's discussion and analysis ("MD&A") of the consolidated financial position and financial performance of Popular, Inc. (the "Corporation" or "Popular"). All accompanying tables, financial statements and notes included elsewhere in this report should be considered an integral part of this analysis.

The Corporation is a diversified, publicly-owned financial holding company subject to the supervision and regulation of the Board of Governors of the Federal Reserve System. The Corporation has operations in Puerto Rico, the United States ("U.S.") mainland and the U.S. and British Virgin Islands. In Puerto Rico, the Corporation provides retail, mortgage and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico ("BPPR"), as well as investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. In the U.S. mainland, the Corporation provides retail, mortgage and commercial banking services, as well as equipment leasing and financing, through its New York-chartered banking subsidiary, Popular Bank ("PB" or "Popular U.S."), which has branches located in New York, New Jersey and Florida. Note 33 to the Consolidated Financial Statements presents information about the Corporation's business segments.

OVERVIEW

Table 1 provides selected financial data and performance indicators for the quarters ended September 30, 2023 and 2022.

Table 1 - Financial Highlights

Financial Condition Highlights

(In thousands)	Ending balances at September 30, 2023	Ending balances at December 31, 2022	Variance	Average for the nine months ended September 30, 2023	Average for the nine months ended September 30, 2022	Variance
Money market investments	$ 6,389,437	$ 5,614,595	$ 774,842	$ 6,965,588	$ 10,969,361	$ (4,003,773)
Investment securities	25,653,616	26,553,317	(899,701)	27,463,370	29,429,998	(1,966,628)
Loans	34,034,552	32,083,150	1,951,402	32,732,877	29,965,064	2,767,813
Earning assets	66,077,605	64,251,062	1,826,543	67,161,835	70,364,423	(3,202,588)
Total assets	69,736,936	67,637,917	2,099,019	70,209,477	73,456,562	(3,247,085)
Deposits	63,337,600	61,227,227	2,110,373	62,304,083	65,486,523	(3,182,440)
Borrowings	1,097,720	1,400,319	(302,599)	1,274,682	1,046,350	228,332
Total liabilities	65,279,328	63,544,492	1,734,836	64,430,204	67,498,698	(3,068,494)
Stockholders' equity	4,457,608	4,093,425	364,183	5,779,273	5,957,864	(178,591)

Note: Average balances exclude unrealized gains or losses on debt securities available-for-sale and the unrealized loss related to certain securities transferred from available-for-sale to held-to-maturity.

Operating Highlights (In thousands, except per share information)	Quarters ended September 30, 2023	Quarters ended September 30, 2022	Variance	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Variance
Net interest income	$ 534,020	$ 579,619	$ (45,599)	$ 1,597,344	$ 1,607,793	$ (10,449)
Provision for credit losses	45,117	39,637	5,480	129,946	33,499	96,447
Non-interest income	159,549	426,494	(266,945)	481,981	738,597	(256,616)
Operating expenses	465,984	476,095	(10,111)	1,366,955	1,284,712	82,243
Income before income tax	182,468	490,381	(307,913)	582,424	1,028,179	(445,755)
Income tax expense	45,859	67,986	(22,127)	135,676	182,677	(47,001)
Net income	$ 136,609	$ 422,395	$ (285,786)	$ 446,748	$ 845,502	$ (398,754)
Net income applicable to common stock	$ 136,256	$ 422,042	$ (285,786)	$ 445,689	$ 844,443	$ (398,754)
Net income per common share – basic	$ 1.90	$ 5.71	$ (3.81)	$ 6.22	$ 11.09	$ (4.87)
Net income per common share – diluted	$ 1.90	$ 5.70	$ (3.80)	$ 6.21	$ 11.07	$ (4.86)
Dividends declared per common share	$ 0.55	$ 0.55	$ —	$ 1.65	$ 1.65	$ —

Selected Statistical Information	Quarters ended September 30, 2023	Quarters ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Common Stock Data				
End market price	$ 63.01	72.06	$ 63.01	72.06
Book value per common share at period end	61.49	50.26	61.49	50.26
Profitability Ratios				
Return on assets	0.75 %	2.31 %	0.84 %	1.54 %
Return on common equity	8.17	27.72	9.13	19.02
Net interest spread	2.37	3.16	2.52	2.95
Net interest spread (taxable equivalent) - Non-GAAP	2.54	3.55	2.70	3.29
Net interest margin	3.07	3.32	3.14	3.05
Net interest margin (taxable equivalent) - Non-GAAP	3.24	3.71	3.32	3.39
Capitalization Ratios				
Average equity to average assets	8.26 %	8.36 %	8.23 %	8.11 %
Common equity Tier 1 capital	16.81	16.04	16.81	16.04
Tier I capital	16.88	16.10	16.88	16.10
Total capital	18.67	17.92	18.67	17.92
Tier 1 leverage	8.41	7.65	8.41	7.65

Net interest income on a taxable equivalent basis – Non-GAAP Financial Measure

The Corporation's interest earning assets include investment securities and loans that are exempt from income tax, principally in Puerto Rico. The main sources of tax-exempt interest income are certain investments in obligations of the U. S. Government, its agencies and sponsored entities, certain obligations of the Commonwealth of Puerto Rico and/or its agencies and municipalities, and assets held by the Corporation's international banking entities. To facilitate the comparison of interest related to these assets, the interest has been converted to a taxable equivalent basis, using the applicable statutory income tax rates for each period. According to the Puerto Rico tax law, a portion of interest cost, based on an equal proportion of tax-exempt assets to total assets, and an allocation of general and administrative expenses should be attributed to exempt income, reducing the benefit of the tax exempt income, and as such the disallowance of such deduction is considered in the taxable equivalent computation. The effective yield, on a taxable equivalent basis, will vary depending on the level of these expenses that are attributed to the available exempt income.

Net interest income on a taxable equivalent basis is a non-GAAP financial measure. Management believes that this presentation provides meaningful information since it facilitates the comparison of revenues arising from taxable and tax-exempt sources. Net interest income on a taxable equivalent basis is presented with its different components in Tables 2 and 3, along with the reconciliation to net interest income (GAAP), for the quarter ended September 30, 2023 as compared with the same period in 2022 segregated by major categories of interest earning assets and interest-bearing liabilities.

Non-GAAP financial measures used by the Corporation may not be comparable to similarly named non-GAAP financial measures used by other companies.

Financial highlights for the quarter ended September 30, 2023

- For the quarter ended September 30, 2023, the Corporation recorded net income of $ 136.6 million, compared to net income of $ 422.4 million for the same quarter of the previous year. Net interest margin for the second quarter of 2023 was 3.07%, a decrease of 25 basis points when compared to 3.32% for the same quarter of the previous year, mainly due to higher deposits cost, principally from the Puerto Rico public sector and in the U.S. , which was partially offset by higher yield from money market investments and loans. On a taxable equivalent basis, the net interest margin was 3.24%, compared to 3.71% for the same quarter of the previous year. For the quarter ended September 30, 2023, the Corporation recorded a provision for credit losses of $45.1 million, compared to $39.6 million for the same quarter of the previous year. The higher provision for 2023 is attributed to higher loan volumes, migrations in credit scores and changes in economic variables related to consumer loan portfolios. Non-interest income was $159.5 million for the quarter, a decrease of $266.9 million when compared to the quarter ended September 30, 2022, mainly due to lower other operating income, driven by the gain of $257.7 million from the sale of Evertec Inc. shares in connection with the business acquisition in exchange for shares and the Corporation's sale of its remaining Evertec shares, (together the "Evertec Transaction s") recognized during the quarter ended September 30, 2022. Operating expenses were lower by $10.1 million principally due to lower other operating expenses and professional fees.

- Total assets at September 30, 2023 amounted to $69.7 billion, compared to $67.6 billion, at December 31, 2022. The increase was mainly due to higher money market investments, driven by the increase in deposits, and loan growth, partially offset by lower debt securities available-for-sale and held-to-maturity.

- Total deposits at September 30, 2023 increased by $2.1 billion when compared to deposits at December 31, 2022, mainly due to higher Puerto Rico public sector deposits by $2.6 billion.

- Stockholders' equity totaled $4.5 billion at September 30, 2023, an increase of $364.2 million when compared to December 31, 2022, principally due to net income for the nine-months ended September 30, 2023 of $446.7 million, the amortization of the unrealized losses from securities previously reclassified to HTM as described above of $103.0 million, and the positive impact from the adoption of a new accounting standard during the year of $28.8 million, partially offset by dividends declared for the nine-month period and the after-tax impact of the unfavorable variance in net unrealized losses in the portfolio of available-for-sale securities of $120.8 million. At September 30, 2023, the Corporation's tangible book value per common share was $50.20, an increase of $5.23 from December 31, 2022 due mainly to the increase in Stockholders' equity during the period.

- Regulatory capital ratios continued to be strong. As of September 30, 2023, the Corporation’s common equity tier 1 capital ratio was 16.81%, the tier 1 leverage ratio was 8.41%, and the total capital ratio was 18.67%. Refer to Table 9 for capital ratios.

Refer to the Operating Results Analysis and Financial Condition Analysis within this MD&A for additional discussion of significant quarterly variances and items impacting the financial performance of the Corporation.

As a financial services company, the Corporation’s earnings are significantly affected by general business and economic conditions in the markets which we serve. Lending and deposit activities and fee income generation are influenced by the level of business spending and investment, consumer income, spending and savings, capital market activities, competition, customer preferences, interest rate conditions and prevailing market rates on competing products.

The Corporation operates in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations. Also, competition with other financial institutions could adversely affect its profitability.

The Corporation continuously monitors general business and economic conditions, industry-related indicators and trends, competition, interest rate volatility, credit quality indicators, loan and deposit demand, operational and systems efficiencies, revenue enhancements and changes in the regulation of financial services companies.

The description of the Corporation’s business contained in Item 1 of the 2022 Form 10-K, while not all inclusive, discusses additional information about the business of the Corporation. Readers should also refer to “Part I - Item 1A” of the 2022 Form 10-K and “Part II Item 1A” of this Form 10-Q for a discussion of certain risks and uncertainties to which the Corporation is subject, many beyond the Corporation’s control that, in addition to the other information in this Form 10-Q, readers should consider.

The Corporation’s common stock is traded on the NASDAQ Global Select Market under the symbol BPOP.

CRITICAL ACCOUNTING POLICIES / ESTIMATES

The accounting and reporting policies followed by the Corporation and its subsidiaries conform to generally accepted accounting principles in the United States of America and general practices within the financial services industry. Various elements of the Corporation's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. These estimates are made under facts and circumstances at a point in time and changes in those facts and circumstances could produce actual results that differ from those estimates.

Management has discussed the development and selection of the critical accounting policies and estimates with the Corporation's Audit Committee. The Corporation has identified as critical accounting policies those related to: (i) Fair Value Measurement of Financial Instruments; (ii) Loans and Allowance for Credit Losses; (iii) Loans Acquired with Deteriorated Credit Quality; (iv) Income Taxes; (v) Goodwill and Other Intangible Assets; and (vi) Pension and Postretirement Benefit Obligations. For a summary of these critical accounting policies and estimates, refer to that particular section in the MD&A included in the 2022 Form 10-K. Also, refer to Note 2 to the Consolidated Financial Statements included in the 2022 Form 10-K for a summary of the Corporation's significant accounting policies and to Note 3 to the Consolidated Financial Statements included in this Form 10-Q for information on recently adopted accounting standard updates.

OPERATING RESULTS ANALYSIS

NET INTEREST INCOME

Net interest income for the quarter ended September 30, 2023 was $534.0 million, compared to $579.6 million in the same quarter of 2022, a decrease of $45.6 million. Net interest income on a taxable equivalent basis for the third quarter of 2023 was $563.7 million compared to $646.6 million in the third quarter of 2022. The decrease in the taxable equivalent net interest income is related to lower income from tax free investment securities and higher disallowed interest expense in the Puerto Rico tax computation. The latter results from the increase in the Corporation's interest expense that is attributable to the tax-exempt income.

Net interest margin for the quarter was 3.07% compared to 3.32% in the third quarter of 2022 or a decrease of 25 basis points. On a taxable equivalent basis, net interest margin for the third quarter of 2023 was 3.24%, compared to 3.71% for the same quarter the prior year. The main variances in net interest income on a taxable equivalent basis were:

Negative variances:

- Higher interest expense on deposits by $233.2 million due to the increase in interest rates that has resulted in a higher cost in most deposit categories in both BPPR and PB; but particularly from Puerto Rico government deposits for BPPR which are mostly market linked

Partially offset by:

- Higher interest income from money market, investment, and trading securities by $40.5 million driven mainly by a higher yield of money market investments, which reflects the increase in the Federal funds rate of 525 basis points since March 2022, partially offset by a lower average volume of $2.9 billion, driven by a higher volume of loans and a lower volume of deposits
- Higher interest income from loans by $115.7 million resulting from an increase in average loans by $2.7 billion reflecting increases in both PB and BPPR and across most major lending segments. Loan origination in a higher interest rate environment and the repricing of adjustable-rate loans resulted in a higher yield on loans by 85 basis points. The categories with the highest impact were commercial loans with an increase of $72.7 million in interest income, or 112 basis points, and consumer loans which increased $21.6 million in interest income, or 165 basis points.

Net interest income for the BPPR segment amounted to $453.9 million for the third quarter of 2023, compared to $488.1 million in the third quarter of 2022. Net interest margin decreased to 3.14% compared to 3.27% in the third quarter of 2022. The decrease in net interest income of $34.2 million was mainly driven by a higher interest expense on deposits by $182.3 million, mainly from the P.R. public sector deposits, partially offset by higher volume and yield on loans and higher yield on investment securities, money market investments and trading securities. The cost of interest-bearing deposits increased 180 basis points to 2.25% from 0.45% in the same quarter of 2022. Total deposit costs for the quarter increased by 134 basis points, from 0.34% in the second quarter of 2022 to 1.68%.

Net interest income for PB was $87.4 million for the quarter ended September 30, 2023, compared to $98.9 million during the third quarter of 2022, a decrease of $11.4 million. Net interest margin decreased 94 basis points when compared to the third quarter of 2022 to 2.90%. The decrease in net interest margin was mostly driven by a higher cost of deposits, partially offset by the increase in loan volume and yield of loans due to origination of loans in a higher interest rate environment and the repricing of adjustable-rate loans. The cost of interest-bearing deposits was 3.31% compared to 0.85%, or an increase of 246 basis points, while total deposit cost was 2.84% compared to 0.67% in the third quarter of 2022.

Table 2 - Analysis of Levels & Yields on a Taxable Equivalent Basis (Non-GAAP)

Quarter ended September 30,

Average Volume			Average Yields / Costs				Interest			Variance Attributable to	
2023	2022	Variance	2023	2022	Variance		2023	2022	Variance	Rate	Volume
(In millions)							(In thousands)				
$ 7,292	$ 6,721	$ 571	5.40 %	2.18 %	3.22 %	Money market investments	$ 99,285	$ 36,966	$ 62,319	$ 58,920	$ 3,399
28,396	31,859	(3,463)	2.31	2.33	(0.02)	Investment securities [1]	165,319	186,847	(21,528)	(1,510)	(20,018)
34	40	(6)	4.43	6.09	(1.66)	Trading securities	375	617	(242)	(150)	(92)
35,722	38,620	(2,898)	2.95	2.31	0.64	Total money market, investment and trading securities	264,979	224,430	40,549	57,260	(16,711)
						Loans:					
16,611	14,750	1,861	6.64	5.52	1.12	Commercial	277,977	205,237	72,740	44,889	27,851
865	835	30	8.99	6.38	2.61	Construction	19,580	13,431	6,149	5,667	482
1,669	1,503	166	6.50	5.90	0.60	Leasing	27,142	22,154	4,988	2,405	2,583
7,504	7,264	240	5.42	5.42	-	Mortgage	101,700	98,348	3,352	93	3,259
3,147	2,818	329	13.39	11.74	1.65	Consumer	105,042	83,407	21,635	11,164	10,471
3,657	3,562	95	8.47	7.93	0.54	Auto	78,055	71,226	6,829	4,889	1,940
33,453	30,732	2,721	7.24	6.39	0.85	Total loans	609,496	493,803	115,693	69,107	46,586
$ 69,175	$ 69,352	$ (177)	5.02 %	4.12 %	0.90 %	Total earning assets	$ 874,475	$ 718,233	$ 156,242	$ 126,367	$ 29,875
						Interest bearing deposits:					
$ 25,652	$ 25,993	$ (341)	3.31 %	0.56 %	2.75 %	NOW and money market [2]	$ 213,957	$ 36,448	$ 177,509	$ 178,787	$ (1,278)
14,875	15,514	(639)	0.73	0.20	0.53	Savings	27,373	7,966	19,407	20,380	(973)
7,986	6,957	1,029	2.62	0.94	1.68	Time deposits	52,791	16,484	36,307	29,147	7,160
48,513	48,464	49	2.41	0.50	1.91	Total interest bearing deposits	294,121	60,898	233,223	228,314	4,909
15,038	15,872	(834)				Non-interest bearing demand deposits					
63,551	64,336	(785)	1.84	0.38	1.46	Total deposits	294,121	60,898	233,223	228,314	4,909
108	155	(47)	5.45	2.36	3.09	Short-term borrowings	1,478	921	557	976	(419)
1,172	913	259	5.20	4.29	0.91	Other medium and long-term debt	15,167	9,798	5,369	1,050	4,319
49,793	49,532	261	2.48	0.57	1.91	Total interest bearing liabilities (excluding demand deposits)	310,766	71,617	239,149	230,340	8,809
4,344	3,948	396				Other sources of funds					
$ 69,175	$ 69,352	$ (177)	1.78 %	0.41 %	1.37 %	Total source of funds	310,766	71,617	239,149	230,340	8,809
			3.24 %	3.71 %	(0.47)%	Net interest margin/ income on a taxable equivalent basis (Non-GAAP)	563,709	646,616	(82,907)	$ (103,973)	$ 21,066
			2.54 %	3.55 %	(1.01)%	Net interest spread					
						Net interest spread	29,689	66,997	(37,308)		
			3.07 %	3.32 %	(0.25)%	Net interest margin/ income non-taxable equivalent basis (GAAP)	$ 534,020	$ 579,619	$ (45,599)		

Note: The changes that are not due solely to volume or rate are allocated to volume and rate based on the proportion of the change in each category.
[1] Average balances exclude unrealized gains or losses on debt securities available-for-sale and the unrealized loss related to certain securities transferred from available-for-sale to held-to-maturity.

[2] Includes interest bearing demand deposits corresponding to certain government entities in Puerto Rico.

Net interest income for the nine-months period ended September 30, 2023 was $1.6 billion, or $10.4 million lower than the same period in 2022. Taxable equivalent net interest income was $1.7 billion, a decrease of $97.8 million when compared to the same period in 2022. Net interest margin was 3.14%, an increase of 9 basis points when compared to 3.05% in 2022. The increase in net interest margin was mainly driven by a higher yield on earning assets due to a higher interest rate environment. Net interest margin, on a taxable equivalent basis, for the nine-months ended September 30, 2023, was 3.32%, a decrease of 7 basis points when compared to the 3.39% for the same period of 2022. The drivers of the variances in net interest income for the nine-months period are:

Negative variances:

- Higher interest expense from deposits by $617.3 million mainly due to the increase in interest rates that has resulted in a higher cost in most deposit categories in both BPPR and PB; but particularly from Puerto Rico government deposits for BPPR which are mostly market linked.

Partially offset by:

- Higher interest income from investment securities, trading and money market investments by $182.5 resulting from higher yield of the portfolio by 96 basis points mainly driven by money market investments, driven by the short-term investments in rising rate interest environment.

- Higher interest income from commercial loans by $227.0 million due to higher yield by 124 basis points and higher volume of $2.0 billion, increasing in BPPR and PB.

- Higher interest income from consumer loans by $73.6 million mostly due to a higher average volume of personal loans and credit cards.

- Higher interest income from construction loans by $16.9 million due to higher yield by 292 basis points.

Prepayment penalties, late fees collected and the amortization of premiums on purchased loans are included as part of the loan yield. Interest income related to these items for the nine-months ended September 30, 2023, amounted to $16.9 million, compared to $36.3 million in the same period of 2022. The decrease of $19.4 million is mainly related to lower amortized fees resulting from the forgiveness of PPP loans during 2022, lower amortization of premium on auto loans purchased and resulting from the cancellation of PCD loans.

Table 3 – Analysis of Levels & Yields on a Taxable Equivalent Basis from Continuing Operations (Non-GAAP)

For the nine months ended September 30,

Average Volume			Average Yields / Costs				Interest			Variance Attributable to	
2023	2022	Variance	2023	2022	Variance		2023	2022	Variance	Rate	Volume
(In millions)							(In thousands)				
$ 6,966	$ 10,969	$ (4,003)	5.10 %	0.82 %	4.28 %	Money market investments	$ 265,785	$ 67,172	$ 198,613	$ 231,496	$ (32,883)
28,205	29,371	(1,166)	2.18	2.16	0.02	Investment securities [1]	460,641	475,088	(14,447)	4,862	(19,309)
32	59	(27)	4.52	6.23	(1.71)	Trading securities	1,084	2,725	(1,641)	(621)	(1,020)
35,203	40,399	(5,196)	2.76	1.80	0.96	Total money market, investment and trading securities	727,510	544,985	182,525	235,737	(53,212)
						Loans:					
16,206	14,245	1,961	6.50	5.26	1.24	Commercial	787,381	560,408	226,973	143,107	83,866
778	781	(3)	8.79	5.87	2.92	Construction	51,178	34,305	16,873	17,017	(144)
1,630	1,447	183	6.31	5.92	0.39	Leasing	77,135	64,225	12,910	4,440	8,470
7,434	7,315	119	5.45	5.33	0.12	Mortgage	303,777	292,253	11,524	6,712	4,812
3,082	2,670	412	13.10	11.44	1.66	Consumer	302,050	228,401	73,649	35,342	38,307
3,603	3,507	96	8.31	8.03	0.28	Auto	223,929	210,623	13,306	7,455	5,851
32,733	29,965	2,768	7.13	6.20	0.93	Total loans	1,745,450	1,390,215	355,235	214,073	141,162
$ 67,936	$ 70,364	$ (2,428)	4.86 %	3.67 %	1.19 %	Total earning assets	$ 2,472,960	$ 1,935,200	$ 537,760	$ 449,810	$ 87,950
						Interest bearing deposits:					
$ 24,407	$ 26,385	$ (1,978)	2.93 %	0.26 %	2.67 %	NOW and money market [2]	$ 534,567	$ 52,072	$ 482,495	$ 488,704	$ (6,209)
14,889	16,100	(1,211)	0.62	0.18	0.44	Savings	69,262	21,430	47,832	52,158	(4,326)
7,603	6,913	690	2.23	0.77	1.46	Time deposits	126,995	40,005	86,990	71,425	15,565
46,899	49,398	(2,499)	2.08	0.31	1.77	Total interest bearing deposits	730,824	113,507	617,317	612,287	5,030
15,405	16,088	(683)				Non-interest bearing demand deposits					
62,304	65,486	(3,182)	1.57	0.23	1.34	Total deposits	730,824	113,507	617,317	612,287	5,030
160	124	36	5.02	1.34	3.68	Short-term borrowings	5,987	1,249	4,738	4,298	440
1,140	948	192	5.12	4.25	0.87	Other medium and long-term debt	43,660	30,168	13,492	7,506	5,986
48,199	50,470	(2,271)	2.16	0.38	1.78	Total interest bearing liabilities (excluding demand deposits)	780,471	144,924	635,547	624,091	11,456
4,332	3,806	526				Other sources of funds					
$ 67,936	$ 70,364	$ (2,428)	1.54 %	0.28 %	1.26 %	Total source of funds	780,471	144,924	635,547	624,091	11,456
			3.32 %	3.39 %	(0.07)%	Net interest margin/ income on a taxable equivalent basis (Non-GAAP)	1,692,489	1,790,276	(97,787)	$ (174,281)	$ 76,494
			2.70 %	3.29 %	(0.59)%	Net interest spread					
						Taxable equivalent adjustment	95,145	182,483	(87,338)		
			3.14%	3.05%	0.09 %	Net interest margin/ income non-taxable equivalent basis (GAAP)	$ 1,597,344	$ 1,607,793	$ (10,449)		

Note: The changes that are not due solely to volume or rate are allocated to volume and rate based on the proportion of the change in each category.

[1] Average balances exclude unrealized gains or losses on debt securities available-for-sale and the unrealized loss related to certain securities transferred from available-for-sale to held-to-maturity.

Provision for Credit Losses - Loans Held-in-Portfolio and Unfunded Commitments

For the quarter ended September 30, 2023, the Corporation recorded an expense of $45.2 million for its reserve for credit losses related to loans held-in-portfolio and unfunded commitments. The provision for credit loss related to the loans-held-in-portfolio for the quarter ended September 30, 2023 was $43.5 million, compared to a provision expense of $39.5 million for the quarter ended September 30, 2022. The provision expense was driven by the consumer loan portfolio, mainly Auto and Personal Loans, partially offset by reductions in the provision expense for commercial loans. Changes in credit quality, higher volumes, and the impact of the macroeconomic scenario contributed to the higher provision expense for the consumer loans segment. The implementation of a new ACL model for the U. S. commercial real estate loan segments, as well as higher recoveries, contributed to the reduction in provision expense for the commercial loan segment. The provision related to unfunded commitments for the third quarter of 2023 was $1.7 million, compared to a provision expense of $0.4 million for the same period of 2022.

As part of the Corporation's model governance procedures a new model was implemented for the U.S commercial real estate segment. The new model enhances techniques used to capture default activity within the Corporation's geographical footprint. As part of the implementation analysis management evaluated the credit metrics of the portfolio such as risk ratings, delinquency levels, and low exposure to the commercial office sector. Qualitative reserves continue to be maintained to address risks within the U.S. commercial real estate segment. The new model including qualitative reserve accounted for $15 million of PB's reduction in ACL.

For the quarter ended September 30, 2023, the Corporation recorded a provision for credit loss of $54.0 million for loans-held-in-portfolio for the BPPR segment, compared to a provision expense of $28.7 million for the quarter ended September 30, 2022. The Popular U.S. segment recorded a reserve release of $10.5 million for the quarter ended September 30, 2023, compared to a provision of $10.8 million for the same quarter in 2022.

For the nine-months ended September 30,2023, the Corporation recorded a provision for credit loss of $130.8 million for its reserve for credit losses related to loans held-in-portfolio and unfunded commitments. The provision expense related to the loans-held-in-portfolio for the nine-months ended September 30,2023 was $126.3 million, compared to a provision of $35.0 million for the nine-months ended September 30,2022. The higher provision in 2023 is attributable to higher loan volumes, migrations in credit scores and changes in economic variables related to consumer loan portfolios, partially offset by changes in economic variables related to mortgage loan portfolios. The provision for unfunded commitments for the nine-months ended September 30,2023 reflected an expense of $4.5 million, compared to a provision benefit of $0.6 million for the same period of 2022.

The provision for credit losses for the BPPR segment was an expense of $127.6 million for the nine-months ended September 30,2023, compared to a provision of $25.2 million for the nine-months ended September 30,2022. The Popular U.S. segment recorded a reserve release of $1.3 million for the nine-months ended September 30,2023, compared to a provision expense of $9.8 million for the same period in 2022.

At September 30, 2023, the total allowance for credit losses for loans held-in-portfolio amounted to $711.1 million, compared to $720.3 million as of December 31, 2022. The ratio of the allowance for credit losses to loans held-in-portfolio was 2.09% at September 30, 2023, compared to 2.25% at December 31, 2022. During the first quarter, the Corporation adopted ASU 2022-02 which resulted in a reduction of approximately $46 million, $29 million net of tax, in the reserve related to TDRs which was recorded as an adjustment to the beginning balance of retained earnings. As discussed in Note 9 to the Consolidated Financial Statements, within the process to estimate its ACL, the Corporation applies probability weightings to the outcomes of simulations using Moody's Analytics' Baseline, S3 (pessimistic) and S1 (optimistic) scenarios. The baseline scenario is assigned the highest probability, followed by the pessimistic scenario given the uncertainties in the economic outlook and downside risk. Refer to Note 9 to the Consolidated Financial Statements, for additional information on the Corporation's methodology to estimate its ACL. Refer to the Credit Risk section of this MD&A for a detailed analysis of net charge-offs, non-performing assets, the allowance for credit losses and selected loan losses statistics.

Provision for Credit Losses – Investment Securities

At September 30, 2023, the total allowance for credit losses for this portfolio amounted to $6.1 million, compared to $6.9 million as of December 31, 2022. Refer to Note 7 to Consolidated Financial Statements for additional information on the ACL for this portfolio.

Non-Interest Income

Non-interest income amounted to $159.5 million for the quarter ended September 30, 2023, compared to $426.5 million for the same quarter of the previous year. The main factors that contributed to the variance in non-interest income were:

- lower other operating income by $265.9 million mainly due to the gain on sale related to the investment in Evertec Transactions recognized in July 2022; and
- an unfavorable variance of $4.1 million mainly due to fair value adjustments of mortgage servicing rights ("MSRs");

partially offset by:

- higher other service fees by $7.0 million mainly due to an increase in credit cards transaction volume related fee income.

Non-interest income amounted to $482.0 million for the nine months ended September 30, 2023, compared to $738.6 million for the same period of the previous year. Non-Interest income was impacted by Evertec Transactions and the related adjustment. Other factors that contributed to the variance in non-interest income were:

- an unfavorable variance of $20.8 million mainly due to fair value adjustments of mortgage servicing rights ("MSRs");

partially offset by:

- higher other service fees by $32.8 million mainly due to an increase in credit cards transaction volume related fee income.

Operating Expenses

Operating expenses amounted to $466.0 million for the quarter ended September 30, 2023, a decrease of $10.1 million, when compared with the same quarter of 2022. The variance in operating expenses was driven primarily by:

- lower incentive compensation and profit-sharing accrual by $14.5 million;
- lower other taxes expense by $7.4 million mainly due to the reversal of an accrual related to regulatory examination fees in BPPR by $8.2 million;
- lower professional fees by $9.1 million mainly due to lower advisory expenses by $7.2 million resulting from an increase in projects related to the Corporation's transformation initiative that are being managed with internal personnel; and
- lower other operating expenses by $14.9 million mainly due to the effect of prior year expense of $17.3 million related to the Evertec Transactions; partially offset by higher pension plan cost by $4.8 million as a result of annual changes in actuarial assumptions;

partially offset by:

- higher salaries expense by $11.9 million as a result of merit and market related increases, minimum salary increases during the first quarter of 2023 and higher headcount;
- higher technology and software expenses by $4.6 million mainly due to higher software amortization expense by $1.7 million and higher programming services and application hosting expenses by $1.9 million;
- higher processing and transactional services by $5.5 million mainly due to incentives received during July 2022 related to the ATH Network Participation Agreement entered into in connection with the Evertec Business Acquisition Transaction; and
- the goodwill impairment charge related to our U.S. based leasing subsidiary of $23 million recorded in 2023, due to lower forecasted cash flows and an increase in the rate used to discount cash flows, compared to an impairment of $9 million recorded in 2022, an unfavorable variance of $14 million.

Operating expenses amounted to $1.4 billion for the nine months ended September 30, 2023, an increase of $82.2 million when compared with the same period of 2022, driven primarily by:

- higher personnel costs by $53.8 million mainly due to higher salaries by $61.7 million as a result of merit and market related increases, minimum salary increases during the first quarter of 2023 and higher headcount, an increase in health insurance costs by $6.5 million, and higher payroll taxes and other compensation expenses by $16.1 million; partially offset by a decrease in incentive compensation and profit-sharing accrual by $30.3 million;
- higher processing and transactional services expenses by $14.3 million mainly due to broad based retail customers' debit card replacement costs incurred during the second quarter of 2023 of $2.8 million, higher credit and debit card processing related fees by $2.7 million and higher merchant processing fees by $5.6 million mainly due to incentives received during July 2022 related to the ATH Network Participation Agreement entered into in connection with the Evertec Business Acquisition Transaction;
- higher business promotion expenses by $6.2 million mainly due to higher customer rewards programs expense in our credit card business by $6.7 million;
- higher FDIC deposit insurance expense by $4.2 million mainly due to amendments to the Deposit Insurance Fund restoration plan implemented by the FDIC that increased base deposit assessment rate by 2 basis points, annually; partially offset by a decrease in the assessment rate driven by the adoption of the Financial Accounting Standards Board (''FASB'') issued Accounting Standards Update (''ASU'') 2022-02; and

- a higher goodwill impairment charge by $14.0 million as discussed above.

partially offset by:

- lower other taxes expense by $6.2 million mainly due to the reversal of an accrual related to regulatory examination fees in BPPR; and

- lower other operating expenses by $11.5 million mainly due to the effect of prior year expense related to the Evertec Transactions of $17.3 million and $6.4 million of lower sundry losses; partially offset by higher pension plan cost by $14.4 million due to changes in actuarial assumption.

The Corporation embarked on a broad-based multi-year, technological and business process transformation during the second half of 2022. As part of this transformation, we aim to expand our digital capabilities, modernize our technology platform, and implement agile and efficient business processes across the entire Corporation. To facilitate the transparency of the progress with the transformation initiative and to better portray the level of technology related expenses categorized by the nature of the expense, effective in the fourth quarter of 2022, the Corporation has separated technology, professional fees and transactional and items processing related expenses as standalone expense categories in the accompanying Consolidated statement of operations. There were no changes to the total operating expenses presented. Prior periods amount in the financial statements and related disclosures have been reclassified to conform to the current presentation.

Table 4 - Operating Expenses

	Quarters ended September 30,			Nine months ended September 30,		
(In thousands)	2023	2022	Variance	2023	2022	Variance
Personnel costs:						
Salaries	$ 127,832	$ 115,887	$ 11,945	$ 378,126	$ 316,407	$ 61,719
Commissions, incentives and other bonuses	27,670	42,209	(14,539)	86,025	116,319	(30,294)
Pension, postretirement and medical insurance	16,985	17,120	(135)	49,871	43,633	6,238
Other personnel costs, including payroll taxes	20,665	18,627	2,038	69,358	53,268	16,090
Total personnel costs	193,152	193,843	(691)	583,380	529,627	53,753
Net occupancy expenses	28,100	27,420	680	81,304	78,357	2,947
Equipment expenses	8,905	8,735	170	26,878	25,798	1,080
Other taxes	8,590	15,966	(7,376)	41,290	47,461	(6,171)
Professional fees	38,514	47,662	(9,148)	122,077	122,884	(807)
Technology and software expenses	72,930	68,341	4,589	213,843	213,638	205
Processing and transactional services:						
Credit and debit cards	13,762	13,531	231	37,896	35,177	2,719
Other processing and transactional services	24,137	18,837	5,300	70,713	59,181	11,532
Total processing and transactional services	37,899	32,368	5,531	108,609	94,358	14,251
Communications	4,220	3,858	362	12,483	11,028	1,455
Business promotion:						
Rewards and customer loyalty programs	15,988	14,344	1,644	44,962	38,294	6,668
Other business promotion	7,087	10,004	(2,917)	22,067	22,490	(423)
Total business promotion	23,075	24,348	(1,273)	67,029	60,784	6,245
FDIC deposit insurance	8,932	6,610	2,322	24,600	20,445	4,155
Other real estate owned (OREO) income	(5,189)	(2,444)	(2,745)	(10,197)	(12,963)	2,766
Other operating expenses:						
Operational losses	5,504	7,145	(1,641)	16,584	23,031	(6,447)
All other	17,557	32,448	(14,891)	53,690	58,783	(5,093)
Total other operating expenses	23,061	39,593	(16,532)	70,274	81,814	(11,540)
Amortization of intangibles	795	795	-	2,385	2,481	(96)
Goodwill impairment charge	23,000	9,000	14,000	23,000	9,000	14,000
Total operating expenses	$ 465,984	$ 476,095	$ (10,111)	$ 1,366,955	$ 1,284,712	$ 82,243

Table 5 - Operating Expenses Reclassification	Quarter ended			Nine months ended		
	30-Sep-22			30-Sep-22		
Financial statement line item	As reported	Adjustments	Adjusted	As reported	Adjustments	Adjusted
Equipment expenses	$ 26,626	$ (17,891)	$ 8,735	$ 75,193	$ (49,395)	$ 25,798
Professional fees	112,221	(64,559)	47,662	335,590	(212,706)	122,884
Technology and software expenses	-	68,341	68,341	-	213,638	213,638
Processing and transactional services	-	32,368	32,368	-	94,358	94,358
Communications	6,224	(2,366)	3,858	18,364	(7,336)	11,028
Other operating expenses	55,486	(15,893)	39,593	120,373	$ (38,559)	$ 81,814
Net effect on other operating expenses	$ 200,557	$ -	$ 200,557	$ 549,520	$ -	$ 549,520

Income Taxes

For the quarter and nine months ended September 30, 2023, the Corporation recorded an income tax expense of $45.9 and $105.7 million, respectively, with an effective tax rate (ETR) of 25.1%, and $23.3%, respectively, compared to income tax expense of $68.0 million and $182.7 million with an effective tax rate of 13.9% and 17.8% for the quarter and nine months ended September 30, 2022 respectively. The decrease in income tax expense for the quarter and nine months period ended September 30, 2023, reflects the impact of lower pre-tax income, including lower volume of income subject to preferential tax rates.

At September 30, 2023, the Corporation had a net deferred tax asset amounting to $0.9 billion, net of a valuation allowance of $0.5 billion. The net deferred tax asset related to the U.S. operations was $0.3 billion, net of a valuation allowance of $0.4 billion.

Refer to Note 31 to the Consolidated Financial Statements for a reconciliation of the statutory income tax rate to the effective tax rate and additional information on the income tax expense and deferred tax asset balances.

REPORTABLE SEGMENT RESULTS

The Corporation's reportable segments for managerial reporting purposes consist of Banco Popular de Puerto Rico and Popular U.S. A Corporate group has been defined to support the reportable segments.

For a description of the Corporation's reportable segments, including additional financial information and the underlying management accounting process, refer to Note 33 to the Consolidated Financial Statements.

The Corporate group reported a net income of $2.8 million for the quarter ended September 30, 2023, compared with a net income of $132.3 million for the same quarter of the previous year. The decrease in net income was mainly attributed to the $128.8 million in after-tax gains recognized by the Corporation as a result of the Evertec stock sale and related accounting adjustments during the quarter ended September 30, 2022. For the nine months ended September 30, 2023, the Corporate group reported net income of $8.8 million, compared to a net income of $143.4 million for the same period of the previous year. The decrease in net income was due to impact on 2022 of the Evertec Stock Sale and related accounting adjustments; and attributed to the equity pickup of $21.2 million for the nine months ended September 30,2022 from the investment in Evertec, Inc. that is not reflected in 2023 as the Corporation sold its entire ownership stake in Evertec in August 2022.

Highlights on the earnings results for the reportable segments are discussed below:

Banco Popular de Puerto Rico

The Banco Popular de Puerto Rico reportable segment's net income amounted to $122.7 million for the quarter ended September 30, 2023, compared with net income of $263.7 million for the same quarter of the previous year. The factors that contributed to the variance in the financial results included the following:

- Lower net interest income by $34.2 million mainly due to:

- higher interest expense on deposits by $182.3 million mainly due to higher costs on the market-linked Puerto Rico government deposits, and the higher interest rate environment's impact on the cost of NOW accounts, time deposits, and savings deposits,

  partially offset by

- higher interest income from money market and investment securities by $67.4 million mainly due to higher yields driven by the increase in interest rates,
- higher interest income from loans by $80.8 million mainly due to higher yields from commercial and consumer loans, primarily personal loans, credit cards and auto loans due to the increase in rates, as well as higher average balances across all portfolios except construction loans,

The net interest margin for the quarter ended September 30, 2023 was 3.14% compared to 3.27% for the same quarter in the previous year. The decrease in net interest margin is driven by higher cost of deposits and the earnings assets mix;

- A provision for loan losses expense of $51.9 million, compared to a provision expense of $29.8 million in quarter ended September 30, 2022, or an unfavorable variance of $22.1 million mainly driven by the consumer loan segment, mainly auto and personal loans; partially offset by reductions in the provision for commercial loans;

- Non-interest income was lower by $117.7 million mainly due to:

  - lower other operating income by $118.4 million mostly due to lower earnings as a result of the Evertec Transactions during the quarter ended September 30,2022;

  - lower income from mortgage banking activities by $4.0 million mainly due to an unfavorable variance of $3.4 million in the fair value adjustment of mortgage service rights.

  - lower service charges on deposit accounts by $2.3 million, mainly due to lower ACH fees due to the change in policy of eliminating insufficient fund fees and modifying overdraft fees implemented in the third quarter of 2022,

    partially offset by

  - Higher other service fees by $8.4 million mainly due to higher credit card fees by $2.9 million and debit card fees by $1.5 million mainly as a result of higher transactional volume and higher merchant acquiring fees from the revenue sharing agreement with Evertec Inc. by $0.4 million.

- Lower operating expenses by $25.7 million mostly due to:

  - lower other operating expenses by $27.9 million mainly due to a $17.3 million charge related to the Evertec Transactions on the third quarter of 2022 and lower charges allocated from the Corporate segment group by $9.3 million; partially offset by $4.4 million of higher pension expense based on actuarial assumptions;
  - lower other operating taxes expenses by $7.7 million mainly due to the reversal of an accrual related to regulatory examination fees in BPPR by $8.2 million;

  - lower personnel costs by $0.1 million driven by lower profit-sharing expense by $8.3 million;

  - lower business promotions by $0.5 million mainly due to lower donations expense related to natural disasters response and other donations;

  - higher net recoveries from OREO by $2.6 million mainly due to an increase in units sold;

partially offset by

- higher processing and transactional services by $5.3 million mainly due to higher credit and debit card processing expense as result of higher transactional volumes;

- higher technology and software expenses by $2.8 million in part due to expense savings associated with the acquired services from Evertec during the quarter ended September 30,2022;

- higher professional fees of $3.8 million mainly due to costs associated with regulatory and compliance efforts;

- Lower income tax expense by $7.3 million is mainly due lower income before tax.

For the nine months ended September 30,2023, the BPPR segment recorded net income of $387.4 million compared to a net income of $621.8 million for the same period of the previous year. The results for the nine months ended September 30,2023 reflect a provision expense of the reserve for credit losses of $127.0 million, reflective of higher loan volumes, migrations in credit scores and changes in economic variables related to consumer loan portfolios, compared to a provision expense of $24.9 million for the nine months-period ended September 30,2022. The other factors that contributed to the variance in the financial results included the following:

- Higher net interest income by $5.7 million mainly due to:

  - higher interest income from money market and investment securities by $249.3 million mainly due to higher yields from money market investments, U.S. Treasury securities and mortgage backed securities due to the increase in rates,
  - higher interest income from loans by $246.5 million mainly due to higher average balance from all portfolios except construction loans and higher yields due to the increase in rates;

  partially offset by

  - higher interest expense on deposits by $489.5 million mainly due to higher costs on the market-linked Puerto Rico government deposits, and the higher interest rate environment's impact on the cost of NOW accounts, time deposits, and savings deposits.

The net interest margin for the nine months ended September 30,2023 was 2.67% compared to 2.49% for the same quarter in the previous year. The increase in net interest margin is driven by the earning assets mix; partially offset by higher cost of deposits.

- An unfavorable variance of $102.0 million on the provision for loan losses, due to higher loan volumes, migrations in credit scores and changes in economic variables related to consumer loan portfolios,

- Non-interest income was lower by $106.9 million mainly due to:

  - Lower other operating income by $109.7 million mostly as result of the Evertec Transactions on 2022;
  - Lower income from mortgage banking activities by $20.3 million mainly due to an unfavorable variance of $15.3 million in the fair value adjustment of mortgage service rights and lower gains of $5.5 million on hedging activities.

  - Lower service charges on deposit accounts by $11.9 million principally due to lower returned ACH fees by $10.6 million due to the change in policy of eliminating insufficient fund fees and modifying overdraft fees implemented in the third quarter of 2022.

partially offset by

- higher other service fees by $32.7 million mainly due to higher credit card fees by $14.0 million and higher debit card fees by $3.5 million as a result of higher interchange transactional volumes; and higher merchant acquiring fees related to the revenue sharing agreement with Evertec by $7.9 million;

- Higher operating expenses by $51.4 million mostly due to:

  - higher personnel costs by $36.5 million due to salaries adjustments as a result of merit and market related adjustments, minimum salaries increases during the first quarter 2023, higher headcount, higher payroll taxes and increase in pension and health insurance costs by $5.5 million; partially offset by a decrease in profit sharing accrual by $19.9 million and a decrease in incentive compensation by $1.3 million;

  - higher professional fees by $13.8 million mainly due to costs associated with initiatives focused on regulatory compliance and cyber security efforts as well as the transformation initiative;

  - higher business promotions by $6.4 million due to higher customer rewards expense related to higher transactional volumes;

  partially offset by

  - lower other operating expenses by $17.4 million mainly due to a $17.3 million charge related to the Evertec Transactions for the nine months ended September 30,2022 and lower sundry losses mortgage by $5.2 million mainly due to a reserve release adjustment recorded in 2022; partially offset by higher pension plan cost by $13.2 million due to changes in actuarial assumptions and higher charges allocated from the Corporate segment group by $1.2 million, mainly from higher personnel costs;

  - lower net recoveries from OREO by $3.2 million mainly due to lower gain on sale of mortgage and commercial properties;

  - higher processing and transactional services by $14.1 million mainly due to higher credit and debit card processing expense as result of higher transactional volumes,

  partially offset by

  - lower other operating taxes expenses by $6.8 million mostly due to the reversal of an accrual related to regulatory examination fees in BPPR by $8.2 million;

  - lower technology and software expenses by $3.3 million due in part to savings associated with the acquired services from Evertec during 2022.

- Lower income tax expense by $20.1 million is mainly due lower income before tax.

Popular U.S.

For the quarter ended September 30, 2023, the reportable segment of Popular U.S. reported a net income of $11.0 million, compared with a net income of $25.3 million for the same quarter of the previous year. The factors that contributed to the variance in the financial results included the following:

- Lower net interest income by $11.4 million due to:

- higher interest expense on deposits by $58.6 million mainly due to higher interest rates and higher average balance of time deposits primarily gathered through its direct online channel,

  partially offset by

- higher interest income from loans by $35.0 million, mainly from growth in the commercial portfolio as well as higher yields due to increase in rates; and
- higher interest income from money market and investment securities by $12.9 million due to higher yields due to the increase in market rates.

The net interest margin for the quarter ended September 30, 2023 was 2.90% compared to 3.84% for the same quarter in the previous year.

- An unfavorable variance of $16.7 million on the provision for loan losses and unfunded commitments reflecting a release for credit losses of $6.6 million for the third quarter of 2023 due to the implementation of a new model for the U.S. commercial real estate portfolio, compared to a provision expense of $10.0 million recorded in the quarter ended September 30,2022;

- Higher operating expenses by $15.5 million mostly due to:

  - the goodwill impairment charge related to our U.S. based leasing subsidiary of $23.0 million recorded in 2023 due to lower forecasted cash flows and an increase in the rate used to discount cash flows, compared to an impairment of $9.0 million recorded in 2022, an unfavorable variance of $14.0 million;
  - higher other operating expenses by $0.6 million mainly due to a reversal in sundry loss reserve registered during the quarter ended September 30,2022; partially offset by a lower charges allocated from Corporate segment group by $0.7 million;

  partially offset by

  - lower personnel costs by $0.8 million due to lower commissions and incentive expense;

- Lower income tax expense by $5.3 million is related to a lower income before tax.

For the nine months ended September 30, 2023, the reportable segment of Popular U.S. recorded a net income of $51.3 million, compared with a net income of $80.4 million for the same period of the previous year. The factors that contributed to the variance in the financial results included the following:

- Lowest net interest income by $13.8 million due to:

  - higher interest expense on deposits by $150.2 million mainly due to higher rates and higher average balance of time deposits primarily gathered through its direct online channel;

  partially offset by

  - higher interest income from loans by $107.7 million, mainly from growth in the commercial portfolio as well as higher yields due to increase in rates; and
  - higher income from money market and investment securities by $32.3 million due to higher yields and higher average balance;

The net interest margin for the nine months ended September 30,2023 was 3.08% compared to 3.72% for the same period in the previous year.

- An unfavorable variance of $5.3 million on the provision for loan losses and unfunded commitments, reflective of the updated macroeconomic scenarios offset by the reserve decrease due to the implementation of the new model for commercial real estate loans, as discussed above;

- Higher operating expenses by $30.4 million mostly due to:
  - the goodwill impairment charge related to our U.S. based leasing subsidiary of $23.0 million recorded in 2023 due to lower forecasted cash flows and an increase in the rate used to discount cash flows, compared to an impairment of $9.0 million recorded in 2022, an unfavorable variance of $14.0 million;
  - higher personnel costs by $4.9 million due to salary adjustments;
  - higher other operating expenses by $6.0 million due to higher charges allocated from the Corporate segment group by $2.3 million, mainly from higher personnel costs.

- Lower income tax expense by $17.7 million due to a lower income before tax.

FINANCIAL CONDITION ANALYSIS

Assets

The Corporation's total assets were $69.7 billion at September 30, 2023, compared to $67.6 billion at December 31, 2022. Refer to the Consolidated Statements of Financial Condition included in this report for additional information.

Money market investments and debt securities available-for-sale

Money market investments increased by approximately $774.8 million at September 30, 2023, compared to December 31, 2022, mainly due to the increase deposits. Debt securities available-for-sale decreased $674.5 million reflecting repayment, maturities, and an increase in the unrealized loss of $105.3 million. Debt securities held-to-maturity decreased by $222.4 million at September 30, 2023, reflecting maturities of U.S. Treasury securities, and the amortization of $128.7 million of the discount related to securities previously reclassified from the available-for-sale to held-to-maturity, which have an offsetting unrealized loss included within other comprehensive income that is also being accreted, resulting in a neutral effect to earnings. Refer to Note 6 and to Note 7 to the Consolidated Financial Statements for additional information with respect to the Corporation's debt securities available-for-sale and held-to-maturity.

Loans

Refer to Table 6 for a breakdown of the Corporation's loan portfolio. Also, refer to Note 8 in the Consolidated Financial Statements for detailed information about the Corporation's loan portfolio composition and loan purchases and sales.

Loans held-in-portfolio increased by approximately $2.0 billion to $34.0 billion at September 30, 2023, mainly due to an increase in commercial loans at both BPPR and U.S. as well as consumer and lease financing at BPPR.

Table 6 - Loans Ending Balances

(In thousands)	September 30, 2023	December 31, 2022	Variance
Loans held-in-portfolio:			
Commercial			
Commercial multi-family	$ 2,328,433	$ 2,321,713	$ 6,720
Commercial real estate non-owner occupied	5,035,130	4,499,670	535,460
Commercial real estate owner occupied	3,044,905	3,078,549	(33,644)
Commercial and industrial	6,527,082	5,839,200	687,882
Total Commercial	16,935,550	15,739,132	1,196,418
Construction	922,112	757,984	164,128
Leasing	1,698,114	1,585,739	112,375
Mortgage	7,585,111	7,397,471	187,640
Consumer			
Credit cards	1,077,428	1,041,870	35,558
Home equity lines of credit	67,499	71,916	(4,417)
Personal	1,952,168	1,823,579	128,589
Auto	3,633,196	3,512,530	120,666
Other	158,135	147,548	10,587
Total Consumer	6,888,426	6,597,443	290,983
Total loans held-in -portfolio	$ 34,029,313	$ 32,077,769	$ 1,951,544
Loans held-for-sale:			
Mortgage	$ 5,239	$ 5,381	$ (142)
Total loans held-for-sale	$ 5,239	$ 5,381	$ (142)
Total loans	$ 34,034,552	$ 32,083,150	$ 1,951,402

Other assets

Other assets amounted to $2.0 billion at September 30, 2023, compared to $1.8 billion at December 31, 2022. Refer to Note 13 to the Consolidated Financial Statements for a breakdown of the principal categories that comprise the caption of "Other Assets" in the Consolidated Statements of Financial Condition at September 30, 2023 and December 31, 2022.

Liabilities

The Corporation's total liabilities were $65.3 billion at September 30, 2023, an increase of $1.7 billion, compared to $63.5 billion at December 31, 2022, mainly due to an increase in deposits as discussed below.

Deposits and Borrowings

The composition of the Corporation's financing to total assets at September 30, 2023 and December 31, 2022 is included in Table 7.

Table 7 - Financing to Total Assets

(In millions)	September 30, 2023	December 31, 2022	% increase (decrease) from 2022 to 2023	% of total assets 2023	% of total assets 2022
Non-interest bearing deposits	$ 15,201	$ 15,960	(4.8)%	21.8 %	23.6 %
Interest-bearing core deposits	43,599	41,600	4.8	62.5	61.5
Other interest-bearing deposits	4,537	3,667	23.7	6.5	5.4
Repurchase agreements	93	149	(37.6)	0.1	0.2
Other short-term borrowings	-	365	N.M.	-	0.5
Notes payable	1,005	887	13.3	1.5	1.3
Other liabilities	844	917	(8.0)	1.2	1.4
Stockholders' equity	4,458	4,093	8.9	6.4	6.1

Deposits

The Corporation's deposits totaled $63.3 billion at September 30, 2023, compared to $61.2 billion at December 31, 2022. The deposits increase of $2.1 billion was mainly in public sector accounts at BPPR coupled with an increase in time deposits at PB gathered through its direct channel, partially offset by a decrease in non-interest bearing demand deposit accounts at both BPPR and PB. At September 30, 2023, Puerto Rico public sector deposits amounted to $17.8 billion. The rate at which public deposit balances may change is uncertain and difficult to predict. The receipt by the Puerto Rico Government of additional hurricane recovery related Federal assistance and seasonal tax collections, could increase public deposit balances at BPPR in the near term. The amount and timing of any reduction is likely to be impacted by, for example, the speed at which federal assistance is distributed, the financial condition, liquidity and cash management practices of the Puerto Rico Government and its instrumentalities and the implementation of fiscal and debt adjustment plans approved pursuant to PROMESA or other actions mandated by the Fiscal Oversight and Management Board for Puerto Rico (the "Oversight Board").

As of September 30, 2023, approximately 28% of the Corporation's deposits are public fund deposits from the Government of Puerto Rico, municipalities and government instrumentalities and corporations. These deposits are indexed to short-term market rates and fluctuate in cost with changes in those rates with a one-quarter lag, in accordance with contractual terms. As a result, these deposits' costs have generally lagged variable asset repricing. Generally, these deposits require that the bank pledge high credit quality securities as collateral; therefore, liquidity risks arising from public sector deposit outflows are lower. Refer to the Liquidity section in this MD&A for additional information on the Corporation's funding sources.

Refer to Table 8 for a breakdown of the Corporation's deposits at September 30, 2023 and December 31, 2022.

Table 8 - Deposits Ending Balances

(In thousands)	September 30, 2023	December 31, 2022	Variance
Demand deposits [1]	$ 27,942,782	$ 26,382,605	$ 1,560,177
Savings, NOW and money market deposits (non-brokered)	26,452,382	27,265,156	(812,774)
Savings, NOW and money market deposits (brokered)	734,479	798,064	(63,585)
Time deposits (non-brokered)	7,264,156	6,442,886	821,270
Time deposits (brokered CDs)	943,801	338,516	605,285
Total deposits	$ 63,337,600	$ 61,227,227	$ 2,110,373

[1] Includes interest and non-interest bearing demand deposits. At September 30, 2023, non-interest bearing deposits were $15.2 billion (December 31, 2022-$16.0 billion)

Borrowings

The Corporation's borrowings totaled $1.1 billion at September 30, 2023 compared to $1.4 billion at December 31, 2022. Refer to Note 16 to the Consolidated Financial Statements for detailed information on the Corporation's borrowings. Also, refer to the Liquidity section in this MD&A for additional information on the Corporation's funding sources.

Stockholders' Equity

Stockholders' equity totaled $4.5 billion at September 30, 2023, an increase of $364.2 million when compared to December 31, 2022, principally due to net income for the nine-months ended September 30, 2023 of $446.7 million, the amortization of the unrealized losses from securities previously reclassified to held-to-maturity as described above of $103.0 million, and the positive impact from the adoption of the new accounting standard related to loan modifications during the year of $28.8 million, partially offset by dividends declared for the nine-month period and the after-tax impact of the unfavorable variance in net unrealized losses in the portfolio of available-for-sale securities of $120.8 million. Refer to the Consolidated Statements of Financial Condition, Comprehensive Income and of Changes in Stockholders' Equity for information on the composition of stockholders' equity.

REGULATORY CAPITAL

The Corporation, BPPR and PB are subject to regulatory capital requirements established by the Federal Reserve Board. The risk-based capital standards applicable to the Corporation, BPPR and PB ("Basel III capital rules") are based on the final capital framework for strengthening international capital standards, known as Basel III, of the Basel Committee on Banking Supervision. As of September 30, 2023, the Corporation's, BPPR's and PB's capital ratios continue to exceed the minimum requirements for being "well-capitalized" under the Basel III capital rules.

The risk-based capital ratios presented in Table 9, which include common equity tier 1, Tier 1 capital, total capital and leverage capital as of September 30, 2023 and December 31, 2022.

Table 9 - Capital Adequacy Data

(Dollars in thousands)	September 30, 2023	December 31, 2022
Common equity tier 1 capital:		
Common stockholders equity - GAAP basis	$ 4,435,465	$ 4,071,282
CECL transitional amount [1]	84,751	127,127
AOCI related adjustments due to opt-out election	2,476,987	2,468,193
Goodwill, net of associated deferred tax liability (DTL)	(668,764)	(691,560)
Intangible assets, net of associated DTLs	(10,559)	(12,944)
Deferred tax assets and other deductions	(311,164)	(322,412)
Common equity tier 1 capital	$ 6,006,716	$ 5,639,686
Additional tier 1 capital:		
Preferred stock	22,143	22,143
Additional tier 1 capital	$ 22,143	$ 22,143
Tier 1 capital	$ 6,028,859	$ 5,661,829
Tier 2 capital:		
Trust preferred securities subject to phase in as tier 2	192,674	192,674
Other inclusions (deductions), net	448,137	431,144
Tier 2 capital	$ 640,811	$ 623,818
Total risk-based capital	$ 6,669,670	$ 6,285,647
Minimum total capital requirement to be well capitalized	$ 3,573,131	$ 3,441,589
Excess total capital over minimum well capitalized	$ 3,096,539	$ 2,844,058
Total risk-weighted assets	$ 35,731,312	$ 34,415,889
Total assets for leverage ratio	$ 71,695,320	$ 70,287,610
Risk-based capital ratios:		
Common equity tier 1 capital	16.81 %	16.39 %
Tier 1 capital	16.87	16.45
Total capital	18.67	18.26
Tier 1 leverage	8.41	8.06

[1] The CECL transitional amount includes the impact of Popular's adoption of the new CECL accounting standard on January 1, 2020.

The Basel III capital rules provide that a depository institution will be deemed to be well capitalized if it maintains a leverage ratio of at least 5%, a common equity Tier 1 ratio of at least 6.5%, a Tier 1 capital ratio of at least 8% and a total risk-based ratio of at least 10%. Management has determined that as of September 30, 2023, the Corporation, BPPR and PB continue to exceed the minimum requirements for being "well-capitalized" under the Basel III capital rules.

Pursuant to the adoption of the CECL accounting standard on January 1, 2020, the Corporation elected to use the five-year transition period option as provided in the final interim regulatory capital rules effective March 31, 2020. The five-year transition period provision delays for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during the initial two-year delay. As of September 30, 2023, the Corporation had phased-in 50% of the cumulative CECL deferral with the remaining impact to be recognized over the remainder of the three-year transition period.

On April 9, 2020, federal banking regulators issued an interim final rule to modify the Basel III regulatory capital rules applicable to banking organizations to allow those organizations participating in the Paycheck Protection Program ("PPP") established under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") to neutralize the regulatory capital effects of participating in the program. Specifically, the agencies have clarified that banking organizations, including the Corporation and its Bank subsidiaries, are permitted to assign a zero percent risk weight to PPP loans for purposes of determining risk-weighted assets and risk-based capital ratios. Additionally, in order to facilitate use of the Paycheck Protection Program Liquidity Facility (the "PPPL Facility"), which provides Federal Reserve Bank loans to eligible financial institutions such as the Corporation's Bank subsidiaries to fund PPP loans, the agencies further clarified that, for purposes of determining leverage ratios, a banking organization is permitted to exclude from total average assets PPP loans that have been pledged as collateral for a PPPL Facility. As of September 30, 2023, the Corporation has $10 million in PPP loans and no loans were pledged as collateral for PPPL Facilities.

The increase in the common equity Tier I capital ratio, Tier I capital ratio, and total capital ratio as of September 30, 2023 as compared to December 31, 2022 was mainly due to the nine months period earnings, partially offset by higher risk-weighted assets driven by the increase in loans held-in-portfolio. The increase in leverage capital ratio was mainly due to the period earnings.

Non-GAAP financial measures

The tangible common equity, tangible common equity ratio, tangible assets and tangible book value per common share, which are presented in the table that follows, are non-GAAP measures. Management and many stock analysts use the tangible common equity ratio and tangible book value per common share in conjunction with more traditional bank capital ratios to compare the capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, typically stemming from the use of the purchase accounting method for mergers and acquisitions. Neither tangible common equity nor tangible assets or related measures should be considered in isolation or as a substitute for stockholders' equity, total assets or any other measure calculated in accordance with GAAP. Moreover, the manner in which the Corporation calculates its tangible common equity, tangible assets and any other related measures may differ from that of other companies reporting measures with similar names.

Table 10 provides a reconciliation of total stockholders' equity to tangible common equity and total assets to tangible assets as of September 30, 2023, and December 31, 2022.

Table 10 - Reconciliation of Tangible Common Equity and Tangible Assets

(In thousands, except share or per share information)		September 30, 2023			December 31, 2022	
Total stockholders' equity	$	4,457,608		$	4,093,425	
Less: Preferred stock		(22,143)			(22,143)	
Less: Goodwill		(804,428)			(827,428)	
Less: Other intangibles		(10,559)			(12,944)	
Total tangible common equity	$	3,620,478		$	3,230,910	
Total assets	$	69,736,936		$	67,637,917	
Less: Goodwill		(804,428)			(827,428)	
Less: Other intangibles		(10,559)			(12,944)	
Total tangible assets	$	68,921,949		$	66,797,545	
Tangible common equity to tangible assets		5.25	%		4.84	%
Common shares outstanding at end of period		72,127,595			71,853,720	
Tangible book value per common share	$	50.20		$	44.97	

		Quarterly average				
Total stockholders' equity [1]	$	6,636,364		$	6,161,634	
Less: Preferred Stock		(22,143)			(22,143)	
Less: Goodwill		(827,177)			(827,427)	
Less: Other intangibles		(11,083)			(13,440)	
Total tangible common equity	$	5,775,961		$	5,298,624	
Return on average tangible common equity		9.36	%		19.23	%

[1] Average balances exclude unrealized gains or losses on debt securities available-for-sale and the unrealized loss related to certain securities transferred from available-for-sale to held-to-maturity.

RISK MANAGEMENT

Market / Interest Rate Risk

The financial results and capital levels of the Corporation are constantly exposed to market, interest rate and liquidity risks.
Market risk refers to the risk of a reduction in the Corporation's capital due to changes in the market valuation of its assets and/or liabilities.

Most of the assets subject to market valuation risk are debt securities classified as available-for-sale. Refer to Notes 6 and 7 to the Consolidated Financial Statements for further information on the debt securities available-for-sale and held-to-maturity portfolios. Debt securities classified as available-for-sale amounted to $17.1 billion as of September 30, 2023. Other assets subject to market risk include loans held-for-sale, which amounted to $5 million, mortgage servicing rights ("MSRs") which amounted to $119 million, and securities classified as "trading", which amounted to $31 million, as of September 30, 2023.

Interest Rate Risk ("IRR")

The Corporation's net interest income is subject to various categories of interest rate risk, including repricing, basis, yield curve and option risks. In managing interest rate risk, management may alter the mix of floating and fixed rate assets and liabilities, change pricing schedules, adjust maturities through sales and purchases of investment securities, and enter into derivative contracts, among other alternatives.

Interest rate risk management is an active process that encompasses monitoring loan and deposit flows complemented by investment and funding activities. Effective management of interest rate risk begins with understanding the dynamic characteristics of assets and liabilities and determining the appropriate rate risk position given line of business forecasts, management objectives, market expectations and policy constraints.

Management utilizes various tools to assess IRR, including Net Interest Income ("NII") simulation modeling, static gap analysis, and Economic Value of Equity ("EVE"). The three methodologies complement each other and are used jointly in the evaluation of the Corporation's IRR. NII simulation modeling is prepared for a five-year period, which in conjunction with the EVE analysis, provides management a better view of long-term IRR.

Net interest income simulation analysis performed by legal entity and on a consolidated basis is a tool used by the Corporation in estimating the potential change in net interest income resulting from hypothetical changes in interest rates. Sensitivity analysis is calculated using a simulation model which incorporates actual balance sheet figures detailed by maturity and interest yields or costs.

Management assesses interest rate risk by comparing various NII simulations under different interest rate scenarios that differ in direction of interest rate changes, the degree of change and the projected shape of the yield curve. For example, the types of rate scenarios processed during the quarter include flat rates, implied forwards, and parallel and non-parallel rate shocks. Management also performs analyses to isolate and measure basis and prepayment risk exposures.

The asset and liability management group performs validation procedures on various assumptions used as part of the simulation analyses as well as validations of results on a monthly basis. In addition, the model and processes used to assess IRR are subject to independent validations according to the guidelines established in the Model Governance and Validation policy.
The Corporation processes NII simulations under interest rate scenarios in which the yield curve is assumed to rise and decline by the same magnitude (parallel shifts). The rate scenarios considered in these market risk simulations reflect instantaneous parallel changes of -100, -200, +100, +200 and +400 basis points during the succeeding twelve-month period. Simulation analyses are based on many assumptions, including relative levels of market interest rates across all yield curve points and indexes, interest rate spreads, loan prepayments and deposit elasticity. Thus, they should not be relied upon as indicative of actual results. Further, the estimates do not contemplate actions that management could take to respond to changes in interest rates. Additionally, the Corporation is also subject to basis risk in the repricing of its assets and liabilities, including the basis related to using different rate indexes for the repricing of assets and liabilities, as well as the effect of pricing lags which may be contractual or due to historical differences in the timing of management responses to changes in the rate environment. By their nature, these forward-looking computations are only estimates and may be different from what may actually occur in the future. The following table presents the results of the simulations at September 30, 2023 and December 31, 2022, assuming a static balance sheet and parallel changes over flat spot rates over a one-year time horizon:

Table 11 - Net Interest Income Sensitivity (One Year Projection)

(Dollars in thousands)	September 30, 2023 Amount Change	September 30, 2023 Percent Change	December 31, 2022 Amount Change	December 31, 2022 Percent Change
Change in interest rate				
+400 basis points	$ 26,390	1.21 %	$ (38,402)	(1.75) %
+200 basis points	13,661	0.63	(18,003)	(0.82)
+100 basis points	7,426	0.34	(7,748)	(0.35)
-100 basis points	25,732	1.18	8,778	0.40
-200 basis points	28,315	1.30	9,296	0.42

The results of the NII simulations at December 31, 2022 in the table above have been adjusted from those reported in the Corporation's Form 10-K to reflect the effect of changes in modeling assumptions in down rate scenario simulations for certain variable rate loans. Specifically, the yield on certain variable rate loans that did not have contractual periodic floors, were not correctly repricing in the down rate simulations.

Although as a result of such adjustment the magnitude of the Corporation's sensitivity to decreases in interest rates becomes lower, as of December 31, 2022, the NII simulations continue to show that the Corporation had a neutral to slightly liability sensitive position driven by the rapid increase in short-term interest rates throughout the year and its impact on Puerto Rico public sector deposits which are indexed to market rates, as well as the deployment of cash to fund loan growth and purchase investments. The results as of such date suggest that changes in net interest income are driven by changes in liability costs, primarily Puerto Rico public sector deposits. In declining rate scenarios net interest income would increase as the decline in the cost of these deposits generates a greater benefit than the changes in asset yields. In rising rate scenarios Popular's sensitivity profile is also impacted by its large proportion of Puerto Rico public sector deposits which are indexed to market rates.

As of September 30, 2023, NII simulations show the Corporation has a relatively neutral sensitivity position as compared to a slightly liability sensitive position as of December 31, 2022. The primary reasons for the variation in sensitivity are changes in balance sheet composition driven by an increase in overnight Fed Funds and short-term U.S Treasury Bills ("T- Bills") on the asset side partially offset by higher Puerto Rico public sector deposits which are indexed to market rates. These results suggest that changes in the Corporation's net interest income sensitivity are driven by changes in the composition of the investment portfolio as the term bond portfolio continues to run off and get reinvested in short-term investments such as T-Bills. Additionally, variation in liability cost, primarily driven by Puerto Rico public sector deposits that represented $17.8 billion or 28% of deposits as of September 30, 2023 also impact the sensitivity profile. In declining rate scenarios net interest income would increase as the decline in the cost of these deposit generates a greater benefit than the changes in assets yields. In rising rate scenarios, Popular's net interest income is also impacted by its large proportion of Puerto Rico public sector deposit, however the repricing of assets as they either reset or mature lead to an increase in net interest income.

The Corporation's loan and investment portfolios are subject to prepayment risk, which results from the ability of a third-party to repay debt obligations prior to maturity. Prepayment risk also could have a significant impact on the duration of mortgage-backed securities and collateralized mortgage obligations since prepayments could shorten (or lower prepayments could extend) the weighted average life of these portfolios.

Trading

The Corporation engages in trading activities in the ordinary course of business at its subsidiaries, BPPR and Popular Securities. Popular Securities' trading activities consist primarily of market-making activities to meet expected customers' needs related to its retail brokerage business, and purchases and sales of U.S. Government and government sponsored securities with the objective of realizing gains from expected short-term price movements. BPPR's trading activities consist primarily of holding U.S. Government sponsored mortgage-backed securities classified as "trading" and hedging the related market risk with "TBA" (to-be-announced) market transactions. The objective is to derive spread income from the portfolio and not to benefit from short-term market movements. In addition, BPPR uses forward contracts or TBAs to hedge its securitization pipeline. Risks related to variations in interest rates and market volatility are hedged with TBAs that have characteristics similar to that of the forecasted security and its conversion timeline.

At September 30, 2023, the Corporation held trading securities with a fair value of $31 million, representing approximately 0.04% of the Corporation's total assets, compared with $28 million and 0.04%, respectively, at December 31, 2022. As shown in Table 12, the trading portfolio consists principally of mortgage-backed securities and U.S. Treasuries, which at September 30, 2023 were investment grade securities.

Table 12 - Trading Portfolio

		September 30, 2023			December 31, 2022	
(Dollars in thousands)		Amount	Weighted Average Yield [1]		Amount	Weighted Average Yield [1]
Mortgage-backed securities	$	14,884	5.70 %	$	14,223	5.79 %
U.S. Treasury securities		15,644	4.71		13,069	3.26
Collateralized mortgage obligations		52	5.28		160	5.51
Puerto Rico government obligations		57	0.43		64	0.45
Interest-only strips		188	12.00		207	12.00
Other (includes related trading derivatives)		163	5.60		-	-
Total	$	30,988	5.23 %	$	27,723	4.63 %

[1] Not on a taxable equivalent basis.

The Corporation's trading activities are limited by internal policies. For each of the two subsidiaries, the market risk assumed under trading activities is measured by the 5-day net value-at-risk ("VAR"), with a confidence level of 99%. The VAR measures the maximum estimated loss that may occur over a 5-day holding period, given a 99% probability.

The Corporation's trading portfolio had a 5-day VAR of approximately $0.3 million for the last week in September 2023. There are numerous assumptions and estimates associated with VAR modeling, and actual results could differ from these assumptions and estimates. Backtesting is performed to compare actual results against maximum estimated losses, in order to evaluate model and assumptions accuracy.

In the opinion of management, the size and composition of the trading portfolio does not represent a significant source of market risk for the Corporation.

Liquidity

The objective of effective liquidity management is to ensure that the Corporation has sufficient liquidity to meet all of its financial obligations, finance expected future growth, fund planned capital distributions and maintain a reasonable safety margin for cash needs under both normal and stressed market conditions. The Board of Directors is responsible for establishing the Corporation's tolerance for liquidity risk, including approving relevant risk limits and policies. The Board of Directors has delegated the monitoring of these risks to the Board's Risk Management Committee and the Asset/Liability Management Committee. The management of liquidity risk, on a long-term and day-to-day basis, is the responsibility of the Corporate Treasury Division. The Corporation's Corporate Treasurer is responsible for implementing the policies and procedures approved by the Board of Directors and for monitoring the Corporation's liquidity position on an ongoing basis. Also, the Corporate Treasury Division coordinates corporate wide liquidity management strategies and activities with the reportable segments, oversees policy breaches and manages the escalation process. The Financial and Operational Risk Management Division is responsible for the independent monitoring and reporting of adherence with established policies.

An institution's liquidity may be pressured if, for example, it experiences a sudden and unexpected substantial cash outflow due deposit outflows, whether due to a loss of confidence by depositors, or other reasons exogenous events such as the COVID-19 pandemic, a downgrading of its credit rating, or some other event that causes counterparties to avoid exposure to the institution. Factors that the Corporation does not control, such as the economic outlook, adverse ratings of its principal markets, perceptions of the financial services industry and regulatory changes, could also affect its ability to obtain funding.

The Corporation has adopted policies and limits to monitor the Corporation's liquidity position and that of its banking subsidiaries. Additionally, contingency funding plans are used to model various stress events of different magnitudes and affecting different time horizons that assist management in evaluating the size of the liquidity buffers needed if those stress events occur. However, such models may not predict accurately how the market and customers might react to every event, and are dependent on many assumptions.

Deposits, including customer deposits, brokered deposits and public funds deposits, continue to be the most significant source of funds for the Corporation, funding 91% of the Corporation's total assets at September 30, 2023 and December 31, 2022. The ratio of total ending loans to deposits was 54% at September 30, 2023 and 52% at December 31, 2022. In addition to traditional deposits, the Corporation maintains borrowing arrangements, which amounted to approximately $1.1 billion in outstanding balances at September 30, 2023 (December 31, 2022 - $1.4 billion). A detailed description of the Corporation's borrowings, including their terms, is included in Note 16 to the Consolidated Financial Statements. Also, the Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements provide information on the Corporation's cash inflows and outflows.

The following sections provide further information on the Corporation's major funding activities and needs, as well as the risks involved in these activities.

Banking Subsidiaries

Primary sources of funding for the Corporation's banking subsidiaries (BPPR and PB or, collectively, "the banking subsidiaries") include retail, commercial and public sector deposits, brokered deposits, unpledged investment securities, mortgage loan securitization and, to a lesser extent, loan sales. In addition, the Corporation maintains borrowing facilities with the FHLB and at the discount window of the Federal Reserve Bank of New York (the "FRB") and has a considerable amount of collateral pledged that can be used to raise funds under these facilities.

During the third quarter of 2023 the Corporation had no material incremental use of its available liquidity sources. At September 30,2023, the Corporation's available liquidity increased to $18.8 billion from $17.0 billion on December 31, 2022. The liquidity sources of the Corporation at September 30,2023 are presented in Table 13:

Table 13 - Liquidity Sources

	30-Sep-23			31-Dec-22		
(Dollars in thousands)	BPPR	Popular U.S.	Total	BPPR	Popular U.S.	Total
Unpledged securities and unused funding sources:						
Money market (excess funds at the Federal Reserve Bank)	$ 5,533,314	$ 850,248	$ 6,383,562	$ 5,240,100	$ 367,966	$ 5,608,066
Unpledged securities	3,927,353	273,313	4,200,666	7,494,189	326,599	7,820,788
FHLB borrowing capacity	2,236,318	1,420,913	3,657,231	1,389,579	722,005	2,111,584
Discount window of the Federal Reserve Bank borrowing capacity	2,559,938	1,994,936	4,554,874	1,090,308	329,385	1,419,693
Total available liquidity	$ 14,256,923	$ 4,539,410	$ 18,796,333	$ 15,214,176	$ 1,745,955	$ 16,960,131

Refer to Note 16 to the Consolidated Financial Statements for additional information of the Corporation's borrowing facilities available through its banking subsidiaries.

The principal uses of funds for the banking subsidiaries include loan originations, investment portfolio purchases, loan purchases and repurchases, repayment of outstanding obligations (including deposits), advances on certain serviced portfolios and operational expenses. Also, the banking subsidiaries assume liquidity risk related to collateral posting requirements for certain activities mainly in connection with contractual commitments, recourse provisions, servicing advances, derivatives and credit card licensing agreements.

The banking subsidiaries maintain sufficient funding capacity to address large increases in funding requirements such as deposit outflows. The Corporation has established liquidity guidelines that require the banking subsidiaries to have sufficient liquidity to cover all short-term borrowings and a portion of deposits.

The Corporation's ability to compete successfully in the marketplace for deposits, excluding brokered deposits, depends on various factors, including pricing, service, convenience and financial stability as reflected by operating results and financial condition, credit ratings (by nationally recognized credit rating agencies), customer confidence, and importantly, FDIC deposit insurance coverage. Deposits at all of the Corporation's banking subsidiaries are federally insured (subject to FDIC limits) and this is expected to mitigate the potential effect of the aforementioned risks.

Deposits are a key source of funding. Refer to Table 8 for a breakdown of deposits by major types. Core deposits are generated from a large base of consumer, corporate and public sector customers. Core deposits include certificate of deposit under $250,000, all interest-bearing transactional deposit accounts, non-interest bearing deposits, and savings deposits. Core deposits exclude brokered deposits and certificate of deposits over $250,000. Core deposits, excluding P.R. public funds that are fully collateralized, have historically provided the Corporation with a sizable source of relatively stable and low-cost funds. P.R. public funds, while linked to market interest rates, provide a stable source of funding with an attractive earnings spread. Core deposits totaled $58.8 billion, or 93% of total deposits, at September 30, 2023, compared with $57.6 billion, or 94% of total deposits, at December 31, 2022. Core deposits financed 89% of the Corporation's earning assets at September 30, 2023, compared with 90% at December 31, 2022.

The distribution by maturity of certificates of deposits with denominations of $250,000 and over at September 30, 2023 is presented in the table that follows:

Table 14 - Distribution by Maturity of Certificate of Deposits of $250,000 and Over

(In thousands)	
3 months or less	$ 1,836,911
Over 3 to 12 months	723,996
Over 1 year to 3 years	217,399
Over 3 years	165,956
Total	$ 2,944,262

The Corporation had $1.7 billion in brokered deposits at September 30, 2023, which financed approximately 2% of its total assets (December 31, 2022 - $1.1 billion and 2%, respectively). In the event that any of the Corporation's banking subsidiaries' regulatory capital ratios fall below those required by a well-capitalized institution or are subject to capital restrictions by the regulators, that banking subsidiary faces the risk of not being able to raise or maintain brokered deposits and faces limitations on the rate paid on deposits, which may hinder the Corporation's ability to effectively compete in its retail markets and could affect its deposit raising efforts.

Deposits from the public sector represent an important source of funds for the Corporation. As of September 30, 2023, total public sector deposits were $17.8 billion, compared to $15.8 billion at December 31, 2022. Generally, these deposits require that the bank pledge high credit quality securities as collateral; therefore, liquidity risks arising from public sector deposit outflows are lower given that the bank receives its collateral in return. This, now unpledged, collateral can either be financed via repurchase agreements or sold for cash. However, there are some timing differences between the time the deposit outflow occurs and when the bank receives its collateral. Additionally, the Corporation mainly utilizes fixed-rate U.S. Treasury debt securities as collateral. While these securities have limited credit risk, they are subject to market value risk based on changes in the interest rate environment. When interest rates increase, the value of this collateral decreases and could result in the Corporation having to provide additional collateral to cover the same amount of deposit liabilities. This additional collateral could reduce unpledged securities otherwise available as liquidity sources to the Corporation.

At September 30, 2023, management believes that the banking subsidiaries had sufficient current and projected liquidity sources to meet their anticipated cash flow obligations, as well as special needs and off-balance sheet commitments, in the ordinary course of business and have sufficient liquidity resources to address a stress event. Although the banking subsidiaries have historically been able to replace maturing deposits and advances, no assurance can be given that they would be able to replace those funds in the future if the Corporation's financial condition or general market conditions were to deteriorate. The Corporation's financial flexibility will be severely constrained if the banking subsidiaries are unable to maintain access to funding or if adequate financing is not available to accommodate future financing needs at acceptable interest rates. The banking subsidiaries also are required to deposit cash or qualifying securities to meet margin requirements on repurchase agreements and other collateralized borrowing facilities. To the extent that the value of securities previously pledged as collateral declines because of market changes, the Corporation will be required to deposit additional cash or securities to meet its margin requirements, thereby adversely affecting its liquidity. Finally, if management is required to rely more heavily on more expensive funding sources to meet its future growth, revenues may not increase proportionately to cover costs. In this case, profitability would be adversely affected.

The Corporation monitors uninsured deposits under applicable FDIC regulations. Additionally, the Corporation monitors accounts with balances over $250,000. While the Corporation has a diverse deposit base from retail, commercial, corporate and government clients, as well as wholesale funding sources such as brokered deposits, it considers balance in excess of $250,000 to have a higher potential liquidity risk. Table 15 reflects the aggregate balance in deposit accounts in excess of $250,000, including collateralized public funds and deposits outside of the U.S. and its territories. Collateralized public funds, as presented in Table 15 represent public deposit balances from governmental entities in the U.S. and its territories, including Puerto Rico and the U.S.V.I., that are collateralized based on such jurisdictions' applicable collateral requirements. On September 30,2023, deposits with balances in excess of $250,000, excluding foreign deposits (mainly deposits in the British Virgin Islands) intercompany deposits and collateralized public funds, were $11.3 billion or 21% at BPPR and $2.4 billion or 23% at Popular U.S., compared to available liquidity sources of $ 14.3 billion at BPPR and $ 4.5 billion at Popular U.S.

Table 15 - Deposits

(Dollars in thousands)	30-Sep-23 BPPR	% of Total	Popular U.S.	% of Total	Popular, Inc. (Consolidated)	% of Total
Deposits:						
Deposits balances under $250,000 [1]	$ 23,971,025	45 %	$ 6,965,757	67 %	$ 30,936,782	49 %
Transactional deposits balances over $250,000	9,396,047	17 %	2,056,655	20 %	11,452,702	18 %
Time deposits balances over $250,000	1,948,475	4 %	297,277	3 %	2,245,752	3 %
Uninsured foreign deposits	403,206	1 %	-	-%	403,206	1 %
Collateralized public funds	18,012,588	33 %	286,570	3 %	18,299,158	29 %
Intercompany deposits	107,293	- %	696,101	7 %	-	-%
Total deposits	$ 53,838,634	100 %	$ 10,302,360	100 %	$ 63,337,600	100 %

[1] Includes the first $250,000 in balances of transactional and time deposit accounts with balances in excess of $250,000.

(Dollars in thousands)	31-Dec-22 BPPR	% of Total	Popular U.S.	% of Total	Popular, Inc. (Consolidated)	% of Total
Deposits						
Deposits balances under $250,000 [1]	$ 24,505,697	46 %	$ 5,231,417	60 %	$ 29,737,114	49 %
Transactional deposits balances over $250,000	9,957,877	19 %	2,674,841	31 %	12,632,718	21 %
Time deposits balances over $250,000	1,920,455	4 %	167,067	2 %	2,087,522	3 %
Uninsured foreign deposits	425,855	1 %	-	-%	425,855	1 %
Collateralized public funds	16,233,342	31 %	110,676	1 %	16,344,018	27 %
Intercompany deposits	135,172	- %	482,167	6 %	-	-%
Total deposits	$ 53,178,398	100 %	$ 8,666,168	100 %	$ 61,227,227	100 %

[1] Includes the first $250,000 in balances of transactional and time deposit accounts with balances in excess of $250,000.

Bank Holding Companies

The principal sources of funding for the BHCs, which are Popular, Inc. (holding company only) and PNA, include cash on hand, investment securities, dividends received from banking and non-banking subsidiaries, asset sales, credit facilities available from affiliate banking subsidiaries and proceeds from potential securities offerings. Dividends from banking and non-banking subsidiaries are subject to various regulatory limits and authorization requirements that are further described below and that may limit the ability of those subsidiaries to act as a source of funding to the BHCs.

The principal use of these funds includes the repayment of debt, and interest payments to holders of senior debt and junior subordinated deferrable interest (related to trust preferred securities), the payment of dividends to common stockholders, repurchases of the Corporation's securities and capitalizing its banking subsidiaries.

The outstanding balance of notes payable at the BHCs amounted to $592 million at September 30, 2023 and $497 million at December 31, 2022.

The contractual maturities of the BHCs notes payable at September 30, 2023 are presented in Table 16.

Table 16 - Distribution of BHC's Notes Payable by Contractual Maturity

Year	(In thousands)
2028	$ 393,678
Later years	198,339
Total	$ 592,017

As of September 30, 2023, the BHCs had cash and money markets investments totaling $368 million and borrowing potential of $222 million from its secured facility with BPPR. The BHCs' liquidity position continues to be adequate with sufficient cash on hand investments and other sources of liquidity which are expected to be enough to meet all interest payments and dividend obligations during the foreseeable future. On March 13, 2023, the Corporation issued $400 million aggregate principal amount of 7.25% Senior Notes due 2028 (the "Notes") in an underwritten public offering. The Corporation used a portion of the net proceeds of the 2028 Notes offering to redeem, on August 14, 2023, the outstanding $300 million aggregate principal amount of its outstanding 6.125% Senior Notes which were due on September 2023. For the remainder of year 2023, debt service at the BHCs is approximately $11 million. Additionally, the Corporation's latest quarterly dividend was $0.55 per share or approximately $40 million per quarter.

The BHCs have in the past borrowed in the corporate debt market primarily to finance their non-banking subsidiaries and refinance debt obligations. These sources of funding are more costly due to the fact that two out of the three principal credit rating agencies rate the Corporation below "investment grade", which affects the Corporation's cost and ability to raise funds in the capital markets. Factors that the Corporation does not control, such as the economic outlook, interest rate volatility, inflation, disruptions in the debt market, among others, could also affect its ability to obtain funding. The Corporation has an automatic shelf registration statement filed and effective with the Securities and Exchange Commission, which permits the Corporation to issue an unspecified amount of debt or equity securities.

Non-Banking Subsidiaries

The principal sources of funding for the non-banking subsidiaries include internally generated cash flows from operations, loan sales, repurchase agreements, capital injections and borrowed funds from their direct parent companies or the holding companies. The principal uses of funds for the non-banking subsidiaries include repayment of maturing debt, operational expenses and payment of dividends to the BHCs. The liquidity needs of the non-banking subsidiaries are minimal since most of them are funded internally from operating cash flows or from intercompany borrowings or capital contributions from their holding companies. During the nine months ended September 30, 2023, Popular, Inc. made capital contributions to its wholly owned subsidiaries of $1.3 million to Popular Impact Fund and $0.2 million to Popular Global Solutions.

Dividends

During the nine months ended September 30, 2023, the Corporation declared cash dividends of $1.65 per common share outstanding ($118.9 million in the aggregate). The dividends for the Corporation's Series A preferred stock amounted to $1.1 million. During the nine months ended September 30, 2023, the BHCs received dividends amounting to $150 million from BPPR, $50 million from PNA and $4 million from its non-banking subsidiaries. In addition, during the nine months ended September 30, 2023, Popular International Bank Inc., wholly owned subsidiary of Popular, Inc., received $14.1 million in cash dividends and $2.1 million in stock dividends from its investment in BHD. Dividends from BPPR constitute Popular, Inc.'s primary source of liquidity.

Other Funding Sources and Capital

In addition to cash reserves held at the FRB that totaled $ 6.4 billion at September 30,2023, the debt securities portfolio provides an additional source of liquidity, which may be realized through either securities sales, collateralized borrowings or repurchase agreements. The Corporation's debt securities portfolio consists primarily of liquid U.S. government debt securities, U.S. government sponsored agency debt securities, U.S. government sponsored agency mortgage-backed securities, and U.S. government sponsored agency collateralized mortgage obligations that can be used to raise funds in the repo markets. The availability of the repurchase agreement would be subject to having sufficient unpledged collateral available at the time the transactions are to be consummated, in addition to overall liquidity and risk appetite of the various counterparties. The Corporation's unpledged debt securities amounted to $ 4.2 billion at September 30, 2023 and $ 7.8 billion at December 31, 2022. A substantial portion of these debt securities could be used to raise financing in the U.S. money markets or from secured lending sources, subject to changes in their fair market value and customary adjustments (haircuts).

Additional liquidity may be provided through loan maturities, prepayments and sales. The loan portfolio can also be used to obtain funding in the capital markets. In particular, mortgage loans and some types of consumer loans, have secondary markets which the Corporation could use.

Off-Balance Sheet arrangements and other commitments

In the ordinary course of business, the Corporation engages in financial transactions that are not recorded on the balance sheet or may be recorded on the balance sheet in amounts that are different than the full contract or notional amount of the transaction. As a provider of financial services, the Corporation routinely enters into commitments with off-balance sheet risk to meet the financial needs of its customers. These commitments may include loan commitments and standby letters of credit. These commitments are subject to the same credit policies and approval process used for on-balance sheet instruments. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. Refer to Note 21 to the Consolidated Financial Statements for information on the Corporation's commitments to extent credit and other non-credit commitments.

Other types of off-balance sheet arrangements that the Corporation enters in the ordinary course of business include derivatives, operating leases and provision of guarantees, indemnifications, and representation and warranties. Refer to Note 28 to the Consolidated Financial Statements for information on operating leases and to Note 20 to the Consolidated Financial Statements for a detailed discussion related to the Corporation's obligations under credit recourse and representation and warranties arrangements.

The Corporation monitors its cash requirements, including its contractual obligations and debt commitments.

FDIC Special Assessments

On May 11, 2023, the Federal Deposit Insurance Corporation ("FDIC") released a proposed rule that would impose special assessments to recover the losses to the deposit insurance fund ("DIF") resulting from the FDIC's use, in March 2023, of the systemic risk exception to the least-cost resolution test under the Federal Deposit Insurance Act in connection with the receiverships of Silicon Valley Bank and Signature Bank.

The FDIC stated that it currently estimates those assessed losses to total $15.8 billion and that the amount of the special assessments would be adjusted as the loss estimate changes. Under the proposed rule, the assessment base would be an insured depository institution's ("IDI") estimated uninsured deposits, as reported in the IDI's December 31, 2022 Call Report, excluding the first $5 billion in estimated uninsured deposits. For a holding company that has more than one IDI subsidiary, such as the Corporation, the $5 billion exclusion would be allocated among the company's IDI subsidiaries in proportion to each IDI's estimated uninsured deposits. The special assessments would be collected at an annual rate of approximately 12.5 basis points per year (3.13 basis points per quarter) over eight quarters in 2024 and 2025, with the first assessment period beginning January 1, 2024 (with the first assessment payment due by June 28, 2024). Under the proposed rule, the estimated loss pursuant to the systemic risk determination would be periodically adjusted, and the FDIC would retain the ability to cease collection early, extend the special assessment collection period and impose a final shortfall special assessment on a one-time basis. In their December 31, 2022 Call Reports, BPPR and PB reported estimated uninsured deposits of approximately $28.1 billion and $3.5 billion, respectively. Although the proposal could be changed, the assessments, as proposed, would be recorded as an expense in the period in which this change is enacted. Such expense would significantly affect noninterest expense and the results of operations for the quarter in which it is recognized. If the final rule is adopted as proposed, the special assessment for the Corporation is estimated at approximately $66 million. The actual assessment may vary as a result of the final rule, including any changes to the calculation methodology.

Financial information of guarantor and issuers of registered guaranteed securities

The Corporation (not including any of its subsidiaries, "PIHC") is the parent holding company of Popular North America "PNA" and has other subsidiaries through which it conducts its financial services operations. PNA is an operating, 100% subsidiary of Popular, Inc. Holding Company ("PIHC") and is the holding company of its wholly-owned subsidiaries: Equity One, Inc. and PB, including PB's wholly-owned subsidiaries Popular Equipment Finance, LLC, Popular Insurance Agency, U.S.A., and E-LOAN, Inc.

PNA has issued junior subordinated debentures guaranteed by PIHC (together with PNA, the "obligor group") purchased by statutory trusts established by the Corporation. These debentures were purchased by the statutory trust using the proceeds from trust preferred securities issued to the public (referred to as "capital securities"), together with the proceeds of the related issuances of common securities of the trusts.

PIHC fully and unconditionally guarantees the junior subordinated debentures issued by PNA. PIHC's obligation to make a guarantee payment may be satisfied by direct payment of the required amounts to the holders of the applicable capital securities or by causing the applicable trust to pay such amounts to such holders. Each guarantee does not apply to any payment of distributions by the applicable trust except to the extent such trust has funds available for such payments. If PIHC does not make interest payments on the debentures held by such trust, such trust will not pay distributions on the applicable capital securities and will not have funds available for such payments. PIHC's guarantee of PNA's junior subordinated debentures is unsecured and ranks subordinate and junior in right of payment to all the PIHC's other liabilities in the same manner as the applicable debentures as set forth in the applicable indentures; and equally with all other guarantees that the PIHC issues. The guarantee constitutes a guarantee of payment and not of collection, which means that the guaranteed party may sue the guarantor to enforce its rights under the respective guarantee without suing any other person or entity.

The principal sources of funding for PIHC and PNA have included dividends received from their banking and non-banking subsidiaries, asset sales and proceeds from the issuance of debt and equity. As further described below, in the Risk to Liquidity section, various statutory provisions limit the amount of dividends an insured depository institution may pay to its holding company without regulatory approval.

The following summarized financial information presents the financial position of the obligor group, on a combined basis at September 30, 2023 and December 31, 2022, and the results of their operations for the nine months period ended September 30, 2023 and September 30, 2022. Investments in and equity in the earnings from the other subsidiaries and affiliates that are not members of the obligor group have been excluded.

The summarized financial information of the obligor group is presented on a combined basis with intercompany balances and transactions between entities in the obligor group eliminated. The obligor group's amounts due from, amounts due to and transactions with subsidiaries and affiliates have been presented in separate line items, if they are material. In addition, related parties transactions are presented separately.

Table 17 - Summarized Statement of Condition

(In thousands)		September 30, 2023		December 31, 2022
Assets				
Cash and money market investments	$	367,808	$	203,083
Investment securities		28,426		24,815
Accounts receivables from non-obligor subsidiaries		12,296		16,853
Other loans (net of allowance for credit losses of $17 (2022 - $370))		27,255		27,826
Investment in equity method investees		5,268		5,350
Other assets		56,678		45,278
Total assets	$	497,731	$	323,205
Liabilities and Stockholders' deficit				
Accounts payable to non-obligor subsidiaries	$	11,302	$	3,709
Notes payable		592,017		497,428
Other liabilities		108,535		112,847
Stockholders' deficit		(214,123)		(290,779)
Total liabilities and stockholders' deficit	$	497,731	$	323,205

Table 18 - Summarized Statement of Operations

		For the period ended		
(In thousands)		September 30, 2023		September 30, 2022
Income:				
Dividends from non-obligor subsidiaries	$	154,000	$	454,000
Interest income from non-obligor subsidiaries and affiliates		12,280		594
(Losses) earnings from investments in equity method investees		(82)		15,698
Other operating income		2,293		136,140
Total income	$	168,491	$	606,432
Expenses:				
Services provided by non-obligor subsidiaries and affiliates (net of reimbursement by subsidiaries for services provided by parent of $161,333 (2022 - $157,754))	$	16,593	$	12,697
Other operating expenses		20,706		19,399
Total expenses	$	37,299	$	32,096
Net income	$	131,192	$	574,336

During the nine months period ended September 30, 2022, the Obligor group recorded $1.5 million of distributions from its direct equity method investees. During the nine months period ended September 30, 2023, the obligor group recorded a $50.0 million of dividend dsitribution from a non-obligor subsidiary wich was recorded as a reduction to the investment (2022 - $58.5 million).

Risks to Liquidity

Total lines of credit outstanding, or available borrowing capacity under lines of credit are not necessarily a measure of the total credit available on a continuing basis. Some of these lines could be subject to collateral requirements, changes to the value of the collateral, standards of creditworthiness, leverage ratios and other regulatory requirements, among other factors. Derivatives, such as those embedded in long-term repurchase transactions or interest rate swaps, and off-balance sheet exposures, such as recourse, performance bonds or credit card arrangements, are subject to collateral requirements. As their fair value increases, the collateral requirements may increase, thereby reducing the balance of unpledged securities.

The importance of the Puerto Rico market for the Corporation is an additional risk factor that could affect its financing activities. In the case of a deterioration in economic and fiscal conditions in Puerto Rico, the credit quality of the Corporation could be affected and result in higher credit costs. Refer to the Geographic and Government Risk section of this MD&A for some highlights on the current status of the Puerto Rico economy and the ongoing fiscal crisis.

Factors that the Corporation does not control, such as the economic outlook and credit ratings of its principal markets and regulatory changes, could also affect its ability to obtain funding. In order to prepare for the possibility of such scenario, management has adopted contingency plans for raising financing under stress scenarios when important sources of funds that are usually fully available are temporarily unavailable. These plans call for using alternate funding mechanisms, such as the pledging of certain asset classes and accessing secured credit lines and loan facilities put in place with the FHLB and the FRB. The Corporation is subject to positive tangible capital requirements to utilize secured loan facilities with the FHLB that could result in a limitation of borrowing amounts or maturity terms, even if the Corporation exceeds well-capitalized regulatory capital levels.

The credit ratings of Popular’s debt obligations are a relevant factor for liquidity because they impact the Corporation’s ability to borrow in the capital markets, its cost and access to funding sources. Credit ratings are based on the financial strength, credit quality and concentrations in the loan portfolio, the level and volatility of earnings, capital adequacy, the quality of management, geographic concentration in Puerto Rico, the liquidity of the balance sheet, the availability of a significant base of core retail and commercial deposits, and the Corporation’s ability to access a broad array of wholesale funding sources, among other factors.

Furthermore, various statutory provisions limit the amount of dividends an insured depository institution may pay to its holding company without regulatory approval. A member bank must obtain the approval of the Federal Reserve Board for any dividend, if the total of all dividends declared by the member bank during the calendar year would exceed the total of its net income for that year, combined with its retained net income for the preceding two years, after considering those years’ dividend activity, less any required transfers to surplus or to a fund for the retirement of any preferred stock. During the nine months ended September 30, 2023, BPPR declared cash dividends of $150 million. At September 30, 2023, BPPR can declare a dividend of approximately $403 million without prior approval of the Federal Reserve Board due to its retained income, declared dividend activity and transfers to statutory reserves over the measurement period. In addition, a member bank may not declare or pay a dividend in an amount greater than its undivided profits as reported in its Report of Condition and Income, unless the member bank has received the approval of the Federal Reserve Board. A member bank also may not permit any portion of its permanent capital to be withdrawn unless the withdrawal has been approved by the Federal Reserve Board. Pursuant to these requirements, PB may not declare or pay a dividend without the prior approval of the Federal Reserve Board and the NYSDFS. The ability of a bank subsidiary to up-stream dividends to its BHC could thus be impacted by its financial performance and capital, including tangible and regulatory capital, thus potentially limiting the amount of cash moving up to the BHCs from the banking subsidiaries. This could, in turn, affect the BHCs ability to declare dividends on its outstanding common and preferred stock, repurchase its securities or meet its debt obligations, for example.

The Corporation’s banking subsidiaries have historically not used unsecured capital market borrowings to finance its operations, and therefore are less sensitive to the level and changes in the Corporation’s overall credit ratings.

Obligations Subject to Rating Triggers or Collateral Requirements

The Corporation’s banking subsidiaries currently do not issue unsecured senior debt, as these banking subsidiaries are funded primarily with deposits and secured borrowings. The banking subsidiaries had $7.8 million in deposits at September 30, 2023 that are subject to rating triggers.

In addition, certain mortgage servicing and custodial agreements that BPPR has with third parties include rating covenants. In the event of a credit rating downgrade, the third parties have the right to require the institution to engage a substitute cash custodian for escrow deposits and/or increase collateral levels securing the recourse obligations. Also, as discussed in Note 20 to the Consolidated Financial Statements, the Corporation services residential mortgage loans subject to credit recourse provisions. Certain contractual agreements require the Corporation to post collateral to secure such recourse obligations if the institution’s required credit ratings are not maintained. Collateral pledged by the Corporation to secure recourse obligations amounted to approximately $27.8 million at September 30, 2023. The Corporation could be required to post additional collateral under the agreements. Management expects that it would be able to meet additional collateral requirements if and when needed. The requirements to post collateral under certain agreements or the loss of escrow deposits could reduce the Corporation's liquidity resources and impact its operating results.

Credit Risk

Geographic and Government Risk

The Corporation is exposed to geographic and government risk. The Corporation's assets and revenue composition by geographical area and by business segment reporting are presented in Note 33 to the Consolidated Financial Statements.

Commonwealth of Puerto Rico

A significant portion of our financial activities and credit exposure is concentrated in the Commonwealth of Puerto Rico ("Puerto Rico"), which has faced severe economic and fiscal challenges in the past and may face additional challenges in the future.

Economic Performance.

Puerto Rico's economy suffered a severe and prolonged recession from 2007 to 2017, with real gross national product ("GNP") contracting approximately 15% during this period. In 2017, Hurricane María caused significant damage and destruction across the island, resulting in further economic contraction. Puerto Rico's economy has been gradually recovering since 2018, in part aided by the large amount of federal disaster relief and recovery assistance funds injected into the Puerto Rico economy in connection with Hurricane María and other recent natural disasters. This growth was interrupted by the economic shock caused by the COVID-19 pandemic in 2020, but has since resumed, in part aided by additional federal assistance from pandemic-related stimulus measures.

The latest Puerto Rico Economic Activity Index, published by the Economic Development Bank for Puerto Rico (the "Economic Activity Index"), reflected a 3.3% year-over-year increase and a 0.2% month-over-month decrease in August 2023. The Economic Activity Index is a coincident indicator of ongoing economic activity but not a direct measurement of real GNP. In February 2023, the Puerto Rico Planning Board revised its real GNP forecast for the current fiscal year (July 2022-June 2023) from 1.7% growth to 0.7% growth, citing an anticipated deacceleration in the global economy.

While the Puerto Rico economy has not directly tracked the United States economy in recent years, many of the external factors that impact the Puerto Rico economy are affected by the policies and performance of the United States economy. These external factors include the level of interest rates and the rate of inflation. Inflation in the United States, as measured by the United States Consumer Price Index (published by the U.S. Bureau of Labor Statistics), increased 3.7% during the 12-month period ended September 2023. Inflation in Puerto Rico, as measured by the Puerto Rico Consumer Price Index (published by the Department of Labor and Human Resources of Puerto Rico), increased 3.3% during the 12-month period ended September 2023. The rate of inflation has gradually decreased from a mid-2022 peak, as the Federal Reserve has implemented a series of benchmark interest rate increases. The speed and scope of the inflation slowdown will inform if and how much interest rates will continue to increase, as well how these changes will impact the United States and Puerto Rico economies.

Fiscal Challenges.

As the Puerto Rico economy contracted, the government's public debt rose rapidly, in part from borrowing to cover deficits to pay debt service, pension benefits and other government expenditures. By 2016, the Puerto Rico government had over $120 billion in combined debt and unfunded pension liabilities, had lost access to the capital markets, and was in the midst of a fiscal crisis.

Puerto Rico's escalating fiscal and economic challenges and imminent widespread defaults in its public debt prompted the U.S. Congress to enact the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") in June 2016. PROMESA created the "Oversight Board" with ample powers over Puerto Rico's fiscal and economic affairs and those of its public corporations, instrumentalities and municipalities (collectively, "PR Government Entities"). Pursuant to PROMESA, the Oversight Board will be in place until market access is restored and balanced budgets are produced for at least four consecutive years. PROMESA also established two mechanisms for the restructuring of the obligations of PR Government Entities: (a) Title III, which provides an in-court process that incorporates many of the powers and provisions of the U.S. Bankruptcy Code and permits adjustment of a broad range of obligations, and (b) Title VI, which provides for a largely out-of-court process through which modifications to financial debt can be accepted by a supermajority of creditors and bind holdouts.

Since 2017, Puerto Rico and several of its instrumentalities have availed themselves of the debt restructuring mechanisms of Titles III and VI of PROMESA. The Puerto Rico government emerged from Title III of PROMESA in March 2022. Several instrumentalities including Government Development Bank for Puerto Rico, the Puerto Rico Sales Tax Financing Corporation, and the Puerto Rico Highways and Transportation Authority, have also completed debt restructurings under Titles III or VI of PROMESA. While the majority of the debt has already been restructured, some PR Government Entities still face significant fiscal challenges. For example, the Puerto Rico Electric Power Authority is still in the process of restructuring its debts under Title III of PROMESA and the Puerto Rico Industrial Development Company recently commenced a solicitation process to restructure its revenue bonds in a proceeding under Title VI of PROMESA.

Municipalities.

Puerto Rico's fiscal and economic challenges have also adversely impacted its municipalities. Budgetary subsidies to municipalities have gradually declined in recent years and were scheduled to be ultimately eliminated by fiscal year 2025 as part of the fiscal measures required by the Oversight Board. However, over the past years, the Oversight Board has authorized and funded new appropriations and investments to offset the decline in intergovernmental transfers to municipalities. Beyond those sources of alternate funding, municipalities have also received significant federal disaster and COVID-relief funding in recent years. According to the latest Puerto Rico fiscal plan certified by the Oversight Board, taken together, the funding available to municipalities in the near-term is substantial. The fiscal plan notes, however, that the desired progress to achieve fiscal discipline and implement critical reforms has not been achieved, and that municipalities must work with the Executive branch to analyze the financial needs of each individual municipality and focus on the necessary enhancements in municipal shared services and other municipal and government initiatives. Pursuant to the fiscal plan, once the transformational measures and milestones related to these initiatives are achieved, additional funding from the central government may be made available to municipalities to improve fiscal sustainability.

Municipalities are subject to PROMESA and, at the Oversight Board's request, are required to submit fiscal plans and annual budgets to the Oversight Board for its review and approval. They are also required to seek Oversight Board approval to issue, guarantee or modify their debts and to enter into contracts with an aggregate value of $10 million or more. With the Oversight Board's approval, municipalities are also eligible to avail themselves of the debt restructuring processes provided by PROMESA. To date, however, no municipality has been subject to any such debt restructuring process.

Exposure of the Corporation

The credit quality of BPPR's loan portfolio reflects, among other things, the general economic conditions in Puerto Rico and other adverse conditions affecting Puerto Rico consumers and businesses. Deterioration in the Puerto Rico economy has resulted in the past, and could result in the future, in higher delinquencies, greater charge-offs and increased losses, which could materially affect our financial condition and results of operations.

At September 30, 2023, the Corporation's direct exposure to PR Government Entities totaled $362 million, of which $333 million were outstanding, compared to $374 million at December 31, 2022, of which $327 million were outstanding. A deterioration in Puerto Rico's fiscal and economic situation could adversely affect the value of our Puerto Rico government obligations, resulting in losses to us. Of the amount outstanding, $314 million consists of loans and $19 million are securities ($302 million and $25 million, respectively, at December 31, 2022). All of the Corporation's direct exposure outstanding at September 30, 2023 were obligations from various Puerto Rico municipalities. In most cases, these were "general obligations" of a municipality, to which the applicable municipality has pledged its good faith, credit and unlimited taxing power, or "special obligations" of a municipality, to which the applicable municipality has pledged basic property tax or sales tax revenues. At September 30, 2023, 76% of the Corporation's exposure to municipal loans and securities was concentrated in the municipalities of San Juan, Guaynabo, Carolina and Caguas. For additional discussion of the Corporation's direct exposure to the Puerto Rico government and its instrumentalities and municipalities, refer to Note 21 – Commitments and Contingencies to the Consolidated Financial Statements.

In addition, at September 30, 2023, the Corporation had $242 million in loans insured or securities issued by Puerto Rico governmental entities, but for which the principal source of repayment is non-governmental ($251 million at December 31, 2022). These included $195 million in residential mortgage loans insured by the Puerto Rico Housing Finance Authority ("HFA"), a PR Government Entity (December 31, 2022 - $209 million). These mortgage loans are secured by first mortgages on Puerto Rico residential properties and the HFA insurance covers losses in the event of a borrower default and upon the satisfaction of certain other conditions. The Corporation also had at September 30, 2023, $40 million in bonds issued by HFA which are secured by second mortgage loans on Puerto Rico residential properties, and for which HFA also provides insurance to cover losses in the event of a borrower default, and upon the satisfaction of certain other conditions (December 31, 2022 - $42 million). In the event that the mortgage loans insured by HFA and held by the Corporation directly or those serving as collateral for the HFA bonds default and the collateral is insufficient to satisfy the outstanding balance of these loans, HFA's ability to honor its insurance will depend, among other factors, on the financial condition of HFA at the time such obligations become due and payable. The Corporation does not consider the government guarantee when estimating the credit losses associated with this portfolio.

BPPR's commercial loan portfolio also includes loans to private borrowers who are service providers, lessors, suppliers or have other relationships with the government. These borrowers could be negatively affected by a deterioration in the fiscal and economic situation of PR Government Entities. Similarly, BPPR's mortgage and consumer loan portfolios include loans to government employees and retirees, which could also be negatively affected by fiscal measures, such as employee layoffs or furloughs or reductions in pension benefits, if the fiscal and economic situation deteriorates.

As of September 30, 2023, BPPR had $17.8 billion in deposits from the Puerto Rico government, its instrumentalities, and municipalities. The rate at which public deposit balances may decline is uncertain and difficult to predict. The amount and timing of any such reduction is likely to be impacted by, for example, the speed at which federal assistance is distributed and the financial condition, liquidity and cash management practices of such entities, as well as on the ability of BPPR to maintain these customer relationships.

The Corporation may also have direct exposure with regards to avoidance and other causes of action initiated by the Oversight Board on behalf of the Commonwealth or other Title III debtors. For additional information regarding such exposure, refer to Note 21 to the Consolidated Financial Statements.

United States Virgin Islands

The Corporation has operations in the United States Virgin Islands (the "USVI") and has credit exposure to USVI government entities.

The USVI has been experiencing a number of fiscal and economic challenges, which could adversely affect the ability of its public corporations and instrumentalities to service their outstanding debt obligations. PROMESA does not apply to the USVI and, as such, there is currently no federal legislation permitting the restructuring of the debts of the USVI and its public corporations and instrumentalities.

To the extent that the fiscal condition of the USVI continues to deteriorate, the U.S. Congress or the Government of the USVI may enact legislation allowing for the restructuring of the financial obligations of USVI government entities or imposing a stay on creditor remedies, including by making PROMESA applicable to the USVI.

At September 30, 2023, the Corporation had approximately $28 million in direct exposure to USVI government entities (December 31, 2022 - $28 million).

British Virgin Islands

The Corporation has operations in the British Virgin Islands ("BVI"), which was negatively affected by the COVID-19 pandemic, particularly as a reduction in the tourism activity which accounts for a significant portion of its economy. Although the Corporation has no significant exposure to a single borrower in the BVI, at September 30, 2023, it has a loan portfolio amounting to approximately $201 million comprised of various retail and commercial clients, compared to a loan portfolio of $214 million at December 31, 2022.

U.S. Government

As further detailed in Notes 6 and 7 to the Consolidated Financial Statements, a substantial portion of the Corporation's investment securities represented exposure to the U.S. Government in the form of U.S. Government sponsored entities, as well as agency mortgage-backed and U.S. Treasury securities. In addition, $1.7 billion of residential mortgages, $10 million of SBA loans under the Paycheck Protection Program ("PPP") and $72 million commercial loans were insured or guaranteed by the U.S. Government or its agencies at September 30, 2023 (compared to $1.6 billion, $38 million and $72 million, respectively, at December 31, 2022).

Non-Performing Assets

Non-performing assets (“NPAs”) include primarily past-due loans that are no longer accruing interest, renegotiated loans, and real estate property acquired through foreclosure. A summary, including certain credit quality metrics, is presented in Table 21.

During the third quarter of 2023, the Corporation continued to reflect stable credit quality metrics. Non-performing loans (“NPLs”) and net charge offs (“NCOs”) continued below historical pre-pandemic averages. Consumer portfolios, however, reflected increased delinquencies and NCOs for the quarter primarily due to the expected continued credit normalization. We continue to closely monitor changes in the macroeconomic environment and on borrower performance, especially our unsecured consumer loans, given higher interest rates and inflationary pressures. However, management believes that the improvements over recent years in risk management practices and the risk profile of the Corporation’s loan portfolios positions Popular to continue to operate successfully under the current environment.

Total NPAs decreased by $85 million when compared with December 31, 2022. Total non-performing loans held-in-portfolio (“NPLs”) decreased by $78 million from December 31, 2022. BPPR’s NPLs decreased by $68 million, mainly driven by lower mortgage, consumer and commercial NPLs by $55 million, $11 million, and $10 million respectively, in part offset by higher construction NPLs by $7 million. The consumer NPLs decrease was mostly driven by a $11 million line of credit charge-off on a single relationship, while the construction NPLs increase was driven by a $9 million relationship, which impairment amount of $3 million was charged-off during the third quarter of 2023. Popular U.S. NPLs decreased by $10 million from December 31, 2022, mainly driven by lower mortgage NPLs by $9 million. On September 30, 2023, the ratio of NPLs to total loans held-in-portfolio was 1.1% compared to 1.4%, at December 31, 2022. Other real estate owned loans (“OREOs”) decreased by $7 million. On September 30, 2023, NPLs secured by real estate amounted to $255 million in the Puerto Rico operations and $23 million in Popular U.S, compared with $303 million and $33 million, respectively, at December 31, 2022.

The Corporation’s commercial loan portfolio secured by real estate (“CRE”) amounted to $10.4 billion at September 30, 2023, of which $3.0 billion was secured with owner occupied properties, compared with $9.9 billion and $3.1 billion, respectively, at December 31, 2022. Office space leasing exposure in our non-owner occupied CRE portfolio is limited, representing only 1.9% or $635 million of our total loan portfolio. The exposure is mainly comprised of low- to mid- rise properties with average loan size of $2.1 million and is well diversified across tenant type.

CRE NPLs amounted to $56 million at September 30, 2023, compared with $54 million at December 31, 2022. The CRE NPL ratios for the BPPR and Popular U.S. segments were 1.09% and 0.09%, respectively, at September 30, 2023, compared with 1.04% and 0.12%, respectively, at December 31, 2022.

In addition to the NPLs included in Table 21, at September 30, 2023, there were $519 million of performing loans, mostly commercial loans, which in management’s opinion, are currently subject to potential future classification as non-performing (December 31, 2022 - $374 million).

For the quarter ended September 30, 2023, total inflows of NPLs held-in-portfolio, excluding consumer loans, decreased by $12 million, when compared to the inflows for the same period in 2022. Inflows of NPLs held-in-portfolio at the BPPR segment increased slightly by $2 million, compared to the same period in 2022. Inflows of NPLs held-in-portfolio at the Popular U.S. segment decreased by $14 million from the same period in 2022, mainly driven by lower commercial inflows.

Table 19 - Non-Performing Assets

(Dollars in thousands)	September 30, 2023 BPPR	Popular U.S.	Popular, Inc.	As a % of loans HIP by category	December 31, 2022 BPPR	Popular U.S.	Popular, Inc.	As a % of loans HIP by category
Commercial								
Commercial multi-family	$ 184	$ 404	$ 588	- %	$ 242	$ -	$ 242	- %
Commercial real estate non-owner occupied	15,330	734	16,064	0.3	23,662	1,454	25,116	0.6
Commercial real estate owner occupied	35,089	3,877	38,966	1.3	23,990	5,095	29,085	0.9
Commercial and industrial	21,624	3,579	25,203	0.4	34,277	4,319	38,596	0.7
Total Commercial	72,227	8,594	80,821	0.5	82,171	10,868	93,039	0.6
Construction	6,578	-	6,578	0.7	-	-	-	-
Leasing	6,842	-	6,842	0.4	5,941	-	5,941	0.4
Mortgage	187,443	11,980	199,423	2.6	242,391	20,488	262,879	3.6
Consumer								
Home equity lines of credit	-	4,085	4,085	6.1	-	4,110	4,110	5.7
Personal	18,582	2,637	21,219	1.1	18,082	1,958	20,040	1.1
Auto	40,268	-	40,268	1.1	40,978	-	40,978	1.2
Other Consumer	1,885	402	2,287	1.4	12,446	8	12,454	8.4
Total Consumer	60,735	7,124	67,859	1.0	71,506	6,076	77,582	1.2
Total non-performing loans held-in-portfolio	333,825	27,698	361,523	1.1 %	402,009	37,432	439,441	1.4 %
Other real estate owned (“OREO”)	82,115	207	82,322		88,773	353	89,126	
Total non-performing assets[1]	$ 415,940	$ 27,905	$ 443,845		$ 490,782	$ 37,785	$ 528,567	
Accruing loans past due 90 days or more[2]	$ 264,082	$ 130	$ 264,212		$ 351,248	$ 366	$ 351,614	
Ratios:								
Non-performing assets to total assets	0.75%	0.20%	0.64%		0.89%	0.30%	0.78%	
Non-performing loans held-in-portfolio to loans held-in-portfolio	1.40	0.27	1.06		1.78	0.39	1.37	
Allowance for credit losses to loans held-in-portfolio	2.63	0.84	2.09		2.73	1.10	2.25	
Allowance for credit losses to non-performing loans, excluding held-for-sale	187.08	312.42	196.69		153.12	279.86	163.91	

[1] There were no non-performing loans held-for-sale as of September 30, 2023 and December 31, 2022.

[2] It is the Corporation’s policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances include $115 million of residential mortgage loans insured by FHA or guaranteed by the VA that are no longer accruing interest as of September 30, 2023 (December 31, 2022 - $190 million). Furthermore, the Corporation has approximately $39 million in reverse mortgage loans which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation’s policy to exclude these balances from non-performing assets (December 31, 2022 - $42 million).

Table 20 - Activity in Non -Performing Loans Held-in-Portfolio (Excluding Consumer Loans)

	For the quarter ended September 30, 2023			For the nine months ended September 30, 2023		
(Dollars in thousands)	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	$ 292,219	$ 26,187	$ 318,406	$ 324,562	$ 31,356	$ 355,918
Plus:						
New non-performing loans	37,393	5,827	43,220	128,011	23,446	151,457
Advances on existing non-performing loans	-	12	12	-	155	155
Less:						
Non-performing loans transferred to OREO	(5,657)	-	(5,657)	(25,777)	(58)	(25,835)
Non-performing loans charged-off	(3,354)	(2,446)	(5,800)	(4,854)	(4,837)	(9,691)
Loans returned to accrual status / loan collections	(54,353)	(9,006)	(63,359)	(155,694)	(29,488)	(185,182)
Ending balance NPLs	$ 266,248	$ 20,574	$ 286,822	$ 266,248	$ 20,574	$ 286,822

Table 21 - Activity in Non -Performing Loans Held-in-Portfolio (Excluding Consumer Loans)

	For the quarter ended September 30, 2022			For the nine months ended September 30, 2022		
(Dollars in thousands)	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	$ 381,163	$ 27,638	$ 408,801	$ 454,419	$ 27,501	$ 481,920
Plus:						
New non-performing loans	35,258	19,704	54,962	117,909	38,621	156,530
Advances on existing non-performing loans	-	67	67	-	2,817	2,817
Less:						
Non-performing loans transferred to OREO	(5,956)	-	(5,956)	(30,893)	(85)	(30,978)
Non-performing loans charged-off	(5,223)	(48)	(5,271)	(7,192)	(337)	(7,529)
Loans returned to accrual status / loan collections	(65,021)	(9,400)	(74,421)	(194,022)	(30,556)	(224,578)
Ending balance NPLs	$ 340,221	$ 37,961	$ 378,182	$ 340,221	$ 37,961	$ 378,182

Table 22 - Activity in Non -Performing Commercial Loans Held-in-Portfolio

	For the quarter ended September 30, 2023			For the nine months ended September 30, 2023		
(Dollars in thousands)	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	$ 88,716	$ 11,610	$ 100,326	$ 82,171	$ 10,868	$ 93,039
Plus:						
New non-performing loans	2,736	1,324	4,060	22,533	11,674	34,207
Advances on existing non-performing loans	-	7	7	-	35	35
Less:						
Non-performing loans transferred to OREO	(138)	-	(138)	(446)	-	(446)
Non-performing loans charged-off	(969)	(2,446)	(3,415)	(2,237)	(4,837)	(7,074)
Loans returned to accrual status / loan collections	(18,118)	(1,901)	(20,019)	(29,794)	(9,146)	(38,940)
Ending balance NPLs	$ 72,227	$ 8,594	$ 80,821	$ 72,227	$ 8,594	$ 80,821

Table 23 - Activity in Non -Performing Commercial Loans Held-in-Portfolio

	For the quarter ended September 30, 2022			For the nine months ended September 30, 2022		
(Dollars in thousands)	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	$ 96,493	$ 7,446	$ 103,939	$ 120,047	$ 5,532	$ 125,579
Plus:						
New non-performing loans	5,913	14,965	20,878	13,706	25,289	38,995
Advances on existing non-performing loans	-	12	12	-	2,518	2,518
Less:						
Non-performing loans transferred to OREO	(352)	-	(352)	(4,318)	-	(4,318)
Non-performing loans charged-off	(4,534)	(48)	(4,582)	(5,741)	(210)	(5,951)
Loans returned to accrual status / loan collections	(10,072)	(5,947)	(16,019)	(36,246)	(16,701)	(52,947)
Ending balance NPLs	$ 87,448	$ 16,428	$ 103,876	$ 87,448	$ 16,428	$ 103,876

Table 24 - Activity in Non -Performing Construction Loans Held-in-Portfolio

	For the quarter ended September 30, 2023			For the nine months ended September 30, 2023		
(Dollars in thousands)	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	$ 9,284	$ -	$ 9,284	$ -	$ -	$ -
Plus:						
New non-performing loans	-	-	-	9,284	-	9,284
Less:						
Non-performing loans charged-off	(2,537)	-	(2,537)	(2,537)	-	(2,537)
Loans returned to accrual status / loan collections	(169)	-	(169)	(169)	-	(169)
Ending balance NPLs	$ 6,578	$ -	$ 6,578	$ 6,578	$ -	$ 6,578

Table 25 - Activity in Non -Performing Construction Loans Held-in-Portfolio

	For the quarter ended September 30, 2022			For the nine months ended September 30, 2022		
(Dollars in thousands)	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	$ -	$ -	$ -	$ 485	$ -	$ 485
Less:						
Loans returned to accrual status / loan collections	-	-	-	(485)	-	(485)
Ending balance NPLs	$ -	$ -	$ -	$ -	$ -	$ -

Table 26 - Activity in Non -Performing Mortgage Loans Held-in-Portfolio

	For the quarter ended September 30, 2023			For the nine months ended September 30, 2023		
(Dollars in thousands)	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	$ 194,219	$ 14,577	$ 208,796	$ 242,391	$ 20,488	$ 262,879
Plus:						
New non-performing loans	34,657	4,503	39,160	96,194	11,772	107,966
Advances on existing non-performing loans	-	5	5	-	120	120
Less:						
Non-performing loans transferred to OREO	(5,519)	-	(5,519)	(25,331)	(58)	(25,389)
Non-performing loans charged-off	152	-	152	(80)	-	(80)
Loans returned to accrual status / loan collections	(36,066)	(7,105)	(43,171)	(125,731)	(20,342)	(146,073)
Ending balance NPLs	$ 187,443	$ 11,980	$ 199,423	$ 187,443	$ 11,980	$ 199,423

Table 27 - Activity in Non -Performing Mortgage Loans Held-in-Portfolio

	For the quarter ended September 30, 2022			For the nine months ended September 30, 2022		
(Dollars in thousands)	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	$ 284,670	$ 20,192	$ 304,862	$ 333,887	$ 21,969	$ 355,856
Plus:						
New non-performing loans	29,345	4,739	34,084	104,203	13,332	117,535
Advances on existing non-performing loans	-	55	55	-	299	299
Less:						
Non-performing loans transferred to OREO	(5,604)	-	(5,604)	(26,575)	(85)	(26,660)
Non-performing loans charged-off	(689)	-	(689)	(1,451)	(127)	(1,578)
Loans returned to accrual status / loan collections	(54,949)	(3,453)	(58,402)	(157,291)	(13,855)	(171,146)
Ending balance NPLs	$ 252,773	$ 21,533	$ 274,306	$ 252,773	$ 21,533	$ 274,306

Loan Delinquencies

Another key measure used to evaluate and monitor the Corporation's asset quality is loan delinquencies. Loans delinquent 30 days or more, as a percentage of their related portfolio category on September 30, 2023 and December 31, 2022, are presented below.

Table 28 - Loan Delinquen cies

(Dollars in thousands)	September 30, 2023			December 31, 2022		
	Loans delinquent 30 days or more	Total loans	Total delinquencies as a percentage of total loans	Loans delinquent 30 days or more	Total loans	Total delinquencies as a percentage of total loans
Commercial						
Commercial multi-family	$ 6,503	$ 2,328,433	0.28 %	$ 2,844	$ 2,321,713	0.12 %
Commercial real estate non-owner occupied	19,966	5,035,130	0.40	26,969	4,499,670	0.60
Commercial real estate owner occupied	42,643	3,044,905	1.40	30,059	3,078,549	0.98
Commercial and industrial	37,656	6,527,082	0.58	59,604	5,839,200	1.02
Total Commercial	106,768	16,935,550	0.63	119,476	15,739,132	0.76
Construction	6,578	922,112	0.71	-	757,984	-
Leasing	29,331	1,698,114	1.73	21,487	1,585,739	1.36
Mortgage [1]	808,310	7,585,111	10.66	937,253	7,397,471	12.67
Consumer						
Credit cards	37,070	1,077,428	3.44	24,065	1,041,870	2.31
Home equity lines of credit	5,491	67,499	8.13	4,684	71,916	6.51
Personal	57,578	1,952,168	2.95	45,299	1,823,579	2.48
Auto	152,740	3,633,196	4.20	129,089	3,512,530	3.68
Other	3,622	158,135	2.29	13,264	147,548	8.99
Total Consumer	256,501	6,888,426	3.72	216,401	6,597,443	3.28
Loans held-for-sale	-	5,239	-	-	5,381	-
Total	$ 1,207,488	$ 34,034,552	3.55 %	$ 1,294,617	$ 32,083,150	4.04 %

[1] Loans delinquent 30 days or more includes $0.4 billion of residential mortgage loans insured by FHA or guaranteed by the VA as of September 30, 2023 (December 31, 2022 - $0.5 billion). Refer to Note 8 to the Consolidated Financial Statements for additional information of guaranteed loans.

Allowance for Credit Losses Loans Held-in-Portfolio

The Corporation adopted the new CECL accounting standard effective on January 1, 2020. The allowance for credit losses ("ACL"), represents management's estimate of expected credit losses through the remaining contractual life of the different loan segments, impacted by expected prepayments. The ACL is maintained at a sufficient level to provide for estimated credit losses on collateral dependent loans as well as loans modified to borrowers with financial difficulty, including legacy troubled debt restructurings, separately from the remainder of the loan portfolio. The Corporation's management evaluates the adequacy of the ACL on a quarterly basis. In this evaluation, management considers current conditions, macroeconomic economic expectations through a reasonable and supportable period, historical loss experience, portfolio composition by loan type and risk characteristics, results of periodic credit reviews of individual loans, and regulatory requirements, amongst other factors. The Corporation evaluates, at least on an annual basis, the assumptions tied to the CECL accounting framework, including the reasonable and supportable period as well as the reversion window.

The Corporation must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown, such as economic developments affecting specific customers, industries, or markets. Other factors that can affect management's estimates are recalibration of statistical models used to calculate lifetime expected losses, changes in underwriting standards, financial accounting standards and loan impairment measurements, among others. Changes in the financial condition of individual borrowers, in economic conditions, and in the condition of the various markets in which collateral may be sold, may also affect the required level of the allowance for credit losses. Consequently, the business financial condition, liquidity, capital, and results of operations could also be affected.

The ACL incorporated updates macroeconomic scenarios for Puerto Rico and the United States. Given that any one economic outlook is inherently uncertain, the Corporation leverages multiple scenarios to estimate its ACL. The baseline scenario continues to be assigned the highest probability, followed by the pessimistic scenario, and then the optimistic scenario.

The 2023 annualized GDP growth in the baseline scenario improved to 1.7% and 2.0% for Puerto Rico and the United States, respectively, compared to 1.5% and 1.6% in the previous quarter. The 2023 forecasted average unemployment rate for Puerto Rico improved to 6.1% from 6.3% in the previous forecast, while in the United States unemployment levels remained at 3.6%, stable when compared to the previous forecast.

At September 30, 2023, the allowance for credit losses amounted to $711 million, a decrease of $9 million, when compared with December 31, 2022. In PB the ACL decreased by $18 million from December 31, 2022, while in BPPR the ACL increased by $9 million. The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-02 in March 2022, which eliminates the accounting guidance for troubled debt restructures ("TDRs") and the requirement to measure the effect of the concession from a loan modification, for which the Corporation used a discounted cash flow ("DCF") method. This impact resulted in a release in the ACL of approximately $46 million presented as an adjustment to the beginning balance of retained earnings, net of tax effect.

Excluding ASU 2022-02 impact, the ACL for BPPR increased by $51 million, while the ACL for Popular U.S decreased by $15 million from December 31, 2022. The increase in BPPR were mostly driven by higher reserves for the auto and personal loans portfolios attributable to credit normalization, changes in macroeconomic scenarios, and loan growth, partially offset by changes in the assignments of probability weights to macroeconomic scenarios, as previously mentioned, and reductions in qualitative reserves. In PB, the ACL decrease was mostly due to the implementation of a new model for the U.S. commercial real estate portfolio. The new model is based on more granular regional information for the Corporation's portfolio and accounted for $15 million of PB's reduction in ACL.

As part of the Corporation's model governance procedures a new model was implemented for the U.S commercial real estate segment. The new model enhances techniques used to capture default activity within the Corporation's geographical footprint. This enhancement is considered a change in estimate. As part of the implementation analysis management evaluated the credit metrics of the portfolio such as risk ratings, delinquency levels, and low exposure to the commercial office sector. Qualitative reserves continue to be maintained to address risks within the U. S. commercial real estate segment.

The Corporation's ratio of the allowance for credit losses to loans held-in-portfolio was 2.09% on September 30, 2023, compared to 2.25% on December 31, 2022. The ratio of the allowance for credit losses to NPLs held-in-portfolio stood at 196.7%, compared to 163.9% on December 31, 2022.

The provision for credit losses for the period ended September 30, 2023, amounted to an expense of $44 million, compared to an expense of $40 million for the period ended September 30, 2022. The provision expense related to the loans-held-in-portfolio for the nine-month period ended September 30, 2023 was $126 million, compared to an expense of $35 million for the nine-month period ended September 30,2022, as the prior period included reductions in reserves due to post-pandemic improvements in the macroeconomic outlook and lower NCOs. Refer to Note 9 – Allowance for credit losses – loans held-in-portfolio to the Consolidated Financial Statements, and to the Provision for Credit Losses section of this MD&A for additional information.

Table 29 - Allowance for Credit Losses - Loan Portfolios

	September 30, 2023				
(Dollars in thousands)	Total ACL	Total loans held-in-portfolio	ACL to loans held-in-portfolio	Total non-performing loans held-in-portfolio	ACL to non-performing loans held-in-portfolio
Commercial					
Commercial multi-family	$ 15,223	$ 2,328,433	0.65 %	588	N.M.
Commercial real estate non-owner occupied	67,149	5,035,130	1.33 %	16,064	418.01 %
Commercial real estate owner occupied	48,109	3,044,905	1.58 %	38,966	123.46 %
Commercial and industrial	103,585	6,527,082	1.59 %	25,203	411.00 %
Total Commercial	$ 234,066	$ 16,935,550	1.38 %	80,821	289.61 %
Construction	10,971	922,112	1.19 %	6,578	166.78 %
Leasing	10,198	1,698,114	0.60 %	6,842	149.05 %
Mortgage	91,904	7,585,111	1.21 %	199,423	46.08 %
Consumer					
Credit cards	72,550	1,077,428	6.73 %	-	N.M. %
Home equity lines of credit	2,387	67,499	3.54 %	4,085	58.43 %
Personal	126,116	1,952,168	6.46 %	21,219	594.35 %
Auto	155,436	3,633,196	4.28 %	40,268	386.00 %
Other Consumer	7,440	158,135	4.70 %	2,287	325.32 %
Total Consumer	$ 363,929	$ 6,888,426	5.28 %	67,859	536.30 %
Total	$ 711,068	$ 34,029,313	2.09 %	361,523	196.69 %

N.M - Not meaningful.

Table 30 - Allowance for Credit Losses - Loan Portfolios

	December 31, 2022				
(Dollars in thousands)	Total ACL	Total loans held-in-portfolio	ACL to loans held-in-portfolio	Total non-performing loans held-in-portfolio	ACL to non-performing loans held-in-portfolio
Commercial					
Commercial multi-family	$ 26,311	$ 2,321,713	1.13 %	242	N.M.
Commercial real estate non-owner occupied	71,540	4,499,670	1.59 %	25,116	284.84 %
Commercial real estate owner occupied	57,081	3,078,549	1.85 %	29,085	196.26 %
Commercial and industrial	80,444	5,839,200	1.38 %	38,596	208.43 %
Total Commercial	$ 235,376	$ 15,739,132	1.50 %	93,039	252.99 %
Construction	4,246	757,984	0.56 %	-	N.M.
Leasing	20,618	1,585,739	1.30 %	5,941	347.05 %
Mortgage	135,254	7,397,471	1.83 %	262,879	51.45 %
Consumer					
Credit cards	58,670	1,041,870	5.63 %	-	N.M.
Home equity lines of credit	2,542	71,916	3.53 %	4,110	61.85 %
Personal	118,426	1,823,579	6.49 %	20,040	590.95 %
Auto	129,735	3,512,530	3.69 %	40,978	316.60 %
Other Consumer	15,435	147,548	10.46 %	12,454	123.94 %
Total Consumer	$ 324,808	$ 6,597,443	4.92 %	77,582	418.66 %
Total	$ 720,302	$ 32,077,769	2.25 %	439,441	163.91 %

N.M - Not meaningful.

Annualized net charge-offs (recoveries)

The following tables present annualized net charge-offs (recoveries) to average loans held-in-portfolio (“HIP”) by loan category for the quarters and nine months ended September 30, 2023 and 2022.

Table 31 - Annualized Net Charge -offs (Recoveries) to Average Loans Held-in-Portfolio

	Quarters ended					
	September 30, 2023			September 30, 2022		
	BPPR	Popular U.S.	Popular Inc.	BPPR	Popular U.S.	Popular Inc.
Commercial	(0.48)%	0.10 %	(0.21)%	(0.06)%	(0.03)%	(0.05)%
Construction	6.11	—	1.21	—	—	—
Mortgage	(0.25)	(0.02)	(0.21)	(0.14)	(0.01)	(0.12)
Leasing	0.35	—	0.35	0.36	—	0.36
Consumer	2.20	7.42	2.41	1.34	0.47	1.30
Total annualized net charge-offs (recoveries) to average loans held-in-portfolio	0.44 %	0.28 %	0.39 %	0.34 %	(0.01)%	0.24 %

	Nine months ended					
	September 30, 2023			September 30, 2022		
	BPPR	Popular U.S.	Popular Inc.	BPPR	Popular U.S.	Popular Inc.
Commercial	(0.20)%	0.03 %	(0.10)%	(0.15)%	(0.02)%	(0.09)%
Construction	2.14	—	0.45	(0.67)	(0.24)	(0.33)
Mortgage	(0.24)	(0.02)	(0.20)	(0.21)	—	(0.18)
Leasing	0.28	—	0.28	0.14	—	0.14
Consumer	1.96	5.65	2.12	1.06	0.44	1.03
Total annualized net charge-offs (recoveries) to average loans held-in-portfolio	0.44 %	0.19 %	0.36 %	0.18 %	(0.02)%	0.13 %

NCOs for the quarter ended September 30, 2023 amounted to $33 million, increasing by $15 million when compared to the same period in 2022. The BPPR segment increased by $7 million mainly driven by higher consumer NCOs by $16 million, reflective of post-pandemic credit normalization, in part offset by lower commercial NCOs by $9 million, mainly due to $10.8 million recovery from a commercial loan pay-off during the third quarter of 2023. The PB segment NCOs increased by $7 million, mainly driven by higher consumer and commercial NCOs by $5 million and $3 million, respectively.

NCOs for the nine months ended September 30, 2023 amounted to $89 million, increasing by $61 million when compared to the same period in 2022. The BPPR segment increased by $47 million mainly driven by higher consumer NCOs by $47 million, primarily due to the expected continued credit normalization, coupled with an $11 million line of credit charge-off on a single relationship during the first quarter of 2023. The PB segment NCOs increased by $15 million, mainly driven by higher consumer NCOs by $11 million.

Loan Modifications

For the nine months ended September 30, 2023, modified loans to borrowers with financial difficulty amounted to $401 million, of which $377 million are in accruing status. The BPPR segment’s modifications to borrowers with financial difficulty amounted to $349 million, mainly comprised of commercial and mortgage loans of $272 million and $71 million, respectively. A total of $48 million of the mortgage modifications were related to government guaranteed loans. The Popular U.S. segment's modifications to borrowers with financial difficulty amounted to $52 million, of which $41 million were commercial loans.

Refer to Note 9 to the Consolidated Financial Statements for additional information on modifications made to borrowers experiencing financial difficulties.

ADOPTION OF NEW ACCOUNTING STANDARDS AND ISSUED BUT NOT YET EFFECTIVE ACCOUNTING STANDARDS

Refer to Note 3, "New Accounting Pronouncements" to the Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures for the current period can be found in the Market Risk section of this report, which includes changes in market risk exposures from disclosures presented in the 2022 Form 10-K.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Corporation's management, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this report. Based on such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Corporation's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act and such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures.

Internal Control Over Financial Reporting

There have been no changes in the Corporation's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

For a discussion of Legal Proceedings, see Note 21, Commitments and Contingencies, to the Consolidated Financial Statements.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed under "Part I - Item 1A - Risk Factors" in our 2022 Form 10-K. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report. Also refer to the discussion in "Part I - Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report for additional information that may supplement or update the discussion of risk factors below and in our 2022 Form 10-K.

There have been no material changes to the risk factors previously disclosed under Item 1A of the Corporation's 2022 Form 10-K.

The risks described in our 2022 Form 10-K and in this report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, liquidity, results of operations and capital position.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Corporation did not have any unregistered sales of equity securities during the quarter ended September 30, 2023.

Issuer Purchases of Equity Securities

The following table sets forth the details of purchases of Common Stock by the Corporation during the quarter ended September 30, 2023:

Issuer Purchases of Equity Securities

Not in thousands

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
July 1 - July 31	3,744	$ 59.12	-	$-
August 1 - August 31	-	-	-	-
September 1 - September 30	272	67.94	-	-
Total	4,016	$ 59.72	-	-

[1] Includes 3,744 and 272 shares of the Corporation's common stock acquired by the Corporation during July 2023 and September 2023, respectively, in connection with the satisfaction of tax withholding obligations on vested awards of restricted stock or restricted stock units granted to directors and certain employees under the Corporation's Omnibus Incentive Plan. The acquired shares of common stock were added back to treasury stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans or Other Preplanned Trading Arrangements

Certain of our officers or directors have made elections to participate in, and are participating in, our dividend reinvestment and purchase plan, the Company stock fund associated with our 401(k) plans and/or the Company stock fund associated with our non-qualified deferred compensation plans and have shares withheld to cover withholding taxes upon the vesting of equity awards, which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act or may constitute non-Rule 10b5–1 trading arrangements(as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

Exhibit Index

Exhibit No	Exhibit Description
3.1	Amended and Restated By-laws of Popular, Inc. (incorporated by reference to Exhibit 3.1 of Popular, Inc.'s Current Report on Form 8-K dated September 28, 2023 and filed on October 3, 2023)
22.1	Issuers of Guaranteed Securities (Incorporated by reference to Exhibit 22.1 of Popular, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2022)
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)
101. INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline Document.
101.SCH	Inline Taxonomy Extension Schema Document (1)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document (1)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (1)
104	The cover page of Popular, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL (included within the Exhibit 101 attachments) (1)

(1) Included herewith

Popular, Inc. has not filed as exhibits certain instruments defining the rights of holders of debt of Popular, Inc. not exceeding 10% of the total assets of Popular, Inc. and its consolidated subsidiaries. Popular, Inc. hereby agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of Popular, Inc., or of any of its consolidated subsidiaries.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POPULAR, INC.

(Registrant)

Date: November 9, 2023	By: /s/ Carlos J. Vázquez Carlos J. Vázquez Executive Vice President & Chief Financial Officer
Date: November 9, 2023	By: /s/ Jorge J. García Jorge J. García Senior Vice President & Corporate Comptroller

POPULAR, Inc.

CERTIFICATION

EXHIBIT 31.1

I, Ignacio Alvarez, certify that:

1. I have reviewed this report on Form 10-Q of Popular, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or om

material fact necessary to make the statements made, in light of the circumstances under which such were

made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this re

present in all material respects the financial condition, results of operations and cash flows of the regis

and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining dis controls

and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal co financial

reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and p

designed under our supervision, to ensure that material information relating to the registran

consolidated subsidiaries, is made known to us by others ~~within those~~ entities, particu

period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control

reporting to be designed under our supervision, to provide reasonable assurance regarding t

financial reporting and the preparation of financial statements for external purposes in a

generally accepted accounting principles;

POPULAR, Inc.

CERTIFICATION

EXHIBIT 31.2

I, Carlos J. Vázquez, certify that:

1. I have reviewed this report on Form 10-Q of Popular, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or om
material

fact necessary to make the statements made, in light of the circumstances under which such stateme
made, not

misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this re

present in all material respects the financial condition, results of operations and cash flows of the regis
and

for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining dis
controls and

procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over fi
reporting (as

defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls a
be

designed under our supervision, to ensure that material information relating to the reg

consolidated subsidiaries, is made known to us by others within those entities, particularly d

which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over fi

EXHIBIT 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Popular, Inc. (the "Cor

certifies that the Company's Report on Form 10-Q for the quarter ended September 30, 2023 fully

complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange and

that the information contained in the Report fairly presents, in all material respects, the finan and

results of operations of the Company.

Dated:November 9, 2023

By: /s/ Ignacio Alvarez

Name: Ignacio Alvarez

Title: Chief Executive Officer

A signed original of this written statement has been provided to the Company and will be retain

Company and furnished to the Securities and Exchange Commission or its staff upon request.

POPULAR, Inc.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Popular, Inc. (the "Cor

certifies that the Company's Report on Form 10-Q for the quarter ended September 30, 2023 fully

complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange and

that the information contained in the Report fairly presents, in all material respects, the finan and

results of operations of the Company.

Dated:November 9, 2023

By: /s/ Carlos Vázquez

Name: Carlos J. Vázquez

Title: Chief Financial Officer

A signed original of this written statement has been provided to the Company and will be retain

Company and furnished to the Securities and Exchange Commission or its staff upon request.