REFINITIV

# DELTA REPORT

## 10-K

BPOP - POPULAR, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

| TOTAL DELTAS | 50889 |
| --- | --- |
| CHANGES | 2444 |
| DELETIONS | 21110 |
| ADDITIONS | 27335 |

bpop-20231231p1i3 bpop-20231231p1i2 bpop-20231231p1i1 bpop-20231231p1i2 bpop-20231231p1i0
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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**Form**
**10-K**
**[X]**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended
December 31, 2022 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.**
Incorporated in the Commonwealth of
Puerto Rico
IRS Employer Identification No.
66-0667416
Principal Executive Offices
209 Muñoz Rivera Avenue
Hato Rey
,
Puerto Rico
00918
Telephone Number: (
787
)
765-9800

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 Global Select Stock Market
6.125% Cumulative Monthly Income Trust Preferred
Securities
BPOPM
The
Nasdaq Global Select Stock Market
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes
X No .
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes
No
X.
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.
Yes
X 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).
Yes
X No .
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the 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 [ ]

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**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Popular, Inc.'s definitive proxy statement relating to the 2023 2024 Annual Meeting of Stockholders of Popular, Inc. (the "Proxy Statement") are incorporated herein by reference in response to Items 10 through 14 of Part III. The Proxy Statement will be filed with the Securities and Exchange Commission (the "SEC") on or about March 29, 2023 March 27, 2024.

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**Forward-Looking Statements**

This Form 10-K 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 concentrated;

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We concentrate our lending activities in the following areas:

(1) Commercial. Commercial loans are comprised of (i) commercial and industrial ("C&I") loans and leases to commercial customers for use in normal business operations and to finance working capital needs, equipment purchases or other projects, and (ii) commercial real estate ("CRE") loans (excluding construction loans) for income-producing real estate properties as well as owner-occupied properties. C&I loans are underwritten individually and usually secured with the assets of the company and the personal guarantee of the business owners. CRE loans consist of loans for income-producing real estate properties and the financing of owner-occupied facilities if there is real estate as collateral. Non-owner-occupied CRE loans are generally made to finance office and industrial buildings, healthcare facilities, multifamily buildings and retail shopping centers and are repaid through cash flows related to the operation, sale or refinancing of the property.

(2) Mortgage. Mortgage loans include residential mortgage loans to consumers for the purchase or refinancing of a residence and also include residential construction loans made to individuals for the construction of refurbishment of their residence.

(3) Consumer. Consumer loans are mainly comprised of unsecured personal loans, credit cards, and automobile loans, credit cards, and automobile loans, and to a lesser extent home equity lines of credit ("HELOCs") and other loans made by banks to individual borrowers.

(4) Construction. Construction loans are CRE loans to companies, community or homeowners' associations, or developers used for the construction of a commercial or the construction of a commercial or residential property for which repayment will be generated by the sale or permanent financing of the property. Our construction loan

portfolio primarily consists of retail, residential (land and (land and condominiums), office and warehouse product types.

(5) Lease Financings. Lease financings are offered by BPPR and are primarily comprised of automobile loans/leases made through automotive dealerships and equipment lease financings. dealerships.

**Business Concentration**

Since our business activities are currently concentrated primarily in Puerto Rico, our 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 our operations in Puerto Rico exposes us to greater risk than other banking companies with a wider geographic base. Our asset and revenue composition by geographical area is presented in "Financial Information about Geographic Areas" below and in Note 37 to the Consolidated Consolidated Financial Statements included in this Form 10-K.

Our loan portfolio is diversified by loan category. However, approximately 57% 55% of our loan portfolio at December 31, 2022 December 31, 2023 consisted of real estate-related loans, including residential mortgage loans, construction loans and commercial loans secured by commercial real estate. The table below presents the distribution of our loan portfolio by loan category at December 31, 2022. 2023.

**Loan category**
*(Dollars in millions)*
**BPPR**
**%**
**PB**
**%**
**POPULAR**
**%**
C&I
$3,796 4,796

17 20
$2,043 2,330
21 22
$5,839 7,126
18 20
CRE
4,627 4,695

Form 10-K.

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**Credit Administration and Credit Policies**

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Interest from our loan portfolios is our principal source of revenue. Whenever we make loans, we expose ourselves to credit risk. Credit risk is controlled and monitored through active asset quality management, including the use of lending standards, thorough review of potential borrowers and through active asset quality administration.

Business activities that expose us to credit risk are managed within the Board of Director's Risk Management policy,

and the Credit Risk Tolerance Limits policy, which establishe s establishes limits that consider factors such as maintaining a prudent balance of risk-taking across diversified risk types and business units, compliance with regulatory guidance, and controlling the exposure to lower credit quality assets.

We maintain comprehensive credit policies for all lines of business in order to mitigate credit risk. Our credit policies are approved by our Board of Directors. These policies set forth, among other things,

the objectives, scope and responsibilities of the credit management cycle. Our internal written procedures establish underwriting standards and procedures for monitoring and evaluating loan portfolio quality and require prompt identification and quantification of asset quality deterioration or potential loss to ensure the adequacy of the allowance for credit losses. These written procedures establish various approval and lending limit levels, ranging from bank branch or department officers to managerial and senior management levels. Approval

levels are primarily determined by the amount, type of loan and risk characteristics of the credit facility.

Our credit policies and procedures establish documentation requirements for each loan and related collateral type,

when applicable, during the underwriting, closing and monitoring phases. For commercial and construction loans, during the initial loan underwriting process, the credit policies require, at a minimum, historical financial statements or tax returns of the borrower, an analysis of financial information contained in a credit approval package, a risk rating determination and reports from credit agencies and appraisals for real estate-related loans when applicable. The credit policies also set forth the required closing documentation depending on the loan and the collateral type.

Although we originate most of our loans internally in both the Puerto Rico and mainland United States markets, we occasionally purchase or participate in loans originated by other financial institutions. When we purchase or participate in loans originated by others, we conduct the same underwriting analysis of the borrowers and apply the same criteria as we do for loans originated by us. This also includes a review of the applicable legal documentation.

Refer to the Credit Risk section of the MD&A included in this Form 10-K for information related to management committees and divisions with responsibilities for establishing policies and monitoring the Corporation's credit risk.

*Loan extensions, renewals and restructurings*

Loans with satisfactory credit profiles can be extended, renewed or restructured. Many Some commercial loan facilities are structured as lines of credit, which are mainly one year in term and therefore are required to be renewed annually. Other facilities may be restructured or extended from time to time based upon changes in the borrower's business needs, use of funds, timing of completion of projects and other factors. If the borrower is not deemed to have financial difficulties, extensions, renewals and restructuring s restructurings are done in the normal course of business and the loans continue to be recorded as performing.

We evaluate various factors to determine if a borrower is experiencing financial difficulties. Indicators that the borrower is experiencing financial difficulties include, for example: (i) the borrower is currently in default on any of its debt or it is probable that the borrower would be in payment default on any of its debt in the foreseeable future without the modificatio modification n; ; (ii)

the borrower has declared or is in the process of declaring bankruptcy; (iii) there is significant doubt as to whether the borrower will continue to be a going concern; (iv) the borrower has securities that have been delisted, are in the process of being delisted, or are under threat of being delisted from an exchange; (v) based on estimate s estimates and projections that only encompass the current business capabilities, the borrower forecasts that its entity-specific cash flows will be insufficient to service the debt (both interest and principal) in accordance with the contractual terms of the existing agreement through maturity; and

(vi) absent the current modification, the borrower cannot obtain funds from sources other than the existing creditors at an effective interest rate equal to the current market interest rate for similar debt for a non-troubled non-troubled debtor.

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We have specialized workout officers who handle the majority of commercial loans that are past due 90 days and over, borrowers experiencing financial difficulties , and loans that are considere d problem loans based on their risk profile. As a general policy, we do not advance additional money to borrowers who have loans that are 90 days past due or over. In commercial and construction loans, certain exceptions may be approve d under certain circumstances, including (i) when past due status is administrativ e in nature, such as expiration of a loan facility before the new documentatio n is executed, and not as a result of payment or credit issues; (ii) to improve our collateral position or otherwise maximize recovery or mitigate potential future losses; and (iii) with respect to certain entities that, although related through common ownership, , are not cross defaulted nor cross-collateralized and are performing satisfactorily under their respective loan facilities. Such advances are underwritten and approved following our credit policy guidelines and limits, which are dependent on the borrower's financial condition, collateral and guarantee, among others.

In addition to the legal lending limit established under applicable state banking law, discusse d in detail below, business activities that expose the Corporation to credit risk are managed within guidelines described in the Credit Risk Tolerance Limits policy. Limits are defined for loss and credit performance metrics, portfolio composition and concentration, and industry and name-level, which monitors lending concentration to a single borrower or a group of related borrowers, including specific lending limits based on industr y or other criteria, such as a percentage of the banks' capital.

Refer to Note 2 and Note 9 to the Consolidated Financial Statements included in this Form 10-K, for additional information on troubled debt restructuring ("TDRs"). loan modifications to borrowers with financial difficulties.

**Competition**

The financial services industry in which we operate is highly competitive. In Puerto Rico, our primary market, the banking business is highly competitive with respect to originating loans, acquiring deposits and providing other banking services. Most of our direct competition for our products and services comes from commercial banks and credit unions.

The principal competitors for BPPR include locally based commercial banks and a few large U.S. and foreign banks with operations in in Puerto Rico. While the number of banking competitors in Puerto Rico has been reduced in recent years as a result of consolidations, these transactions have allowed some of our competitors to gain greater resources, such as a broader range of products and services.

We also compete with specialized players in the local financial industry that are not subje subjec ct t to the same regulatory restrictions as domestic banks and bank holdin g companies. Those competitors include brokerage firms, mortgage companies, insurance companies, automobile and equipment finance companies, local and federal credit unions (locally known as "cooperativas"), credit car d companies, consumer finance companies, institutional lenders and other financial and non-financia l institutions and entities. Credit unions generally provide basic consumer financial services. These competitors collectively represent a significant portion of the market and have a lower cost structure and fewer regulatory constraints.

In the United States we continue to face substantial competitive pressure as our footprint resides in the two large, metropolitan markets of New York City / Northern New Jersey and the greater Miami area. There is a large number of community and regional banks along with national banking institutions present in both markets, many of which have a larger amount of resources than us.

In both Puerto Rico and the United States, the primary factors in competing for business include pricing, convenience of branch locations and other delivery methods, range of products offered, and the level of service delivered. We must compete effectively along all these parameters to be successful. We experience pricing pressure as some of our competitors seek to increase market share by reducing prices for services or the rates charged on loans, increasing the interest rates offered on deposits or offering more flexible terms. Increased competition could require that we increase the rates offered on deposits and lower the rates charged on loans, which could adversely affect our profitability.

Economic factors, along with legislative and technological changes, have an ongoing impact on the competitive environment within the financia l services industry. We work to anticipat e and adapt to dynamic competitive conditions whether through developing and marketing innovative products and services, adopting or developin g new technologie s that differentiate our product s products and services, , cross-marketing, , or providing personalized banking services. We strive to distinguish ourselves from other banks and financial services providers in our marketplace by providing a high level of service to enhance customer

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loyalty and to attrac t and retain business. However, we can provide no assuranc e assurance as to the effectivenes s effectiveness of these effort s efforts on our future busines s business or results of operations, , and as to our continue d continued ability to anticipat e anticipate and adapt to changing

conditions, and to sufficiently improve our services and/or banking products, in order to successfully compete in our primary service areas.
**Human Capital Management**
Popular seeks to embody our purpose of "putting people at the center of progress" throughout its human capital management.
Attracting, developing and retaining top talent in an environment that promotes wellness, diversity, inclusion, learning and transparency are fundamental pillars of our long-term strategy. As of December 31, 2023, Popular has approximately 9,237
employees, none of whom are represented by a collective bargaining group.
*Nurturing Well-Being: Employee Health & Financial Security*
Popular believes that the health and financial wellness inclusion, learning, and transparency of Popular's employees is a fundamental pillar of our long-term strategy. As of December 31, 2022, Popular employed approximately 8,900 employees, none of whom are represented by a collective bargaining group
.
*Employee Well-Being & Safety*
We are cognizant that our journey essential to become enable a better Popular to organization is effectively dependent on serve its customers fostering our and contribute employees' positively to the communities where it operates. Our health and financial wellbeing. The health and wellness of our employees are the foundation of our ability to support our customers and the communities we serve. The Corporation offers our employees program includes a comprehensive benefits package, including, health,
pharmacy, but not limited vision and dental insurance, as well as other wellness initiatives. Our programs seek to health insurance, ensure that healthcare being paid time off, both accessible and wellness initiatives. Our full affordable and part-time employees have access for our to affordable healthcare employees, with Popular covering up to 90% of health insurance premiums, a figure that up surpasses regional benchmarks. In 2023, we launched a leadership guide on mental health to 90% support of leaders the in premium. Additionally, promoting emotional the wellness Corporation promotes within employee their teams and engaging with team members who may be facing mental health challenges.
Additionally, the Corporation promotes employee health and wellbeing by encouraging annual annual physical exams and
maintaining a
Health health and Wellness wellness Center center at its Puerto Rico-based corporate offices staffed with healthcare providers, where employees can employees and eligible dependents can complete their physical exam, receive acute care or visit a nutritionist or psychologist free of charge. The Health or psychologist free of charge. Our health and Wellness Center wellness center received received more than 18,600 in-person and virtual over 15,680 visits from employees during 2022 2023.
Popular also seeks to foster work-life balance by providing paid time off benefits to our employees, including community service leave, paid parental leave and acted as a key component to effectively manage the challenges imposed by the COVID-19 pandemic.
The flexible Corporation work also arrangements. Our hybrid work model, accessible to approximately half of our workforce, underscores our commitment to flexible work environments. Moreover, we continuously offer activities and workshops centered on physical fitness and personal financial management.
Popular further provides targeted a 401(k) benefits savings aimed and investment at plan, in promoting which work-life 98% of balance. employees For participate. example, Popular matches $0.50
for every dollar the employee contributes to the 401(k) plan, up to 8% of their salary. Moreover, Popular offers a profit-sharing plan, contingent upon the Corporation's time off program includes community service leave, paid parental leave (including for childbirth, adoption, and bonding time) and flexible work arrangements. In addition, the Corporation implemented a hybrid work model, for which 49% achievement of our population is eligible. To support our employees' emotional well-being during the pandemic, we have continued enhancing our Well-Being Academy by adapting our Employee Assistance Program to offer virtual mental health sessions geared at managing work and life challenges. In
addition, the Corporation offers physical fitness events and breaks, as well as employee workshops on personal financial management.
Popular also offers a 401(k) savings and investment plan. Popular matches $0.50 for every dollar the employee contributes to the
401(k) plan, up to 8% of their salary. Moreover, the organization offers a profit-sharing plan, which depends on the achievement of certain predetermined pre-set financial goals, through to which further align employee compensation with its collective success. The profit-sharing plan allows employees may to receive up to 8% of their eligible compensation (capped at
$70,000), partially of which the first 4% is paid in cash and partially as a anything 401(k) contribution. beyond Furthermore, since such 2017 we percent have invested is paid to the employee's Savings and Investment Plan
account. Popular regularly evaluates employees' base compensation to better compete with the salaries paid in similar positions in other companies. Our ongoing enhancements to our compensation strategy, employees' introducing a compensation job leveling includes framework, adjusting market-aligned salaries to salary better compete adjustments,
with the market, offering merit increases and raising our base salary to $13 our hourly pay rates to $15 per hour in Puerto Rico $15 and $16 per hour in the Virgin Islands, $17 per hour in Florida, Islands as of 2023,
and $20 $17 per hour

in Florida and $20 per hour in New York and New Jersey. Jersey During January 2023, there as of 2022. was an additional In 2023, increase to $15 we invested per hour for Puerto Rico and more than $16 per 22.5M
hour in the Virgin Islands. enhancing our employees' compensation.

*Empowering Growth: Our Commitment to* Talent Development

Popular strives We are committed to develop the skills of its employees and leaders to sustain the Corporation's competitive advantage. Employees are subject to mandatory trainings in connection with regulatory compliance matters and other key topics throughout the year. Our
40,000 square foot Development Center in San Juan, Puerto Rico offers training sessions, activities, and workshops year-round.
During 2022, fostering the Corporation continuous development and upskilling of our employees and believe it is fundamental to maintaining our competitive edge. Towards that end, Popular provides development opportunities aimed at strengthening our employees' knowledge, abilities and skills to support their personal growth which, in turn, seeks to enhance Popular's business strategies and organizational competencies. Our 40,000 square foot Development Center in San Juan, Puerto Rico and our satellite facilities in New York, South Florida, and the Virgin Islands offer year-round training sessions, activities and workshops.
In 2023, we transitioned back to in-person sessions, but also continued offering virtual training after programs. effectively Our seven transitioning corporate academies most had sessions more provided than 8,000 registrations from our employees during 2023, approximately 1,600 more than in the
Development Center to a virtual setting to continue impacting employee growth despite the pandemic. More than 300 sessions were delivered, with around 6,500 participating employees. 2022. Our English Program helps employees whose first language is Spanish
strengthen their English language skills and feel confident speaking, reading, and writing in business or personal settings.
Additionally, the English Placement Test revealed that in 2022 the number of intermediate learners increased from 4% commitment to 17% and advanced learners continuous from 45% learning to 53%, is further compared supported by offering our employees access to 2021. LinkedIn Popular also continues to promote the use of LinkedIn Learning, which provides features over 16,000 on-demand e-learning courses an extensive available anytime and anywhere, to strengthen library and

for
all
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internal
growth
opportunitie
for
our

Our employees.The focus organization's strong on training and development framework has contributed provided internal growth opportunities to our employees. workforce. As a result, the
Corporation's internal mobility rate in 2022 2023 was 33% 36%. This included employees
employees who applied or were selected for for vacancies, were promoted, or had lateral movements.

were promoted,
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Popular received or the BAI had Innovation in lateral Learning & movements. Development Award for being a Talent Lab & Skills Accelerator. This year, Additionally, we performed an internal talent and skills inventory of invested 83% of employees to reveal underutilized skills and education. The organization invested in the development education of 126 over 100 practitioners who went through Accelerated
Development Programs focused on data science,
and analytics, process excellence and program management, among other topics.
Recognizing that leadership development is crucial to driving analytics, results, keeping employees engaged, and achieving the Corporation's strategic process goals, Popular excellence, has and implemented programs program aimed management. The Corporation
also offered its employees advanced training in software engineering, including, but not limited to, coding and software development.
Leadership development remains a priority at strengthening and Popular, developing as we believe it is vital for driving results, maintaining employee engagement and achieving our strategic objectives. With this in mind, we launched a new leadership skills program and in 2023 effective focused on talent management. As part of the Corporation's Executive Leadership Development exploring strategy, readiness courses are offered to employees in topics such as change management, conscious inclusion, leading the hybrid teams, and better conversations focused on the return to office scenarios. role Popular's leaders play in creating the right environment for our culture to thrive. Our organizational
development strategy is aims aimed to at enhance creating both organizational and leadership effectiveness while by advancing preparing
organizational readiness us to succeed based on meet our future challenges. needs. There In were more 2023, than 80 organizational development and team interventions and exercises we facilitated during organizational 2022, development spanning interventions the that areas focused of on change management, team alignment, and alignment leader effectiveness.

*Enhancing Leadership Continuity through Strategic Succession Planning*

Popular's business strategy further takes into account succession planning to ensure effective leadership transitions. Succession
plans for senior management are developed by the CEO and presented to the Board of Directors. Popular's succession planning also leverages our Executive Talent Management Program (the "Program") that seeks to identify high-potential and leader high-
effectiveness. performing managers, which are provided with learning opportunities to enhance their skills and prepare them for senior management positions.

*Diversity, Equity and Inclusion*

At Popular we value our is differences and strive committed to improve the workplace experience for fostering all. a diverse, equitable and inclusive workplace. As of December 31, 2022, 65% 2023, 64.5% of the
Corporation's employees employees were female, while 35% female, and 35.5% were male. Women accounted for 64% 63% of first and mid-level management and 33% 36.6% of executive-level management as of such date. The Corporation also We maintains have a recently enriched our talent pool with the inclusion of professionals from Latin America, thereby enhancing multicultural diversity within our organization. Central to our diversity efforts is our multidisciplinary
council, Diversity, headed by Equity and Inclusion ("DEI") Council, which is overseen by our
Corporate Diversity Officer, Officer. which Our
DEI Policy helps is committed develop to attracting, retaining and developing a diverse employment population; fostering a work environment where employees are treated equitably and implement with initiatives respect; and seeking, creating, and maintaining business relationships with diverse suppliers.
We are committed to support the Corporation's Diversity, Equity, and
Inclusion (DE&I) policy and strategy. The Corporation's DE&I strategy seeks to broaden the inclusion, employment advancement and development of underrepresented communities in the workplace, as well as the utilization of suppliers owned, controlled, or operated by women or diverse racial or ethnic groups. In addition, this strategy seeks to prepare the Corporation's employees to recognize and value the differences of those we serve.
We are committed to fair pay and conduct analyses on such matter on an annual basis. The 2022 company-wide market salary adjustments resulted in an overall improvement to our gender gap of +1.5 percentage points, compared to the end of 2021. Our
gender pay gap continues to narrow improving 3.1 percentage points over the last five years. Additionally, for the second consecutive year (2022-2023), Popular was honored to be included in the Bloomberg Gender Equality Index (GEI).
The Corporation has also expressed public support for movements advocating for equality such as Pride Month. In 2021, Popular
established its first Employee Resource Group (ERG) for our LGBTQ+ employees to better serve the interests of the community and create awareness and engagement among employees. During 2022, this group was composed of 245 members and performed 6
activities conduct within related the pay organization and community. Furthermore, during 2022 the following two additional ERGs were launched:
Women's and Functional Diversity. Popular also supports victims of gender-based violence and has a Gender and Domestic
Violence Policy, which grants a paid 15-day leave due to gender or domestic violence, stalking and sexual harassment.

*Employee Experience*

Popular aims to provide an excellent employee experience that inspires its employees to provide customers and communities with the best service. To understand its employees' experience, the Corporation conducts anonymous pulse and engagement surveys
(including the Great Place to Work survey) as well as an exit survey to identify areas of opportunity and set and monitor action plans. The 2022 employee satisfaction scores increased 2 points from 2020 and 5 points since 2016. We seek to continuously measure and improve the employee experience with aims to increase employee productivity while contributing to enhance customer satisfaction and improve business results.
The Corporation capitalizes analyses on an interactive annual dashboard basis. The results for 2023 revealed a 1.8
percentage point improvement in Puerto Rico and the Virgin Islands and a 6.4 percentage point improvement in the United
States in our gender-related pay differences compared to the end of 2022. Our commitment to gender equality has been recognized in the Bloomberg Gender Equality Index for two consecutive years (2021-2022 and 2022-2023).
Our Employee Resource Groups ("ERGs") are key resources that encompasses support data our surrounding DEI different strategy. people-related In topics 2023, to our existing ERGs
support witnessed substantial growth in membership. Popular Pride, our ERG focused on the people LGBTQ+ strategy, community, data-driven seeks decision-making to enhance organizational awareness and engagement of LGBTQ issues. Network of Women in Popular, focused on empowering women,
and Popular Embrace, focused on functional diversity, also achieved notable milestones, including partnering with our human resources division to educate and environmental, promote social specific wellness initiatives and governance efforts. ("ESG") Additionally, monitoring. during The
dashboard provides 2023 senior management we with visibility established over people a
Black/African metrics such American ERG in as workforce the US. demographics, hiring,
Popular also turnover, supports victims of gender-based violence and provides a special leave of 15 days eligible to employees located in
Puerto Rico in order to handle situations related to gender violence, domestic violence or stalking.

*Employee Experience*

Popular aims to provide an exceptional employee experience that inspires its employees to deliver outstanding service to customers and
Diversity, Equity and Inclusion communities. We recognize the dynamic nature of employee needs and expectations and have implemented a more robust approach



As believe that the insights received from these surveys have allowed us to introduce people initiatives that have helped us reduce our turnover rate to 7.9% as of year-end 2022, our turnover rate was 10.8%, improving 1.9 percentage points since 2021. Additionally, voluntary turnover rate the
was 8.8%, improving 2.3 percentage points since 2021.Throughout 2022, the Corporation saw end of 2023, a stabilization in turnover, which 2.9 percentage had been point improvement increasing from 2022. for Our voluntary turnover rate also saw a notable decrease to 6.4%, down 2.4 percentage points from the previous past year. seven Furthermore, quarters. the survey The has enabled dashboard us to
metrics, such as turnover, help shape monitor our employee attraction loyalty and retention strategy.

*Board Oversight*

The Talent score and Compensation Committee identify initiatives to maintain or enhance our current score of 84%, which positions us within the 75th percentile of the Qualtrics global benchmark and above the average benchmark of the Corporation's financial industry.

*Board of Directors has oversight responsibility for the Corporation's Oversight in Human Capital*

human capital management. As part of its responsibilities, the The Talent and Compensation Committee reviews of the Corporation's Board of Directors has oversight responsibility for the
Corporation's human capital management. As part of its responsibilities, the Talent and Compensation advises Committee reviews and advises management on the Corporation's general compensation philosophy, programs and policies, and on the Corporation's talent talent acquisition and development, workforce engagement, succession planning, culture, diversity, equity (including pay equity)
and inclusion, equity) and inclusion, among other human capital topics.
We encourage you to review our Corporate Sustainability Report published on www.popular.com for more detailed information regarding the the Corporation's human capital management programs and initiatives. The information information on the Corporation's website,
including the Corporation's Corporate Sustainability Report, is not, and will not be deemed to be, a part of this Form 10-K or incorporated into any of the Corporation's filings with the SEC SEC.
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**Regulation and Supervision**

Described below are the material elements of selected laws and regulations applicable to Popular, Popular North America
("PNA") and their respective subsidiaries. Such laws and regulations are continually under review by Congress and state legislatures and federal and state regulatory agencies. Any change in the laws and regulations applicable to Popular and its subsidiaries could have a material effect on the business of Popular and its subsidiaries. We will continue to assess our businesses and risk management and compliance practices to conform to developments in the regulatory environment.

*General*

Popular and PNA are bank holding companies subject to consolidated supervision PNA are bank holding companies subject to consolidated supervision and regulation by the Federal Reserve
Board under the Federal Reserve Board
under the Bank Holding Company Act of 1956 (as amended, the "BHC Act"). BPPR and PB are subject to supervision and examination by applicable federal and state banking agencies including, in the case of BPPR, the Federal Reserve Board and the
Office of the Commissioner of Financial Institutions of Puerto Rico (the "Office of the Commissioner"), and, in the case of PB, the
Federal Reserve Board and the New York State Department of Financial Services (the "NYSDFS"). Popular's broker-dealer /
investment adviser subsidiary, Popular Securities, LLC ("PS") and investment advisor subsidiary Popular Asset Management LLC
("PAM") are subject to regulation by the SEC, the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor
Protection Corporation, among others. Other of our non-bank subsidiaries conduct reinsurance and insurance producer and agency activities, which are subject to other federal, state and Puerto Rico laws and regulations as well as licensing and regulation by the
Puerto Rico Office of the Commissioner of Insurance and, for one insurance agency subsidiary, the NYSDFS.

*Enhanced Prudential Standards*

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), as modified by the
Economic Growth, Regulatory Relief, and Consumer Protection Act and the federal banking regulators' 2019 "Tailoring Rules,"
banking organizations are categorized based on status as a U.S. G-SIB, size and four other risk-based indicators. Among bank holding companies with $100 billion or more in total consolidated assets, the most stringent standards apply to U.S. G-SIBs, which are subject to Category I standards and the least stringent standards apply to Category IV organizations, which have between $100

billion and $250 billion in total consolidated assets and less than $75 billion in all four other risk-based indicators and which are also not U.S. G-SIBs. Bank holding companies with total consolidated assets of $50 billion or more are subject to risk committee and risk management requirements. As of December 31, 2022 December 31, 2023, Popular Popular had total consolidated assets of $67.6 billion $70.8 billion.

*Transactions with Affiliates*

BPPR and PB are subject to restrictions that limit the amount of extensions of credit and certain other "covered transactions" (as transactions" (as defined in Section 23A of the Federal Federal Reserve Act) between BPPR or PB, PB, on the one one hand, and Popular, PNA or any of our other non-banking subsidiaries, on the other hand, and that impose collateralization requirements on such credit extensions. A bank may not engage in any covered transaction if the aggregate amount of the bank's covered transactions with that affiliate would exceed

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10% of the bank's capital stock and surplus or the aggregate amount of the bank's covered transactions with all affiliates would exceed 20% of the our bank's other capital non-banking stock and surplus. In addition, any transaction between BPPR or PB, subsidiaries, on the one other hand, and that impose collateralization requirements on such credit

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extensions. A bank may not engage in any covered transaction if the aggregate amount of the bank's covered transactions with that affiliate would exceed 10% of the bank's capital stock and surplus or the aggregate amount of the bank's covered transactions with all affiliates would exceed 20% of the bank's capital stock and surplus. In addition, any transaction between BPPR or PB, on the one hand, and Popular, PNA or any of our other non-banking subsidiaries, on the other, other, is required to be carried out on an arm's length basis.

*Source of Financial Strength*

The Dodd-Frank Act requires bank holding companies, such as Popular and PNA, to act as a source of financial and managerial strength to their subsidiary banks. Popular and PNA are expected to commit resources to support their subsidiary banks,
including at times when Popular and PNA may not be in a financial position to provide such resources. Any capital loans loans by a bank holding company to any of its subsidiary depository institutions are subordinated in right of payment to depositors and to certain other indebtedness of such subsidiary depository institution. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal banking agency to maintain the capital of a subsidiary depository institution will be assumed by the bankruptcy trustee and entitled to a priority of payment. BPPR and PB are currently the only insured depository institution subsidiaries of Popular and PNA.

*Resolution Planning and Resolution-Related Requirements*

A
bank holding company with $250 billion or more in total consolidated assets (or that is a Category III firm based on certain risk-based indicators described in the Tailoring Rules) is required to report periodically to the FDIC FDIC and the Federal Reserve
Board such company's plan for its rapid and orderly resolution in the event of material financial distress or failure. In addition,
insured depository institutions with total assets of $50 billion or more are required to submit to the FDIC periodic contingency plans for resolution in the event of the institution's failure. In June 2021, 2018, the FDIC issued a moratorium on resolution plans for insured depository institutions with more than $50 billion in assets. The moratorium is still in effect for insured depository institutions with more than $50 billion but less than $100 billion in assets. On August 29, 2023, the FDIC proposed amendments to the FDIC resolution
issued a Statement on Resolution Plans planning requirements for Insured

Depository Institutions, insured which, among other things, establishes a three-year filing cycle for banks depository institutions with $100 $50 billion or more in total assets. The amendments would require insured depository institutions with between $50 billion and $100 billion in assets and provides details regarding to submit informational filings on a two-year cycle,
with an interim supplement updating key information submitted in the content off years.

On August 29, 2023, the Federal Reserve Board, FDIC and Office of the Comptroller of the Currency ("OCC") issued a proposed rule that would require bank holding companies and insured depository institutions with $100 billion or more in consolidated assets (as well as their insured depository institution affiliates) to maintain minimum amounts of eligible long-term debt
(generally, debt that filers will be expected is unsecured, has a maturity greater than one year from issuance and satisfies additional criteria), subject to prepare. a three-year phase-in period. The proposal would also apply "clean holding company" requirements to Category II through IV bank holding companies, which would, among other things, prohibit entering into derivatives and certain other financial contracts with third parties.

As of December 31, 2022 December 31, 2023, Popular, PNA, BPPR and PB's total assets were below the thresholds for applicability of these rules. rules, except that BPPR would be subject to the FDIC's proposed amendments to its resolution planning requirements applicable to insured depository institutions with more than $50 billion but less than $100 billion in assets (if those amendments are adopted as proposed).

*FDIC Insurance*

Substantially all the deposits of BPPR and PB are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC, and BPPR and PB are subject to FDIC deposit insurance assessments to maintain the DIF. Deposit insurance assessments are based on the average consolidated total assets of the insured depository institution minus the average tangible equity of the institution during the assessment period. For larger depository institutions with over $10 billion in assets, such as BPPR
and PB, the FDIC uses a "scorecard" methodology, which considers CAMELS ratings, among other other measures, that seeks to capture both the probability that an individual large institution will fail and the magnitude of the impact on the DIF if such a failure occurs. The
FDIC has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations. The initial base deposit insurance assessment rate for larger depository institutions ranges from 3 to 30
basis points on an annualized basis. After the effect of potential base-rate adjustments, the total base assessment rate could range from 1.5 to 40 basis points on an annualized basis.

On In October 18, 2022, the FDIC finalized a rule that would increase initial base deposit insurance assessment rates by 2
basis points, beginning with the first FDIC quarterly finalized a rule that increased initial base deposit insurance assessment period rates of by 2023. 2 The FDIC, as required under the Federal Deposit basis points, beginning with the first quarterly assessment period of 2023. The FDIC, as required under the Federal Deposit Insurance Act

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Act
("FDIA"), established a plan in September 2020 to restore the DIF reserve ratio to meet or exceed the statutory minimum of of 1.35

percent within within eight years. The increased assessment is is intended to improve the likelihood that that the DIF DIF reserve ratio would reach the required minimum by the statutory deadline statutory deadline of September 30, 2028.

As of December 31, 2022, 2023, we had a DIF average total asset less average tangible equity assessment base of approximately $65 billion $66 billion.

On November 16, 2023, the FDIC finalized a rule that imposes a special assessment to recover the costs to the DIF resulting from the FDIC's use, in March 2023, of the systemic risk exception to the least-cost resolution test under the FDIA in connection with the receiverships of Silicon Valley Bank and Signature Bank. The FDIC estimated in approving the rule that those assessed losses total approximately $16.3 billion. The rule provides that this loss estimate will be periodically adjusted, which will affect the amount of the special assessment. Under the rule, the assessment base is the estimated uninsured deposits that an insured depository institution reported in its Consolidated Reports of Condition and Income ("Call Report") at December 31, 2022,

excluding the first $5 billion in estimated uninsured deposits. For a holding company that has more than one insured depository institution subsidiary, such as Popular, the $5 billion exclusion is allocated among the company's insured depository institution subsidiaries in proportion to each insured depository institution's estimated uninsured deposits. The special assessments will be collected at an annual rate of approximately 13.4 basis points per year (3.36 basis points per quarter) over eight quarters in 2024
and 2025, with the first assessment period beginning January 1, 2024. Because the estimated loss pursuant to the systemic risk determination will be periodically adjusted, the FDIC retains the ability to cease collection early, extend the special assessment collection period and impose a final shortfall special assessment on a one-time basis. Popular expects the special assessments to be tax deductible. The total of the assessments for Popular is estimated at $71.4 million and such amount was recorded as an expense in the quarter of adoption (the quarter ended December 31, 2023). As of December 31, 2023, the FDIC's loss estimate described in the final rule had increased by approximately $4.1 billion to $20.4 billion, or approximately 25%. If such increase in the
FDIC's loss estimate remains unchanged and is assessed in the same manner, the Corporation estimates that the incremental expense for the special assessments could be approximately$18 million.

*Brokered Deposits*

The FDIA and regulations adopted thereunder restrict the use of brokered deposits and the rate of interest payable on deposits for institutions institutions that are less are less than well capitalized. There are no such restrictions on a bank that is well capitalized (see
"Prompt Corrective Action" below for a description of the standard of "well capitalized"). Popular does not believe the brokered the brokered deposits regulations have had or will have a material effect on the funding or liquidity of BPPR and PB.

*Capital Adequacy*

Popular, Popular, PNA, BPPR and PB are are each required to comply with applicable capital adequacy standards adequacy standards established by

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the federal banking agencies (the "Capital Rules"), which implement the Basel III framework set forth by the Basel Committee on Banking Supervision (the "Basel Committee") as well as certain provisions of the Dodd-Frank Act.

Among other matters, the Capital Rules: (i) impose a capital measure called "Common Equity Tier 1" ("CET1") and the related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1
capital" instruments meeting certain revised requirements; and (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital. Under the Capital Rules, for most banking organizations,
including Popular, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock and the most common form of Tier 2 capital is subordinated notes and a portion of the allocation for loan and lease losses, in each case, subject to the Capital Rules' specific requirements.

Pursuant to the Capital Rules, the minimum capital ratios are:

4.5% CET1 to risk-weighted assets;

6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;

8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and

4% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

The Capital Rules also impose a "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face

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constraints on dividends, equity repurchases and compensation based on the amount of the shortfall and eligible retained income (that is, four quarter trailing net income, net of distributions and tax effects not reflected in net income). Thus, Popular, BPPR and PB are required to maintain such additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

In addition, under prior risk-based capital rules, the effects of accumulated other comprehensive income or loss ("AOCI") items included in stockholders' equity (for example, marks-to-market of securities held in the available for sale portfolio) under U.S. GAAP were reversed for the purposes of determining regulatory capital ratios. Pursuant to the Capital Rules, the effects of certain AOCI items are not excluded; however, non-advanced approaches banking organizations that are not subject to Categories I or II standards under the framework for banking organizations with $100 billion or more in assets, including Popular, BPPR and PB, may make a one-time permanent election to continue to exclude these items. Popular, BPPR and PB have made this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of their available for sale securities portfolios.

The Capital Rules preclude certain hybrid securities, such as trust preferred securities, from inclusion in bank holding companies' Tier 1 capital. Trust preferred securities no longer included in Popular's Tier 1 capital may nonetheless be included as a component of Tier 2 capital. Popular has not issued any trust preferred securities since May 19, 2010. As of December 31, 2022, 2023,

Popular has $193 million of trust preferred securities outstanding which no longer qualify for Tier 1 capital treatment, but instead qualify for Tier 2 capital treatment.

The Capital Rules also provide for a number of deductions from and adjustments to CET1. Non-advanced approaches Banking organizations that are banking organizations not subject to Category I or II standards are subject to rules that provide for simplified capital requirements relating to the threshold threshold deductions for

certain mortgage servicing assets, deferred tax assets, investments in the capital of unconsolidated financial institutions and institutions and inclusion of minority interests in regulatory capital.

Failure to meet capital guidelines could subject Popular and its depository institution subsidiaries to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC and to certain restrictions on our business. Refer to "Prompt Corrective Action" below for further discussion.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms. Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card lines of credit) and provide a new standardized approach for operational risk capital. The

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Basel framework contemplates that these standards will generally be effective on January 1, 2023, with an aggregate output floor phasing in through January 1, 2028. The federal bank regulators have not yet proposed rules implementing these standards. Under

the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to Popular, BPPR and PB. BPPR

On July 27, 2023, the federal banking regulators proposed revisions to the Capital Rules to implement the Basel

Committee's 2017 standards and PB. The impact make other changes to the Capital Rules, including the ability of banking organizations in

Categories III and IV to elect not to recognize most elements of these standards AOCI in on us regulatory capital. The will depend on proposal introduces revised credit risk, equity risk, operational risk, credit valuation adjustment risk and market risk requirements, among other changes. However, the manner revised capital requirements of the proposed rule would not apply to Popular, BPPR, or PB because they have less than $100 billion in which they total consolidated assets and trading assets and are implemented by liabilities below the federal bank regulators. threshold for market risk requirements.

In December 2018, the federal banking agencies approved a final rule modifying their regulatory capital rules and providing an option to phase in over a period of three years the day-one regulatory capital effects of the Current Expected Credit

Loss ("CECL") model of ASU 2016-13. The final rule also revised the agencies' other rules to reflect the update to the accounting standards. Popular has availed itself of the option to phase in over a period of three years the day one effects on regulatory capital from the adoption of CECL. In 2020, federal bank regulators adopted a rule that allowed banking organizations to elect to delay temporarily the estimated effects of adopting CECL on regulatory capital until January 2022 and subsequently to phase in the effects through January 2025. Under the rule, during 2020 and 2021, the adjustment to CET1 capital reflects the change in retained earnings upon adoption of CECL at January 1, 2020, plus 25% of the increase in the allowance for credit losses since January 1,

2020.

Refer to the Consolidated Financial Statements in this Form 10-K., Note 21 and Table 9 of Management's Discussion and

Analysis for the capital ratios of Popular, BPPR and PB under Basel III. Refer to the Consolidated Financial Statements in this Form

10-K Note 3 2 for more information regarding CECL.

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*Prompt Corrective Action*

The FDIA requires, among other things, the federal banking agencies to take prompt corrective action in respect of insured depository institutions that do not meet minimum capital requirements. The FDIA establishes five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized". A
depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors.

An insured depository institution will be deemed to be (i) "well capitalized" if the institution has a total risk-based capital ratio of 10.0% or greater, a CET1 capital ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, and a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (ii) "adequately capitalized" if the institution has a total risk-based capital ratio of 8.0%
or greater, a CET1 capital ratio of 4.5% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 4.0%
or greater and is not "well capitalized"; (iii) "undercapitalized" if the institution has a total risk-based capital ratio that is less than
8.0%, a CET1 capital ratio less than 4.5%, a Tier 1 risk-based capital ratio of less than 6.0% or a leverage ratio of less than 4.0%;
(iv) "significantly undercapitalized" if the institution has a total risk-based capital ratio of less than 6.0%, a CET1 capital ratio less than 3%, a Tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 3.0%; and (v) "critically undercapitalized"
if the institution's tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. An insured depository institution's capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the institution's overall financial condition or prospects for other purposes.

The FDIC FDIA generally prohibits an insured depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company, if the depository institution would thereafter be undercapitalized.

Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition,
undercapitalized depository institutions are subject to growth limitations and are required to submit capital restoration plans. A
depository institution's holding company must guarantee the capital restoration plan, up to an amount equal to the lesser of 5% of the depository institution's assets at the time it becomes undercapitalized or the amount of the capital deficiency, when the institution fails to comply with the plan. The federal banking agencies may not not accept a capital restoration plan without determining,
among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions,

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including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions are subject to appointment of a receiver or conservator.

The capital-based prompt corrective action provisions of the FDIA apply to the FDIC-insured depository institutions such as BPPR and PB, but they are not directly applicable to holding companies such as Popular and PNA, which control such institutions. As of December 31, 2022 December 31, 2023, both BPPR and PB were well capitalized. met the quantitative requirements for 'well capitalized' status.

*Restrictions on Dividends and Repurchases*

The principal sources of funding for Popular and PNA have included dividends received from their banking and non-banking subsidiaries, asset sales and proceeds from the issuance of debt and equity. 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 year ended December 31, 2022 December 31, 2023, BPPR declared cash dividends of $450 million, $200 million, a portion of which was used by Popular for the payments of the cash dividends on its outstanding common stock. At December 31, 2023, BPPR needed to

stock and $231 million obtain prior approval of the Federal Reserve Board before declaring a dividend in accelerated excess of $387 million due to its stock retained income, repurchases. declared dividend activity and transfers to statutory reserves over the At three year's ended December 31, 2023. In addition, a member

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bank may December not declare 31, or pay 2022, a dividend BPPR in an needed 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 obtain 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 before declaring a dividend in excess of $53 million due to its declared dividend activity and transfers to statutory reserves over the three year's ended

December 31, 2022. 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, the

NYSDFS.

During the year unless the ended December 31, member 2023, PB bank has received the approval declared cash dividends of $50 the Federal Reserve Board. A member bank also may not permit any million, a portion of its which permanent capital to was used be withdrawn unless the withdrawal has been by approved by Popular for the Federal Reserve Board. Pursuant to these requirements, PB may not declare or pay a dividend without the prior approval payments of the Federal Reserve Board and cash dividends on the NYSDFS. its outstanding common stock.

It is Federal Reserve Board policy that bank holding companies generally should pay dividends on common stock only out of net income available to common shareholders over the past year and only if the prospective rate of earnings retention appears consistent with the organization's current and expected future capital needs, asset quality and overall financial condition. Moreover,

under Federal Reserve Board policy, a bank holding company should not maintain dividend levels that place undue pressure on the capital of depository institution subsidiaries or that may undermine the bank holding company's ability to be a source of strength to its banking subsidiaries. Federal Reserve policy also provides that a bank holding company should inform the Federal Reserve

reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the bank holding company's capital structure.

The Federal Reserve Board also restricts the ability of banking organizations to conduct stock repurchases. In certain circumstances, a banking organization's repurchases of its common stock may be subject to a prior approval or notice requirement under other regulations or policies of the Federal Reserve. Any redemption or repurchase of preferred stock or subordinated debt is subject to the prior approval of the Federal Reserve.

Subject to compliance with certain conditions, distributions of U.S. sourced dividends to a corporation organized under the laws of the Commonwealth of Puerto Rico are subject to a withholding tax of 10% instead of the 30% applied to other "foreign"

corporations. Accordingly, dividends from current or accumulated earnings and profits paid paid by PNA to Popular, Inc. sourced from the

U.S. operations of PB are subject to a 10% tax withholding.

Refer to Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of

Equity Securities" for further information on Popular's distribution of dividends and repurchases of equity securities.

See "Puerto Rico Regulation" below for a description of certain restrictions on BPPR's ability to pay dividends under

Puerto Rico law.

*Interstate Branching*

The Dodd-Frank Act amended the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate

Banking Act") to authorize national banks and state banks to branch interstate through de novo branches. For purposes of the

Interstate Banking Act, BPPR is treated as a state bank and is subject to the same restrictions on interstate branching as other state banks.

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*Activities and Acquisitions*

In general, the BHC Act limits the activities permissible for bank holding companies to the business of banking, managing or controlling banks and such other activities as the Federal Reserve Board has determined to be so closely related to banking as to be properly incidental thereto. A company who meets management and capital standards and whose subsidiary depository institutions meet management, capital and Community Reinvestment Act ("CRA") standards may elect to be treated as a financial holding company and engage in a substantially broader range of nonbanking financial activities, including securities underwriting and dealing, insurance underwriting and making merchant merchant banking investments in nonfinancial companies.

In order for a bank holding company to elect to be treated as a financial holding company, (i) all of its depository institution subsidiaries must be well capitalized (as described above) and well managed and (ii) it must file a declaration with the Federal Reserve Board that it elects to be a "financial holding company." As noted above, a bank holding company electing to be a financial holding company must itself be and remain well capitalized and well managed. The Federal Reserve Board's regulations applicable to bank holding companies separately define "well capitalized" for bank holding companies, such as Popular, to require maintaining a tier 1 capital ratio of at least 6% and a total capital ratio of at least 10%. Popular and PNA have elected to be treated as financial holding companies. A depository institution is deemed to be "well managed" if, at its most recent inspection, examination or subsequent review by the appropriate federal banking agency (or the appropriate state banking agency), the depository institution received at least a "satisfactory" composite rating and at least a "satisfactory" rating for the management component of the

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composite rating. If, after becoming a financial holding company, the company fails to continue to meet any of the capital or management requirements for financial holding company status, the company must enter into a confidential agreement with the
Federal Reserve Board to comply with all applicable capital and management requirements. If the company does not return to compliance within 180 days, the Federal Reserve Board may extend the agreement or may order the company to divest its subsidiary banks or the company may discontinue, or divest investments in companies engaged in, activities permissible only for a bank holding company that has elected to be treated as a financial holding company. In addition, if a depository institution subsidiary controlled by a financial holding company does not maintain a CRA rating of at least “satisfactory,” the financial holding company will be subject to restrictions on certain new activities and acquisitions.

The Federal Reserve Board may in certain circumstances limit our ability to conduct activities and make acquisitions that would otherwise be permissible for a financial holding company. Furthermore, a financial holding company must obtain prior written approval from the Federal Reserve Board before acquiring a nonbank company with $10 billion or more in total consolidated assets.

In addition, we are required to obtain prior Federal Reserve Board approval before engaging in certain banking and other financial activities both in the United States and abroad.

The “Volcker Rule” adopted as part of the Dodd-Frank Act restricts the ability of Popular and its subsidiaries, including
BPPR and PB as well as non-banking subsidiaries, to sponsor or invest in “covered funds,” including private funds, or to engage in certain types of proprietary trading. Popular and its subsidiaries generally do not engage in the businesses subject to the Volcker
Rule; therefore, the Volcker Rule does not have a material effect on our operations.

*Anti-Money Laundering Initiative and the USA PATRIOT Act*

A major focus of governmental policy relating to financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the “USA PATRIOT Act”) strengthened the ability of the U.S.
government to help prevent, detect and prosecute international money laundering and the financing of terrorism. Title III of the USA
PATRIOT Act imposed significant compliance and due diligence obligations, created new crimes and penalties and expanded the extra-territorial jurisdiction of the United States. Failure of a financial institution to comply with the USA PATRIOT Act’s requirements could have serious legal and reputational consequences for the institution.

The Anti-Money Laundering Act of 2020 (“AMLA”), which amended the Bank Secrecy Act (the “BSA”), is intended to comprehensively reform and modernize U.S. anti-money laundering laws. Among other things, the AMLA codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the U.S. Department of the Treasury to promulgate priorities for anti-money laundering and countering the financing of terrorism policy; requires the development of standards for testing technology and internal processes for BSA compliance; expands enforcement- and investigation-related authority, including a significant expansion in the available sanctions for certain BSA violations; and expands BSA whistleblower incentives and protections. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, and the impact of the AMLA will depend on, among other things, rulemaking and implementation guidance. In June 2021, the Financial

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Crimes Enforcement Network, a bureau of the U.S. Department of the Treasury, issued the priorities for anti-money laundering and countering the financing of terrorism policy required under AMLA. The priorities include: corruption, cybercrime, terrorist financing,
fraud, transnational crime, drug trafficking, human trafficking and proliferation financing.

Federal regulators regularly examine BSA/Anti-Money Laundering and sanctions compliance to enhance their adequacy and effectiveness, and the frequency and extent of such examinations and related remedial actions have been increasing.

*Community Reinvestment Act*

The CRA requires banks to help serve the credit needs of their communities, including extending credit to low- and moderate-income individuals and geographies. Should Popular or our bank subsidiaries fail to serve adequately the community,
potential penalties may include regulatory denials of applications to expand branches, relocate offices or branches, add subsidiaries and affiliates, expand into into new financial activities and merge with or with or purchase other financial institutions. institutions. In May 2022, the Office of the Comptroller of the Currency ("OCC") On October 24, 2023, the
OCC, the Federal Reserve Board, and the FDIC jointly issued a proposed final rule to modernize the federal banking agencies' CRA regulations. The proposed rule would adjust CRA evaluations regulations and respond to changes in the based on banking industry. Among other bank size items, the final rule introduces new tests and type, under which the performance of banks will with be assessed and includes data collection and reporting requirements, many of the proposed changes applying only to banks which are with over $2 billion in assets and several applying applicable only
only to banks with over $10
$10 billion in assets, such such as Popular. BPPR and PB. The effects on effective date of Popular of any the final rule is potential change April 1, 2024; however, banks will not be required to the begin complying with certain provisions CRA rules will of the final rule until January 1, 2026, with data reporting requirements
January
1,
depend becoming applicable on the final2form of

any Federal Reserve rulemaking.

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*Interchange Fees Regulation*

The Federal Reserve Board has established standards for debit card interchange fees and prohibited network exclusivity arrangements and routing restrictions. The maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. Additionally, the Federal Reserve Board allows for an upward adjustment of no more than 1 cent to an issuer's debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve certain fraud-prevention standards.

In October 2023, the Federal Reserve Board proposed amendments to its rules on interchange fees. The proposed changes would establish a maximum permissible interchange fee of no more than 14.4 cents per transaction plus four basis points multiplied by the value of the transaction. The fraud prevention adjustment would be increased to 1.3 cents per transaction. The proposed rule would also establish an automatic update of the interchange fee cap every other year based on a survey of debit card issuers.

*Consumer Financial Protection Act of 2010*

The Consumer Financial Protection Bureau (the "CFPB") supervises "covered persons" (broadly defined to include any person offering or providing a consumer financial product or service and any affiliated service provider) for compliance with federal consumer financial laws. The CFPB also has the broad power to prescribe rules applicable to a covered person or service provider identifying as unlawful, unfair, deceptive, or abusive acts or practices in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. We are subject to examination and regulation by the CFPB.

On October 19, 2023, the CFPB proposed a new rule to implement Section 1033 of the Consumer Financial Protection Act that would require a provider of payment accounts or products, such as a bank, to make data available to consumers upon request regarding the products or services they obtain from the provider. Any such data provider would also have to make such data available to third parties, with the consumer's express authorization and through an interface that satisfies formatting, performance and security standards, for the purpose of such third parties providing the consumer with financial products or services requested by the consumer. Data that would be required to be made available under the rule would include transaction information, account balance, account and routing numbers, terms and conditions, upcoming bill information, and certain account verification data. The proposed rule is intended to give consumers control over their financial data, including with whom it is shared, and encourage competition in the provision of consumer financial products or services. For banks with at least $850 million and less than $50 billion in total assets, compliance with the proposed rule's requirements would be required approximately two and a half years after adoption of the final rule. For banks with at least $50 billion and less than $500 billion in total assets, compliance with the proposed rule's requirements would be required approximately one year after adoption of the final rule.

On January 17, 2024, the CFPB proposed a rule that would significantly reform the regulatory framework governing overdraft practices applicable to banks such as BPPR and PB that have more than $10 billion in assets. The proposed rule would modify or eliminate several long-standing exclusions from requirements generally

applicable to consumer credit that previously exempted certain overdraft practices. The proposal would also generally require banks to restructure many overdraft fees, overdraft lines of credit, and other overdraft practices as separate consumer credit accounts that would be subject to those requirements.
These changes to the regulatory framework could result in BPPR and PB, among other things, facing higher compliance costs in charging overdraft fees, experiencing a decreased ability to recover amounts extended as overdraft protection, reducing the availability of overdraft protection, and/or charging lower overdraft fees.

*Office of Foreign Assets Control Regulation*

The U.S. Treasury Department Office of Foreign Assets Control ("OFAC") administers economic sanctions that affect transactions with designated foreign countries, nationals and others. The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country; and (ii) a blocking of assets in which the government of the sanctioned country or other specially designated nationals have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the United States or the possession or control of U.S. persons outside of the United States). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

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*Protection of Customer Personal Information and Cybersecurity*

The privacy provisions of the Gramm-Leach-Bliley Act of 1999 generally prohibit financial institutions, including us, from disclosing nonpublic personal financial information of consumer customers to third third parties for certain purposes (primarily marketing) unless customers have the opportunity to opt out of the disclosure. The Fair Credit Reporting Act restricts information sharing among affiliates for marketing purposes and governs the use and provision of information to consumer reporting agencies.

The federal banking regulators have also issued guidance and proposed rules regarding cybersecurity that are intended to enhance cyber risk management standards among financial institutions. A financial institution is expected to establish lines of defense and to maintain risk management processes that are designed to address the risk posed by compromised customer credentials. A financial institution's management is expected to maintain sufficient business continuity planning processes for the rapid recovery, resumption and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and

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address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties. In November 2021, the U.S. federal bank regulatory agencies issued a final rule requiring banking organizations, including

Popular, PNA, BPPR and PB, to notify their primary federal banking regulator within 36 hours of determining that a "notification incident" has occurred. A notification incident is a "computer-security incident" that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the banking organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of the banking organization, or impact the stability of the financial sector.

The final rule also requires specific and immediate notifications by bank service providers that become aware of similar incidents.

State and foreign regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. In New York, the NYSDFS

requires financial institutions regulated by the NYSDFS, including PB, to, among other things, (i) establish and maintain a cybersecurity program designed to enhance the confidentiality, integrity and availability of their information systems; (ii) implement and maintain a written cyber security policy setting forth policies and procedures for the protection of their information systems and nonpublic information; and (iii) designate a Chief Information Security Officer.

In On March November 2022, 1, 2023, the NYSDFS adopted amendments to its cybersecurity regulations that represent a significant update to the regulation of cybersecurity practices. The

amendments generally fall within the following five categories: (i) increased mandatory controls associated with common attack vectors, (ii) enhanced requirements for privileged accounts, (iii) enhanced notification obligations, (iv) expansion of cyber governance practices and (v) additional cybersecurity requirements for larger companies. Most of the amendments will become effective 180 days after adoption.

On July 6, 2023, the SEC proposed adopted new rules that would require registrants, such as Popular, to (i) report material cybersecurity incidents on Form 8-K and, (ii) disclose in Annual Report on Form 8-K, 10-K (ii) include updated disclosure in Forms 10-K and 10-Q of previously disclosed cybersecurity incidents, policies and procedures disclose previously undisclosed, individually immaterial incidents when a determination is made that they have and become material on an aggregated basis, (iii) disclose cybersecurity policies and procedures and governance practices, including at the board and management levels, in Form 10-K and (iv) disclose the board of directors' cybersecurity expertise. management levels.

Many states and foreign governments have also recently implemented or modified their data breach notification and data privacy requirements. The California Consumer Privacy Act ("CCPA") imposes privacy compliance obligations with regard to the collection, use and disclosure of personal information of California residents, and the November 2020 amendment to the CCPA
creates the California Privacy Protection Agency, a watchdog privacy agency, and further expands the scope of businesses covered by the law and certain rights relating to personal information. The substantive obligations under the 2020 amendment to the CCPA
became effective on January 1, 2023. In European Union, the General Data Protection Regulation heightens privacy compliance obligations and imposes strict standards for reporting data breaches. We expect this trend to continue and are continually monitoring developments in the jurisdictions in which we operate.
See "Puerto Rico Regulation" below for a description of legislations and regulations on information privacy and cybersecurity in Puerto Rico.

*Climate-Related Financial Risks and ESG Developments*

In recent years,Sfederal, state and federal international banking lawmakers and regulators have become increased increasingly their focused focus on matters financial institutions' regarding and other companies' risk oversight, disclosures and practices in connection with climate change and its other associated risks. environmental, social and In 2021, governance ("ESG") matters. For example, on October 24, 2023, the OCC proposed principles to Federal Reserve, FDIC, provide for a framework and OCC
finalized interagency guidance on principles for the management of climate-related risks for financial institutions and in 2022, the FDIC, the Federal Reserve Board and the NYSDFS each proposed principles or guidance with respect to the financial risk management of climate-related risks for financial institutions. Additionally, in 2022, the SEC proposed rule changes that would require registrants, such as Popular, applicable to disclose regulated information financial

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institutions with more about than $100 billion in total consolidated assets. The principles are intended to support efforts by large financial institutions to focus on key aspects of climate-related financial risk management and cover six areas: (1) governance; (2) policies,
procedures, and limits; (3) strategic planning; (4) risk management; (5) data, risk measurement, and reporting; and (6) scenario analysis. On December 21, 2022, the NYSDFS proposed guidance on climate-related risks financial risk management applicable to
NYSDFS-regulated banking and mortgage certain organizations, including climate-related PB. The proposed guidance would address material financial financial statement metrics. risks related to climate change faced by these organizations in the context of risk assessment, risk management, and risk appetite setting. On March 21, 2022, the SEC issued a proposed rule on the enhancement and standardization of climate-related disclosures for investors. The proposed rule would require public issuers, including the Company, to significantly expand the scope of climate-
related disclosures in their SEC filings. The SEC also announced plans to propose rules to require enhanced disclosure regarding human capital management and board diversity for public issuers.

*Incentive Compensation*

The Federal Reserve Board reviews, as part of its regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as Popular, that are not "large, complex banking organizations." Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.
The Federal Reserve Board, OCC and FDIC have issued comprehensive final guidance on incentive compensation policies intended to discourage excessive risk-taking in the incentive compensation policies of banking organizations in order to not

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undermine the safety and soundness of such organizations. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

The Dodd-Frank Act requires the U.S. financial regulators, including the Federal Reserve Board, the other federal banking agencies and the SEC, to adopt rules prohibiting incentive-based payment arrangements that encourage inappropriate risks by providing excessive compensation or that could lead to a material financial loss at specified regulated entities having at least $1
billion in total assets (including Popular, PNA, BPPR and PB). The U.S. financial regulators proposed revised rules in 2016, which have not been finalized.

In October 2022, the SEC adopted a final rule requiring securities exchanges to adopt rules mandating, in the case of a restatement, the recovery or "clawback" of excess incentive-based compensation paid to current or former executive officers and requiring listed issuers to disclose any recovery analysis where recovery is triggered by a restatement. The excess compensation would be based on the amount the executive officer would have received had the incentive-based compensation been determined using the restated restated financials. The Nasdaq final rule Stock Market's listing requires the securities exchanges standards pursuant to propose conforming listing standards by February
26, 2023 and requires the standards to become SEC's rule became effective October 2,
2023. Popular's clawback policy adopted in accordance no later than November 28, 2023. Each listed issuer, which includes
Popular as a listed issuer on the Nasdaq Stock Market, would then be required to adopt a clawback policy within 60 days after its exchange's with these listing standard
Exhibit
has become effective. Popular will work to implement these new requirements standards is included as the 9 rule. becomes effective.

*Regulation of Broker-Dealers*

Our subsidiary, PS, is a registered broker-dealer with the SEC and subject to regulation and examination by the SEC as well as FINRA and other self-regulatory organizations. These regulations cover a broad range of issues, including capital requirements; sales and trading practices; use of client funds and securities; the conduct of directors, officers and employees;
record-keeping and recording; supervisory procedures to prevent improper trading on material non-public information; qualification and licensing of sales personnel; and limitations on the extension of credit in securities transactions. In addition to federal registration, state securities commissions require the registration of certain broker-dealers. PS is registered with 35 U.S. state and territory securities commissions.

*Regulation of Reinsurers, Insurance Producers and Agents*

Popular's subsidiaries that are engaged in insurance agency and producer activities are subject to regulatory supervision by the Puerto Rico Office of the Commissioner of Insurance and to insurance laws and regulations requiring licensing of insurance producers and agents. Popular's reinsurance subsidiaries are subject to licensure and regulatory supervision by the Puerto Rico



Office of the Commissioner of Insurance and to insurance laws and regulations requiring, among other things, minimum capital and solvency standards, financial reporting, restrictions on the amount of dividends payable, record keeping and examinations.

*Puerto Rico Regulation*

As a commercial bank organized under the laws of Puerto Rico, BPPR is subject to supervision, examination and regulation by the Office of the Commissioner of Financial Institutions, pursuant to the Puerto Rico Banking Act of 1933, as amended
(the "Banking Law").

Section 27 of the Banking Law requires that at least ten percent (10%) of the yearly net income of BPPR be credited annually to a reserve fund. The apportionment must be done every year until the reserve fund is equal to the total of paid-in capital on common and preferred stock. During 2022, $76.9 2023, $44.5 million was transferred to the statutory reserve account.

Section 27 of the Banking Law also provides that when the expenditures of a bank are greater than its receipts, the excess of the former over the latter must be charged against against the undistributed profits of of the bank, and the the balance, if any, any, must be charged against the reserve fund. If the reserve fund is not sufficient to cover such balance in whole or in part, the outstanding

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amount must be charged against the capital account and no dividend may be declared until capital has been restored to its original amount and the reserve fund to 20% of the original capital.

Section 16 of the Banking Law requires every bank to maintain a legal reserve that, except as otherwise provided by the Office of the Commissioner, may not be less than 20% of its demand liabilities, excluding government deposits (federal, state and municipal) that are secured by collateral. If a bank is authorized to establish one or more bank branches in a state of the United States or in a foreign country, where such branches are subject to the reserve requirements of that state or country, the Office of the Commissioner may exempt said branch or branches from the reserve requirements of Section 16. Pursuant to an order of the Federal Reserve Board dated November 24, 1982, BPPR has been exempted from the reserve requirements of the Federal Reserve System with respect to deposits payable in Puerto Rico. Accordingly, BPPR is subject to the reserve requirement prescribed by the Banking Law. During 2022, 2023, BPPR was in compliance with the statutory reserve requirement.

Section 17 of the Banking Law permits a bank to make loans to any one person, firm, partnership or corporation, up to an aggregate amount of fifteen percent (15%) of the paid-in capital and reserve fund of the bank. As of December 31, 2022, 2023, the legal lending limit for BPPR under this provision was approximately $334 $341 million. In the case of loans which are secured by collateral worth at least 25% more than the amount of the loan, the maximum aggregate amount of such secured loans is increased to one third of the paid-in capital of the bank, plus its reserve fund. In no event may the total of unsecured and secured loans to any one person, firm, partnership or corporation exceed an aggregate amount of 33 1/3% of the paid-in capital and reserve fund of the bank.

If the institution is well capitalized and had been rated 1 in the last examination performed by the Office of the Commissioner or any regulatory agency, its legal lending limit shall also include 15% of 50% of its undivided profits and for loans secured by collateral worth at least 25% more than the amount of the loan, the capital of the bank shall also include 33 1/3% of 50% of its undivided profits. Institutions rated 2 in their last regulatory examination may include this additional component in their legal lending limit only with the previous authorization of the Office of the Commissioner. There are no restrictions under Section 17 on the amount of loans that are wholly secured by bonds, securities and other evidence of indebtedness of the Government of the United States or Puerto
Rico, or by current debt bonds, not in default, of municipalities or instrumentalities of Puerto Rico. During 2022, 2023, BPPR was in compliance with the lending limit requirements of Section 17 of the Banking Law.

Section 14 of the Banking Law authorizes a bank to conduct certain financial and related activities directly or through subsidiaries, including finance leasing of personal property and originating and servicing mortgage loans. BPPR engages in finance leasing through its wholly-owned subsidiary, Popular Auto, LLC, which is organized and operates in Puerto Rico. The origination and servicing of mortgage loans is conducted by Popular Mortgage, a division of BPPR.

With respect to information privacy, Puerto Rico law requires businesses to implement information security controls to protect consumers' personal information from breaches, as well as to provide notice of any breach to affected customers. In
addition, as noted above in "Regulation of Reinsurers, Insurance Producers and Agents", Popular's reinsurance subsidiaries are subject to licensure and regulatory supervision by the Puerto Rico Office of the Commissioner of Insurance and to insurance laws and regulations.



**Available Information**

We maintain an Internet website at www.popular.com. Via the "Investor Relations" link at our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available, free of charge, as soon as reasonably practicable after such forms are electronically filed with, or furnished to, the SEC. The SEC also maintains an internet website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. SEC. You may obtain copies of our filings on the SEC site.

We have adopted a written code of ethics that applies to all directors, officers and employees of Popular, including our principal executive officer and senior financial officers, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder. Our Code of Ethics is available on our corporate website, www.popular.com, in the section entitled "Corporate Governance." In the event that we make changes to, or provide waivers from, the provisions of this Code
of Ethics that the SEC requires us to disclose, we intend to disclose these events on our corporate website in such section. In the Corporate Governance section of our corporate website, we have also posted the charters for our Audit Committee, Talent and Compensation Committee, Risk Management Committee, Corporate Governance and Nominating Committee and Technology

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Committee, as well as our Corporate Governance Guidelines. In addition, information concerning purchases and sales of our equity securities by our executive officers and directors is posted on our website.

All website addresses given in this document are for information only and are not intended to be active links or to incorporate any website information into this Form 10-K.

**ITEM 1A. RISK FACTORS**

We, like other financial institutions, face risks inherent to our business, financial condition, liquidity, results of operations and capital position. These risks 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.

The risks described in this report are not the only risks we face. Additional risks and uncertainties not currently known by us or that we currently deem to be immaterial, or that are generally applicable to all financial institutions, may also materially adversely affect our business, financial condition, liquidity, results of operations or capital position.

**ECONOMIC AND MARKET RISKS**

**Weakness in the economy, particularly in Puerto Rico, where a significant portion of our business is concentrated, has adversely impacted us in the past and may adversely impact us in the future.**

We have been, and will continue to be, impacted by global and local economic and market conditions, including weakness in the economy, disruptions and volatility in the financial markets, inflation, changing monetary and fiscal policies, policies, public policy, geopolitical conflicts, consumer business and changes in business consumer sentiment and unemployment. A significant portion of our business is concentrated in Puerto Rico, which accounted for approximately 79% 77% of our assets and 84% 81% of of our deposits as of December 31, 2022 2023 and 82% 78% of our revenues for the year ended December 31, 2022. 2023. As a result, our financial condition and results of operations are highly dependent on the

the general trends of the Puerto Rico economy and other conditions affecting Puerto Rico consumers and businesses. The businesses. The concentration of our operations in in Puerto Rico Rico exposes us to greater risks than than other banking companies with a wider geographic base.

Puerto Rico has faced significant economic and fiscal challenges in the past, including a severe recession that began in 2007 and persisted for over a decade and an acute fiscal crisis that led the Puerto Rico government to file for a form of federal bankruptcy protection in 2017. Puerto Rico's fiscal and economic challenges have in the past adversely affected our customers, resulting in higher delinquencies, charge-offs and increased losses for us. While Puerto Rico's economy has been gradually recovering and the Puerto Rico government has emerged recently emerged from bankruptcy in 2022, Puerto Rico still faces economic and fiscal challenges challenges. Moreover, Puerto Rico has historically received a significant amount of federal funds through non-recurring appropriations, particularly to cover costs associated with its health insurance program, and could face additional Puerto Rico's recent economic or fiscal challenges in the recovery has future, including as a result of weakness or volatility in been partially global

the driven by significant federal disaster relief and financial stimulus markets. A weakening of funding. Therefore, the Puerto Rico economy is highly susceptible to changes in federal public policy towards Puerto Rico. Public policy changes that result in a reduction of federal funding for Puerto Rico, or in delays in the receipt of such funding, could significantly impact Puerto Rico's economy. A weakening of the Puerto Rico economy or other adverse economic conditions affecting conditions affecting

Puerto Rico consumers and businesses could result in

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decreased demand for our products or services, services, deterioration in the credit quality of our customers, higher higher delinquencies, charge-

charge-offs offs or increased losses, all of which could adversely affect our financial condition and results of operations.

We are also exposed to risks related to the state of the local economies of the other markets in which we do business, such as New
York and Florida, and related to the state of the local economies of the other markets in which we do business,
such as New York and Florida, and to the state of the global and U.S. economy and financial markets. Global financial markets have recently financial markets experienced
periods have recently experienced periods of extraordinary disruption and volatility, exacerbated by geopolitical conflicts, the COVID-19 pandemic, the war U.S. in
Ukraine, supply- debt-ceiling chain disruptions, situation, high levels of and rapid increases in, inflation and increasing and high rapid increases in interest rates.
Inflationary pressures have increased certain increased of our expenses (including
(including our our personnel expenses) expenses) and adversely adversely affected consumer consumer sentiment. Central Central bank responses
responses to inflationary pressures have
led to higher higher market interest rates and, in turn, lower activity levels across U.S. and global financial
financial markets. These circumstances have
resulted in, and could continue to result in, reductions in the value of our investments.
If If these conditions persist or worsen, our results of operations, financial position and liquidity results of operations, financial position could be materially and liquidity
could be materially and adversely affected.

**Changes in interest rates and credit spreads can adversely impact our financial condition, including our investment portfolio, since a significant portion of our business involves borrowing and lending money, and investing in financial instruments.**

Our business and financial performance are impacted by market interest rates and movements in those rates. Since a high percentage of our assets and liabilities are interest bearing or otherwise sensitive in value to changes in interest rates, changes in interest rates, in the shape of the yield curve or in spreads between different types of rates, have had and could in the future have

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a material impact on our results of operations and the values of our assets and liabilities, including our investment portfolio. Interest rates are highly sensitive to many factors over which we have no control and which we may not be able to anticipate adequately, including general economic conditions and the monetary and tax policies of various governmental bodies, particularly the Federal Reserve Board.

Increasing levels of inflation, driven by pent-up demand and supply-chain disruptions caused by the COVID-19 pandemic and the war in Ukraine, led the Federal Market
Committee of the Federal Reserve Board (the “FOMC”) to execute a series of sharp benchmark interest rate increases over the past year. While the pace at which
inflation is increasing has slowed down beginning in recent months, following a mid-2022 peak, the Federal
Reserve Board has signaled first that it may increase quarter of 2022. While the FOMC has indicated that it may conclude its interest rate hike cycle, the amount and
pace of any reduction in interest rates further to continue to control and bring down inflation. If the interest rates we pay on our deposits and other borrowings increase at
a faster rate than the interest rates we receive on loans and other investments, our net interest income, and, therefore, our earnings, could be adversely affected. remains
uncertain. Higher interest rates could also lead to to fewer originations of commercial and residential real real estate loans, loss of deposits, a misalignment in the the
pricing of short-term and long-term borrowings, less liquidity in the financial markets and higher funding costs. Furthermore, higher interest rates could negatively
affect the payment performance on loans linked to variable interest rates to the extent borrowers are unable to afford higher interest payments, which could result in
higher delinquencies. Additionally, inflationary Inflationary pressure arising from increases increases in interest rates interest rates may also affect borrowers' financial
condition and their ability to pay their debts when due. Additionally, if the interest rates we pay on our deposits and other borrowings were to increase at a faster rate
than the interest rates we receive on loans and other investments, our net interest income, and, therefore, our earnings, could be adversely affected. All of these
outcomes could adversely affect our earnings, liquidity and capital levels.

The rapid rise in interest rates in 2022 resulted in approximately $2.5 billion in unrealized mark-to-market losses on available-for-sale securities held in our
investment securities portfolio. In October 2022, we transferred U.S. Treasury securities with a fair value of approximately $6.5 billion (par value of $7.4 billion), and with
accumulated unrealized losses of $873 million, from our available-for-sale portfolio to our held-to-maturity portfolio to reduce the portfolio. impact While the size of further
increases in interest rates our unrealized mark-to-market losses on accumulated available-for-
other comprehensive sale income and securities tangible capital. had However, been reduced to $1.4 billion as of December 31, 2023, if interest rates continue were
to again rise rapidly or for a a prolonged period, we may accumulate significant additional mark-to-market losses losses on other investment securities in our available-
for-sale portfolio, which may adversely affect our tangible capital and impact our ability to return capital to our stockholders.

We are also subject to risks related to the transition away from the London Interbank Offered Rate (“LIBOR”) upon the cessation in the publication of the remaining
principal tenors of U.S. dollar LIBOR, which is scheduled for June 30, 2023. These
risks were significantly reduced following the enactment by the U.S. Congress of the Adjustable Interest Rate (LIBOR) Act in the first quarter of 2022, which provides a
framework for replacing LIBOR with new benchmark rates based on the Secured Overnight
Financing Rate (“SOFR”) in loans that do not have effective alternate interest rate provisions. However, there is no assurance that the new SOFR-based benchmarks will
be similar to, or produce the economic equivalent of, LIBOR, and the transition to these new benchmark rates could result in operational, systems or other practical
challenges, litigation or other adverse consequences. stockholders.

For a discussion of the Corporation’s interest rate sensitivity, please refer to the “Risk Management” section of the MD&A in this Form 10-K.

**Fiscal challenges facing the U.S. government could negatively impact financial markets, which in turn could have an adverse effect on our financial position or results of operations.**

In January 2023, the outstanding debt of the U.S. reached its statutory limit and the U.S. Treasury Department
commenced taking extraordinary measures to prevent the U.S. from defaulting on its obligations. If Congress does not raise the debt ceiling, the U.S. could default on
its obligations, including U.S. Treasury securities, which play an integral role in financial markets. Many of the investment securities held in our portfolio are issued
by the U.S. government and government agencies. A
U.S. government debt default, threatened debt default or downgrade of the sovereign credit ratings of the U.S. by credit rating agencies could have a significant
adverse impact on market volatility and illiquidity, lead to further increases in interest rates,
heighten operational risks relating to the clearance and settlement of transactions, and result in a significant deterioration in economic conditions in the U.S. and
worldwide. Even if the U.S. does not default, continued uncertainty relating to the debt ceiling could result in downgrades of the U.S. credit rating, which could adversely

affect market conditions, lead to further increases in interest rates and borrowing costs or necessitate significant operational changes among market participants if the liquidity or fair value of U.S. Treasury and/or agency securities decreases. Further, the fair value, liquidity and credit ratings of securities issued by, or other obligations of, agencies of the U.S. government as well as municipal bonds could be similarly adversely affected.

**BUSINESS RISKS**

**Negative changes in the financial condition of our clients have adversely impacted us in the past and may adversely impact us in the future.**



A significant portion of our business involves lending money, which exposes us to credit risk and risk of loss if borrowers do not repay their loans, leases, credit cards or other credit obligations. The performance of these credit portfolios significantly affects our financial condition and results of operations. We have in the past been adversely affected by negative changes in the financial condition of our clients due to weakness in the Puerto Rico and U.S. economy. If the current economic environment were to

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deteriorate, more customers may have difficulty in repaying their credit obligations, which may result in higher levels of credit losses and reserves for credit losses.

**We are exposed to increased credit risks and credit losses to the extent our clients are concentrated by industry segment or type of client.**

Our credit risk and credit losses can increase to the extent our loans are concentrated in borrowers engaged in the same or similar activities or in borrowers who as a group may be uniquely or disproportionately affected by certain economic or market conditions. We have significant exposure to borrowers in certain economic sectors, such as residential and commercial real estate,
hospitality and healthcare. Challenging economic or market conditions that affect the industries or types of clients to which we have significant exposure could result in higher credit losses and adversely affect our financial condition and results of operations.

We also have direct lending and investment exposure to Puerto Rico government entities, which have faced significant fiscal challenges. At December 31, 2022, 2023, our exposure to the Puerto Rico government consisted of $374 $362 million in direct lending exposure to Puerto Rico municipalities and $251 238 million in loans insured or securities issued by Puerto Rico governmental entities but for which the principal source of repayment is non-governmental. We also have indirect lending exposure to the Puerto Rico
government in the form of loans to private borrowers who are service providers, lessors, suppliers or have other relationships with the Puerto Rico government. While the overall fiscal situation of the Puerto Rico government has improved in recent years, including as result of the government and certain of its instrumentalities having restructured their debt obligations, some Puerto Rico
government entities, including certain municipalities, still face significant fiscal challenges. A deterioration in the fiscal situation of the
Puerto Rico government and its instrumentalities, and in particular in the fiscal situation of the Puerto Rico municipalities to which we have direct lending exposure, could result in higher credit losses and reserves for credit losses. For a discussion of risks related to the Corporation's credit exposure to the Puerto Rico and USVI governments, see the Geographic and Government Risk section in the MD&A section of this Form 10-K.

**Deterioration in the values of real properties securing our commercial, mortgage loan and construction portfolios have in the past resulted, and may in the future result, in increased credit losses and harm our results of operations.**

As of December 31, 2022, 2023, approximately 56% 55% of our loan portfolio consisted of loans secured by real estate collateral
(comprised of 29% 30% in commercial loans, 25% 22% in residential mortgage loans and 2% 3% in construction loans). The The value of the collateral securing such loans is dependent upon economic conditions in the area in which the collateral is located. Weakness in the economy of some of the markets we serve has in the past resulted in significant declines in the value of the real properties securing our loan portfolio, leading to increased credit losses. If the value of the real estate properties securing our loan portfolio declines again in the future, we may be required to increase our provisions for loan losses and allowance for loan losses. Any such increase could have an adverse effect on our financial condition and results of operations. For more information on the credit quality of our construction,
commercial and mortgage portfolio, see the Credit Risk Risk section of the MD&A included in this Form Form 10-K.

**We are exposed to credit risk from mortgage loans that have been sold or are being serviced subject to recourse arrangements.**

Popular is generally at risk for mortgage loan defaults from the time it funds a loan until the time the loan is sold or securitized into a mortgage
-
backed mortgage-backed security. However, we have retained part of the credit risk on sales of mortgage loans through recourse arrangements, and we also service certain mortgage loan portfolios with recourse. At December 31, 2022, 2023, we were exposed to credit risk with respect to $0.6 billion in residential mortgage loans sold or serviced subject to credit recourse provisions,
consisting principally of loans associated with the Fannie Mae and Freddie Mac programs. Pursuant to such recourse provisions, we are required to repurchase the loan or reimburse the third-party investor for the incurred loss in the event of a customer default. The
maximum potential amount of future payments that we would be required to make under the recourse arrangements in the event 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. In the event of nonperformance by the borrower, we have rights to the underlying underlying collateral securing the mortgage loan. During 2022, 2023, we repurchased approximately $7 $2 million in mortgage loans subject to credit recourse provisions. As of December 31, 2022, 2023, our liability established to to cover the the estimated credit credit

loss exposure exposure related to to loans sold sold or serviced with credit recourse amounted to $7 million $4 million. We may suffer losses on these loans if the proceeds from a foreclosure sale of

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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 of of the related property.

**Defective and repurchased loans may harm our business and financial condition.**

condition.

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In connection with the sale and securitization of mortgage loans, we are required to make a variety of customary representations and warranties regarding Popular and the loans being sold or securitized. Our obligations with respect to these representations and warranties are generally outstanding for the life life of the loan, and they relate relate to, among other things, compliance with laws and regulations, underwriting standards, the accuracy of information in the loan documents and loan file and the characteristics and enforceability of the loan. A loan that does not comply with the secondary market's requirements may take longer to sell, impact our ability to securitize the loans or pledge the loans as collateral for borrowings, or be unsalable or salable only at a significant discount. Moreover, if any such loan is sold before we detect non-compliance, we may be obligated to repurchase the loan and bear any associated loss directly, or we may be obligated to indemnify the purchaser against any loss. We

seek to minimize repurchases and losses from defective loans by correcting flaws, if possible, and selling or re-selling such loans.

However, if we were to suffer significant losses from defective and repurchased loans, our results of operations and financial condition could be materially impacted.

**If we are unable to maintain or grow our deposits, we may be subject to paying higher funding costs and our net interest income may decrease.**

We must maintain adequate liquidity and funding sources rely primarily to support our operations, comply with our financial obligations, finance our transformation initiative, fund planned capital distributions and meet regulatory requirements. We rely primarily on bank deposits as a low cost and low cost and stable source of funding for our lending activities and the operation the operation of our business. Therefore, our funding funding costs are largely dependent on our ability to maintain and grow our deposits. As our our competitors have raised the interest rates they pay on deposits, our funding costs have increased, as we have needed to increase the rates we pay to our depositors to our depositors to avoid losing deposits deposits. We and to procure new ones. Rising interest rates have also led customers to move their funds to alternative investments that pay higher interest rates. Additionally, periods of market stress or lack of market or customer confidence in financial institutions may result in a loss of customer deposits, especially to the extent those deposits are in excess of the FDIC-insured limit of $250,000. As of December 31, 2023, we had $14.6 billion of deposits (other than collateralized public funds, which represent public deposit balances from governmental entities in the U.S. and its territories, including Puerto Rico and the United States Virgin Islands, that are collateralized based on such jurisdictions' applicable collateral requirements) in excess of the FDIC-insured limit. As deposits decrease, we may also need to rely on more need to expensive sources of funding. Furthermore, we have a rely on more expensive sources of funding if deposits decrease. Rising interest rates have also led customers to move their funds to alternative investments that pay higher interest rates. Furthermore, we have a significant amount of deposits from the Puerto Rico government, its instrumentalities and municipalities ($15.2 18.1 billion, or approximately 25% 28% of our total deposits, as of December 31, 2022) 2023), and the amount of these deposits may fluctuate depending on the financial condition and liquidity of these entities, as well as on on our ability to maintain these customer relationships. Under the terms of BPPR's deposit pricing agreement with Puerto Rico public sector, public fund deposit rates are market linked with a lag minus a specified spread. Therefore, as market rates rise, we are required to sequentially increase the rates we pay our ability to public deposits. If maintain these we are unable customer relationships. If we are unable to maintain or grow our deposits deposits for any reason, we may may be subject to paying higher funding funding costs and

and our net interest income may decrease.

**OPERATIONAL RISKS**

**We and our third-party providers have been, and expect in the future to continue to be, subject to cyber cyber-attacks, attacks, which could cause substantial harm and have an adverse effect on our business and results of operations.**

Information security risks for large financial institutions such as Popular have increased significantly in recent years in part because Cybersecurity of risks the for proliferation large of financial new technologies, institutions such as Internet Popular and have increased significantly in recent years in part because of the proliferation of new technologies, such as mobile banking, artificial to conduct instant financial transactions anywhere globally, growing geo-political threats, such as the ongoing Russian conflict in Ukraine, intelligence and the ability to conduct instant financial transactions anywhere globally, growing geo-political threats, such as the ongoing wars in Ukraine and in the Gaza Strip,

and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, hacktivists and other parties. In

the ordinary the ordinary course of business, we

we rely on electronic communications and and information systems to conduct our operations operations and to transmit and store sensitive data. We We employ a layered defensive approach that employs people, processes and technology to manage and maintain cybersecurity controls through a variety of preventative and maintain detective cybersecurity controls through a variety of preventative and detective tools that monitor, block, and provide alerts regarding suspicious activity and

identify suspected advanced persistent threats. Notwithstanding our defensive measures and the significant resources we devote to and the significant resources we devote to protect the security of our systems, there is no assurance that all of our security measures will be effective at all times, especially as the threats from cyber-attacks are continuous and severe. The risk of a security breach due security breach due to a a cyber attack cyber-attack could increase in the future as we continue the future to expand as we our mobile continue to banking and expand our other internet mobile banking based and other internet-based product offerings, the use of the cloud for system development development and hosting and internal use of internet-based products and applications.

We continue to detect and identify attacks that are becoming more sophisticated and increasing in volume, as well as attackers that respond rapidly to changes in defensive countermeasures. The most significant cyber-attack risks that we or our critical service providers may face

include, but are not limited to, e-fraud, denial-of-service (DDoS), ransomware, computer intrusion and computer intrusion and the exploitation of software zero-day vulnerabilities that might result in disruption disruption of services and in the exposure exposure or loss loss of customer or proprietary data. Loss from e-fraud occurs when cybercriminalscyber compromise our systems or the systems of our

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customers and extract funds from customer’s customer’s credit cards or bank accounts, including through through brute force, password password spraying and credential stuffing attacks directed at gaining unauthorized access to individual accounts. Denial-of-service attacks intentionally disrupt the ability of legitimate users, including customers and

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employees, to access networks, websites and online resources. Computer intrusion attempts either direct or through social
Computer intrusion attempts either direct or through social engineering (pretext calls), supply chain compromise, email, text or voice messages, including using brand impersonation (regularly referred to as phishing, vishing, and smishing), might smishing and quishing), have resulted in and may continue to result in the compromise of sensitive customer data, such as account numbers, credit cards and social security numbers, and could present significant reputational, legal and regulatory costs to Popular if successful. The emergence of new
We technologies such as artificial intelligence and quantum computing are further expected to exacerbate the target risk of cyber-attacks. phishing, smishing and vishing Our attacks targeting both customer-facing our customers and platforms employees through brand,
email, text and voicemail impersonation, that have compromised the email accounts of certain of our customers and employees or have resulted in our customers being deceived into revealing their sensitive information to threat actors. There can be no assurances that there will not be further compromises of sensitive customer information in the future. Our customer-facing platforms are also routinely attacked by threat actors aiming to gain unauthorized access to our clients' accounts. Popular has recently implemented
implemented certain defensive measures in response to brute force attacks on one of our platforms which resulted in certain of our platforms which resulted in certain of our customers log-in credentials and information being exposed. As a result, Popular notified,
result, Popular notified, as required or otherwise deemed appropriate, customers customers identified as as affected by by the incident. incident. We have to date not experienced material losses in connection with these attacks. Cyber-security risks have to also date not been recently exacerbated by the discovery of zero-day vulnerabilities in widely experienced material losses in connection with these attacks. Cyber-security risks have also been recently exacerbated by the discovery of zero-

day vulnerabilities in widely distributed third party software, such as the vulnerability identified in December 2021 in the Apache log4j in December 2021 and in the MOVEit file transfer application in May 2023, which could affect
Popular's or any of its service provider's systems.
The increased use of remote access and third-party video conferencing solutions to enable work-from-home arrangements for employees and facilitate employees the use of digital and facilitating the use of digital channels by our customers, has also increased our exposure to cyber cyber-
attacks. In addition, a third party could misappropriate confidential information obtained by intercepting signals or communications from mobile devices used by Popular's customers or employees. Recent events, including the Russian conflict wars in Ukraine and the Gaza Strip,
have also illustrated illustrated increased geo-political geo-political factors and the risks related to supply-chain supply-chain compromises and de-stabilizing activities linked to linked to nation-state sponsored activity as an increasing trend trend to monitor actively. Risks and exposures related to cyber security security attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats,
including the rise in the use of these cyber-attacks threats, including the rise in the use of cyber-attacks as geopolitical weapons. Although we are regularly targeted by unauthorized threat-actor threat-
actor activity,
including denial-of-service attacks, we have not, to date, experienced any material losses as a result of any cyber-attacks.
A material compromise or circumvention of the security of our systems could have serious negative consequences for us,
including significant disruption of our operations and those of our clients, customers and counterparties, misappropriation of confidential information of us or that of our clients, customers, counterparties or employees, or damage to computers or systems used by us or by our clients, customers and counterparties, and could result in violations of applicable privacy and other laws,
financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, significant litigation exposure and harm to our reputation, all of which could have a material adverse effect on us. For example, if personal, non-public,
confidential or proprietary information in our possession were to be mishandled, misused or stolen, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling, misuse or misappropriation could include, for example, if such information were provided to parties who are not permitted to have the information, either by fault of our systems,
by our employees or counterparties, or where such information is intercepted or otherwise inappropriately taken by our employees or third parties.
The extent of a particular cyber attack cyber-attack and the steps that we may need to take to investigate the attack may not be immediately clear, and it may take a significant amount of time before such an investigation can be completed. While such an investigation is ongoing, Popular may not necessarily know the full extent extent of the harm caused by the cyber cyber-attack, and that attack, and that damage may continue to spread. These factors may inhibit our ability to provide rapid, full and reliable information about the cyber attack cyber-attack to our clients, customers, counterparties and and regulators, as well as the public. public. Moreover, potential new regulations may require us to disclose disclose information about a cybersecurity event before it has been resolved or resolved or fully investigated. Furthermore, it may not not be clear how best to contain and remediate the potential harm caused by the cyber attack, cyber-attack, and certain errors or actions could be repeated or compounded before they are discovered and remediated. Cyber attacks Cyber-attacks could cause interruptions in our operations and result in the incurrence of significant costs, including those related to forensic analysis and legal counsel, each of which may be required to ascertain the extent of any potential harm to our customers, or employees, or damage to our information systems and any legal or regulatory obligations that may result therefrom. Any cyber incidents could also result in, among other things, increased regulatory scrutiny and adverse regulatory or civil litigation consequences. For a discussion of the guidance and rules that federal banking regulators have released or proposed regarding cybersecurity and cyber risk management standards, see "Regulation and Supervision" in Part I, Item 1 — Business, included in the Form 10-K for the year ended December 31, 2022. 2023. Any or all of the foregoing factors could further increase the impact of the incident and thereby the costs and consequences of a cyber attack. cyber-attack.
We also rely on third parties for the performance of a significant portion of our information technology functions and the

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provision of information security, technology and business process services. As a result, a successful compromise or circumvention of the security of the systems of these third-party service providers could have serious negative consequences for us, including compromise of our systems, misappropriation of our confidential information of us or or that of our clients, customers, counterparties or or employees, or other negative implications identified above with respect to a cyber-attack on our systems, which could have a implications identified above with respect to a cyber-attack on our systems, which could have a material adverse effect on us. Cyber Cyber-attacks
attacks atathird-party service providers are also becoming are also becoming increasingly common, and, as a result, cybersecurity risks relating to our vendors have increased. The most important of these third-party service providers providers for us is
is Evertec. Certain risks particular to Evertec and certain risks our dependence on third parties are discussed particular under "We rely on other companies to

Evertec are provide key components of our business infrastructure, including certain of our core financial transaction processing and information technology and discussed under security services, which "Operational Risks — We are subject exposes us to additional a number of operational risks relating that to could have a material adverse effect on us" in the Evertec Business Operational Acquisition Risks sectionTofirItemti1A'.in this Form 10-K. During 2021, we determined that, as a result of the widely reported breach of Accellion, Inc.'s File Transfer Transfer Appliance

tool, which which was being used at the time of such breach by a U.S.-based third-party advisory services vendor of Popular, personal information of certain Popular customers was compromised. During 2023,

personal information of Popular customer data was compromised in a data breach incident that impacted MOVEit, the third-party file transfer platform used by a U.S.-based third-party advisory services vendor of Popular, personal information one of certain our Popular services customers providers. was In compromised. both As a result, instances, Popular notified, as required or otherwise deemed appropriate, customers identified as affected by the incident. Although we are not aware of fraudulent activity in connection with this incident, Although these incidents Popular's did not have networks a material effect on Popular or its financial condition, our networks and systems were not impacted, and our third-party and service providers agreed to cover external remediation costs associated therewith, a compromise of the personal information of our third-party customers service maintained provider by agreed third to cover external remediation costs associated with the incident. A compromise of the personal information of our customers maintained by third party vendors could result in significant regulatory consequences, reputational damage and financial loss to us. The us.The success of our business depends in part on the continuing ability of these (and other) third parties to perform these functions and services in a timely and satisfactory manner, which performance could be disrupted or otherwise adversely affected due to failures or other information security events originating at the third parties or at the third parties' suppliers or vendors (so-called "fourth party risk").

We may not be able to effectively directly monitor or mitigate fourth-party risk, in particular as it relates to the use of common suppliers or vendors by the third parties that performfunctions and services for us. For a discussion of the risks related to our dependence on third parties, including Evertec, see "We rely on other companies to provide key components of our business infrastructure, including certain of our core financial transaction processing and information technology and security services, which exposes us to a number of operational risks that could have a material adverse effect on us" in the Operational Risks section of Item

1A in this Form 10-K.

As cyber threats continue to evolve, we expect to expend significant additional resources to continue to modify or enhance our layers of defense or to investigate and remediate additional information security vulnerabilities or incidents. System enhancements and updates also create risks associated with implementing new systems and integrating them with existing ones, including risks associated with supply chain compromises and the software development lifecycle of the systems used by us and our service providers. Due to the complexity and interconnectedness of information technology systems, the process of enhancing our layers of defense can itself create a risk of systems disruptions and security issues. In addition, addressing certain information security vulnerabilities, such as hardware-based vulnerabilities, may affect the performance of our information technology systems.

The ability of our hardware and software providers to deliver patches and updates to mitigate vulnerabilities in a timely manner can introduce additional risks, particularly when a vulnerability is being actively exploited by threat actors. Moreover, actors. Moreover, our ability efforts to timely mitigate vulnerabilities and manage such risks, given the rise in number and urgency of required patches and third-party software, including "zero-day vulnerabilities", as well as the obsolescence in some of our hardware and software, may impact our day-to-day operations, the rise in number of required patches and third-party software, including "zero-day vulnerabilities", as well as the obsolescence in some availability of our hardware systems and software, delay may the impact deployment our of day-to-day technology enhancements and innovation. The operations, the availability obsolescence in any of our systems and hardware or delay the deployment of technology enhancements and innovation. software may limit our ability to mitigate vulnerabilities.

If Popular's operational systems, or those of external parties on which Popular's businesses depend, are unable to meet the requirements of our businesses and operations or bank regulatory standards, or if they fail, have other significant shortcomings or are impacted by cyber attacks, cyber-attacks, Popular could be be materially and adversely affected.

**Unforeseen or catastrophic events, including extreme weather events and other natural disasters, man-made disasters, acts of violence or war, or the emergence of pandemics or epidemics, could cause a disruption in our operations or other consequences that could have a material adverse effect on our financial condition and results of operations.**

A significant portion of our operations are located in the Caribbean and Florida, a region susceptible to hurricanes, earthquakes and other similar events. In 2017, Puerto Rico, USVI and BVI were severely impacted by Hurricanes Irma and María, which resulted in significant disruption to our operations and adversely affected our clients in these markets, and in 2022, Hurricane Fiona impacted the southwest area of Puerto Rico, adversely affecting our customers in that region. Other types of unforeseen or catastrophic events, including pandemics, epidemics, man-made disasters, or acts of violence or war, or the fear that such events could occur, could also adversely impact our operations and financial results. For example, in 2020, the COVID-19 pandemic severely impacted global health, financial markets, consumer spending and global economic conditions, and caused significant disruption to businesses worldwide, including our business and those of our customers, service providers and suppliers. Future unforeseen or catastrophic events, including the appearance of new strains of the COVID-19 virus, pandemic events, and actions taken by governmental authorities authorities and other third other third parties in response to such events, could again adversely affect our operations, cause operations, cause economic and market and disruption, adversely

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market disruption, adversely impact the ability of borrowers to timely repay their loans, or affect the value of any collateral of any

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collateral held by us, any of which which could have a material adverse effect effect on our business, financial condition or results of operations.
The frequency, severity and impact of future unforeseen or catastrophic events is difficult to predict. While we maintain insurance against natural disasters and other unforeseen against natural disasters and other unforeseen events, including coverage for business interruption, the insurance may not be sufficient be sufficient to cover all of the damage from any such such event, and there is no insurance against the disruption that a catastrophic event could produce to the markets that we serve and the
the potential negative impact to economic activity.

**Climate change could have a material adverse impact on our business operations and that of our clients and customers.**

Our business and the activities and operations of our clients and customers may be disrupted by global climate change.
Potential physical risks from climate change include the increase in the frequency and severity of weather events, such as storms and hurricanes, and long-term shifts in climate patterns, such as sustained higher and lower temperatures, sea level rise, heat waves and droughts, among others. Our geographic concentration in localities, including Puerto Rico, the U.S.V.I., B.V.I. and
Florida, particularly susceptible to risks arising from climate change, including severe hurricanes and sea level rise, heighten the threat we face from climate change.
Additionally, the impact of climate change in the markets that we operate and in other global markets may have the effect of increasing the costs or reducing the availability of insurance needed for our business operations.
Climate change may also create transitional risks resulting from a shift to a low-carbon economy. These transition risks may include changes in the legal and regulatory landscape, technology, consumer sentiment and preferences, and market demands that seek to mitigate the effects of climate change. Changes in the legal and regulatory landscape may additionally increase our compliance costs. These climate driven climate-driven changes could have a material adverse impact on asset values and on our business and financial performance and those of our clients and customers.

**We rely on other companies to provide key components of our business infrastructure, including certain of our core financial transaction processing and information technology and security services, which exposes us to a number of operational risks that could have a material adverse effect on us.**

Third parties provide key components of our business operations, such as data processing, information security, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. The most important of these third-party service providers for us is Evertec. Although the Evertec Business Acquisition Transaction narrowed the scope of services which we are dependent on Evertec to obtain and released us from exclusivity restrictions that limited our ability to engage other third-party providers of financial technology services, we are still dependent on Evertec for the provision of essential services to our business, including certain of our core financial transaction processing and information technology and security services. As a result, we are particularly exposed to the operational risks of Evertec, including those relating to a breakdown or failure of Evertec's systems or internal controls environment. Over the course of our relationship with Evertec, we have experienced interruptions and delays in key services provided by Evertec, as well as cyber breaches, events, as a result of system breakdowns,
misconfigurations, and human instances of error, application obsolescence and dependency on shared infrastructure components, which have in
certain cases also led to exposure of BPPR customer information. Our ability to cure legacy obsolescence in the hardware and software we procure from Evertec, as well as to effect the segregation of our shared infrastructure, is expected to be lengthy and complex, which exacerbates our exposure to exposure resulting of operational,

BPPR including customer information. cybersecurity, For risks. a See discussion "The of the Evertec Business Acquisition Transaction, please refer transition to new financial services technology providers, and the Year replacement of 2022 services currently Significant Events provided to us by Evertec, will be lengthy and complex" in the Operational Risks section of the MD&A. Item 1A in this Form 10-K below.

While we select third-party vendors vendors carefully and and have increased our oversight of these these relationships, we do not control the actions of our vendors. Any problems caused by these vendors, including those resulting from disruptions in the services provided, vulnerabilities in or breaches of the vendor's systems, failure of the vendor to handle current or higher volumes, failure of the vendor to provide services for any reason or poor performance of services, or failure of the vendor to notify us of a reportable event in a timely manner, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business, result in potential liability to clients and customers, result in the imposition of fines, penalties or judgments by our regulators, lead to exposure of BPPR customer information or harm to our our reputation, any of which could materially materially and adversely affect us. adversely affect The inability us. The of our inability of third-party service our third-party providers to service providers to timely address evolving cybersecurity threats may further exacerbate these risks. Financial or operational difficulties of a third-party vendor could also hurt our operations if those difficulties interfere with the vendor's ability to serve us. Replacing these third-party vendors, when possible, could also create significant delay and expense.

Accordingly, the use of third parties creates an unavoidable inherent risk to our business operations.

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**The transition to new financial services technology providers, and the replacement of services currently provided to to us by Evertec, will be lengthy and complex.**

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Switching from one vendor of core bank processing and related technology and security services to one or more new vendors is a complex process that carries business and financial risks. The implementation cycle for such a transition can be lengthy and require significant financial and management resources from us. Such a transition can also expose us, and our clients,

to increased costs (including conversion costs), business disruption, as well as operational and cybersecurity risks. Upon the transition of all or a portion of existing services provided by Evertec to a new financial services technology provider, either (i) at the end of the term of the Second Amended and Restated Master Services Agreement (the "MSA") and related agreements or (ii) earlier upon the termination of any service for convenience under the MSA, these transition risks could result in an adverse effect on our business, financial condition and results of operations. Although Evertec has agreed to provide certain transition assistance to us in connection with the termination of the MSA, we are ultimately dependent on their ability to provide those services in a responsive and competent manner. Furthermore, we may require transition assistance from Evertec beyond the term of the MSA, delaying and lengthening any transition process away from Evertec while increasing related costs.

Under the MSA, we are able to terminate services for convenience with 180 days' prior notice. We expect to exercise during the term of the MSA the right to terminate certain services for convenience and to transition such services to other service providers prior to the expiration of the MSA, subject to complying with the revenue minimums contemplated in the MSA and certain other conditions. In practice, in order to switch to a new provider for a particular service, service, we will have have to commence procuring procuring and working on a transition process for such service significantly in advance of its termination and, in any case, much earlier than the automatic renewal notice date or the expiration date of the MSA, and such process may extend beyond the current term of the MSA.

Furthermore, if we are unsuccessful or decide not to complete the transition after expending significant funds and management resources, it could also result in an adverse effect on our business, financial condition and results of operations.

**We are subject to additional risks relating to the Evertec Business Acquisition Transaction.**

There are numerous additional risks and uncertainties associated with the Evertec Business Acquisition Transaction, including:

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unforeseen events may materially diminish the expected benefits of the Evertec Business Acquisition Transaction;

- we have devoted, and will continue to, devote significant attention and resources to post closing implementation efforts, which will involve a significant degree of technological complexity and reliance on Evertec and other third parties;
- we may be unable to retain the employees and third-party contractors hired or engaged by us in connection with the Evertec Business Acquisition Transaction and who are necessary to operate and integrate the assets acquired as part of the Evertec Business Acquisition Transaction (the "Acquired Assets");
- we may be subject to incremental operational and security risks arising from the transfer of the Acquired Assets to BPPR, including those risks arising from, among other things, the activities required to execute network segmentation, the possibility of misconfiguration of access or security services during the transition period and during the implementation of new processes or security controls, the possibility of mismanagement of security services during the transition phase, and the need to develop a robust internal control framework;
- the anticipated benefits of the Evertec Business Acquisition Transaction could be limited if Evertec fails to deliver to BPPR, in a timely manner and in a manner that meets BPPR's requirements, the core application programming interfaces ("Core APIs") that Evertec has committed to develop in order for BPPR to connect future enhancements to the Acquired Assets to existing Evertec core applications;
- we may be exposed to heightened business risks as a result of the extension until 2035 of BPPR's exclusivity with Evertec in connection with its merchant acquiring business, as well as the extension until 2030 of BPPR's commitment with respect to the ATH Network, in light of the pace of technology changes and competition in the payments industry; and
- Evertec's strategy and investments after the closing of the Evertec Business Acquisition Transaction may be refocused away from Popular towards other strategic initiatives.

Any of the foregoing risks and uncertainties could have a material adverse effect on our earnings, cash flows, financial condition, and/or stock price.

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## LEGAL AND REGULATORY RISKS

**Our businesses are highly regulated, and the laws and regulations that apply to us have a significant impact on our business and operations.**

We are subject to extensive and evolving subject to regulation under U.S. federal, state and Puerto Rico laws that extensive regulation under U.S. federal, state and Puerto Rico laws that govern almost all

aspects of our operations and limit the businesses in which in which we may be engaged, engaged, including regulation, supervision and examination by federal, state

state and foreign banking authorities. These laws and regulations have have expanded significantly over an extended period of time and are primarily intended for the protection of consumers, borrowers and depositors. Compliance with these laws and are primarily intended for the protection of consumers, borrowers and depositors. Compliance with these laws and regulations has resulted, and will continue to result, in significant costs.

Additional laws and regulations may be enacted or adopted in the future that could significantly affect our powers,
authority and operations and which could have a material adverse effect on our financial condition and results of operations. In
particular, we could be adversely impacted by changes in laws and regulations, or changes in the application, interpretation or enforcement of laws and regulations, that proscribe or institute more stringent restrictions on certain financial services activities or impose new requirements relating to the impact of business activities on ESG concerns, the management of risks associated with those concerns and concerns the offering of products intended to achieve ESG-related objectives. In addition, new laws or regulations could require significant system and the process offering of changes products that intended require systems upgrades and could limit our

ability to achieve ESG-related meet objectives. If adoption timeframes or pursue our innovation roadmap. If we do not appropriately comply with current or future future laws or regulations, we or regulations, may be subject to we may be subject to fines, penalties or judgements, or to material regulatory restrictions on our our business, which could also materially and adversely affect our financial condition and results of operations.

In 2023, the federal banking regulators proposed revisions to the U.S. capital rules and new long-term debt requirements for banking organizations with $100 billion or more in assets. If finalized as proposed, the revisions to the capital rules and the new long-term debt requirements are expected to generally increase capital requirements and expenses, including interest and noninterest expense, for large banking organizations. In addition, during 2023, the federal banking regulators indicated that they are considering revisions to liquidity requirements applicable to banking organizations with $100 billion or more in light of the failures of three large banks in March and May 2023. Any such revisions could require large banks to change the size and composition of their liquidity portfolios, which could have adverse effects on net interest income and net interest margin.

The pending and anticipated proposals reflect a trend of increasingly stringent regulatory requirements for banking organizations with assets of $100 billion or more, relative to smaller banking organizations, as well as less differentiation in the requirements applicable among banking organizations with $100 billion or more in assets. Although Popular currently has less than

$100 billion in assets, actual, anticipated or potential changes in regulatory requirements for banking organizations with at least

$100 billion in assets could result in Popular deciding not to pursue growth opportunities that would result in its assets approaching or exceeding that threshold, or if Popular's assets do exceed that threshold, a need for Popular to increase its regulatory capital,



issue substantial amounts of long-term debt or incur other significant expenses in order to satisfy applicable regulatory requirements.

Our participation (or lack of participation) in certain governmental programs, such as the Paycheck Protection Program

("PPP") enacted in response to the COVID-19 pandemic, also exposes us to increased legal and regulatory risks. We have also been and could continue to be exposed to adverse action for the violation of applicable legal requirements or the improper conduct of our employees in connection with such loans. For example, on January 24, 2023, Popular Bank consented to the imposition of an order from the Federal Reserve Board requiring it to pay a $2.3 million civil money penalty to settle certain findings arising from

Popular Bank's approval of six (6) Payment Protection Program loans. We may also have credit risk with respect to PPP loans if the SBA determines that there have been loans. deficiencies in the way a PPP loan was originated, funded, or serviced by us and denies its liability under the guaranty, reduces the amount of the guaranty or, if it has already paid under the guaranty, seeks recovery of any loss related to the deficiency.

**We are from time to time subject to information requests, investigations and other regulatory enforcement proceedings from departments and agencies of the U.S. and Puerto Rico governments, including those that investigate compliance with**

**U.S. sanctions and consumer protection laws and regulations, which may expose us to significant penalties and collateral consequences, and could result in higher compliance costs or restrictions on our operations.**

We from time-to-time self-report compliance matters to, or receive requests for information from, departments and agencies of the U.S. and Puerto Rico governments, including with respect to compliance with consumer protection laws and regulations. regulations, which For may example, expose BPPR us has to in

significant penalties the past received requests for information, such as subpoenas and collateral consequences, civil and could investigative result in higher compliance costs or restrictions on our operations.
We from time-to-time self-report compliance matters to, or receive requests for information from, departments of the U.S.
and Puerto Rico governments, including with respect to compliance with consumer protection laws and regulations. For example,
BPPR has in the past received subpoenas and other requests for information demands from the departments of the U.S. government that investigate mortgage-related conduct, regulators, mainly including concerning add-ons on consumer products, real estate appraisals and
residential and construction loans in Puerto Puerto

Rico. BPPR has also self-identified and reported to applicable regulators compliance compliance matters related to U.S. sanctions, as well as mortgage, credit reporting and other consumer lending practices.
Incidents of this nature and investigations or examinations by governmental authorities have resulted in the past, and may in the future result, in judgments, settlements, fines, enforcement actions, penalties or other sanctions adverse to the Corporation,
which could materially and adversely affect the Corporation's business, financial condition or results of operations, or cause serious reputational harm. In Any connection with such settlements or orders that we enter into, or that regulatory authorities impose on us could require enhancements to our procedures and controls and entail significant operational and compliance costs. Furthermore, issues or delays in satisfying the requirements of a regulatory settlement or action on a timely basis could result in additional penalties and enforcement actions, which could be significant. In connection with the resolution of regulatory proceedings, enforcement authorities may seek admissions of wrongdoing and, in some cases, criminal pleas, which could lead to increased exposure to private litigation,
loss of clients or customers, and restrictions on offering certain products or services. In addition, responding to information-gathering requests, investigations and other regulatory proceedings, regardless of regulatory proceedings, enforcement authorities may seek admissions of wrongdoing and, in some cases, criminal pleas, which could lead to increased exposure to private litigation, loss of clients or customers, and restrictions on offering certain products or services. In addition, responding to information-gathering requests,
investigations and other regulatory proceedings, regardless of the ultimate outcome of the matter, could be time-consuming time-consuming, expensive and divert management attention from our business.

expensive. Financial services institutions such as Popular have been subject to heightened expectations and regulatory scrutiny in recent years. Our regulators' oversight is not limited to banking and financial services laws but extends to other significant laws such as those related to anti money laundering, anti-bribery and anti-corruption laws. Further, regulators in the performance of their supervisory and enforcement duties, have significant discretion and power to to prevent or remedy what they deem to be unsafe and

and unsound practices or violations of laws by banks and bank holding companies. The exercise of this regulatory discretion and power could have a negative impact companies. on Popular. Therefore, the outcome of any investigative or enforcement action, which may take years and be material to Popular, may be difficult to predict or estimate.

**Complying with economic and trade sanctions programs and anti-money laundering laws and regulations can increase our operational and compliance costs and risks. If we, and our subsidiaries, affiliates or third-party service providers, are found to have failed to comply with applicable economic and trade sanctions programs and anti-money laundering laws and regulations, we could be exposed to fines, sanctions and penalties, and other regulatory actions, as well as governmental investigations.**

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As a federally regulated financial institution, we must comply with regulations and economic and trade sanctions and embargo programs administered by the Office of Foreign Assets Control ("OFAC") of the U.S. Treasury, as well as anti-money laundering laws and regulations, including those under the Bank Secrecy Act. Economic and trade sanctions regulations and programs administered by OFAC prohibit U.S.-based entities from entering into or facilitating unlicensed transactions with, for the benefit of, or in some cases involving the property and property interests of,

persons, governments or countries designated by the U.S. government under one or more sanctions regimes, and also prohibit transactions that provide a benefit that is received in a country designated under one or more sanctions regimes. We are also subject to a variety of reporting and other requirements under the Bank Secrecy Act, including the requirement to file suspicious activity and currency transaction reports, that are designed to assist in the detection and prevention of money laundering, terrorist financing and other criminal activities. In addition, as a financial institution we are required to, among other things, identify our

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customers, adopt formal and comprehensive anti-money laundering programs, scrutinize or altogether prohibit certain transactions of special concern, and be prepared to respond to inquiries from U.S. law enforcement agencies concerning our customers and their transactions. Failure by the Corporation, its subsidiaries, affiliates or third-party service providers to comply with these laws and regulations could have serious legal and reputational consequences for the Corporation, including the possibility of regulatory enforcement or other legal action, including significant civil and criminal penalties. We also incur higher costs and face greater compliance risks in structuring and operating our businesses to comply with these requirements. The markets in which we operate heighten these costs and risks.

We have established risk-based policies and procedures and employed software designed to assist us and our personnel in complying with these applicable laws and our personnel in complying with these applicable laws and regulations. regulations. With respect Even if to OFAC the appropriate regulations and economic controls are and trade sanction in place, programs, these there can be no assurance that our policies and procedures employ software to screen transactions for evidence of sanctioned-country and person's involvement. Consistent with a risk-based approach and the difficulties in identifying and where applicable, blocking and rejecting transactions of our customers or our customers' customers that may involve a sanctioned person, government or country, there can be no assurance that our policies and procedures will prevent us from violating blocking and rejecting all applicable transactions of our customers or our customers' customers that may involve a sanctioned person, government or country. Any failure to detect and prevent any such transaction could result in a violation of applicable laws and regulations in transactions in which violations could adversely we engage, and such adversely affect affect reputation, business, financial condition and results of operations.

From time to time we have identified and voluntarily self-disclosed to OFAC transactions that were not timely identified, blocked or rejected by our policies, controls and procedures for screening transactions that might violate the regulations and economic and trade sanctions programs administered by OFAC. For example, during the second quarter of 2022, BPPR entered into a settlement agreement with OFAC with respect to certain transactions processed on behalf of two employees of the Government of Venezuela, in apparent violation of U.S. sanctions against Venezuela. Popular agreed to pay approximately $256,000 to settle the apparent violations, which had been self disclosed self-disclosed to OFAC. There can be no assurances that any failure to comply with U.S. sanctions and embargoes, or with anti-money laundering laws and regulations, will not result in material fines, sanctions or other penalties being imposed on us.

Furthermore, if the policies, controls, and procedures of one of the Corporation's third-party service providers, together with our third-party oversight of such providers, do not prevent it from violating applicable laws and regulations in transactions in which it engages, such violations could adversely affect its ability to provide services to us.

**We are subject to regulatory capital adequacy requirements, and if we fail to meet these requirements our our business and financial condition will be adversely affected.**

Under regulatory capital adequacy requirements, and other regulatory requirements, Popular and our banking subsidiaries must meet requirements that include quantitative measures of assets, liabilities and certain off-balance sheet items, subject to qualitative judgments by regulators regarding components, risk weightings and other factors. If we fail to meet these minimum capital requirements and other regulatory requirements, our business and financial condition will be materially and adversely affected. If a financial holding company fails to maintain well-capitalized status under the regulatory framework, or is deemed not well managed under regulatory exam procedures, or if it experiences certain regulatory violations, its status as a financial holding company and its related eligibility for a streamlined review process for acquisition proposals, and its ability to offer certain financial products, may be compromised and its financial condition and results of operations could be adversely affected. The failure of any depository institution subsidiary of a financial holding company to maintain well-capitalized or well-managed status could have similar consequences.

In addition, the Basel addition, federal Committee on Banking Supervision published a set of standards to finalize Basel III in December 2017. These standards significantly revise the Basel capital framework, which could heighten regulatory capital standards if adopted in the U.S. The federal bank regulators have not yet proposed rules to implement these revisions to increase capital requirements for banking organizations with $100 billion or more in assets. If adopted, such standards may in the future affect us. See "Our businesses are highly regulated, and the laws and the regulations that apply to us have a significant impact on us will depend our business and

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on the way operations" in the revisions are implemented Legal in the U.S. See the "Supervision and Regulation – Capital Adequacy" discussion in Item Regulatory 1. Business Risks section of Item 1A in this Form 10-K for additional information related to the Basel III Capital Rules and Basel III finalization. 10-K.

**Increases in FDIC insurance premiums may have a material adverse effect on our earnings.**

Substantially all the deposits of BPPR and PB are subject to insurance up to applicable limits by the FDIC's deposit insurance fund ("DIF") and, as a result, BPPR and PB are subject to insurance up to applicable limits by the FDIC's DIF and, as a result, BPPR and PB are subject to FDIC deposit insurance assessments. On On October 18, 2022, October 18, 2022, the FDIC finalized a rule that would increase increased initial base deposit insurance insurance assessment rates by 2 basis points, beginning with the first quarterly assessment period of 2023. In addition, in November 2023, the FDIC finalized a rule that imposes a special assessment to recover the costs to the DIF resulting from the FDIC's use, in March 2023, of the systemic risk exception to the least-cost resolution test under the FDIA in connection with the first quarterly assessment period receiverships of 2023. Silicon Valley Bank and Signature Bank. The exact amount of this assessment will be determined when the FDIC terminates the related receiverships considered in the final rule. Accordingly, the final special assessment amount and collection period may change as the estimated cost is periodically adjusted or if the total amount collected varies.

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We are generally unable to control the amount of premiums that or additional assessments that we are required required to pay for

FDIC insurance. If there are additional bank or financial institution failures, our level of non-performing assets increases, our risk profile changes or our capital position is impaired, we capital position may be is impaired, required to we may pay even be required higher FDIC to pay premiums. Any even higher FDIC premiums. Any future additional increases in FDIC premiums, assessment rates or special assessments may

materially adversely affect our results of operations.

See the "Supervision and Regulation—FDIC Insurance" discussion discussion in Item 1. Item 1.

Business of this Form Form 10-K for additional information related to the FDIC's deposit insurance assessments applicable assessments applicable to BPPR and

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taxable income available to realize the deferred tax asset, including the future reversal of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in prior carryback years and tax-planning strategies. Changes in these factors may affect the realizability of our deferred tax assets in our Puerto Rico and U.S. operations.

If our goodwill, deferred tax assets or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings, which could adversely affect our financial condition and results of operations.

**We could experience unexpected losses if the estimates or assumptions we use in preparing our financial statements are incorrect or differ materially from actual results.**

In preparing our financial statements pursuant to to U.S. GAAP, we are required to make estimates and assumptions that are often based on subjective and complex judgments about matters that are inherently uncertain. For example, we use estimates and assumptions to determine our allowance for credit losses, our liability for contingent litigation losses, and the fair value of certain of our assets and liabilities, such as debt securities, loans held for sale, MSRs, intangible assets and deferred tax assets. If such estimates or assumptions are incorrect or differ materially from actual results, we could experience unexpected losses or other adverse impacts, some of which could be significant.

For further information of other risks faced by Popular please refer to the MD&A section of this Form 10-K.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 1C. Cybersecurity**

The Corporation assesses, identifies and manages cybersecurity risk as part of the Corporation's overall risk management framework, alongside associated information security, anti-money laundering and counterterrorism, operational, fraud, regulatory, legal and reputational risks, among others.

The Corporation has established three management committees that oversee and monitor different aspects of cybersecurity risk.

- The Enterprise Risk Management Committee (the "ERM Committee"), chaired by the Chief Risk Officer, oversees and monitors the risks included in the Risk Appetite Statement (the "RAS") of the Corporation's Risk Management Policy, including cybersecurity risks.
- The Information Technology and Cyber Risk Committee ("ITCRC"), chaired by the Chief Security Officer and the Chief Information and Digital Strategy Officer, oversees and monitors information technology ("IT"), privacy and cybersecurity risks, mitigating actions and controls, applicable regulatory developments, key risks metrics, and IT and cyber incidents that may result in operational, compliance and reputational risks.
- The Operational Risk Committee ("ORCO"), chaired by the Chief Risk Officer, oversees and monitors operational risk management activities to ensure the development and consistent application of operational risk policies, processes and procedures that measure, limit and manage the Corporation's operational risks while maintaining the effectiveness and efficiency of the operating and business processes. As part of its responsibilities, ORCO oversees business continuity matters.

The ITCRC and ORCO meet at least quarterly and report on cybersecurity and other matters to the ERM Committee.

The Board has also established a Board-level Risk Management Committee ("RMC"), which is responsible for the oversight of the Corporation's overall risk framework, and assists the Board in the monitoring, review and approval of the policies that measure, limit and manage the Corporation's risks, including cybersecurity risk. The RMC holds periodic meetings in which management provides an overview of Popular's cybersecurity threat risk management and strategy processes, which includes summaries of escalated incidents and incident remediation status. Our Chief Security Officer, Chief Information and Digital Strategy Officer, Chief Information Security Officer ("CISO"), Chief Risk Officer and the Financial and Operational Risk Management Division (the "FORM Division") Manager generally participate in such meetings. The RMC is also responsible for (i) overseeing the development, implementation and maintenance of the Information Security Program; (ii) approving the Corporation's risk management program

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and any related policies and controls; (iii) overseeing the implementation by the Corporation's management of the Corporation's risk management program and any related policies, procedures and controls; and (iv) reviewing reports regarding selected topics such as cyber.

The Board in turn also receives briefings on cybersecurity matters and risks, including an annual presentation from the Chief Security Officer and the CISO on the Corporation's information security program (the "Information Security Program"). In addition, as part of the Board's director education plan, members of the Board take, on an annual basis, a cybersecurity training that provides the Board with an overview of cybersecurity principles and regulations that are relevant to our institution and the Board's oversight function.

To identify, assess and manage risks from cybersecurity threats, the Corporation has established a three lines of defense framework. The first line of defense is composed of business line management that identifies and manages the risks associated with business activities, including cybersecurity risk. The second line of defense is made up of members of the Corporation's Corporate Risk Management Group and the Corporate Security Group (the "CSG") who, among other things, measure and report on the Corporation's risk activities. In such line of defense, the FORM Division, within the Corporate Risk Management Group, is responsible for (i) establishing baseline metrics that measure, monitor, limit and manage the framework that identifies and manages multiple and cross-enterprise risks, including cybersecurity risks; and (ii) articulating the RAS and supporting metrics, including those related to operational risk, business continuity, disaster recovery and third-party management oversight processes.

Meanwhile, Popular's Cyber Security Division (the "CSD"), which is headed by the CISO and reports to the CSG, is responsible for the development of strategies, policies and programs to assess and mitigate cybersecurity risks. Members of the CSD (including the CISO) and FORM Division report on and escalate privacy, IT and cybersecurity risks to management committees, such as the ITCRC, ORCO and ERM Committee, and, if appropriate, to the RMC and the Board of Directors, as required under relevant policies and procedures. Lastly, the third line of defense consists of the Corporate Auditing Division, which independently provides assurance regarding the effectiveness of the risk framework and reports directly to the Audit Committee of the Board.

Popular monitors various vectors of threats and utilizes open-source intelligence forums and communities such as the Financial Services Information Sharing and Analysis Center and the Cybersecurity and Infrastructure Security Agency, among others, to receive threat intelligence feeds which are reviewed by the CSD. As cybersecurity threats are identified, they are evaluated to assess the level of exposure and the potential risk to Popular. The ITCRC and the ERM Committee discuss and track the threats identified in internal assessments and scans or in third-party reports. Depending on the evolution and materiality of the threat, these are escalated to the RMC as appropriate.

The CSD develops the Information Security Program, which considers and evaluates risks posed by cybersecurity threats, events and activities impacting the industry and the Corporation. The Information Security Program outlines the Corporation's overall strategy and governance to protect the confidentiality, integrity and availability of information and prevent access by unauthorized personnel. The Information Security Program is based on standards and controls set by the National Institute of Standards and Technology ("NIST"), including the NIST's Framework for Improving Critical Infrastructure Cybersecurity. Popular leverages the Cyber Assessment Tool (the "CAT"), a tool based on NIST standards and controls developed by the Federal Financial Institutions Examination Council, in order to measure the Corporation's cybersecurity preparedness and maturity levels. The CAT assessment results are integrated into the overall Information Security Program.

The CSD also manages the Incident Response Program ("IRP") of the Corporation and is in charge of overseeing, assessing and managing cyber incidents. The IRP outlines the measures Popular must take to prepare for, detect, respond to and recover from cybersecurity incidents, which include processes to triage, assess severity for, escalate, contain, investigate and remediate incidents, as well as to comply with potentially applicable legal obligations and mitigate brand and reputational damage.

The Corporation also undertakes the below listed additional activities in its effort to maintain regulatory compliance, identify, assess and manage its material risks from cybersecurity threats, and to protect against, detect and respond to cybersecurity incidents:

- Conduct tabletop exercises that simulate cybersecurity incidents to raise awareness and enhance Popular's responsive measures;
- Assess how business and corporate strategies, new products, technology deployments, external events and the evolution of threats impact the Corporation's information security controls in order to determine if they require any additional resources, technology or processes;
-

Discuss cybersecurity risks with law enforcements, peer groups, industry forums and trade associations;



- Provide training to all Popular employees upon hiring and annually thereafter on cybersecurity and customer data handling and use requirements;
- Offer training and awareness campaigns to customers and employees based on their role;
- Conduct phishing simulations for employees, with escalation protocols for employees that fail such tests to enhance awareness and responsiveness to such possible threats;
- Offer learning and development opportunities to employees who handle and manage cybersecurity matters;
- Carry cyber insurance to provide protection against potential losses arising from cybersecurity incidents; and
- Monitor emerging legal and regulatory requirements and implement changes to our processes, policies and statements, as necessary.

Popular engages third parties to assist in certain cybersecurity matters. In particular, Popular uses the expertise of third parties to perform specialized assessments to test its systems, such as periodic penetration testing, that provide insights into the effectiveness of its controls. Popular also engages third parties to provide computer forensics and investigations services as needed to assess and address actual or potential cybersecurity incidents. In addition, Popular hires third parties to provide the first level security monitoring of Popular's external and internal networks.

Popular's Outsourced Risk Management Policy outlines the management of risks associated with the Corporation's use of third-party service providers, and the CSG assesses the impact and level of cybersecurity and privacy risk of such providers. Popular performs due diligence on third parties and monitors third parties that have access to its systems, data or facilities that house such systems or data on a periodic basis. Popular's due diligence determines how often vendor assessments are performed on such third party. Popular also conducts periodic application and vendor assessments for third-party providers and their products. Furthermore,
Popular requires third parties that have access to its systems, data or facilities that house such systems or data to take a training on cybersecurity at least annually.

Under the heading "We and our third-party providers have been, and expect in the future to continue to be, subject to cyber-attacks, which could cause substantial harm and have an adverse effect on our business and results of operations." and "We rely on other companies to provide key components of our business infrastructure, including certain of our core financial transaction processing and information technology and security services, which exposes us to a number of operational risks that could have a material adverse effect on us." included as part of our risk factor disclosures in Item 1A in this Form 10-K, which disclosures are incorporated by reference herein, we describe whether and how risks from identified cybersecurity threats, including as a result of any previous cybersecurity incidents, could have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

The CSG operates under the direction of the Chief Security Officer. The Chief Security Officer has over 35 years of experience. She has over 10 years of experience in information technology and cybersecurity matters, including the oversight of the Information Security Program and the design and execution of the information security audit plan of the Corporation. She is a Certified Public Accountant that also holds a Juris Doctor degree and Series 7 and Series 27 certifications. She holds the title of Executive Vice President and Chief Security Officer and has been in her role since 2018. Prior to that, she served as Senior Vice President and General Auditor of the Corporation from November 2012 to April 2018. Before 2012, she served in various risk related functions of the Corporation.

The CISO has over 25 years of prior work experience in various roles in major financial institutions involving leading top-level cybersecurity governance strategy and initiatives, integrating security governance into the overall business strategy and advising boards of directors on cyber risks and cybersecurity standards. He has been a certified information security professional since 2007.
He holds the title of CISO and Cybersecurity Division Manager and has been in his role since 2019.

The Corporate Risk Management Group operates under the direction of the Chief Risk Officer. The Chief Risk Officer has over 30 years of experience. He holds the title of Executive Vice President and Chief Risk Officer and has been in his role since 2011. Prior to joining the Corporation, he served for 17 years as Chief Financial Officer, Head of Retail Bank and Mortgage Operations, Head of Commercial and Construction Mortgage and Head of Interest Rate Risk, among other positions, for other banks. He holds a BS with a major in Computer Engineering and an MBA with majors in Finance and Accounting.

The FORM Division Manager has over 28 years of experience. She holds the title of Senior Vice President and FORM Division Manager and has been in her role since March 2022. Prior to that she held positions for 16 years as Operational and IT Risk Director, Head of ERM and Operational Risk, and Chief Information Security Officer for other banks. She also held positions in

[redacted]

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Internal Audit and IT Management for other industries throughout her career. She holds a BBA with majors in Accounting and Information Systems, and a Master of Science in Information Technology Management.

**ITEM 2. PROPERTIES**

As of December 31, 2022, December 31, 2023, BPPR operated 162 branches, of which 68 were owned and 94 were leased premises, and PB

168 operated 40 branches of which 65 3 were owned and 103 37 were on leased premises, and

PB operated 39 branches of which 3 were owned and 36 were on leased premises. Also, the Corporation had 584 576 ATMs operating in in Puerto Rico, 23 in the Virgin Islands and 94 100 in the U.S. Mainland. The principal properties owned by Popular for banking operations and other services are described below. Our management believes that each of our facilities is well maintained and suitable for its purpose.

**Puerto Rico**

Popular Center, the twenty-story Popular and BPPR headquarters building, located at 209 Muñoz Rivera Avenue, Hato Rey, Puerto Rico.

Popular Center North Building, a three-story building, on the same block as Popular Center.

Popular Street Building, a parking and office building located at Ponce de León Avenue and Popular Street, Hato Rey, Puerto Rico.

Cupey Center Complex, one building, three-stories high, two buildings, two-stories high each, and two buildings three-stories high each located in Cupey, Río Piedras, Puerto Rico.

Old San Juan Building, a twelve-story structure located in Old San Juan, Puerto Rico.

Guaynabo Corporate Office Park Building, a two-story building located in Guaynabo, Puerto Rico.

Altamira Building, a nine-story office building located in Guaynabo, Puerto Rico.

El Señorial Center, a four-story office building and a two-story branch building located in Río Piedras, Puerto Rico.

Ponce de León 167 Building, a five-story office building located in Hato Rey, Puerto Rico.

**U.S. & British Virgin Islands**

BPPR Virgin Islands Center, a three-story building located in St. Thomas, U.S. Virgin Islands.

Popular Center -Tortola, a four-story building located in Tortola, British Virgin Islands.

**ITEM 3. LEGAL PROCEEDINGS**

For a discussion of Legal proceedings, see Note 24, “Commitments and Contingencies”, to the Consolidated Financial Statements in this Form 10-K.

**ITEM 4. MINE SAFETY DISCLOSURE**

Not applicable.

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**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Common Stock**

Popular’s Common Stock is traded on the Nasdaq Global Select Market under the symbol “BPOP”.

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During 2022, 2023, the Corporation declared cash dividends in the total total amount of $2.20 $2.27 per common share outstanding, for an aggregate amount of $163.7 million. $163.7 million. The Common Stock ranks junior to all series of Preferred Stock as to dividend rights and rights on liquidation, dissolution or winding up of Popular. Our ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, the Common Stock is subject to certain restrictions in the event that Popular fails to pay or set aside full dividends on the
Preferred Stock for the latest dividend period.

On July 12, 2022, the Corporation completed an accelerated share repurchase (“ASR”) program for the repurchase of an aggregate $400 million of Popular’s common stock for which an initial delivery of 3,483,942 shares were delivered in March 2022
(the “March ASR Agreement”). Upon the final settlement of the March ASR Agreement, the Corporation received an additional
1,582,922 shares of common stock. The Corporation repurchased a total of 5,066,864 shares at an average purchase price of
$78.9443, which were recorded as treasury stock by $440 million under the March ASR Agreement.

On December 7, 2022 the Corporation completed the settlement of another ASR Agreement for the repurchase of an aggregate $231 million of Popular’s common stock, for which an initial 2,339,241 shares were delivered on August 26, 2022 (the
“August ASR Agreement”). Upon the final settlement of the ASR Agreement, the Corporation received an additional 840,024 shares of common stock. The Corporation repurchased a total of 3,179,265 shares at an average purchase price of $72.66, which were recorded as treasury stock by $245 million under the August ASR Agreement.

On September 9, 2021, the Corporation completed an accelerated share repurchase (“ASR”) program for the repurchase of an aggregate $350 million of Popular’s common stock. Under the terms of the accelerated share repurchase agreement (the “ASR Agreement”), on May 4, 2021, the Corporation made an initial payment of $350 million and received an initial delivery of 3,785,831 shares of Popular’s Common Stock (the “Initial Shares”). The transaction was accounted for as a treasury stock transaction. As a result of the receipt of the Initial Shares, the Corporation recognized in shareholders’ equity approximately $280 million in treasury stock and $70 million as a reduction in capital surplus. Upon the final settlement of the ASR Agreement, the Corporation received an additional 828,965 shares and recognized $61 million as treasury stock with a corresponding increase in its capital surplus account. The Corporation repurchased a total of 4,614,796 shares at an average purchase price of $75.84 under the ASR Agreement.

Additional information concerning legal or regulatory restrictions on the payment of dividends by Popular, BPPR and PB is contained under the caption “Regulation and Supervision” in Item 1 herein.

As of February 24, 27, 2023, 2024, Popular had 6,612 6,564 stockholders of record of the Common Stock, not including beneficial owners whose shares are held in record names of brokers or other nominees. The last sales price for the Common Stock on that date was $71.27 $84.07 per share.

**Preferred Stock**

Popular has 30,000,000 shares of authorized Preferred Stock that may be issued in one or more series, and the shares of each series shall have such rights and preferences as shall be fixed by the Board of Directors when authorizing the issuance of that particular series. Popular’s Preferred Stock issued and outstanding at December 31, 2022 December 31, 2023 consisted of:

- 885,726 shares of 6.375% non-cumulative monthly income Preferred Stock, Series A, no par value, liquidation preference value of $25 per share.



All series of Preferred Stock are pari passu. Dividends on each series of Preferred Stock are payable if declared by our Board of Directors. Our ability to declare and pay dividends on the Preferred Stock is dependent on certain Federal regulatory considerations, including the guidelines of the Federal Reserve Board regarding capital adequacy and dividends. The Board of Directors is not obligated to declare dividends and dividends do not accumulate in the event they are not paid.

Monthly dividends on the Preferred Stock amounted to a total of $1.4 million for the year 2022. 2023. There can be no assurance that any dividends will be declared on the Preferred Stock in any future periods.

**Dividend Reinvestment and Stock Purchase Plan**

Popular offers a dividend reinvestment and stock purchase plan for our stockholders that allows them to reinvest their dividends in shares of the Common Stock at a 5% discount from the average market price at the time of the issuance, as well as purchase shares of Common Stock directly from Popular by making optional cash payments at prevailing market prices.

**Equity Based Plans**

On May 12, 2020, the stockholders 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. As of December 31, 2022, 2023, the maximum number of of shares of



common stock remaining available for future issuance under this plan was 3,444,778. 3,144,461. For information about the securities remaining available for issuance under our equity-based plans, refer to Part III, Item 12.

**Purchases of Equity Securities**

The following table sets forth the details of purchases of Common Stock by the Corporation during the quarter ended December 31, 2022: 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 [2]
Maximum Number of
Shares that May Yet be
Purchased Under the
Plans or Programs
October 1 – October 31
- 174
$- 62.92
-
-
November 1 – November 30
-
-
-
-
December 1 – December 31
840,064 498
70.80 67.95
840,024 -
-
Total December 31, 2022 December 31, 2023
840,064 672
$70.80 66.65
840,024 -
-

[1] Includes 40 174 and 498 shares of the Corporation's common stock acquired by the Corporation during October and December 2022, 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 acquired shares of common stock were added back to treasury stock.

[2] On August 24, 2022, the Corporation entered into an accelerated repurchase program for the repurchase of an aggregate $231 million of Popular's common stock, which was completed on December 7, 2022. Upon the final settlement, the Corporation received 840,024 shares of common stock.

**Equity Compensation Plans**

For information about our equity compensation plans, refer to Part III, Item 12.

**Stock Performance Graph (1)**

bpop-20221231p40i0
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The graph below compares the cumulative total stockholder return during the measurement period with the cumulative total return, assuming reinvestment of dividends, of the Nasdaq Bank Index and the Nasdaq Composite Index.
The cumulative total stockholder return was obtained by dividing (i) the cumulative amount of dividends per share,
assuming dividend reinvestment since the measurement point, December 31, 2017 December 31, 2018, plus (ii) the change in the per share price since the measurement date, by the share price at the measurement date.

bpop-20231231p44i0

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**Comparison of Five-Year Cumulative Total Return (TSR)**

**Assumes all dividends were reinvested**

**Base Year: December 31, 2017 2018 = $100**

(1) Unless Popular specifically states otherwise, this Stock Performance Graph shall not be deemed to be incorporated by reference and shall not constitute soliciting material or otherwise be considered filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

**ITEM 6. [RESERVED]**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information required by this item is included in this Form 10-K, commencing on page 50. 54.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information regarding the market risk of our investments appears under the caption "Risk Management", on page 80 84 within Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by this item appears under the caption “Statistical Summaries” on pages 106 111 to 108 113 of this Form 10-K.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

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Not Applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by Popular in the reports that we file or submit under the Exchange Act and such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures.

**Assessment on Internal Control over Financial Reporting**

Information relating to our assessment on internal control over financial reporting is presented under the captions "Report of Management on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" located on pages 109 114 and 110 115 of this Form 10-K.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our 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 December 31, 2022 December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None Rule 10b5-1 Trading Plans or Other Preplanned Trading Arrangements

Certain of our officers or directors have made and may from time to time make 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 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information contained under the captions "Security Ownership of Certain Beneficial Owners and Management", "Delinquent Section 16(a) Reports", "Corporate Governance", "Nominees for Election as Directors" and "Executive Officers" in the

Proxy Statement are incorporated herein by reference. Information about our Code of Ethics, which applies to our senior financial officers, is included in “Business — Available Information” in Part I of this Form 10-K.

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**ITEM 11. EXECUTIVE COMPENSATION**

The information in the Proxy Statement under the caption "Executive and Director Compensation," including the "Compensation Discussion and Analysis," the "2022 2023 Executive Compensation Tables and Compensation Information" and the "Compensation of Non-Employee Directors," and under the caption "Committees of the Board – Talent and Compensation Committee – Talent and Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS**

The information under under the captions "Principal Shareholders" "Principal Stockholders" and "Shares "Shares Beneficially Owned by Directors and Executive Officers" in the Proxy Statement is incorporated herein by reference.

The following tables sets forth information as of December 31, 2022 December 31, 2023 regarding securities remaining available for issuance to directors and eligible employees under our equity-based compensation plans.

| Plan Category | Plan | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan |
|---|---|---|
| Equity compensation plan approved by security holders | 2020 Omnibus Incentive Plan | 3,444,778 3,144,461 |
| Total | | 3,444,778 3,144,461 |

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information under the caption "Board "Board of Directors' Directors and Nominees' Independence" and "Certain "Certain Relationships and Transactions" in the Proxy Statement is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information regarding principal accountant fees and services is set forth under Proposal 3 – Ratification of Appointment of Independent Registered Public Accounting Firm in the Proxy Statement, which is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a). The following financial statements and reports are included on pages 110 115 through 260 268 in this Form10K.

(1) Financial Statements

Report of Independent Registered Public Accounting Firm (*PCAOB ID* *238*)

Consolidated Statements of Financial Condition as of December 31, 2022 2023 and 2021

43 2022

Consolidated Statements of Operations for each of the years in the three-year period ended December 31, 2022

Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2022 2023

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Consolidated Statements of Comprehensive Income (Loss) for each of the years in the three-year period ended December 31, 2023

Consolidated Statements of Changes in Stockholders’ Equity for each of the years in the three-year period ended December 31, 2022 2023

Consolidated Statements of Comprehensive Income Cash Flows for each of the years in the three-year period ended in the three-year period ended December 31, 2022 2023

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules: No schedules are presented because the information is not applicable or is included in the Consolidated Financial Statements described in (a) (1) above or in the notes thereto.

(3) Exhibits

**ITEM 16. FORM 10-K SUMMARY**

None.

The exhibits listed on the Exhibits Index below are filed herewith or are incorporated herein by reference.

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**Exhibit Index**

3.1

Restated Certificate of Incorporation of Popular, Inc. (incorporated by reference to Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).

3.2

Amended and Restated Bylaws 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 January 2, 2020). October 3, 2023).

4.1

Specimen of Physical Common Stock Certificate of Popular, Inc. (incorporated by reference to Exhibit 4.1 of Popular, Inc.'s Current Report on Form 8-K dated May 29, 2012 and filed on May 30, 2012).

4.2

Certificate of Designation of Popular, Inc.'s 6.375% Non-Cumulative Monthly Income Preferred Stock, 2003 Series A (incorporated by reference to Exhibit 3.3 of Popular, Inc.'s Form 8-A filed on February 25, 2003).

4.3

Form of certificate representing Popular, Inc.'s 6.375% Non-Cumulative Monthly Income Preferred Stock, 2003 Series A (incorporated by reference to Exhibit 4.1 of Popular, Inc.'s Form 8-A filed on February 25, 2003).

4.4

Senior Indenture of Popular, Inc., dated as of February 15, 1995, as supplemented by the First Supplemental Indenture thereto, dated as of May 8, 1997, each between Popular, Inc. and The Bank of New York Mellon, as successor trustee (incorporated by reference to Exhibit 4(d) to the Registration Statement on Form S-3, File No. 333-26941, of Popular, Inc., Popular International Bank, Inc., and Popular North America, Inc., filed on May 12, 1997).

4.5

Second Supplemental Indenture of Popular, Inc., dated as of August 5, 1999, between Popular, Inc. and The Bank of New York Mellon, as successor trustee (incorporated by by reference to Exhibit 4(e) to Popular, Inc.'s Current Report on Form 8-K dated August 5, 1999 and filed on August 17, 1999).

4.6

Subordinated Indenture of Popular, Inc., dated as of November 30, 1995, between Popular, Inc. and The Bank of New York Mellon, as successor trustee (incorporated by reference to Exhibit 4(e) to the Registration Statement on Form S-3, File No. 333- 26941, of Popular, Inc., Popular International Bank, Inc. and Popular North America, Inc., filed on May 12, 1997).

4.7

Senior Indenture of Popular North America, Inc., dated as of October 1, 1991, as supplemented by the First Supplemental Indenture thereto, dated as of February 28, 1995, and by the Second Supplemental Indenture thereto, dated as of May 8, 1997, each among Popular North America, Inc., Popular, Inc., as guarantor, and The Bank of New York Mellon, as successor trustee (incorporated by reference to Exhibit 4(f) to the Registration Statement on Form S-3, File No. 333-26941, of Popular, Inc., Popular International Bank, Inc. and Popular North America, Inc., filed on May 12, 1997).

4.8

Third Supplemental Indenture of Popular North America, Inc., dated as of August 5, 1999, among Popular North America, Inc., Popular, Inc., as guarantor, and The Bank of New York Mellon, as successor trustee (incorporated by reference to Exhibit 4(h) to Popular, Inc.'s Current Report on Form 8-K, dated August 5, 1999, as filed on August 17, 1999).

4.9

Junior Subordinated Indenture of Popular, Inc., dated as of October 31, 2003, between Popular, Inc. and The Bank of New York Mellon, as successor trustee (incorporated by reference to Exhibit 4.2 of Popular, Inc.'s Current Report on Form 8-K, dated October 31,2003 and filed on November 4, 2003).

4.10

Description of Popular, Inc.'s securities registered pursuant to Section 12 of the Securities Exchange Act. (1)

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10.1

Popular, Inc. 2020 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.4 of Popular, Inc.'s Form S-8 filed on May 12, 2020). *

10.2

Form of Compensation Agreement for Directors Elected Chairman of a Committee (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004). *

10.3

Form of Compensation Agreement for Directors not Elected Chairman of a Committee (incorporated by reference to Exhibit 10.2 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004). *

10.4

Compensation Agreement for Alejandro M. Ballester as director of Popular, Inc., dated January 28, 2010 (incorporated by reference to Exhibit 10.9 of Popular, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009). *

10.5

Compensation Agreement for Carlos A. Unanue as director of Popular, Inc., dated January 28, 2010 (incorporated by reference to Exhibit 10.10 of Popular, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009). *

10.6

Compensation Agreement for C. Kim Goodwin as director of Popular, Inc., dated May 10, 2011 (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011). *

10.7

Compensation Agreement for Joaquin E. Bacardi, III as director of Popular, Inc., dated April 30, 2013 (incorporated by reference to Exhibit 10.2 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013). *

10.8

Compensation Agreement for John. W. Diercksen as director of Popular, Inc., dated October 18, 2013 (incorporated by reference to Exhibit 10.13 of Popular, Inc.'s Annual Report on 10-K for the year ended December 31, 2013). *

10.9

Form of 2015 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015). *

10.10

Form of 2016 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.27 of Popular, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015). *

10.11

Form of Director Compensation Letter, Election Form and Restricted Stock Agreement, effective April 26, 2016 (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016). *

10.12

Form of 2017 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017). *

10.13

Long-Term Equity Incentive Award and Agreement for Ignacio Alvarez, dated as of June 22, 2017 (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly report on Form 10-Q for the quarter ended June 30, 2017). *

10.14

Form of Popular, Inc. 2018 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018). *

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10.15

Director Compensation Letter, Election Form and Restricted Stock Agreement for Myrna M. Soto, dated June 22, 2018 (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018). *

10.16

Director Compensation Letter, Election Form and Restricted Stock Agreement for Robert Carrady, dated December 29, 2018 (incorporated by reference to Exhibit 10.25 of Popular, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018). *

10.17

Form of Director Compensation Letter, Election Form and Restricted Stock Unit Award Agreement, effective May 7, 2019 (incorporated by reference to Exhibit 10.26 of Popular, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018). *

10.18

Form of Popular, Inc. 2019 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019). *

10.19

Director Compensation Letter, Election Form and Restricted Stock Unit Award Agreement for Richard L. Carrión, dated July 1, 2019 (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Annual Report on Form 10-Q for the quarter ended September 30, 2019). *

10.20

Form of Popular, Inc. 2020 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020). *

10.21

Form of Director Compensation Election Form and Restricted Stock Unit Award Agreement, effective May 12, 2020 (incorporated by reference to Exhibit 10.2 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020). *

10.22

Form of Popular, Inc. 2021 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021). *

10.23

Form of Director Compensation Letter, Election Form and Restricted Stock Unit Award Agreement for Betty DeVita and José R. Rodriguez, effective June 25, 2021 (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021). *

10.24

Form of Popular, Inc. 2022 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2022). *

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10.25

Asset Purchase Agreement, dated as of February 24, 2022, among Evertec, Inc. and Evertec Group, LLC, Popular, Inc. and Banco Popular de Puerto Rico (incorporated by reference to Exhibit 2.1 of Popular, Inc.'s Current Report on Form 8-K dated and filed on February 24, 2022).

10.26

Second Amended and Restated Master Service Agreement, dated as of July 1, 2022, among Popular, Inc., Banco Popular de Puerto Rico, and Evertec Group, LLC and its Subsidiaries (Incorporated by reference to Exhibit 99.1 on Form 8-K filed on July 1, 2022.)

10.27

Form of Popular, Inc. 2023 Long-Term Equity Incentive Award and Agreement (incorporated by reference to Exhibit 10.1 of Popular, Inc's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023). *

10.28

Award Agreement, dated as of December 7, 2023, by and between Carlos J. Vázquez and Popular, Inc.* (1)

10.29

Services Agreement, dated as of December 7, 2023, by and between Carlos J. Vázquez and Popular, Inc.* (1)

21.1

Schedule of Subsidiaries of Popular, Inc. (1)

22.1

Issuers of Guaranteed Securities (1)

23.1

Consent of Independent Registered Public Accounting Firm. (1)

31.1

Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)

31.2

Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)

32.1

Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)(2)

32.2

Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)(2)

97.1

Compensation Recoupment Policy of Popular, Inc. dated June 23, 2023. (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. (1)

101.SCH

Inline XBRL 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)

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The cover page of Popular, Inc. Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, formatted in Inline XBRL (included within the Exhibit 101 attachments) (1)

(1)
Included herewith
(2)
Furnished herewith. This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section, and shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.
*
This exhibit is a management contract or compensatory plan or arrangement.

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.

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## Financial Review and Supplementary Information

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**Management's Discussion and Analysis of Financial Condition and Results of Operations**

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**FORWARD-LOOKING STATEMENTS**

This Form 10-K 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 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 our business job market, is concentrated; adverse economic conditions, including high levels of consumer confidence and ongoing increases in inflation rates, that adversely affect housing prices, the job market, consumer confidence and spending habits which may affect in turn, turn, among other things, our level of non-performing non-performing assets, charge-offs and provision expense; changes in interest rates and market liquidity, which may reduce interest interest margins, impact funding sources, reduce loan originations, affect our ability to originate and distribute financial products in the 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 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, Government and Management the Federally-

appointed oversight board on the economy, our customers and our business; the impact of 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 address Puerto Rico's fiscal challenges on the value 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 at the Corporation, whose future future balances are uncertain and difficult to predict and may be impacted by factors such by factors such as the amount of Federal Federal funds received received by the P.R. Government in connection with the COVID-19 pandemic and P.R.

hurricane recovery assistance Government and the rate of expenditure of such funds, as well as the financial condition, liquidity and cash management practices 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 or the resurgence fear of COVID-19, or any such the fear event occurring, any of any such event which could occurring, any of which could cause adverse consequences for our business,

including, 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 expected of benefits 2025; from risks our related transformation initiative, including our ability to achieve projected earnings, efficiencies and 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 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 Transaction"); or that are not subject to indemnification or reimbursement by Evertec, Inc.; the fiscal 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 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 other proposed capital standards on our capital ratios; additional Federal Deposit Insurance Deposit Insurance Corporation ("FDIC") assessments; assessments, such as the special assessment implemented 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; a deterioration in the credit quality of our clients, customers and counterparties; the performance of the stock and bond markets; competition in in the financial services industry; possible legislative, tax or regulatory changes; a failure in or breach of our operational or security systems systems or infrastructure or those of those of Evertec, Inc., our provider provider of core financial transaction financial transaction processing and information technology services, information technology services, or of third third parties providing services to us, including as a result of cyberattacks, e-fraud, denial-of-services and computer intrusion, that might might result in, among other things, loss or breach of customer data, disruption of services, reputational damage or

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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,

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damages, penalties, fines, enforcement actions and reputational damage resulting from pending or future litigation and regulatory or government fines, investigations enforcement or actions actions; changes in accounting standards, rules and reputational damage resulting from pending or future litigation and regulatory or government investigations or actions, including as a result of interpretations; 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 core businesses; decisions to downsize, sell or close branches or business units or otherwise change our business mix; and 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 I, Item 3. 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

"Part I, Item 1A" of this Form 10-K for a discussion of certain risks and uncertainties to which the Corporation is subject.

All forward-looking statements included in this Form 10-K are based upon information available to Popular as of the date of this

Form 10- K, 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.

**OVERVIEW**

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, 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 37 to the Consolidated Financial Statements presents information about the Corporation's business segments.

**YEAR 2022 2023 SIGNIFICANT EVENTS**

***Acquisition Issuance and Redemption of Key Customer Channels and Amendments to Commercial Contracts with Evertec Senior Notes***

On July 1, 2022, BPPR completed the announced acquisition of certain assets from Evertec Group, LLC ("Evertec Group"), a wholly owned March subsidiary 13, 2023, the Corporation issued $400 million aggregate principal amount of 7.25% Evertec, Senior Notes Inc. ("Evertec") (NYSE: EVTC), to service certain BPPR channels due 2028 (the "2028

Notes") in an underwritten public offering. The Corporation used a portion of the net proceeds of "Business the 2028 Notes offering to redeem, on August 14, 2023, the outstanding $300 million aggregate principal amount of its 6.125% Senior Notes due Acquisition September 2023. The Transaction"). redemption price was equal to 100% of the principal amount plus accrued and unpaid interest through the redemption date.

***As FDIC Special Assessment***

On November 16, 2023, the Federal Deposit Insurance Corporation ("FDIC") approved a result final of rule the closing that of imposes the Business a Acquisition Transaction, special assessment (the "FDIC BPPR acquired from Evertec Group certain critical channels,

including BPPR's retail and business digital banking and commercial cash management applications. In connection with the Business Acquisition Transaction, BPPR also entered into amended and restated service agreements with Evertec Group pursuant Special Assessment") to which Evertec Group will continue to provide various information technology and transaction processing services to Popular, BPPR and their respective subsidiaries.

Under recover the amended service agreements, Evertec Group no longer has exclusive rights losses to provide the deposit certain of insurance fund ("DIF") Popular's technology services. The amended service agreements include discounted pricing and lowered caps on contractual pricing escalators tied to the Consumer Price Index. As part of the transaction, BPPR and Evertec also entered into a revenue sharing structure for BPPR in connection with its merchant acquiring relationship with Evertec. Under resulting from the terms FDIC's use, in March 2023, of the amended systemic and risk restated Master Service

Agreement ("MSA"), Evertec will be entitled to receive monthly payments from the Corporation to the extent that Evertec's revenues, covered under the MSA, fall below certain agreed annualized minimum amounts.

As consideration for the Business Acquisition Transaction, BPPR delivered to Evertec Group 4,589,169 shares of Evertec common stock valued at closing at $169.2 million (based on Evertec's stock price on June 30, 2022 of $36.88). A total of $144.8 million of the consideration for the transaction was attributed to the acquisition of the critical channels of which $28.7 million were attributed to software intangible assets and $116.1 million were attributed to goodwill. The transaction was accounted for as a business combination. The remaining $24.2 million was attributed exception to the renegotiation of least-cost resolution test under the MSA Federal Deposit Insurance Act in connection with the receiverships of several failed banks.

Under the final rule, the assessment base for the special assessment is equal to 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 Popular, the $5 billion exclusion is allocated among the company's IDI subsidiaries in proportion to each IDI's estimated uninsured deposits. The special assessments will be collected at an annual rate of approximately 13.4 basis points per year (3.35 basis points per quarter) over eight quarters in 2024 and 2025,

with Evertec the first assessment period beginning January 1, 2024. In their December 31, 2022 Call Reports, BPPR and was PB reported estimated uninsured deposits of approximately $28.1 billion, including $16.2 billion in fully collateralized public sector deposits, and

$3.5 billion, respectively. The Corporation recorded an as expense of an $71.4 million, $45.3 million net of tax, in the fourth quarter of 2023, representing the full amount of the assessment.

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expense. The Corporation also recorded a credit of $6.9 million in Evertec billings under 56

By statute, the MSA during FDIC is required to recover the third quarter of 2022 as a result of the Business Acquisition Transaction, resulting in a net loss expense charge for arising from the quarter use of $17.3 a systemic risk determination million. through one or more special

On assessments. As of August December 31, 2023, 15, the FDIC's 2022, loss estimate described in the final rule had increased by approximately $4.1 billion to $20.4 billion, or approximately 25%. The exact amount of losses will be determined when the FDIC terminates the related receiverships considered in the final rule. Accordingly, the special assessment amount and collection period may change as the estimated loss is periodically adjusted or if the Corporation total completed amount the collected sale varies. of its remaining 7,065,634 shares of common stock of Evertec (the

"Evertec Stock Sale", and collectively with the Business Acquisition Transaction, If the "Evertec Transactions"). Following most recent the Evertec Stock Sale, Popular no longer owns any Evertec common stock. The impact of the gain on the sale of Evertec shares used as consideration for the Business Acquisition Transaction in exchange for the acquired applications on July 1, 2022 and the net expense associated with the renegotiation of the MSA resulted in an after-tax gain of $97.9 million, while the Evertec Stock Sale and the related accounting adjustments resulted in an after-tax gain of $128.8 million, recorded during the third quarter of 2022, for an aggregate after-tax gain of $226.6 million.

***Transformation Initiative:***

Leveraging the completion of the Evertec Transactions, 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 our clients, as well as the competitive landscape, have evolved, requiring us to make important investments in our technological infrastructure and adopt more agile practices. Our technology and business transformation will be a significant priority for the company over the next three years and beyond.

Through December 31, 2022, excluding compensation costs of our employees involved in the initiative, we expensed $24 million toward this effort, primarily in professional fees and technology related expenses. 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 company. In 2023, we plan an expense of approximately $50 million toward this effort, excluding employee compensation and capitalized costs. We expect the expenses tied to this transformation initiative, which will continue through 2025 to result in an enhanced digital experience for our clients, as well as better technology and more efficient processes for our employees. We expect this effort to contribute to better efficiency and higher earnings, resulting in a targeted sustainable return on tangible common equity of 14% by the end of 2025.

To facilitate the transparency of the progress with these efforts, effective increase in the fourth quarter of 2022, the Corporation has FDIC's separated technology, professional fees and transactional activities as standalone expense categories in the accompanying

Consolidated Statement of Operations. Refer to additional information in the Operating expenses section of this MD&A.

***Capital Actions***

On July 12, 2022, the Corporation completed an accelerated share repurchase ("ASR") program for the repurchase of $400 million of Popular's common stock for which an initial delivery of 3,483,942 shares were delivered in March 2022 (the "March ASR

Agreement"). Upon the final settlement of the March ASR Agreement, the Corporation received an additional 1,582,922 shares of common stock. The Corporation repurchased a total of 5,066,864 shares at an average purchase price of $78.9443, which were recorded as treasury stock by $440 million under the March ASR Agreement.

On December 7, 2022, the Corporation completed the settlement of another ASR agreement (the "August ASR Agreement") for the repurchase of $231 million of Popular's common stock, for which an initial 2,339,241 shares were delivered on August 26, 2022.

Upon the final settlement of the August ASR Agreement, the Corporation received an additional 840,024 shares of common stock.

The Corporation repurchased a total of 3,179,265 shares at an average purchase price of $72.66, which were recorded as treasury stock by $245 million under the August ASR Agreement.

***Hurricanes Fiona estimate remains unchanged and Ian***

On September 18, 2022, Hurricane Fiona made landfall in the southwest area of Puerto Rico as a Category 1 hurricane, bringing record rainfall and flooding throughout the island and affecting communities where BPPR does business. Hurricane Fiona's rain and winds caused a complete blackout on the island and caused considerable damage to certain sectors in the southwest region.

President Biden issued a disaster declaration for the island. While the impact to BPPR's operation was not material, certain customers, highly concentrated in certain municipalities, were impacted by the disaster.

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As part of hurricane relief efforts on the island, the Corporation waived late-payment fees on individual lending products from September 16 through October 31, 2022. Popular also waived, through September 30, withdrawal fees payable by our customers at ATMs outside of the Popular network and fees payable by customers of other banking institutions at Popular's ATMs. In addition, the Corporation offered to clients impacted by the hurricane a moratorium of up to three monthly payments, up to December 31, 2022, on personal and commercial credit cards, auto loans, leases and personal loans, subject to certain eligibility requirements. Mortgage clients may also benefit from different payment relief alternatives available, depending on their type of loan. Loan relief options for commercial clients are reviewed on a case-by-case basis.

Separately, on September 28, 2022, Hurricane Ian made a landfall on the west coast of central Florida as a Category 4 hurricane, causing extensive floods and destruction in the impacted areas in Florida. President Biden made a major disaster declaration for certain counties in central Florida. PB and BPPR do not have significant operations in the area but have some limited retail and commercial clients who reside or have business activities is assessed in the impacted areas.

For clients impacted by the hurricane that reside in counties in Florida declared as disaster zones by President Biden, Popular offered a moratorium for up to three payments, up to January 31, 2023, subject to certain eligibility requirements. As in the case of Puerto Rico, relief options for commercial clients are reviewed on a case-by-case basis.

Refer to the Credit Risk section of this MD&A for additional information of the loan moratorium offered to clients.

***Transfer of Securities from Available-for Sale to Held-To-Maturity***

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 same manner, 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 Corporation estimates that the transfer. At the date of the transfer, these securities had pre-tax unrealized losses of $873.0 million recorded in AOCI. This fair value discount is being accreted to interest income and incremental expense for the unrealized loss remaining in FDIC Special Assessment could be approximately 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. $18 million.

***While changes Increase in the amount of unrealized gains and losses in AOCI have an impact on the Corporation's and its wholly-owned banking subsidiaries' tangible capital ratios, they do not impact regulatory capital ratios, in accordance with the regulatory framework. Refer to Note 7 to the Consolidated Financial Statements which presents information about the Corporation's Debt***

Securities Held-to-Maturity for additional details

***Partial Release of the Deferred Tax Asset Valuation Allowance quarterly common stock dividends***

During the fourth quarter of 2023, the Corporation declared a quarterly common stock cash dividend of $0.62 per share, an increase of $0.07, or 13%, compared to the $0.55 per fourth quarter of 2022, share declared by the Corporation recorded a partial reversal of in the deferred tax asset valuation allowance of the U.S. operations of $68.2 million. As of December 31, 2022, the deferred tax asset ("DTA") for the U.S. operations, mainly related to net operating losses ("NOLs"), was valued at $278 million, net of the corresponding valuation allowance of $402 million. The reversal during the fourth third quarter was determined based on management's expectation of the realization of additional amounts of federal and state NOLs over their remaining carryover period. The determination was based on the U.S. operations' sustained profitability during the years ended December 31, 2021 and 2022, together with evidence of stable credit metrics and the length of the expiration of the net operating losses. As of December 31, 2022, the Corporation had approximately $525 million in DTA related to federal NOLs with expiration dates between 2028 and 2033 and approximately $135 million in DTA related to state NOLs with expiration dates between 2030 and 2036. 2023.

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**Table 1 - Selected Financial Data**

Years ended December 31,

*(Dollars in thousands, except per common share data)*

2023

2022

55 58

**Non-GAAP financial measures**

*Net interest income on a taxable equivalent basis*

Net interest income, on a taxable equivalent basis, is presented with its different components in Table 3 for the year ended December 31, 2022 2023 as compared with the same period in 2021, 2022, segregated by major categories of interest earning assets and interest-bearing liabilities. The 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, and certain obligations of the Commonwealth of Puerto Rico and its agencies and assets held by the Corporation's international banking entities. To facilitate the comparison of all interest related to these assets, the interest income has been converted to a taxable equivalent basis, using the applicable statutory income tax rates for each period. The taxable equivalent computation considers the interest expense and other related expense disallowances required by the Puerto Rico tax law. Under Puerto Rico tax law, the exempt interest can be deducted up to the amount of taxable 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 exempt sources.

Net interest income, on a taxable equivalent basis, as used by the Corporation may not be comparable to similarly named non-GAAP financial measures used by other companies.

*Financial highlights for the year ended December 31, 2022*

The Corporation's net income for the year ended December 31, 2022 amounted to $1.1 billion, compared to a net income of $934.9 million for 2021. 2023

The discussion that follows provides highlights of the Corporation's results of operations for the year ended December 31, 2022 2023 compared to the results of operations of 2021. 2022. It also provides some highlights with respect to the Corporation's financial condition, credit quality, capital and liquidity. Table 2 presents a three-year summary of the components of net income as a percentage of average total assets. For For a discussion discussion of our 2021 2022 results of operations compared with 2020, 2021, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2021. 2022.

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**Table 2 - Components of Net Income as a Percentage of Average Total Assets**

2023
2022
2021
2020
Net interest income
2.99
%
2.98
%
2.75
%
3.12
%
Provision for credit (losses) benefit
(0.29)
(0.11)
0.27
(0.49)
Mortgage banking activities
0.03
0.06
0.07
0.02
Net gain (loss) gain and valuation adjustments on investment securities
0.01
(0.01)
-
0.01
Other non-interest income

1.18 0.87
0.83 1.18
0.83
Total net interest income and non-interest income, net of provision for credit losses
3.61
4.10
3.92
3.49

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upon the availability of quoted market prices or observable market parameters. In addition, it may be affected by other factors such as the type of instrument, the liquidity of the market for the instrument, transparency around the inputs to the valuation, as well as the contractual characteristics of the instrument. Broker quotes used for fair value measurements inherently reflect any lack of liquidity in the market since they represent an exit price from the perspective of the market participants.

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*Trading Debt Securities and Debt Securities Available-for-Sale*

The majority of the values for trading debt securities and debt securities available-for-sale are obtained from third-party pricing services and are validated with alternate pricing sources when available. Securities not priced by a secondary pricing source are documented and validated internally according to their significance to the Corporation's financial statements. Management has established materiality thresholds according to the investment class to monitor and investigate material deviations in prices obtained from the primary pricing service provider and the secondary pricing source used as support for the valuation results.

Inputs are evaluated to ascertain that they consider current market conditions, including the relative liquidity of the market. When a market quote for a specific security is not available, the pricing service provider generally uses observable data to derive an exit price for the instrument, such as benchmark yield curves and trade data for similar products. To the extent trading data is not available, the pricing service provider relies on specific information including dialogue with brokers, buy side clients, credit ratings,
spreads to established benchmarks and transactions on similar securities, to draw correlations based on the characteristics of the evaluated instrument. If for any reason the pricing service provider cannot observe data required to feed its model, it discontinues pricing the instrument.

Furthermore, management assesses the fair value of its portfolio of investment securities at least on a quarterly basis. Securities are classified in the fair value hierarchy according to product type, characteristics and market liquidity. At the end of each period,
management assesses the valuation hierarchy for each asset or liability measured. The fair value measurement analysis performed by the Corporation includes validation procedures and review of market changes, pricing methodology, assumption and level hierarchy changes, and evaluation of distressed transactions.

Refer to Note 28 to the Consolidated Financial Statements for a description of the Corporation's valuation methodologies used for the assets and liabilities measured at fair value.

**Loans and Allowance for Credit Losses**

Interest on loans is accrued and recorded as interest income based upon the principal amount outstanding.

Non-accrual loans are those loans on which the accrual of interest is discontinued. When a loan is placed on non-accrual status, all previously accrued and unpaid interest is charged against interest income and the loan is accounted for either on a cash-basis method or on the cost-recovery method. Loans designated as non-accruing are returned to accrual status when the Corporation
expects repayment of the remaining contractual principal and interest. The determination as to the ultimate collectability of the loan's balance may involve management's judgment in the evaluation of the borrower's financial condition and prospects for repayment.

Refer to the MD&A section titled Credit Risk, particularly the Non-performing assets sub-section, for a detailed description of the
Corporation's non-accruing and charge-off policies by major loan categories.

One of the most critical and complex accounting estimates is associated with the determination of the allowance for credit losses
("ACL"). The Corporation establishes an ACL for its loan portfolio based on its estimate of credit losses over the remaining contractual term of the loans, adjusted for expected prepayments, in accordance with Accounting Standards Codification ("ASC")
Topic 326. An ACL is recognized for all loans including originated and purchased loans, since inception, with a corresponding charge to the provision for credit losses, except for purchased credit deteriorated ("PCD") loans as explained below. The
Corporation follows a methodology to establish the ACL which includes a reasonable and supportable forecast period for estimating credit losses, considering quantitative and qualitative factors as well as the economic outlook. As part of this methodology,
management evaluates various macroeconomic scenarios provided by third parties. At December 31, 2022, 2023, management applied probability weights to the outcome of the selected scenarios.

The Corporation has designated as collateral dependent loans secured by collateral when foreclosure is probable or when foreclosure is not probable but the practical expedient is used. The practical expedient is used when repayment is expected to be provided substantially by the sale or operation of the collateral and the borrower is experiencing financial difficulty. The ACL of collateral dependent loans is measured based on the fair value of the collateral less costs to sell. The fair value of the collateral is

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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. In addition, refer to the Credit Risk section of this MD&A for detailed information on the Corporation's collateral value estimation for other real estate.

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A restructuring constitutes a TDR when the Corporation separately concludes that the restructuring constitutes a concession and the debtor is experiencing financial difficulties. For information on the Corporation's TDR policy, refer to Note 2 to the Consolidated Financial Statements. The established framework captures the impact of concessions through discounting modified contractual cash flows, both principal and interest, at the loan's original effective rate. The impact of these concessions is combined with the expected credit losses generated by the quantitative loss models in order to arrive at the ACL.

**Loans Acquired with Deteriorated Credit Quality**

PCD loans are defined as those with evidence of a more-than-insignificant deterioration in credit quality since origination. PCD loans are initially recorded at its purchase price plus an estimated ACL. Upon the acquisition of a PCD loan, the Corporation recognizes the estimate of the expected credit losses over the remaining contractual term of each individual loan as an ACL with a corresponding addition to the loan purchase price. The amount of the purchased premium or discount which is not related to credit risk is amortized over the life of the loan through net interest income using the effective interest method or a method that approximates the effective interest method. Changes in expected credit losses are recorded as an increase or decrease to the ACL with a corresponding charge (reverse) to the provision for credit losses in the Consolidated Statements of Operations. These loans follow the same nonaccrual policies as non-PCD loans. Modifications of PCD loans that meet the definition of a TDR are accounted and reported as such following the same processes as non-PCD loans.

**Income Taxes**

Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and attributable to operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or paid. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the changes are enacted.

The calculation of periodic income taxes is complex and requires the use of estimates and judgments. The Corporation has recorded two accruals for income taxes: (i) the net estimated amount currently due or to be received from taxing jurisdictions, including any reserve for potential examination issues, and (ii) a deferred income tax that represents the estimated impact of temporary differences between how the Corporation recognizes assets and liabilities under accounting principles generally accepted differences betweeniıhow the United Corporation States recognizes (GAAP), assets and liabilities under GAAP, and how such assets and liabilities are recognized under the tax code. Differences in the actual outcome of these future tax consequences could impact the

Corporation's financial position or its results of operations. In estimating taxes, management assesses the relative relative merits and risks of risks of the appropriate tax treatment of transactions taking transactions taking into consideration statutory, judicial and regulatory guidance.

A deferred tax asset should be reduced by a valuation allowance if based on the weight of all available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or the entire deferred tax asset will not be realized. The valuation allowance should be sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized. The determination of whether a deferred tax asset is realizable is based on weighting all available evidence, including both positive and negative evidence. The realization of deferred tax assets, including carryforwards and deductible temporary differences, depends upon the existence of sufficient taxable income of the same character during the carryback or carryforward period. The realization of deferred tax assets requires the consideration of all sources of taxable income available to realize the deferred tax asset, including the future reversal of existing temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in carryback years and tax-planning strategies.

Management evaluates the realization of the deferred tax asset by taxing jurisdiction. jurisdiction. The U.S. mainland mainland operations are evaluated as a whole since a consolidated income tax return is filed; on the other hand, the deferred tax asset related to the Puerto Rico operations is evaluated on an entity by entity basis, since no consolidation is allowed in the income tax filing. Accordingly, this evaluation is composed of three major components: U.S. mainland operations, Puerto Rico banking operations and Holding Company.

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For the evaluation of the realization of the deferred tax asset by taxing jurisdiction, refer to Note 35 to the Consolidated Financial Statements.

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Under the Puerto Rico Internal Revenue Code, the Corporation and its subsidiaries are treated as separate taxable entities and are not entitled to file consolidated tax returns. The Code provides a dividends-received deduction of 100% on dividends received from
“controlled” subsidiaries subject to taxation in Puerto Rico and 85% on dividends received from other taxable domestic corporations.
Changes in the Corporation’s estimates can occur due to changes in tax rates, new business strategies, newly enacted guidance,
and resolution of issues with taxing authorities regarding previously taken tax positions. Such changes could affect the amount of accrued taxes. The Corporation has made tax payments in accordance with estimated tax payments rules. Any remaining payment will not have any significant impact on liquidity and capital resources.
The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in the financial statements or tax returns and future profitability. The accounting for deferred tax consequences represents management’s best estimate of those future events. Changes in management’s current estimates, due to unanticipated events, could have a material impact on the Corporation’s financial condition and results of operations.
The Corporation establishes tax liabilities or reduces tax assets for uncertain tax positions when, despite its assessment that the tax return positions are appropriate and supportable under local tax law, the Corporation believes it may not succeed in realizing the tax benefit of certain positions if challenged. In evaluating a tax position, the Corporation determines whether it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Corporation’s estimate of the ultimate tax liability contains assumptions based on past experiences, and judgments about potential actions by taxing jurisdictions as well as judgments about the likely outcome of issues that have been raised by taxing jurisdictions. The tax position is measured as the largest amount of benefit that that is greater than 50%
likely of being realized upon ultimate settlement. The Corporation evaluates these uncertain tax positions each quarter and adjusts the related tax liabilities or assets in light of changing facts and circumstances, such as the progress of a tax audit or the expiration of a statute of limitations. The Corporation believes the estimates and assumptions used to support its evaluation of uncertain tax positions are reasonable.
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. Although the outcome of tax audits is uncertain, the Corporation believes that adequate amounts of tax,
interest and penalties have been provided for any adjustments that are expected to result from open years. From time to time, the
Corporation is audited by various federal, state and local authorities regarding income tax matters. Although management believes its approach in determining the appropriate tax treatment is supportable and in accordance with the accounting standards, it is possible that the final tax authority will take a tax position that is different than the tax position reflected in the Corporation’s income tax provision and other tax reserves. As each audit is conducted, adjustments, if any, are appropriately recorded in the consolidated financial statement in the period determined. Such differences could have an adverse effect on the Corporation’s income tax provision or benefit, or other tax reserves, in the reporting period in which such determination is made and, consequently, on the
Corporation’s results of operations, financial position and / or cash flows for such period.

**Goodwill and Other Intangible Assets**

The Corporation's goodwill and other identifiable intangible assets having an indefinite useful life are tested for impairment. Intangibles with indefinite lives are evaluated 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. Other identifiable intangible assets with a finite useful life are evaluated periodically for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill impairment is recognized when the carrying amount of any of the reporting units exceeds its fair value up to the amount of the goodwill. The Corporation estimates the fair value of each reporting unit, consistent with the requirements of the fair value measurements accounting standard, generally using a combination of methods, including market price multiples of comparable companies and transactions, as well as discounted cash flow analyses. Subsequent reversal of goodwill impairment losses is not

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permitted under applicable accounting standards. For a detailed description of the annual goodwill impairment evaluation performed by the Corporation during the third quarter of 2022, 2023, refer to Note 15 to the Consolidated Financial Statements.

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**Pension and Postretirement Benefit Obligations**

The Corporation provides pension and restoration benefit plans for certain employees of various subsidiaries. The Corporation also provides certain health care benefits for retired employees of BPPR. The non-contributory defined pension and benefit restoration plans ("the Pension Plans") are frozen with regards to all future benefit accruals.

The estimated benefit costs and obligations of the Pension Plans and Postretirement Health Care Benefit Plan ("OPEB Plan") are impacted by the use of subjective assumptions, which can materially affect recorded amounts, including expected returns on plan assets, discount rates, termination rates, retirement rates and health care trend rates. Management applies judgment in the determination of these factors, which normally undergo evaluation against current industry practice and the actual experience of the
Corporation. The Corporation uses an independent actuarial firm for assistance in the determination of the Pension Plans and
OPEB Plan costs and obligations. Detailed information on the Plans and related valuation assumptions are included in Note 30 to the Consolidated Financial Statements.
The Corporation periodically reviews its assumption for the long-term expected return on Pension Plans assets. The Pension Plans'
assets fair value at December 31, 2022 2023 was $619.9 652.4 million. The expected return on plan assets is determined by considering various factors, including a total fund return estimate based on a weighted-average of estimated returns for each asset class in each plan. Asset class returns are estimated using current and projected economic and market factors such as real rates of return,
inflation, credit spreads, equity risk premiums and excess return expectations.
As part of the review, the Corporation's independent consulting actuaries performed an analysis of expected returns based on each plan's expected asset allocation for the year 2023 2024 using the Willis Towers Watson US Expected Return Estimator. This analysis is reviewed by the Corporation and used as a tool to develop expected rates of return, together with other data. This forecast reflects the actuarial firm's view of expected long-term rates of return for each significant asset class or economic indicator as of January 1,
2023; 2024; for example, 8.5% for large cap stocks, 8.8% for small cap stocks, 9.0% for international stocks, 6.1% 6.0% for long corporate bonds and 4.9% 5.0% for long Treasury bonds. A range of expected investment returns is developed, and this range relies both on forecasts and on broad-market historical benchmarks for expected returns, correlations, and volatilities for each asset class.
As a consequence of recent reviews, the Corporation increased updated its expected return on plan assets for year 2024 2023 to 5.6% and 6.6% for the Pension Plans. Expected rates of return of 5.9% and 6.5% had been used for 2023 and 4.3% and 5.4% had been used for 2022
for the Pension Plans. Expected rates Since of return of the expected 4.3% and 5.4% return assumption had been used is for 2022 and on a 4.6% and 5.5% long-term basis, had been used it is for

2021 for the Pension Plans. Since the expected return assumption is on a long-term basis, it is not materially impacted by the yearly fluctuations (either positive or negative) in the actual return on assets. The expected return can be materially impacted by a change in the plan's asset allocation.

Net Periodic Benefit Cost ("pension expense") for the Pension Plans amounted to $18.6 million in a net benefit of $0.5 million in 2022. 2023. The total pension expense included a benefit of $35.4 million$34.4 million for the expected return on assets.

Pension expense is sensitive to changes in the expected return on assets. For example, decreasing the expected rate of return for 2022 2024 from 5.9% 5.6% to 5.65% 5.35% would increase the projected 2023 2024 pension expense for the Banco Popular de Puerto Rico Retirement Plan, the Corporation's largest plan, by approximately $1.4 1.5 million.

If the projected benefit obligation exceeds the fair value of plan assets, the Corporation shall recognize a liability equal to the unfunded projected benefit obligation and vice versa, if the fair value of plan assets exceeds the projected benefit obligation, the Corporation recognizes an asset equal to the overfunded projected benefit obligation. This asset or liability may result in a taxable or deductible temporary difference and its tax effect shall be recognized as an income tax expense or benefit which shall shall be allocated to various components of the financial statements, including other comprehensive income. income (loss). The determination of the fair value of of pension plan obligations involves judgment, and any changes in those estimates could impact the fair value of pension plan obligations involves judgment, and any changes in those estimates could impact the Corporation's Consolidated Statements of Financial Condition. Management believes that the fair value estimates of the Pension Plans assets are reasonable given the valuation methodologies used to measure the investments at fair value as described in Note 28 to the Consolidated Financial Statements. Also, the compositions of the plan assets are primarily in equity and debt securities, which have readily determinable quoted market prices.

The Corporation had recorded a pension liability asset of $8.3 $16.6 million at December 31, 2022 December 31, 2023.



The Corporation uses the spot rate yield curve from the Willis Towers Watson RATE: Link (10/90) Model to discount the expected projected cash flows of the plans. The equivalent single weighted average discount rate ranged from 5.34% 5.02% to 5.37% 5.05% for the Pension Plans and 5.42% 5.10% for the OPEB Plan to determine the benefit obligations at December 31, 2022 December 31, 2023.

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A 50 basis point decrease to each of the rates in the December 31, 2022 2023 Willis Towers Watson RATE: Link (10/90) Model would increase the projected 2023 2024 expense for the Banco Popular de Puerto Rico Retirement Plan by approximately $1.8 million. 2.2 million. The change would not affect the minimum required contribution to the Pension Plans.

The OPEB Plan was unfunded (no assets were held by the plan) at December 31, 2022 December 31, 2023. The Corporation had recorded a liability for the underfunded postretirement benefit obligation of $118.3 117.0 million at December 31, 2022 December 31, 2023.

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**STATEMENT OF OPERATIONS ANALYSIS**

**Net Interest Income**

Net interest income is the interest earned from loans, debt securities and money market investments, including loan fees, minus the interest cost of deposits and borrowed money. Various risk factors affect net interest income including the economic environment in which we operate, market related events, the mix and size of the earning assets and related funding, changes in volumes, repricing characteristics, loan fees collected, moratoriums granted on loan payments and delay charges and interest collected on nonaccrual loans, as well as strategic decisions made by the Corporation's management.

Net interest income for the year ended December 31, 2022 December 31, 2023 was $2.2 billion $2.1 billion or $209.8 million higher $35.8 million lower than in 2021. 2022. Net interest income,

income, on a taxable equivalent basis, for for the year ended December 31, 2022 was $2.4 billion December 31, 2023 was $2.3 billion compared to $2.2 billion $2.4 billion in 2021. 2022, a decrease of $154.4 million.

The average key index rates for the years 2022 2023 and 2021 2022 were as follows:

2022 2023
2021 2022
Prime rate………………………………………………………………………………………………
4.86% 8.19%
3.25% 4.86%
Fed funds rate…………………………………………………………………………………………
1.86 5.20
0.25 1.86
3-month Treasury Bill………………………………………………………………………………
2.01 3.59
0.03 2.01
10-year Treasury…………………………………………………………………………………………
2.95 3.45
1.44 2.95
FNMA 30-year…………………………………………………………………………………………
4.26 4.94
1.84 4.26

Average outstanding securities balances are based upon amortized cost excluding any unrealized gains or losses on securities.

Non-accrual loans have been included in the respective average loans and leases categories. Loan fees collected, and costs incurred in the origination of loans are deferred and amortized over the term of the loan as an adjustment to interest yield.

2021. The equivalent higher basis, net interest margin was 3.31% in 2023, compared to 3.46% in 2022, a decrease of 15 basis points. The main drivers for the year decrease in is driven by $1.6 billion higher average volume of earning assets and higher interest rates as the Federal Reserve increased the Federal Funds Rate by 425 basis points during 2022. On a taxable equivalent basis, net interest margin was 3.46% in 2022, compared to 3.19% in 2021, an increase of 27 basis points. The main drivers for the increase in net interest income on a taxable equivalent basis were:

Positive Negative variances:

- Higher Lower interest income from money market investments by $96.9 million due to higher interest rates by 111 basis points, partially offset by lower volume by $6.5 billion, as part of the liquidity was deployed to purchase investment securities and fund loan growth;
- Higher interest income from investment securities by $156.1 48.5 million due to a higher volume by $6.8 million;
- Higher interest income from loans by $130.1 million due to:
- Increase in commercial loan Interest income by $71.4 million driven by a higher average volume of loans by $1.1 billion and higher yield by 7 basis points as the origination of loans occurs in a higher interest rate scenario and the positive impact on the repricing of adjustable-rate loans, partially offset by to lower amortized fees resulting from the forgiveness of PPP loans volume by $55.7 million 1.8 billion and lower discount amortization on commercial loans by $16.3 million mainly from cancellation of PCD loans;

•

Higher interest income from consumer loans by $44.8 million resulting from a higher volume by $280 million and higher yield by 49 basis points, driven by the increase in personal loans year over year and increase in credit cards volume.

Partially offset by: three basis points;

•

Higher interest expense on deposits by $141.2 797.2 million due to the an increase in interest cost by 170 29 basis points resulting mainly from a the higher cost of the fully indexed Puerto Puerto Rico government deposits and the the increase in cost of Popular U.S.

deposits. U.S. deposits.

Under the terms of BPPR's deposit deposit pricing agreement agreement with the Puerto Rico public sector, public funds rates are are market market linked with a lag minus a specified spread. This with source of funding still results in an attractive spread under market rates.

Partially offset by:

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- Higher interest income from money market investments by $248.5 million due to higher interest rates by 396 basis points, driven by the higher interest rate environment, as explained above, partially offset by lower volume by $2.5 billion, due to lower volume of deposits and loan growth funding;
- Higher interest income from loans by $462.5 million due to:
- Increase in commercial loan Interest income by $284.1 million, or 109 basis points as the origination of loans occurs in a lag minus higher a specified spread. As such, if short-term interest rates continue rate to scenario and the positive impact on the repricing of adjustable-rate loans, partially offset by lower amortized fees resulting from the forgiveness of PPP loans by $16.6 million and lower discount amortization on commercial loans by $5.4 million mainly from cancellation of PCD loans,
- Higher interest income from construction loans by $23.4 million, mainly at Popular Bank, driven by higher yield by 257 basis points and a higher average volume of loans by $38 million,
- Higher interest income from auto and lease financing portfolios by $40.2 million driven by higher volume by $175 million in the leasing portfolio and higher yields by 37 basis points in auto loans, the later increase in yield was negatively impacted by lower amortization of the fair value discount of the auto loan portfolios acquired in previous years,
- Higher interest income from mortgage loans by $23.9 million driven by higher yield by 21 basis points and a higher average volume by $160 million,
- Higher interest income from consumer loans by $91.0 million resulting from a higher volume by $372 million and higher yield by 153 basis points, driven by the increase, we mainly would expect the costs in P.R. of public funds in personal to continue to loans year increase. This source over year of funding still results and an increase in an attractive spread under market rates. credit cards volume.

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

For the year ended December 31, 2023, 2022, the Corporation Corporation recorded an expense of $84.2 $209.7 million million for its its allowance for credit losses ("ACL") related to loans held-in-portfolio and unfunded commitments, compared with a reserve release an expense of $191.3 million for the year ended December 31, 2021. The provision expense related to the loans-held-in-portfolio for the year 2022 was $83.3 million,
compared to a reserve release of $183.3 million for the year 2021. The reserve increase is mostly driven by changes in the economic scenario, higher loan volumes and changes in credit quality. The updated economic scenarios used to estimate the ACL
on December 31, 2022 considered an expected slowdown in the economy as a result of tight monetary policy, weaker job growth and persistent inflation. The reserve release recorded in 2021 was driven by the release of Covid-related reserves recorded in 2020.
The provision for unfunded commitments $84.2 million for the year 2022 ended
December 31, 2022. The provision expense reflected related to the loans-held-in-portfolio for the year 2023 was $201.5 million, compared to an expense of $0.9 million, $83.3 million for the year 2022. The increase in provision expense was driven by higher reserves in our consumer and commercial portfolios mostly due to changes in credit quality and higher loan volumes. The provision for unfunded commitments for the year 2023 reflected an expense of $8.2 million, compared to a an expense of $0.9 million for reserve release of
$8.0 million for the same period of 2021. 2022.
The provision expense related to loans held-in-portfolio for the BPPR segment was $69.5 million for the year ended December 31,
2022, compared to a reserve release of $129.0 million for the year ended December 31, 2021, an unfavorable variance of $198.6
million. The provision expense related to loans held-in-portfolio for the BPPR segment was $194.8 million for the year ended December 31,
2023, compared to an expense of $69.5 million for the year ended December 31, 2022, an unfavorable variance of $125.3 million.
The provision expense related to loans held-in-portfolio for the Popular U.S. segment was $6.7 million for the year 2023, a favorable variance of $7.1 million, compared to an expense of $13.8 million for the year 2022, an 2022. As part of the Corporation's model governance unfavorable variance of $68.1 million, compared to procedures, a reserve release of $54.3 million new model was implemented for the U.S commercial real estate segment. The new model enhances techniques used to capture default activity within the year 2021. 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, resulted in a $7.3 million reduction of PB's ACL.
At December 31, 2022, 2023, the total allowance for credit losses for loans held-in-portfolio amounted to $720.3 729.3 million, compared to
$695.4 720.3 million as of December 31, 2021. 2022. The ratio of the allowance for credit losses to loans held-in-portfolio was 2.25% 2.08% at
December 31, 2022, 2023, compared to 2.38% 2.25% at December 31, 2021. 2022. Refer to Note 9 to the Consolidated Financial Statements, for additional information on the Corporation's methodology to estimate its ACL. As discussed therein, within the process to estimate its
ACL, the Corporation applies probability weights 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. In
addition, 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**

The Corporation's provision for credit losses related to its investment securities held-to-maturity is related to the portfolio of obligations from the Government of Puerto Rico, states and political subdivisions. For the year ended December 31, 2022, 2023, the
Corporation recorded a reserve release of $1.2 1.1 million, compared to a reserve release of $2.2 million $1.2 million for the year ended December
31, 2021. 2022. At December 31, 2022, 2023, the total allowance for credit losses for this portfolio amounted to $6.9 $5.8 million, compared to $8.1 6.9
million as of December 31, 2021 December 31, 2022. Refer to Note 7 to the Consolidated Financial Statements for additional information on the ACL for this portfolio.

**Non-Interest Income**

For the year year ended December December 31, 2023, 31, 2022, non-interest income increased decreased by $254.9 246.3 million, when compared compared with the previous previous year.
The results for the year 2022 included a $257.7 million gain related to the Evertec Transactions and related accounting adjustments.
Other factors Factors that contributed to the variance in non-interest income were:

- higher lower other service fees operating income by $22.8 million, principally at $270.3 million mainly due to a $257.7 million gain recognized during the BPPR segment, year 2022 due to higher credit card fees by $18.9 million mainly in interchange income resulting from higher customer purchase activity and higher fees from the merchant network business by $6.7 million due to the revenue sharing agreement entered into in connection with the Evertec Transactions; Transactions and related accounting adjustments;

- a favorable adjustment lower income from mortgage banking activities by $21.0 million due to the unfavorable variances of $11.8 million and $3.5 million $9.2 in the million fair value adjustments for mortgage servicing rights and mortgage servicing fees, respectively, driven by serviced loan portfolio runoff due to the Corporation's determination in the fair third value quarter of the contingent consideration related 2022 to purchase retain price certain adjustments guaranteed loans as held for investment, for and lower gains from closed derivative positions the by $6.0 million; acquisition of the K2 Capital Group LLC business in 2021 ("K2 Acquisition"), as the Corporation
updated its estimates related to the ability to realize the earnings targets for the contingent payment; and

- a gain of $8.2 million from the sale of an lower investment which had been previously written off; service charges on deposit accounts by $9.7 million due to lower overdraft related charges, in part due to the partially offset by: Corporation's determination to eliminate insufficient funds fees and modifying overdraft fees effective in the third quarter of
2022;

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partially offset by:

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lower higher other service charges on deposit accounts fees by $5.5 million, mainly $40.4 million, principally at BPPR, due to lower overdraft related charges, in part
due to the Corporation's determination of BPPR eliminating insufficient funds segment, due to higher credit card fees and modifying overdraft fees effective by on the $16.0
third quarter of 2022 and lower cash management service charges from commercial clients million, mainly due to higher earnings credits on transactional accounts driven by the current interest customer purchase activity, rate environment; higher other fees by $11.1 million, mainly due to higher fees from

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the merchant network business by lower $8.3 million due to income the revenue sharing agreement entered from into in connection with the
Evertec mortgage Transactions, banking higher activities debit card fees by 7.7 $4.1 million, mainly due to lower higher volume gains of from loan
securitization transactions, and valuation adjustments on loans held for sale by $21.9 million, impacted by the Corporation's determination in the third higher quarter of
2022 to retain certain guaranteed loans as held for investment; partially offset insurance fees by a favorable variance of $10.4
million in the fair value adjustments for mortgage servicing rights driven by slower projected prepayments in the serviced portfolio $3.8 million; and higher gains from closed derivative positions by $5.3 million;

•

an unfavorable favorable variance of $7.5 million $10.8 million on the fair value adjustments to the portfolio of equity securities mainly related to deferred
deferred benefit plans, which have an offsetting effect recorded as lower as higher personnel costs; and

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the gain of $7.0 million recognized in the third quarter of 2021 by BPPR as a result of the sale and partial leaseback of two corporate office buildings. costs.

**Operating Expenses**

As discussed in the significant events section of this MD&A, 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 activities as standalone expense categories in the accompanying Consolidated Statements 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 provides the detail of the reclassifications for each respective the year.

**Table 4 - Operating Expen Expenses ses Reclassification**

**2021 Year ended December 31,**

**2020 2021**

*Financial statement line item*

**As reported**

**Adjustments**

**Adjusted**

**As reported**

**Adjustments**

**Adjusted**

Equipment expenses

$

92,097

$

(59,178)

$

32,919

$

88,932

$

(56,418)

$

32,514
Professional services fees
410,865
(284,144)
126,721
394,122
(261,708)
132,414

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**Fourth Quarter Results**

The Corporation recognized net income of $257.1 million $94.6 million for the quarter quarter ended December 31, 2022 December 31, 2023, compared with a net income of $206.1 257.1 million for the same quarter of 2021. 2022.

Net interest income for the fourth quarter of 2022 2023 amounted to $559.6 million $534.1 million, compared with $501.3 million $559.6 million for the fourth quarter of 2021, an increase 2022, a decrease of $58.3 million $25.4 million. The The increase decrease in net interest income was mainly due higher interest rates as the Federal Reserve increased the Federal Funds Rate by due to higher cost on deposits 425 basis points partially offset by an increase during 2022 and higher average balance of loans resulting from the growth during 2022 at both BPPR and PB. The net in interest margin increased income from by 50 basis points to 3.28% loans, mainly due to an increase growth at in market rates both BPPR and PB the and higher earning assets mix, that had a rates, and higher income concentration on from loans

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money market investments due to higher average which balances and higher rates. The carry net interest margin decreased by 20 a basis points to 3.08% mainly due to higher an increase in deposit costs, particularly on Puerto yield Rico public funds and time deposits than money market and investment securities. at PB. On a taxable equivalent basis, the net interest margin for the fourth fourth quarter of 2022 2023 was 3.64% 3.26%, compared to 3.02% 3.64% for the fourth quarter of 2021. 2022.

The provision for credit losses was $78.7 million for the fourth quarter of 2023, compared to a provision expense of $49.5 million for credit losses was a $49.5 million for the fourth quarter of 2022, compared to a reserve release benefit of $33.1 million for the fourth quarter of 2021. 2022. The increase in provision expense recorded in the fourth quarter or 2022 expense reflects changes in credit metrics, portfolio growth as well as and changes in the macroeconomic outlook and considers an expected slowdown in the economy during 2023, as a result of weaker job growth, monetary policy and the persistent inflation. The benefit recorded in the fourth quarter of 2021 was reflective of improvements in the credit metrics and the macroeconomic outlook as well as releases in qualitative reserves. quality.

Non-interest income amounted to $158.5 168.7 million for the quarter ended December 31, 2022, 2023, compared with $164.7 $158.5 million for the same quarter in 2021. The decrease 2022. The increase of $6.2 million $10.3 million was mainly due lower income from mortgage banking activities by $10.5 million due to an unfavorable variance of $4.1 million in the fair value adjustments of mortgage servicing rights and lower gains from the sale and securitization of mortgage loans as the Corporation made the determination to retain certain guaranteed loans as held for investment. In addition, higher other service charges on deposit accounts were lower fees by $6.9 $7.7 million and higher service charges on deposit accounts by $3.0 million mainly due to lower overdraft related charges, in part due to the Corporation's determination of eliminating insufficient funds fees and modifying overdraft fees effective on the third quarter of 2022 and lower cash management service charges from commercial clients due to higher earnings credits on transactional accounts. non-balance compensation.

Operating expenses totaled $461.7 $531.1 million for the quarter ended December 31, 2022, 2023, compared with $417.4 461.7 million for the same quarter in the previous year. The increase of $44.3 $69.4 million is mainly related to the $71.4 million FDIC Special Assessment recognized during the fourth quarter of 2023; partially offset by lower professional fees by $10.1 million mainly related to higher various corporate projects, including the transformation initiative, personnel costs for which certain areas are currently being managed by $29.7 internal personnel. For million, due to a higher headcount and market and annual salary revisions as well as higher incentives and commissions; higher professional services expense by $16.6 million due to various corporate projects, including the transformation initiative; quarter higher technology ended and software expenses by $7.3 million due to various ongoing technology projects and software amortization, including from the assets acquired from Evertec; partially offset by higher benefit from OREO related activity by $5.3 million due to gains on sale of foreclosed properties; lower operational losses by $7.8 million and lower amortization of intangibles by $5.3 million due to an impairment write-down of $5.4 million of a trademark during 2021.

For the quarter ended December 31, 2022, 2023, the Corporation recorded an income tax benefit of $1.5 million, compared with an income tax benefit of $50.3 million for the same quarter of 2022. The unfavorable variance of $48.9 million in income tax benefit, when compared with income to the tax expense fourth quarter of $75.6 million for 2022, was mostly attributed to the same quarter reversal of 2021. The favorable variance in income tax expense was mainly attributable to a partial reversal portion of the deferred tax asset assets valuation allowance of during the U.S. operation during the fourth quarter of 2022, for which we reported an income tax benefit of $68.2 million. During 2022 the fourth quarter of 2023, we reported of $68.2 million and a lower income before tax, higher benefit from mainly due to the FDIC tax-exempt Special Assessment, which resulted in a lower income including true-up tax expense by adjustment of $9.5 million approximately $42.6 million. in relation to the We also fiscal year recorded lower exempt 2021 tax income and other returns for lower tax benefits, both increasing the P.R. income tax expense by $15.5 million and 7.2 million, subsidiaries filed in the fourth quarter and related year-to-date adjustments for the same concept.

**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 37 to the Consolidated Financial Statements.

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The Corporate group reported a net income of $150.1 $13.3 million for the year ended December 31, 2022 December 31, 2023, compared with compared with a net income of

$13.4 150.1 million for the previous year. The increase 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, as defined in Note 4 to the Consolidated Financial Statements,

and related accounting adjustments; lower interest expense by

$10.4 million from adjustments during the redemption in the fourth quarter of 2021 of $186.7 million in Trust Preferred Securities issued by Popular

Capital Trust I; and higher earnings from equity method investments. year ended September 30,2022.

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 $782.0 $472.0 million for the year ended December 31,

2022, 2023, compared with $787.5 million $782.0 million for the year ended December 31, 2021 December 31, 2022. The principal factors that contributed to the variance in the financial results included the following:

- Higher Lower net interest income by $11.9 million due to higher interest expense on deposits by $616.0 million mainly due to higher costs on the market-indexed 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 $148.9 287.5 million mainly due to higher income from money market and investment securities by
$218.3 million mainly due to higher yields driven by the increase in rates by the the
Federal Reserve and higher average balances of U.S. Treasury securities; and higher interest income from loans by by
$54.7 317.4 million, mainly due to higher average balances mainly in commercial and consumer loans and higher average yields across

balances from consumer, leasing and

commercial loans; partially offset by
higher interest expense on deposits by $123.7 74

million mainly due to higher costs on all the market- indexed Puerto Rico government deposits, NOW accounts and time portfolios deposits. . The BPPR segment's net interest margin was 3.05% 3.20% for 2022 2023 compared with 2.86% 3.06% for the same period in
2021. in 2022.

- A provision for loan losses expenses of $70.3 million $194.3 million in 2023, compared to $70.3 million for the year ended 2022, compared to a reserve release of $136.4 million for the year ended 2021, or an unfavorable variance of $124.0 million, variance of $206.7 million. The provision for due in part to loan losses for 2022 reflects an expected slowdown in the economy in 2023. During 2021, BPPR recorded a reserve for credit losses release of $136.4 million due to improved credit metrics and Covid-related macroeconomic outlook and changes in qualitative reserves; growth;
- Higher Lower non-interest income by $115.0 million $93.6 million mainly due to:
- Higher Lower other operating income by $112.0 million $109.3 million mostly due to the benefit gain recorded as result of the Evertec Transactions and related to the Evertec Business Acquisition Transaction, accounting adjustments on 2022,
- Higher Lower mortgage banking activities by $20.4 million, unfavorable variances in the fair value other adjustments for mortgage serving service rights and mortgage servicing fees, driven by $21.3 serviced million loan portfolio runoff due to higher Corporation's determination in the third merchant quarter of 2022 to acquiring retain certain guaranteed loans fees as held for related investment, and lower gains from closed derivative positions;
- Lower service charges on deposit accounts by $8.8 million principally due to the revenue sharing agreement entered change in connection with the Evertec Transactions and higher credit card fees as a result policy of higher eliminating interchange transaction volumes. insufficient fund fees and modifying overdraft fees implemented in the third quarter of 2022.
- Higher operating expenses by $167.8 million $111.5 million, mainly due to:
- Higher other expenses personnel costs by $75.5 $37.0 million mainly due to higher allocations from the a Corporate group by higher $56.0 million, headcount mainly advisory and other professional services, and a $17.3 million expense related to Evertec Transactions;
- salaries Higher personnel costs by $71.8 million driven adjustments, by higher salaries including merit increases, market and benefits due to market minimum salary adjustments and annual salary revisions and a higher headcount; higher incentive compensation, pension and higher health insurance costs; partially offset by a decrease in profit sharing expenses in incentive and higher fringe benefits; compensation;
- Higher business promotions by $15.6 6.1 million mainly due to higher customer rewards expense related to higher transactional volumes volumes;
- Higher FDIC deposit insurance expense by $68.8 million due to the FDIC Special Assessment recorded in 2023;
- Higher processing and higher sponsorships and donations, transactional including hurricane related assistance; services by $10.8 million mainly due to higher credit and debit card processing expense as a result of higher transactional volumes,
- Higher technology and professional software expenses fees by $5.7 17.8 million including $2.4 mainly million related due to the software intangible assets acquired as part of the Evertec Transactions, and costs associated with several ongoing projects;
- Higher processing and transactional services by $5.8 million mainly due to higher credit and debit card processing expense as a result of higher transactional volumes, reflecting an increase in customer purchase activity; partially offset by lower merchant processing due to higher incentives received during the year related to the ATH Network
Participation Agreement entered into in connection with the Evertec Transactions;

initiatives focused ; on regulatory,

compliance and cyber security efforts as well as the transformation initiative.

Partially offset by:

- Higher OREO income Lower other operating expenses by $7.4 million $26.7 million mainly due to $17.3 million charge related to Evertec Transactions on 2022 and lower mortgage related sundry losses by $5.6 million mainly due to a reserve release adjustment recorded in 2022 and lower charges allocated from the Corporate segment group by $9.1 million mainly from lower personnel costs; partially offset by higher gain on sale of OREO of $5.9 pension plan cost by $19.2 million. million due to charges in actuarial assumptions;
- Lower professional fees technology and software expenses by $3.8 million $4.5 million mainly due in part to savings associated with the acquired services from Evertec during 2022;
- Lower net recoveries from OREO by $7.4 million mainly due to lower consulting fees related to ongoing projects. lower gain on sale of mortgage and commercial properties.
- Lower income tax expense by $105.1 30.9 million due to lower income before tax and higher the income impact that of was the exempt composition or and subject to preferential tax rates. sources of taxable income in each year.

**Popular U.S.**

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For the year ended December 31, 2022, the 2023, the reportable segment of Popular U.S. reported net income income of $170.3 $56.3 million, compared with a net income of $134.1 million $170.3 million for the year ended December 31, 2021. 2022. The principal factors that contributed to the variance in the financial results included the following:

- Higher Lower net interest income by $51.8 million $22.3 million mainly due to higher interest income from loans expense on deposits by $74.2 million $207.3 million mainly due to to higher rates and higher average balances from balance of commercial time deposit primarily gathered through its direct online channel, partially offset by higher interest income from loans by $138.1 million, mainly from growth in the commercial portfolio as well as

as higher yields due to increase increases in rates; rates, and higher interest income from money market and investment securities by $2.9 million $47.4 million due to higher higher rates, partially offset by lower income from debt securities by $1.6 million yields and higher cost of deposits average balance. The by $22.9 million due Popular U.S. reportable segment's to higher interest rates. The Popular U.S.

reportable segment's net interest margin was 3.68% was 2.98%
for 2022 2023 compared with 3.39% 3.68% for the same period in 2021; 2022;

- An unfavorable variance of $69.3 million on the provision for loan losses and unfunded commitments, due to the reserve release of $56.9 2.1 million in on 2021, the which provision for reflected loan improvements in credit metrics losses and Covid-related unfunded economic commitments, outlook, reflective compared to a provision expense of $12.5 million the updated macroeconomics recorded in scenarios offset 2022 which by the reflected an implementation of expected economic the new slowdown model for the U.S. commercial real estate loans, which resulted in a reserve release of $14.6 2023; million;
- Higher Lower non-interest income by $7.4 7.1 million mainly due due to the positive adjustment reversal on 2022 of $9.2 million on $9.2 million of the contingent liability related to the K-2 Acquisition; acquisition of the commercial lease business at Popular Equipment Finance;
- Higher operating expenses by $35.4 million $39.0 million mainly due to:
- Higher personnel costs by $10.2 million $5.9 million due to salary salary market and annual adjustments;
- Higher occupancy expense by other $4.1 million due to expenses higher rental building and an increase in amortization mainly due to early termination of contracts;
- Higher FDIC deposit insurance expense by $7.4 10.0 million due to higher the FDIC Special Assessment recorded in 2023;
- Higher other expenses by $2.9 million due to higher charges allocated from the Corporate segment mainly by $1.6 million, mainly professional fees; and
- The goodwill impairment charge of $9.0 million recorded related at PEF. to our U.S. based leasing subsidiary of $23.0 million recorded in 2023, due to lower forecast cash flows and increase in the rate to discount cash flows, compared to an impairment of $9.0 million recorded in 2022, an unfavorable variance of $14.0 million.
- Lower Higher income tax expense by $81.7 43.4 million due mainly due to a the partial lower income before tax and reversal of the partial deferred tax reversal of the deferred tax asset valuation allowance recorded during the fourth quarter of 2022 of $68.2 million.

**STATEMENT OF FINANCIAL CONDITION ANALYSIS**

**Assets**

The Corporation's total assets were $67.6 billion $70.8 billion at December 31, 2022 December 31, 2023, compared to $75.1 billion $67.6 billion at December 31, 2021 December 31, 2022. Refer to the Corporation's Consolidated Statements of Financial Condition at December 31, 2022 December 31, 2023 and 2021 2022 included in this 2022 Form 10-K. Also,
Also, refer to the Statistical Summary 2022-2021 2023-2022 in this MD&A for Condensed Statements of Financial Condition.

*Money market investments and debt securities*

Money market investments decreased increased by $11 .9 $1.4 billion at December 31, 2023, when compared to December 31, 2022, when compared to December 31, 2021. 2022. This was impacted by the decrease increase in deposits of $5.8 2.4 billion, mainly in the due to higher Puerto Rico Public public sector deposits at BPPR and the deployment time deposit of at liquidity to purchase debt securities. PB. Debt securities available-for-sale decreased by $7.2 1.1 billion, mainly due repayments and maturities, while debt
securities held-to-maturity increased by $8.4 billion. As previously mentioned, during 2022 decreased by $329.9 million. Refer to Notes 6 and 7 to the Consolidated Financial Statements for additional information with respect to the Corporation transferred U.S. Treasury securities with Corporation's debt a fair value securities available-for-sale and held-to-maturity.

*Loans*

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of $6.5 billion (par value of $7.4 billion) from its available-for-sale portfolio to its held-to-maturity portfolio. Refer to Notes 6 and 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* *76*

Refer to Table 6 for a breakdown of the Corporation's loan portfolio. Also, refer to Note 8 to 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 $2.8 3.0 billion to $32.1 35.1 billion at December 31, 2022, 2023, mainly due to growth in the commercial portfolio of $2.0 billion, reflected at both BPPR and PB by approximately approximately $1.0 $1.1 billion and $0.9 billion, respectively, and consumer loans at each segment and consumer loans at BPPR. The commercial loans growth includes U.S. region loans participated between BPPR and PB. During the year ended December 31, 2022, BPPR participated in loans originated by PB totaling $184 million. Consumer loans at BPPR increased by by $532.4 445.0 million in the aggregate including credit credit cards, personal loans and auto loans. The increase in BPPR's consumer portfolio is aligned with the increase in retail sales and consumer spending in Puerto Rico Puerto Rico during 2022 and the purchase of national consumer loans through 2023. its U.S. branch. The auto loans portfolio at BPPR benefited from the sustained level of auto sales activity on the island. In addition, mortgage loans increased by $281.5 million from the sustained level previous year, of auto as the sales, which Corporation continued although to retain, in portfolio, lower than 2021, remained a higher than 2020. In addition, though FHA-guaranteed mortgage loans declined originations.

A portion of the Corporation's $3.0 billion year over year loan growth in 2023 was driven by $29.7 million from the previous year, its non-owner occupied commercial real this was estate impacted by and management's determination commercial multi-family portfolios, as detailed in Table 6. Due to retain certain guaranteed market loans pressures from shifts to hybrid work environments since the pandemic, particularly in the portfolio, New which reduced York Metro area where the Corporation operates, and the effect of the portfolio attrition. current higher interest rate environment, there has been increased focus about the risks of these categories of loans. The Corporation's allowance $5.1 billion non-owner occupied commercial real estate portfolio is comprised of $3.0 billion in Puerto Rico and $2.1 billion in the U.S. and is well diversified across a number of tenants in different industries and segments with exposure to retail (35% of non-owner occupied CRE), hotels (20%) and office space (12%) accounting for credit two losses thirds for of the total exposure. The approximate $639 million office space exposure represents only 1.8% of the total loan portfolio and is comprised mainly of mid-rise properties with diversified tenants with average loan portfolio size of $2 million across both the U.S. and increased Puerto Rico.

Popular's $2.4 billion commercial multi-family portfolio represents approximately 7% of total loans and is concentrated in New York Metro ($1.4 billion), South Florida ($768 million) and Puerto Rico ($185 million). In the New York Metro region, the Corporation has no exposure to rent controlled buildings. The majority of our multi-family loans, in that region, are collateralized by underlying buildings that count on a mix of units subject to rent stabilized (subject to annual capped rent increases) and market-rate units. The rent stabilized units represent less than 40% of the total units in the loan portfolio with the majority originated after 2019. The mix of units within a building is common across the New York Metro region due to tax incentives awarded to developers based on rent stabilized units. In 2024, there are approximately $24.9 237 million mainly in multi-family due to changes loans in our New York Metro portfolio expected to reprice.

Refer to Note 9 to the macroeconomic Consolidated Financial Statements for additional information on delinquency, asset quality and origination outlook, vintage information of these loan segments.

The allowance for credit losses for the loan portfolio increased by $9.0 million, net of the impact of the adoption of ASU 2022-02 on January 1, 2023 (Troubled Debt Restructuring by Creditors), mainly due to changes in credit quality metrics and portfolio growth.

Refer to the Credit Quality section of the MD&A for additional information on the Allowance for credit losses for the loan portfolio.

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**Table 6 - Loans Ending Balances**

| At December 31, (In thousands) | 2022 2023 | 2021 2022 |
| --- | --- | --- |
| Loans held-in-portfolio: | | |
| Commercial | | |
| Commercial multi-family | $ 2,415,620 | $ 2,321,713 |
| Commercial real estate non-owner occupied | 5,087,421 | 4,499,670 |
| Commercial real estate owner occupied | 3,080,635 | 3,078,549 |
| Commercial and industrial | 7,126,121 | 5,839,200 |

Financial Statements for a breakdown of the principal categories that comprise the caption of "Other Assets" in the Consolidated Statements of Financial Condition at December 31, 2022 December 31, 2023 and 2021. 2022.

**Liabilities**

The Corporation's total liabilities were were $63.5 $65.6 billion at December 31, 2023, an increase of $2.1 billion at December 31, 2022, a decrease of $5.6 billion compared to $69.1 63.5 billion at December 31, 2021, 2022, mainly due to a decrease an increase in deposits as discussed below. Refer to the Corporation's Consolidated Statements of Financial Condition included in this Form 10-K.

**Deposits and Borrowings**

The composition of the Corporation's financing to total assets at December 31, 2022 December 31, 2023 and 2021 2022 is included in Table 7.

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**Table 7 - Financing to Total Assets**

December 31,
December 31,
% increase (decrease)
% of total assets
(In millions)
2022
2021
from 2021 to 2022 2023
2022
2021 from 2022 to 2023
2023
2022
Non-interest bearing deposits
$
15,960 15,420
$
15,684 15,960
1.8 (3.4)
%
21.8
%

23.6
%
20.9
%
Interest-bearing core deposits
43,571
41,600
47,954 4.7
(13.3) 61.6

75

federal assistance, and seasonal tax collections, collections, could increase public deposit balances at BPPR in at BPPR in the near term. However, the the rate at which at which public deposit balances may decline is uncertain and difficult to predict. The amount and timing of any such reduction is likely The amount and timing of any such reduction is likely to be impacted by, for example, the speed at which federal assistance is distributed, the financial condition, liquidity and cash distributed, the financial condition, liquidity and cash management practices of the Puerto Rico Government and its instrumentalities practices of the Puerto Rico Government and its instrumentalities and the implementation of fiscal and debt adjustmenta plans approved pursuant to PROMESA PROMESA or other actions mandated by the by the

Fiscal Oversight and Management Board for Puerto
Puerto Rico (the “Oversight Board”).

Approximately 25% 28% of the Corporation’s deposits are public fund deposits from the Government of Puerto Rico, municipalities and government instrumentalities and corporations (‘‘public (“public funds’’). These public funds deposits are indexed to short term 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 public funds deposits’ costs have generally lagged variable asset repricing. During 2022, the deposit costs for public funds increased by 61% when compared to 2021. We expect these costs to continue to increase if short-term rates continue their recent trend. For example, we expect an increase in costs on Generally, these public funds deposits by approximately 120 basis points in require that the first quarter bank of pledge high credit 2023 when compared quality securities as collateral; therefore, liquidity risks arising from public sector deposit outflows are lower. Refer to the last quarter Liquidity section in 2022. 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 December 31, 2022 December 31, 2023 and 2021. 2022.

**Table 8 - Deposits Ending Balances**

(In thousands)

| | 2022 2023 | 2021 2022 |
|---|---|---|
| Demand deposits [1] | $ 26,382,605 27,579,054 | $ 25,889,732 26,382,605 |
| Savings, NOW and money market deposits (non-brokered) | 27,265,156 26,817,844 | 33,674,134 27,265,156 |
| Savings, NOW and money market deposits (brokered) | 798,064 719,453 | 729,073 798,064 |
| Time deposits (non-brokered) | 6,442,886 7,546,138 | 6,685,938 6,442,886 |
| Time deposits (brokered CDs) | 338,516 955,754 | 26,211 338,516 |
| Total deposits | $ 61,227,227 63,618,243 | $ 67,005,088 61,227,227 |

[1] Includes interest and non-interest bearing demand deposits.

*Borrowings*

The Corporation’s borrowings amounted to $1.4 1.1 billion at December 31, 2022, 2023, compared to $1.2 1.4 billion at December 31, 2021. 2022.

Refer to Note 17 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.

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*Other liabilities*

The Corporation’s other liabilities amounted to $1.0 billion $0.9 billion at December December 31, 2023, consistent with the 31, 2022, a decrease of $51.3 million when compared to
December 31, 2021. 2022 balance.

**Stockholders’ Equity**

Stockholders’ equity totaled $4.1 5.1 billion at December 31, 2022, 2023, a decrease an increase of $1.9 1.1 billion when compared to December December 31, 2021. 2022.

The decrease increase was principally due to higher lower accumulated unrealized gain/losses on debt securities available-for-sale by $472.5 million and net income for the year ended December 31, 2023 of $541.3 million, partially offset by $2.2 billion and the impact of $631.0 million from the two accelerated share repurchase transactions completed during 2022, declared dividends of $163.7 million and
$163.7 1.4 million on common stock and $1.4 million preferred in dividends on stock, preferred stock, partially respectively. offset by net income for the year ended

December 31, 2022 of $1.1 billion. Refer to the Consolidated Statements of Financial Condition, Condition,
Comprehensive Income and of of
Changes in Stockholders' Equity for information on the composition of stockholders' equity. Also,
refer to Note 22 to the
Consolidated Financial Statements for a detail of accumulated other comprehensive loss income (income) (loss), an integral component of integral component of stockholders' equity.

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**REGULATORY CAPITAL**

The Corporation and its bank subsidiaries are subject to capital adequacy standards established by the Federal Reserve Board. The risk-based capital standards applicable to Popular, Inc. and the Banks, BPPR and PB, are based on the final capital framework of Basel III. The capital rules of Basel III include a “Common Equity Tier 1” (“CET1”) capital measure and specifies that Tier 1 capital consist of CET1 and “Additional Tier 1 Capital” instruments meeting specified requirements. Note 21 to the Consolidated Financial Statements presents further information on the Corporation’s regulatory capital requirements, including the regulatory capital ratios of its depository institutions, BPPR and PB.

An institution is considered “well-capitalized” if it maintains a total capital ratio of 10%, a Tier 1 capital ratio of 8%, a CET1 capital ratio of 6.5% and a leverage ratio of 5%. The Corporation’s ratios presented in Table 9 show that the Corporation was “well capitalized” for regulatory purposes, the highest classification, under Basel III for years 2022 2023 and 2021. 2022. BPPR and PB were also well-capitalized for all years presented.

The Basel III Capital Rules also require an additional 2.5% “capital conservation buffer”, composed entirely of CET1, on top of these minimum risk-weighted asset ratios, which excludes the leverage ratio. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. Popular, BPPR and PB are required to maintain this additional capital conservation buffer of 2.5% of CET1, resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

Table 9 presents the Corporation’s capital adequacy information for the years 2022 2023 and 2021. 2022.

**Table 9 - Capital Adequacy Data**

At December 31,

(Dollars in thousands)

2022 2023

2021 2022

Risk-based capital:

Common Equity Tier 1 capital

$

5,639,686 6,053,315

$

5,476,031 5,639,686

Additional Tier 1 Capital

22,143

22,143

Tier 1 capital

$

5,661,829 6,075,458

$

5,498,174 5,661,829

Supplementary (Tier 2) capital

623,818 658,507

77 81

difference deferred tax asset not deducted from capital. For investments in the capital of unconsolidated financial institutions, the risk weight would be based on the exposure category of the investment.

The decrease in the CET1 capital ratio, Tier 1 capital ratio and, total capital ratio as of December 31, 2022, 2023, compared to December 31, 2021, 2022,

was mostly due to an increase in risk weighted assets driven by the growth in the commercial and consumer loan portfolios, partially offset by the annual earnings net of the accelerated share repurchase agreements to repurchase an aggregate of $400 million and $231 million of Popular's common stock. earnings. The increase in the leverage capital ratio was mainly due to the increase in decrease in capital average total assets, driven by the reduction in zero-risk weighted investments in money market FED accounts and zero or low-risk weighted debt securities, that therefore did not have annual earnings, partially offset by a significant impact on the risk-weighted slight increase in average total assets.

Pursuant to the adoption of CECL 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 benefits provided during the initial two-year delay. As of December 31, 2022, 2023, the Corporation had phased-in

25% 50% of the cumulative CECL deferral with the remaining impact to be recognized over the remaining two years. In the first quarter of 2023, 2024, the Corporation will phase in a cumulative 50% 75% of the deferral.

On August 26, 2020, federal banking regulators issued a 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 December 31, 2022, 2023,

the Corporation has $38 million $9 million in PPP loans and no no loans were pledged as collateral for PPPL Facilities.

Table 10 reconciles the Corporation's total common stockholders' equity to common equity Tier 1 capital.

### Table 10 - Reconciliation Common Equity Tier 1 Capital

At December 31,

(In thousands)

2022 2023

2021 2022

Common stockholders' equity

$

4,198,409 5,209,561

$

6,116,756 4,198,409

AOCI related adjustments due to opt-out election

2,468,193 1,831,003

257,762 2,468,193

Goodwill, net of associated deferred tax liability (DTL)

(691,560) (666,538)

(591,703) (691,560)

Intangible assets, net of associated DTLs

(12,944) (9,764)

(16,219) (12,944)

Deferred tax assets and other deductions

(322,412) (310,947)

(290,565) (322,412)

Common equity tier 1 capital

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The decrease in the Tangible common equity to tangible assets ratio during 2022 was mainly related to the decrease in the fair value of the Corporation's fixed rate available for sale debt securities portfolio and its impact on the unrealized loss component of

accumulated other comprehensive income (loss) (''AOCI''). Given its ability due to the Corporation's liquidity position and its intention to reduce the impact on AOCI and tangible capital of further increases in interest rates, management changed its intent to hold certain securities to maturity. Therefore, 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.

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 $873.0 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.

While changes in the amount of unrealized gains and losses in AOCI have an impact on the Corporation's and its wholly-owned banking subsidiaries' tangible capital ratios, they do not impact regulatory capital ratios, in accordance with the regulatory framework. Refer to Note 7 to the Consolidated Financial Statements which presents information about the Corporation's Debt Securities Held-to-Maturity for additional details.

Table 11 provides a reconciliation of total stockholders' equity to tangible common equity and total assets to tangible assets at December 31, 2022 2023 and 2021. 2022.

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**Table 11 - Reconciliation of Tangible Common Equity and Tangible Assets**

At December 31,

(In thousands, except share or per share information)

2022 2023

2021 2022

Total stockholders’ equity

$

4,093,425 5,146,953

$

5,969,397 4,093,425

Less: Preferred stock

(22,143)

(22,143)

Less: Goodwill

(827,428) (804,428)

(720,293) (827,428)

Less: Other intangibles

(12,944) (9,764)

(16,219) (12,944)

Total tangible common equity

$

3,230,910 4,310,618

$

5,210,742 3,230,910

Total assets

$

67,637,917 70,758,155

$

75,097,899 67,637,917

Less: Goodwill

**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 $17.8 billion $16.7 billion as of December 31, 2022. 2023. Other assets subject to market risk include loans held-for-sale, which amounted to to $5 $4 million, mortgage servicing rights ("MSRs") which amounted amounted to $128 $118 million, and securities classified as "trading", which amounted to $28 million $32 million, as of December 31, 2022 December 31, 2023.

*Interest Rate Risk ("IRR")*

The Corporation's net interest income is subject to various categories of interest rate risk, 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 magnitude (parallel (parallel shifts). The rate scenarios considered in these market risk risk simulations reflect include instantaneous parallel changes of -100, -200, +100, and +200 basis points +200 during the succeeding twelve-month period. Simulation analyses are based on many assumptions, including that the balance sheet remains flat, the relative levels of market interest rates across all yield curve points and +400 indexes, basis interest points rate during the spreads, succeeding loan 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 they relied upon as indicative of actual results. Further, the estimates do should not contemplate be actions relied that upon management 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 interest rates. Additionally, the Corporation is also subject to basis risk in the repricing of its assets and liabilities, including the basis related to to using different rate indexes for for the repricing repricing of assets and liabilities, as well as the effect of pricing lags which may be contractual contractual or due to historical differences in the timing of management responses to changes in the rate environment. By their nature, these forward-looking nature, these forward-looking computations are only estimates and may be different from what may actually occur in the future. The following table future. The following presents the table presents the results of the simulations at December 31, 2022 2023 and December 31, 2021, 2022, assuming a static balance sheet and parallel changes over flat spot rates over a one-year time horizon:

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**Table 12 - Net Interest Income Sensitivity (One Year Projection)**

December 31, 2022 2023

December 31, 2021 2022

(Dollars in thousands)

Amount Change

Percent Change

Amount Change

Percent Change

**Change in interest rate**

+400 basis points

$

(38,548)

(1.75)

%

$

257,223

13.21

%

+200 basis points

(18,078) 20,822

0.92

(18,003)

(0.82)

197,354

10.14

+100 basis points

(7,787) 11,496

0.51

(7,748)

(0.35)

166,920

8.57

-100 basis points

41,763 19,589

1.90 0.87

(78,408) 8,778

(4.03) 0.40

-200 basis points

78,381 16,971

3.56 0.75

(120,661) 9,296

(6.20) 0.42

As of December 31, 2023, NII simulations show the rapid Corporation has a neutral to slightly asset sensitive 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 short-term overnight Fed Funds, interest rates throughout the short-term U.S Treasury Bills ("T- year Bills") and its loan portfolio on the asset side impact on Puerto partially offset by higher Rico public sector deposits which are indexed to market rates, as well as the deployment of cash to fund loan growth and purchase investments. These results 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 rates and an short-term rates increase in time deposits. These have risen, results suggest that changes in the cost of these Corporation's net interest deposits now increases income sensitivity are driven in sync with market rates and therefore reduce the benefit banks typically have by changes in rising rate environments. As of December 31, 2022, Popular the has a more neutral position as compared to a substantially asset sensitive position as of December 31, 2021. The primary reasons for the reduction in sensitivity are i) the realization of much composition of the expected benefit investment portfolio as the term bond portfolio continues to run off and get reinvested in net interest income short-term investments such as given T-Bills, combined with the higher interest rates observed increase of during 2022, approximately $3.0 billion ii) a in loans decrease held in cash balances portfolio. Additionally, (which reprice variation in instantaneously) via liability cost, primarily the deployment into longer term investments and loans, and iii) the market indexed nature of driven by Puerto Rico public sector

25%

deposits which deposits that represented $15.2 $18.1 billion or 28% of of deposits as of December 31, 2022. of December 31, 2023, as well as an increase of approximately $1.7 billion in time deposits, also impact the sensitivity profile. In declining rate scenarios net interest income would slightly 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.

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*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 December 31, 2022 December 31, 2023, the Corporation held trading securities with a fair value of $28 million $32 million, representing approximately 0.04% 0.05% of the Corporation's total assets, compared with $30 million $28 million and 0.04%, respectively, at December 31, 2021 December 31, 2022. As shown in Table 15, the trading portfolio consists principally of mortgage-backed securities and U.S. Treasuries, which at December 31, 2022 2023 were investment grade securities. As of December 31, 2022 and December 31, 2021, the trading portfolio also included $0.1 million in Puerto Rico government obligations. Trading instruments are recognized at fair value, with changes resulting from fluctuations in market prices, interest rates or exchange rates reported in current period earnings. The Corporation recognized net trading account loss of $784 thousand and a net trading account loss of $389 thousand, respectively, for the years ended December 31, 2022 and 2021.

**Table 15 - Trading Portfolio**

December 31, 2022 2023

December 31, 2021 2022

(Dollars in thousands)

Amount

Weighted

Average Yield
[1]
Amount
Weighted
Average Yield
[1]
Mortgage-backed securities
$
14,223 14,373
5.79 5.69
%
$
22,559 14,223
5.12 5.79
%
U.S. Treasury securities
16,859
4.29
13,069
3.26
6,530
0.03
Collateralized mortgage obligations

84
Derivatives may be used by the Corporation as part of its overall interest rate risk management strategy to minimize significant unexpected fluctuations in earnings and cash flows that are caused by interest rate volatility. Derivative instruments that the Corporation may use include, among others, interest rate caps, indexed options, and forward contracts. The Corporation does not use highly leveraged derivative instruments in its interest rate risk management strategy. Credit risk embedded in these transactions is reduced by requiring appropriate collateral from counterparties and entering into netting agreements whenever possible. All outstanding derivatives are recognized in the Corporation's Consolidated Statements of Condition at their fair value. Refer to to Note

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26 to the Consolidated Financial Statements for further information on the Corporation's involvement in derivative instruments and hedging activities.

*Cash Flow Hedges*

The Corporation manages the variability of cash payments due to interest rate fluctuations by the effective use of derivatives designated as cash flow hedges and that are linked to specified hedged assets and liabilities. The cash flow hedges relate to forward contracts or TBA mortgage-backed securities that are sold and bought for future settlement to hedge mortgage-backed securities and loans prior to securitization. The seller agrees to deliver on a specified future date a specified instrument at a specified price or yield. These securities are hedging a forecasted transaction and are designated for cash flow hedge accounting.

The notional amount of derivatives designated as cash flow hedges at December 31, 2022 amounted to $ 15 million (2021 - $ 88 million). Refer to Note 26 to the Consolidated Financial Statements for additional quantitative information on these derivative contracts.

*Fair Value Hedges*

The Corporation did not have any derivatives designated as fair value hedges during the years ended December 31, 2022 and 2021.

*Trading and Non-Hedging Derivative Activities*

The Corporation enters into derivative positions based on market expectations or to benefit from price differentials between financial instruments and markets mostly to economically hedge a related asset or liability. The Corporation also enters into various derivatives to provide these types of derivative products to customers. These free-standing derivatives are carried at fair value with changes in fair value recorded as part of the results of operations for the period.

Following is a description of the most significant of the Corporation's derivative activities that are not designated for hedge accounting.

The Corporation has over-the-counter option contracts which are utilized in order to limit the Corporation's exposure on customer deposits whose returns are tied to the S&P 500 or to certain other equity securities or commodity indexes. In these certificates, the customer's principal is guaranteed by the Corporation and insured by the FDIC to the maximum extent permitted by law. The instruments pay a return based on the increase of these indexes, as applicable, during the term of the instrument. Accordingly, this product gives customers the opportunity to invest in a product that protects the principal invested but allows the customer the potential to earn a return based on the performance of the indexes. The risk of issuing certificates of deposit with returns tied to the applicable indexes is economically hedged by the Corporation. Indexed options are purchased from financial institutions with strong credit standings, whose return is designed to match the return payable on the certificates of deposit issued. By hedging the risk in this manner, the effective cost of these deposits is fixed. The contracts have a maturity and an index equal to the terms of the pool of retail deposits that they are economically hedging.

The purchased indexed options are used to economically hedge the bifurcated embedded option. These option contracts do not qualify for hedge accounting, and therefore, cannot be designated as accounting hedges. At December 31, 2022, the notional amount of the indexed options on deposits approximated $ 85 million (2021 - $ 79 million) with a fair value of $ 18 million (asset) (2021 - $ 26 million) while the embedded options had a notional value of $ 79 million (2021 - $ 72 million) with a fair value of $ 16 million (liability) (2021 - $ 23 million).

Refer to Note 26 to the Consolidated Financial Statements for a description of other non-hedging derivative activities utilized by the Corporation during 2022 and 2021.

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*Foreign Exchange*

The Corporation holds an interest in BHD León in the Dominican Republic, which is an investment accounted for under the equity method. The Corporation's carrying value of the equity interest in BHD León approximated $ 199.8 225.9 million at December 31, 2022. 2023.

This business is conducted in the country's foreign currency. The resulting foreign currency translation adjustment, from operations for which the functional currency is other than the U.S. dollar, is reported in accumulated other comprehensive loss income (loss) in the consolidated statements of condition, except for highly-inflationary environments in which the effects would be included in the consolidated statements of operations. At December 31, 2022, 2023, the Corporation had approximately $ 57 65 million in an unfavorable foreign currency translation adjustment as part of accumulated other comprehensive income (loss), compared with an unfavorable adjustment of $ 57 million at December 31, 2022 and $ 67 million at December 31, 2021 and $ 71 million at December 31, 2020. 2021.

**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 commitments needs under both normal and stressed market conditions. The Board of Directors is responsible for establishing the establishing Corporation's tolerance for liquidity risk, the Corporation's tolerance for liquidity risk, including approving relevant risk limits and limits and policies. The Board of Directors has delegated the monitoring 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

Corporation's Corporate Treasurer is responsible for implementing the policies and procedures approved by the Board of Directors and 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 coordinates corporate corporate wide liquidity management strategies and activities with the reportable segments, oversees policy breaches and manages the 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 pressured if, for example, it experiences a a sudden and unexpected substantial cash outflow outflow due to deposit outflows, whether due to a loss of confidence by depositors, or other reasons, including 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 COVID-19 pandemic, economic outlook, its credit rating adverse ratings is downgraded, or of its some other event principal markets, perceptions of the financial services industry and regulatory 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 and regulatory changes, could also affect its ability to obtain funding.

Liquidity is managed by the The Corporation at the level of the holding companies that own the banking and non-banking subsidiaries. It is also managed at the level of the banking and non-banking subsidiaries. As further explained below, a principal source of liquidity for the bank holding companies (the "BHCs") are dividends received from banking and non-banking subsidiaries. The Corporation has adopted policies and limits limits to monitor more effectively monitor the the Corporation's liquidity liquidity position and and that of the 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% 90% of the Corporation's total assets at December 31, 2022 2023 and 89% 91% at December 31, 2021. 2022.

The ratio of total ending loans to deposits was 55% at December 31, 2023 and 52% at December 31, 2022, compared to 44% at December 31, 2021. December 31, 2022. In addition to traditional deposits, the Corporation maintains borrowing arrangements, which amounted to approximately $1.4 1.1 billion in outstanding balances at December 31, 2022 December 31, 2023 (December 31, 2021 2022 - $1.2 billion $1.4 billion). A detailed description of the Corporation's borrowings, including their terms, is included in Note 17 to the Consolidated Financial Statements. Also, Also, the Consolidated Statements Consolidated Statements of Cash Cash Flows in the accompanying Consolidated Financial Statements provide information on the Corporation's cash inflows and outflows.

On July 12, 2022, the Corporation completed an ASR program for the repurchase of an aggregate $400 million of Popular's common stock, for which an initial 3,483,942 shares were delivered in March 2022 (the "March ASR Agreement"). Upon the final settlement of the March ASR Agreement, the Corporation received an additional 1,582,922 shares of common stock. The Corporation repurchased a total of 5,066,864 shares at an average purchase price of $78.9443, which were recorded as treasury stock by $440 million under the March ASR Agreement.



On December 7, 2022, the Corporation completed the settlement of another ASR Agreement for the repurchase of an aggregate

$231 million of Popular's common stock, for which an initial 2,339,241 shares were delivered on August 26, 2022 (the "August ASR"). Upon the final settlement of the ASR Agreement, the Corporation received an additional 840,024 shares of common stock.

The Corporation repurchased a total of 3,179,265 shares at an average purchase price of $72.66, which were recorded as treasury stock by $245 million under the August ASR Agreement. Refer to Note 20 to the Consolidated Financial Statements for additional information.

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 fourth quarter of 2023 the Corporation had no material incremental use of its available liquidity sources. At December 31,2023, the Corporation's available liquidity increased to $19.5 billion from $17.0 billion on December 31, 2022. The liquidity sources of the Corporation at December 31,2023 are presented in Table 16:

**Table 16 - Liquidity Sources**

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| (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) | $ 5,516,636 | $ 1,475,143 | $ 6,991,779 | $ 5,240,100 | $ 367,966 | $ 5,608,066 |
| Unpledged securities | 4,212,480 | 347,791 | 4,560,271 | 7,494,189 | 326,599 | 7,820,788 |
| FHLB borrowing capacity | 2,157,685 | | | | | |

1,341,329

Corporation's banking subsidiaries may impact their ability to raise retail and commercial deposits or the rate that it is required to pay on such deposits, management does not believe that the impact should be material. Deposits at all of the Corporation's banking subsidiaries are federally insured (subject to FDIC limits) and this is expected to mitigate

mitigate the potential effect of a downgrade in the credit ratings. aforementioned risks.

Deposits are a a key source of funding as they funding. Refer tend to be less volatile than institutional borrowings and their cost is less sensitive to changes in market rates. 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 certificates of of deposit under $250,000, over $250,000. Core deposits, excluding brokered P.R. deposits public funds that are fully collateralized,
have historically provided the Corporation with denominations under a $250,000. Core sizable deposits have source of relatively stable and low-cost funds. P.R. public funds, while historically provided the Corporation with linked to market interest rates, provide a sizable stable source of relatively stable and low-cost funds. funding with an attractive earnings spread. Core deposits totaled $57.6 billion, $59.0
billion, or 93% of total deposits, at December 31, 2023, compared with $57.6 billion, or 94% of total deposits, at December 31, 2022, compared with $63.6 billion, or 95% of total deposits, at December 31, 2021. December 31,
2022. Core
deposits financed 90% 88% of the Corporation's earning assets at December 31, 2022 December 31, 2023, compared with 88% 90% at December 31, 2021. December 31, 2022.
The distribution by maturity of certificates of deposits deposit with denominations of $250,000 $250,000 and over at December 31, 2022 December 31, 2023 is presented in in the table that follows:

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**Table 16 17 - Distribution by Maturity of Certificate Certificates of Deposits Deposit of $250,000 and Over**

| (In thousands) | | |
|---|---|---|
| 3 months or less | $ | 1,809,781 2,025,571 |
| Over 3 to 12 months | | 333,648 630,145 |
| Over 1 year to 3 years | | 282,506 225,165 |
| Over 3 years | | 119,815 177,949 |
| Total | $ | 2,545,750 3,058,830 |

For the years ended December 31, 2022 2023 and 2021, 2022, average deposits, including brokered deposits, represented 93% 92% of average earning assets. Table 17 18 summarizes average deposits for the past three years.

**Table 17 18 - Average Total Deposits**

| For the years ended December 31, | | |
|---|---|---|
| (In thousands) | 2022 2023 | 2021 2022 |
| Non-interest bearing demand deposits | $ | |

16,093,704 15,307,152
$
14,687,093 16,093,704
Savings accounts
16,242,457 15,265,784
15,753,630 16,242,457
NOW, money market and other interest bearing demand accounts
25,539,909 24,208,570
25,648,707 25,539,909
Certificates of deposit
6,840,334 7,764,974
7,013,486 6,840,334
Total interest bearing deposits
48,622,700 47,239,328
48,415,823 48,622,700
Total average deposits

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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, 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 19 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 19, represent public deposit balances from governmental entities in the U.S. and its territories, including Puerto Rico and the United

States Virgin Islands, that are collateralized based on such jurisdictions' applicable collateral requirements. On December 31,2023, 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 $ 10.6 billion or 20% at BPPR and $ 2.6 billion or 23% at Popular U.S., compared to available liquidity sources of $ 14.5 billion at BPPR and $ 5.0 billion at Popular U.S.

**Table 19 - Deposits**

31-Dec-23

Popular, Inc.

(Dollars in thousands)

| | BPPR | % of Total | Popular U.S. | % of Total | (Consolidated) | % of Total |
|---|---|---|---|---|---|---|
| **Deposits:** | | | | | | |
| Deposits balances under $250,000 [1] | $ 23,683,475 | 45 | | | | |

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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 $497 592 million at December 31, 2022 2023 and $496 497 million at December 31, 2021. 2022.

The contractual maturities of the BHCs notes payable at December 31, 2022 December 31, 2023 are presented in Table 18. 20.

**Table 18 20 - Distribution of BHC's Notes Payable by Contractual Maturity**

| Year (In thousands) | |
|---|---|
| 2023 2028 | $ 299,109 393,937 |
| Later years | 198,319 198,346 |
| Total | $ 497,428 592,283 |

The Corporation's As 6.125% unsecured senior of December debt securities mature 31, 2023, in the September of 2023. Annual debt service at the BHCs is had cash approximately and money $markets investments totaling $388 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 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. Additionally, the Corporation's latest quarterly dividend was $0.55 0.62 per share or approximately $40 million $45 million per quarter. As of December 31, 2022, the BHCs had cash and money markets investments totaling $203 million and borrowing potential of $169 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. The Corporation intends to refinance the 6.125% unsecured senior debt prior to its maturity in September. If we are unable to refinance these notes, we could have to declare extraordinary dividends from our banking and other operating subsidiaries to repay such notes. Our ability to declare such dividends could be subject to approval of the Federal Reserve Board.

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.

On July 1, 2022, the Corporation exchanged a portion of Evertec shares as part of a transaction in which it acquired certain critical channels from Evertec and renegotiated several service agreements. The Corporation completed the sale of its remaining shares of Evertec on August 15, 2022. Following the Evertec Stock Sale, Popular no longer owns any Evertec common stock.

*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 borrowingsintercompany borrowings or capital contributions from their holding companies. companies. During the period



ended December 31, 2022, Popular, Inc. made capital contributions to its wholly owned subsidiaries of $25 million to Popular Re, Inc., $10 million to Popular Securities, LLC and $3 million to Popular Impact Fund, LLC.

*Dividends*

During the year ended December 31, 2022, 2023, the Corporation declared cash dividends of $2.20 2.27 per common share outstanding ($163.7 million in the aggregate). The dividends for the Corporation’s Series A preferred stock amounted to $1.4 million. During the year ended December 31, 2022, 2023, the BHCs received dividends amounting to $450 $200 million from BPPR, $54 $50 million from PNA, $19 $14 million from PIBI $8 million and $8 in dividends million from its non-banking subsidiaries and $2 million in dividends from Evertec. subsidiaries. In addition, during the year ended December 31, 2022, Popular International December 31, 2023, Popular International Bank Inc., a wholly owned subsidiary of Popular, Inc., received $16 $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*

The In addition to cash debt reserves held at the securities FRB that totaled $7.0 billion portfolio at December 31,2023, the debt securities portfolio provides an additional source of liquidity, which may be realized through either securities sales, collateralized borrowings or repurchase repurchase agreements. The Corporation’s debt securities portfolio consists primarily of liquid U.S. government debt securities, U.S.

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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 In securities amounted 2023, BPPR became an approved counterparty in the Federal Reserve's Standing Repo Facility. This allows approved counterparties to participate in daily auctions with the Standing Repo Facility for up to $8.0 500 billion in aggregate of overnight financing using U.S. Treasuries and Agency MBS as collateral. The Corporation's unpledged debt securities amounted to $ 4.6 billion at December 31, 2022 2023 and $3.0 billion 7.8 billion at December December 31, 2021. 2022. A substantial portion of these debt securities could be used to to raise financing in the

U.S. money markets or or from secured lending sources. 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 24 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 33 to the Consolidated Financial Statements for information on operating leases and to Note 23 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 cash requirements, including its contractual obligations and debt commitments. As discussed above, *liquidity FDIC Special Assessments is*

On managed November by 16, 2023, the Federal Deposit Insurance Corporation ("FDIC") approved a final rule that imposes a special assessment (the "FDIC Special Assessment") to recover the losses to the deposit insurance fund ("DIF") resulting from the FDIC's use, in order to March meet 2023, its of short- the and systemic long-term cash risk obligations. Note 17 exception to the Consolidated least-cost resolution test under the Federal Deposit Insurance Act in Financial Statements has information on connection with the receiverships of several failed banks.

Under the final rule, the assessment base for the Corporation's borrowings by maturity, special assessment is equal to an insured depository institution's which amounted ("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 Popular, the $5 billion exclusion is allocated among the company's IDI subsidiaries in proportion to $1.4 each IDI's estimated uninsured deposits. The special assessments will be collected at an annual rate of approximately 13.4 basis points per year (3.35 basis points per quarter) over eight quarters in 2024 and 2025,

with the first assessment period beginning January 1, 2024. In their December 31, 2022 Call Reports, BPPR and PB reported estimated uninsured deposits of approximately $28.1 billion, including $16.2 billion at in fully collateralized public sector deposits, and

$3.5 billion, respectively. The Corporation recorded an expense of $71.4 million, $45.3 million net of tax, in the fourth quarter of

2023, representing the full amount of the assessment.

By statute, the FDIC is required to recover the loss arising from the use of a systemic risk determination through one or more special assessments. As of December 31, 2023, the FDIC's loss estimate described in the final rule had increased by approximately $4.1

2022 (December 31, 2021 - $1.2 billion). billion to $20.4 billion, or approximately 25%. The exact amount of losses will be determined when the FDIC terminates the related receiverships considered in the final rule. Accordingly, the special assessment amount and collection period may change as the estimated loss is periodically adjusted or if the total amount collected varies. If the most recent increase in the FDIC's estimate



remains unchanged and is assessed in the same manner, the Corporation estimates that the incremental expense for the FDIC Special Assessment could be approximately $18 million.

*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

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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 December 31, 2022 2023 and December 31, 2021, 2022, and the results of their operations for the period years ended December 31, 2022 2023 and December 31, 2021. 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.

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**Table 19 21 - Summarized Statement of Condition**

(In thousands)

December 31, 2022 2023

December 31, 2021 2022

**Assets**

Cash and money market investments

$

203,083 388,025

$

291,540 203,083

Investment securities

24,815 29,973

25,691 24,815

Accounts receivables from non-obligor subsidiaries

16,853 14,469

17,634 16,853

Other loans (net of allowance for credit losses of $370 (2021 $51 (2022 - $96) $370))

27,826 26,906

29,349 27,826

Investment in equity method investees

5,350 5,265

114,955 5,350

Other assets

45,278 51,315

In addition, during the year ending December 31, 2022, ended December 31, 2022, the Obligor group recorded $228.1 million in group recorded $228.1 million in proceeds from the sale sale of two of its direct equity method investees (2021- $0). investees.

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*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 could be subject to collateral, requirements, standards of creditworthiness, leverage ratios and other regulatory requirements, among other factors. Derivatives, such as as those embedded in long-term repurchase transactions or interest rate swaps, and off-balance sheet exposures, such as sheet exposures, such as recourse, performance bonds or credit card arrangements, are subject to collateral requirements. As their fair fair value increases, the collateral requirements may increase, thereby reducing 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 to access a broad array of wholesale funding sources, 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 year ended December 31, 2022 December 31, 2023, BPPR declared cash dividends of $450 million, a portion of which was used by Popular for the payments of the cash dividends on its outstanding common stock and $231 million in accelerated stock repurchases. $200 million. At December 31, 2022 December 31, 2023, BPPR needed to obtain prior approval of the Federal Reserve Board before declaring can declare a dividend in excess of $53 million due to its declared dividend activity and approximately $387 million without transfers to statutory reserves over the three years ended December 31, 2022. 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 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 to up-stream dividends to its BHC could thus thus be impacted by its financial performance and capital, including

capital,
thus
potentially

tangible and regulatory capital, thus potentially limiting regulatory the amount of cashlimoving up to the amount of cash moving up to the BHCs from the banking subsidiaries. This could, could, in turn, affect the 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 use issue borrowings unsecured that senior are rated by the major rating agencies, debt, as these banking subsidiaries are funded banking subsidiaries are funded primarily with deposits and secured borrowings. The banking subsidiaries had $9 million $7.8 million in deposits at December 31, 2023 that at December 31, 2022 that are subject to rating triggers.

In addition, certain certain mortgage servicing and custodial agreements agreements that BPPR has 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 23 to the Consolidated Financial Statements, the Corporation services residential mortgage loans subject to credit recourse provisions.

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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 $29 27.1 million at December 31, 2022. 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 37 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, In 2017, Hurricane María caused caused significant damage and destruction destruction across the island, resulting in further economic contraction. Puerto Rico's 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 0.6% 5.9% year-over-year increase and a 0.2% month-over-month decrease in December November 2022, 2023. compared to December 2021. During calendar year 2022, the The Economic Activity Index increased by 1.8%, compared to the same period in calendar year 2021. The Economic Activity Index is a coincident indicator of ongoing economic activity but not a a direct measurement of real GNP. The Puerto

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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 pension benefits and other other government expenditures. By 2016, the the Puerto Rico government had 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 "PR Government Entities"). Pursuant Pursuant to PROMESA, the Oversight Board will be be in

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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, and the Puerto Rico Industrial Development Company, 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,example, the Puerto Rico Electric Power Authority is still in the process of restructuring its debts under Title III of PROMESA and other PR Government Entities, such as the Puerto Rico Industrial Development Company, have defaulted on their bonds but have not commenced debt restructuring proceedings under 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 are were scheduled to be ultimately eliminated by fiscal year 2025 as part of the fiscal measures required by the Oversight Board. However, According over the past years, the Oversight Board has authorized and funded new appropriations and investments to the latest Puerto Rico fiscal plan certified by offset the Oversight decline Board, municipalities in have intergovernmental made little transfers to no municipalities. progress Beyond towards those implementing 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 fiscal discipline required available to reduce reliance on these budgetary appropriations and this lack of fiscal management may threaten the ability of certain municipalities to provide in necessary the services, such as health, sanitation, public safety 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 emergency services to their residents, forcing them that municipalities must work with the Executive branch to prioritize expenditures. 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 December 31, 2022, 2023, the Corporation's direct exposure to PR Government Entities totaled $374 362 million, of which $327 $333 million were outstanding, compared to $367 374 million at December 31, 2021, 2022, of which $349 327 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, $302 million $314 million consists of loans and $25 19 million are securities ($319 302 million and $30 million $25 million, respectively, at December 31, 2021) 2022). All of the Corporation's direct exposure outstanding at December 31, 2022 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 December 31, 2022, 2023, 73% 76% of the Corporation's exposure to municipal loans and securities was concentrated in in the municipalities of San Juan, Guaynabo, Carolina and Bayamón.

95 and Caguas.

For additional discussion of the Corporation's direct exposure to the Puerto Rico government and its instrumentalities and municipalities, refer to Note 24 – Commitments and Contingencies to the Consolidated Financial Statements.

In addition, at December 31, 2022, 2023, the Corporation had $251 238 million in loans insured or securities issued by Puerto Rico governmental entities, but for which the principal source of repayment is non-governmental ($275 251 million at December 31, 2021) 2022).

These included $209 191 million in residential mortgage loans insured by the Puerto Rico Housing Finance Authority ("HFA"), a PR

PR

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Government Entity (December 31, 2021 2022 - $232 209 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 December 31, 2022, $42 million 2023, $40 million in bonds issued by HFA which are secured by HFA second mortgage loans on which Puerto Rico residential are secured by second mortgage loans on Puerto Rico residential properties, and for which HFA also provides insurance insurance to cover losses in the event event of a borrower default, and upon the satisfaction of certain other conditions (December (December 31, 2021 2022 - $43 million). $42 million). In the event that the the mortgage loans insured by HFA and held by the Corporation directly or those serving serving as collateral for the HFA bonds default and the 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 December 31, 2022, 2023, BPPR had $15.2 18.1 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 24 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 December 31, 2022, 2023, the Corporation had approximately $28 million in direct exposure to USVI government entities (December 31, 2021 2022 - $70 million $28 million).

**British Virgin Islands**

The Corporation has operations in the British Virgin Islands ("BVI"), which has been 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 December 31, 2022 December 31, 2023, it has a loan portfolio amounting to approximately approximately $214 205 million comprised of various retail and commercial clients, compared to a loan portfolio of $221 million $214 million at December 31, 2021. 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, $1.6 billion $1.9 billion of residential mortgages, $38 million $9.2 million of SBA loans under the

Paycheck Protection Program ("PPP") and $72 million $80 million commercial loans were insured or guaranteed by the U.S. Government or its agencies at December 31, 2022 December 31, 2023 (compared to $1.6 billion, $353 million $38 million and $67 million $72 million, respectively, at December 31, 2021 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. 23.

During 2022, 2023, the Corporation showed favorable continued to reflect credit quality normalization. Non-performing loans ("NPLs") and net charge offs ("NCOs") continued below historical pre-pandemic averages. Consumer portfolios, however, reflected certain credit quality trends deterioration, particularly the personal loans and credit cards portfolios, with delinquencies and NCOs near or exceeding pre-
pandemic levels. The auto loans portfolio also showed credit normalization, however, metrics remained below pre-pandemic levels.

The commercial and mortgage portfolios continue to operate with historically low levels levels of NCOs and decreasing NPLs. We We continue to closely closely monitor changes in the macroeconomic environment and on borrower performance given inflationary higher pressures interest rates and geopolitical uncertainty. inflationary pressures. However, management believes that the improvement improvements over recent years in risk management practices and the risk profile of the profile of the Corporation's loan portfolios positions position Popular to continue to operate successfully under the current environment.

Total NPAs decreased by $104 91 million when compared with December 31, 2021. 2022. Total non-performing loans held-in-portfolio ("NPLs") decreased by $108 82 million from December 31, 2021. 2022. BPPR's NPLs decreased by $112 73 million, mainly driven by lower mortgage and commercial NPLs by $91 million and $38 million, respectively, in part offset by higher auto NPLs by $18 million. The
mortgage NPLs decrease by was $67 million. Popular U.S. NPLs decreased by $9 million from December 31, 2022, mainly due driven to the combined effects of collection efforts, increased foreclosure activity and by lower inflows compared mortgage NPLs. with pre-pandemic At December 31, 2023, the ratio of NPLs trends. Popular U.S. NPLs increased by $4 million from December 31, 2021, mainly in the commercial portfolio, in part due to an $11 million commercial borrower within the healthcare industry that total loans held-in-portfolio was placed in non-accrual status and for which a partial charge-off of $8.7 million was recognized during the fourth quarter of 2022. At December 31, 2022, the ratio of NPLs 1.0% compared to total loans 1.4%, at December
31, 2022. Other held-in-portfolio was 1.4% compared to 1.9%, at December 31, 2021. Other real estate owned loans
("OREOs") increased decreased by by $4 $9 million. At December 31, 2023, 2022, NPLs secured by real estate

amounted to $303 231 million in the Puerto

Rico operations and $33 24 million in Popular U.S. These figures were $428 303 million and $31 $33 million, respectively, at December 31, 2022.

The million, respectively, Corporation's commercial at loan portfolio December 31, 2021.

The Corporation's commercial loan portfolio secured by real estate ("CRE") amounted to $9.9 billion at December 31, 2022, of which $3.1 billion was secured with owner occupied properties, compared with $8.4 billion and $1.8 billion, respectively, at December 31, 2021. During the first quarter of 2022, the Corporation reclassified $0.9 billion of loans from the Commercial Real Estate ("CRE") Non-Owner-Occupied category to the CRE Owner-Occupied category. The selected loans are primarily to skilled and assisted living nursing homes where the majority of the revenues, which are the basis for the repayment of the loans, are generated from medical and related operational activities. These loans meet the type of business and source requirements as defined in the regulatory guidance allowing this classification. CRE NPLs amounted to $54 million 10.6 billion at December 31, 2022, 2023, of which $3.1 billion was secured with owner occupied properties, compared with $77 9.9 million billion and $3.1 billion, respectively, at December 31, 2022. CRE NPLs amounted to $48 million at December 31, 2023, compared with $54 million at December 31, 2021. 2022.

The CRE NPL ratios for the BPPR and Popular U.S. segments were 1.04% 0.86% and 0.12% 0.13%, respectively, at December 31, 2023,

December 31, 2021, compared with 1.95% 1.04% and 0.04% 0.12%, respectively, at December 31, 2021 December 31, 2022.

In addition to the NPLs included in Table 21, 23, at December 31, 2022 December 31, 2023, there were $374 million $510 million of performing loans, mostly commercial loans, which in management's opinion, are currently subject to potential future classification as non-performing (December 31, 2021 2022 - $214 million $374 million).

For the year ended December 31, 2022, 2023, total inflows of NPLs held-in-portfolio, excluding consumer loans, remained decreased flat at by $213 approximately $74 million, million, when compared to the inflows for the same period in 2021. 2022. Inflows of NPLs held-in-portfolio at the BPPR segment increased by $22 BPPR segment decreased by $76 million million compared to the same period in 2021, in 2022, driven by lower mortgage higher commercial and commercial construction inflows by $38 $25 million and $9 million, each. respectively, in part offset by lower mortgage inflows by $12 million. Commercial increase incudes an $18 million inflow during the fourth quarter of 2023. Inflows of NPLs held-in-portfolio at the Popular U.S. segment increased by $2 million segment decreased by $21 million from the same period in 2021.

2022, mainly driven by lower

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**Table 21 - Non-Performing Assets**

December 31, 2022

December 31, 2021

(Dollars in thousands)
BPPR
Popular
U.S.
Popular,
Inc.
BPPR
Popular
U.S.
Popular,
Inc.
Non-accrual loans:
Commercial
$
82,171
$
10,868
$
93,039
$

98

**Table 22 - Activity in Non-Performing Loans Held-in-Portfolio (Excluding Consumer Loans)**

For the year ended December 31, 2022

*(In thousands)*

BPPR

Popular U.S.

Popular, Inc.

| | | | | | |
|---|---|---|---|---|---|
| Beginning balance | $ | 454,419 | $ | 27,501 | $ 481,920 |
| Plus: | | | | | |
| New non-performing loans | | 158,128 | | 50,754 | 208,882 |
| Advances on existing non-performing loans | | - | | 2,825 | 2,825 |
| Less: | | | | | |
| Non-performing loans transferred to OREO | | (38,580) | | (85) | (38,665) |



**Table 24 - Activity in Non-Performing Commercial Loans Held-In-Portfolio**

For the year ended December 31, 2022

*(In thousands)*

BPPR
Popular U.S.
Popular, Inc.
Beginning balance - NPLs
$120,047
$5,532
$125,579
Plus:
New non-performing loans
19,476
33,861
53,337
Advances on existing non-performing loans
-
2,525
2,525
Less:
Non-performing loans transferred to OREO
(4,763)
-
(4,763)
Non-performing loans charged-off
(5,872)

100

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**Table 27 23 - Non-Performing Assets**

December 31, 2023

December 31, 2022

(Dollars in thousands)

BPPR

Popular U.S.

Popular, Inc.

BPPR

Popular U.S.

Popular, Inc.

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**Table 24 - Activity in Non-Performing Construction Non-Performing Loans Held-in Held-in-Portfolio (Excluding Consumer -Portfolio Loans)**

For the year ended December 31, 2021 December 31, 2023

*(In thousands)*

BPPR

Popular U.S.

Popular, Inc.

Beginning balance - NPLs

$

324,562

$

31,356

$

355,918

Plus:

New non-performing loans

180,426

31,484

211,910

Advances on existing non-performing loans

-

681

681

Less:

Non-performing loans transferred to OREO

(36,684)

103

**Table 26 - Activity in Non-Performing Commercial Loans in accrual status transfer to held-for-sale Held-In-Portfolio**

For the year ended December 31, 2023

*(In thousands)*

| | BPPR | Popular U.S. | Popular, Inc. |
|---|---|---|---|
| Beginning balance - NPLs | $82,171 | $10,868 | $93,039 |
| Plus: | | | |
| New non-performing loans | 44,542 | 15,533 | 60,075 |
| Advances on existing non-performing loans | - | (7,000) 550 | (7,000) 550 |
| Less: | | | |
| Non-performing loans transferred to OREO | (5,930) | - | (5,930) |

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**Table 29 - Activity in Non-Performing Construction Loans Held-in-Portfolio**

For the year ended December 31, 2022

*(In thousands)*

| (In thousands) | BPPR | Popular U.S. | Popular, Inc. |
|---|---|---|---|
| Beginning balance - NPLs | $485 | $- | $485 |
| Less: | | | |
| Loans returned to accrual status / loan collections | (485) | - | (485) |
| Ending balance - NPLs | $- | $- | $- |

**Table 28 30 - Activity in Non-Performing Mortgage Loans Held-in-Portfolio**

For the year ended December 31, 2023

*(In thousands)*

BPPR

Popular U.S.

Popular, Inc.

101

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***Loan Delinquencies***

Another key measure used to evaluate and monitor the Corporation's asset quality is loan delinquencies. Loans delinquent 30 days or more and delinquencies, as a percentage of their related portfolio category at December 31, 2022 2023 and 2021, 2022, are presented below.

**Table 30 32 - Loan Delinquencies**

*(Dollars in thousands)*

2022 2023

2021 2022

Loans delinquent

30 days or more

Total loans

Total delinquencies

delinquencies as a percentage percentage of total loans

Loans delinquent

30 days or more

Total loans

Total delinquencies

delinquencies as a percentage percentage of total loans

Commercial

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TDRs in the BPPR segment amounted to $1.6 billion, a decrease of $12 million, mostly related to lower consumer TDRs by $11 million. The Popular U.S. segment TDRs have remained essentially flat since December 31, 2021. TDRs in accruing status increased by $26 million from December 31, 2021, mostly related to an increase of $26 million in BPPR's mortgage TDRs, while non-accruing TDRs decreased by $39 million, mostly related to lower mortgage and commercial TDRs by $26 million and $10 million, respectively.

Refer to Note 9 to the Consolidated Financial Statements for additional information on modifications considered TDRs, including certain qualitative and quantitative data about TDRs performed in the past twelve months. experiencing financial difficulties.

**Enterprise Risk Management**

The Corporation's Board of Directors has established a Risk Management Committee ("RMC") to, among other things, assist the Board in its (i) oversight of the Corporation's overall risk framework and (ii) to monitor, review, and approve policies to measure, limit and manage the Corporation's risks.

The Corporation has established a three lines of defense framework: (a) business line management constitutes the first line of defense by identifying and managing the risks associated with business activities, (b) components of the Risk Management Group and the Corporate Security Group, among others, act as the second line of defense by, among other things, measuring and reporting on the Corporation's risk activities, and (c) the Corporate Auditing Division

,

as the third line of defense, reporting directly to the Audit Committee of the Board, by independently providing assurance regarding the effectiveness of the risk framework.

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The Enterprise Risk Management Committee (the “ERM Committee”) is a management committee whose purpose is to: (a) monitor to oversee and the monitor Market, Interest, Liquidity, principal risks Regulatory and Financial Compliance, BSA/AML & Sanctions, Regulatory, as defined Strategic, Operational (including in the Fraud and Third Party Risk, Appetite Statement (“RAS”) among of the others), Information Technology and Cyber Security, Legal, Credit, Climate and Reputational risks, as defined in the Risk Appetite Statement of the Risk Management Policy affecting our business and within the Corporation’s Enterprise Risk Management (“ERM”) framework, (b) review key risk indicators and related developments at the business level consistent with the RAS, and (c) lead the incorporation of a uniform Governance, Risk and Compliance framework across the Corporation. framework. The ERM Committee and the Enterprise Risk Management Department in the Financial Risk Management Department in the Financial and Operational Risk Management Division (the “FORM Division”), in coordination with the Chief Risk Officer, create the framework to identify and manage multiple and cross-enterprise risks, and cross-enterprise risks, and to articulate the RAS and supporting metrics.

Our risk management program monitors the following principal risks: credit, interest rate, market, liquidity, operational, cyber and information security, climate, legal, regulatory affairs, regulatory and financial compliance, BSA/ AML & sanctions, strategic and reputational.

The Enterprise Risk Management Department has established a process to ensure that an appropriate standard readiness assessment is performed before we launch a new product or service. Similar procedures are followed with the Treasury Division for transactions involving the purchase and sale of assets, and by the Mergers and Acquisitions Division for acquisition transactions.

The Asset/Liability Committee (“ALCO”), composed of senior management representatives from the business lines and corporate functions, and the Corporate Finance Group, are responsible for planning and executing the Corporation’s market, interest rate risk, funding activities and strategy, as well as for implementing approved policies and procedures. The ALCO also reviews the Corporation’s capital policy and the attainment of the capital management objectives. In addition, the Financial Risk, Corporate Insurance & Advisory Department independently measures, Department independently measures, monitors and reports compliance with liquidity and market risk policies, and oversees controls surrounding interest risk measurements.

The Corporate Compliance Committee, comprised of senior management team members and representatives from the Regulatory

and Financial Compliance Division and the Financial Crimes Compliance Division, among others, are responsible for overseeing and assessing the adequacy of the risk management processes that underlie Popular's compliance program for identifying,
assessing, measuring, monitoring, testing, mitigating, and reporting compliance risks. They also supervise Popular's reporting obligations under the compliance program so as to ensure the adequacy, consistency and timeliness of the reporting of compliance-
related risks across the Corporation.
The Regulatory Affairs team is responsible for maintaining an open dialog with the banking regulatory agencies in order to ensure regulatory regulatory risks are properly identified, measured, monitored, as well as communicated to the appropriate regulatory agency as necessary as to necessary to keep them apprised of material matters within the purview of these agencies.

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The Credit Strategy Committee, composed of senior level management representatives from the business lines and corporate functions, and the Corporate Credit Risk Management Division, are responsible for monitoring credit risk management activities both at the corporate level and across all Popular subsidiaries to ensure the Corporate development Credit and consistent application of credit risk policies, processes and procedures that measure, limit and manage credit risks, while seeking to maintain the effectiveness and efficiency of the operating and businesses processes.
The Corporation's Operational Risk Committee ("ORCO") composed of senior level management representatives from the business lines and corporate functions, provide executive oversight of the operational risk management activities of Popular and its subsidiaries to ensure the development and consistent application of operational risk policies, processes, and procedures that measure, limit, and manage operational risks while maintaining the effectiveness and efficiency of the operating and business processes. The FORM Division, within the Risk Management Division, Group, are serves as ORCO's operating arm and is responsible for managing the Corporation's overall credit exposure by establishing policies, standards and guidelines that define, quantify and monitor credit risk and assessing the adequacy of the allowance for credit losses.
The Corporation's Operational Risk Committee ("ORCO") and the Cyber Security Committee, which are composed of senior level management representatives from the business lines and corporate functions, provide executive oversight to facilitate consistency of effective policies, best practices, controls and monitoring tools for managing and assessing all types of operational risks across the Corporation. The FORM Division, within the Risk Management Group, serves as ORCO's operating arm and is responsible for establishing baseline processes to measure, monitor, limit and manage operational risk.

The Corporate Security Group ("CSG"), under the direction of the Chief Security Officer, leads all efforts pertaining to cybersecurity,
enterprise fraud and data privacy, including developing strategies and oversight processes with policies and programs that mitigate compliance, operational, strategic, financial and reputational risks associated with the Corporation's and our customers' data and assets.
The Information Technology and Cyber Risk Committee, composed of senior management representatives from the business lines and corporate functions, the Information Technology Division and the CSG, are responsible for the oversight and monitoring of information technology and cybersecurity risks, mitigation

strategies, actions and controls, key risk metrics, and information technology and cyber incidents that may result in operational, compliance and reputational risks. The Chief Security Officer also leads co-
chairs the Information Technology & Cyber Security Committee. Risk Committee along with the Chief Information & Digital Strategy Officer.
The Corporate Legal Division, in this context, has the responsibility of assessing, monitoring, managing and reporting with respect to legal risks, including those related to litigation, investigations and other material legal matters.
The Corporation has also established an ESG Committee whose purpose and responsibility is to oversee the Corporation's ESG
strategies and support the development and consistent application of policies, processes and procedures that measure, limit and


manage ESG matters and risks. The ESG Committee also assesses ESG-related considerations in the credit approval process of commercial credit applications.
The processes of strategic risk planning and the evaluation of reputational risk are on-going processes through which continuous data gathering and and analysis are performed. In order to ensure strategic strategic risks are properly identified and monitored, monitored, the Corporate
Strategy and Transformation Division, which reports to the Corporation's Chief Operations Officer, performs periodic assessments regarding corporate strategic priority initiatives, such as the Corporation's transformation initiative and other emerging issues. The
Acquisitions and Corporate Investments Division continuously assesses potential strategic transactions. The Corporate
Communications Division is responsible for the monitoring, management and implementation of action plans with respect to reputational risk issues.
Popular's capital planning process integrates the Corporation's risk profile as well as its strategic focus, operating environment, and other factors that could materially affect capital adequacy in hypothetical highly-stressed business scenarios. Capital ratio targets and triggers take into consideration the different risks evaluated under Popular's risk management framework.
In addition to establishing a formal process to manage risk, our corporate culture is also critical to an effective risk management function. Through our Code of Ethics, the Corporation provides a framework for all our employees to conduct themselves with the highest integrity.

**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.

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**Statistical Summary 2022-2021 2023-2022**

**Statements of Financial Condition**

At December 31,

(In thousands)

2022 2023

2021 2022

Assets:

Cash and due from banks

$

469,501 420,462

$

428,433 469,501

Money market investments:

Time deposits with other banks

5,614,595 6,998,871

17,536,719 5,614,595

Total money market investments

5,614,595 6,998,871

1127

**Statistical Summary 2020-2022 2021-2023**

**Statements of Operations**

For the years ended December 31,
(In thousands)
2023
2022
2021
2020
Interest income:
Loans
$
2,331,654
$
1,876,166
$
1,747,827
$
1,742,390
Money market investments
366,625
118,080
21,147
19,721
Investment securities
547,028
471,665
353,663

bpop-20231231p114i2 bpop-20231231p114i1 bpop-20231231p114i0

109 114

## Report of Management on Internal Control Over Financial Reporting

The management of Popular, Inc. (the "Corporation") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a - 15(f) and 15d - 15(f) under the Securities Exchange Act of 1934 and for our assessment of internal control over financial reporting. The Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America, and includes controls over the preparation of financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) to comply with the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). The Corporation's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation;
(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and
(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also,
projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
The management of Popular, Inc. has assessed the effectiveness of the Corporation's internal control over financial reporting as of
December 31, 2022. 2023. In making this assessment, management used the criteria set forth in the Internal Control-Integrated
Framework (2013) issued by the Committee of Sponsoring Sponsoring Organizations of the Treadway Commission (COSO).
Based on our assessment, management concluded that the Corporation maintained effective internal control over financial reporting as of December 31, 2022 December 31, 2023 based on the criteria referred to above.
The Corporation's independent registered public accounting firm,
PricewaterhouseCoopers LLP
, has audited the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2022, December 31, 2023, as stated in their report dated March 1, 2023 February 29, 2024
which appears herein.
Ignacio Alvarez
Carlos J. Vázquez
President and
Executive Vice President
Chief Executive Officer
and Chief Financial Officer

bpop-20231231p115i0
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**Report of Independent Registered Public Accounting Firm**

To
the
Board of Directors and Stockholders of Popular, Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated statements of financial condition of Popular, Inc. and its subsidiaries (the “Corporation”) as of December 31, 2022 2023 and 2021, 2022, and the related consolidated statements of operations, comprehensive income (loss) income, , changes in stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2022, 2023, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Corporation's internal control over financial reporting as of
December 31, 2022, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the
Committee of Sponsoring Organizations of the Treadway Commission (COSO).
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in in all material respects, effective internal control over financial reporting as of December 31, 2022, 2023, based on criteria established in
Internal Control - Integrated Framework (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note 3
to the consolidated financial statements, the Corporation changed the manner in which it accounts for its allowance for credit losses in 2020.

***Basis for Opinions***

The Corporation's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our
responsibility is to express opinions on the Corporation’s consolidated financial statements and on the Corporation’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the
Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.
Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an



understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our
audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management's assessment and our audit of Popular,
Inc.'s internal control over financial reporting also included controls over the preparation of financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-
9C) to comply with the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation
Improvement Act (FDICIA). A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.
Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matters matter communicated below are matters is a matter arising from the current period audit of the consolidated financial statements that were was communicated or required to be communicated to the audit committee and that (i)
relate relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters matter below, providing a separate opinions opinion on the critical audit matters matter or on the accounts or disclosures to which they relate. it relates.

*Allowance for Credit Losses on Loans Held-in-Portfolio - Quantitative Models, and Qualitative Adjustments to the Puerto Rico Commercial Portfolios*

As described in Notes 2 and 9 to the consolidated financial statements, the Corporation follows the current expected credit loss ("CECL") model, to establish and evaluate the adequacy of the allowance for credit losses ("ACL") to provide for expected losses in the loan portfolio. As of December 31, 2022, 2023, the allowance for credit losses was $720 $729
million on total loans of $32 34 billion. This CECL model establishes a forward-looking methodology that reflects the expected credit losses over the lives of financial assets. The quantitative modeling framework includes competing risk models competing risk models to generate lifetime defaults and prepayments, and other loan level modeling techniques to estimate loss severity. As part of this methodology, management evaluates various macroeconomic scenarios, and may apply probability weights to the outcome of the selected scenarios. The ACL also includes a qualitative framework that addresses losses that are expected but not captured within the quantitative modeling framework. In order to identify potential losses that are not captured through the models, management evaluated model limitations as well as the different risks risks covered by by the variables used in each quantitative quantitative model. To complement the analysis, management also evaluated sectors that have low levels of historical defaults, but current conditions show the potential for future losses.

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The principal considerations for our determination that performing procedures relating to the allowance for credit losses on loans held-in-portfolio quantitative models, and qualitative adjustments to the Puerto Rico commercial portfolios is a critical audit matter are (i) the significant judgment by management in determining the allowance for credit losses, including qualitative adjustments to to the Puerto Rico commercial portfolios, is which in turn led to a high critical degree of auditor effort, judgment, and subjectivity in performing procedures and evaluating audit matter evidence relating

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are
(i) the significant judgment by management in determining to the allowance for credit losses,
including qualitative adjustments to the Puerto Rico portfolios, which in turn led to a high degree of auditor effort, judgment, and subjectivity in performing procedures and evaluating audit evidence relating to the allowance for credit losses, including management's selection of macroeconomic scenarios and probability weights applied; and (ii) the audit effort involved the use of professionals with specialized skill and knowledge. Addressing the matter involved performing procedures and evaluating probability weights applied; and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.
Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our
our overall opinion on the
consolidated financial statements. These procedures included testing the effectiveness of
controls relating to the the allowance for credit losses for loans held-in-portfolio, including qualitative adjustments to the

Puerto Rico commercial portfolios.

These procedures also included, among others, testing management's process for estimating the allowance for credit losses by by (i) evaluating the appropriateness of the methodology, including models used used for estimating the ACL; (ii) evaluating the reasonableness of management's selection of various macroeconomic scenarios including probability weights applied to the expected loss outcome of the selected macroeconomic scenarios; (iii) evaluating the reasonableness reasonableness of the qualitative adjustments to Puerto Rico commercial portfolios allowance for credit losses; and (iv) testing the data used in the allowance for credit losses. losses. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the methodology and models, the reasonableness of management's selection and weighting of macroeconomic scenarios used to estimate current expected credit losses and reasonableness of the qualitative adjustments to Puerto Rico portfolios allowance for credit losses.

*Goodwill Annual Impairment Assessment - Banco Popular de Puerto Rico and Popular Bank Reporting Units*

As described in Note 15 to the consolidated financial statements, the Corporation's consolidated goodwill balance was $827 million as of December 31, 2022, of which a significant portion relates to the Banco Popular de Puerto Rico ("BPPR") and Popular Bank ("PB") reporting units. Management conducts an impairment test as of July 31 of each year and on a more frequent basis if events or circumstances indicate an impairment could have taken place. In determining the fair value of each reporting unit, management 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 computations require management to make estimates, assumptions and calculations related to: (i) a selection of comparable publicly traded companies, based on the nature of business, location and size; (ii) a selection of comparable acquisitions, (iii) calculation of average price multiples of relevant value drivers from a group of selected comparable companies and acquisitions; (iv) the discount rate applied to future earnings, based on an estimate reasonableness of the cost qualitative of equity; (v) the potential future earnings of the reporting units; and (vi) the market growth and new business assumptions. Furthermore, as part of the analyses, management performed a reconciliation of the aggregate fair values determined for the reporting units adjustments to the market capitalization of the Corporation concluding that the fair value results determined for the reporting units were reasonable.

The principal considerations for our determination that performing procedures relating to goodwill annual impairment assessments of the Banco Popular de Puerto Rico and Popular Bank reporting units is a critical audit matter are (i) the significant judgment by management when determining the fair value measurements of the reporting units, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating evidence relating to the calculation of average price multiples of relevant value drivers from a group of selected comparable companies and acquisitions; the potential future earnings of the reporting unit; the estimated cost of equity; and the market growth and new business assumptions; and (ii) the audit effort involved the use of professionals with specialized skill and knowledge. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements.

These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment process, including controls over the valuation of Banco Popular de Puerto Rico and Popular Bank reporting units. These procedures also included, among others, (i) testing management's process commercial portfolios allowance for determining the fair value estimates of Banco Popular de Puerto Rico and Popular Bank reporting units; (ii) evaluating the appropriateness of the discounted cash flow analyses and guideline public companies methodologies including the weights applied to each valuation method; (iii) testing the underlying data used in the estimates; (iv) evaluating the

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appropriateness of the calculation of average price multiples of relevant value drivers from a group of selected comparable companies and acquisitions; and (v) evaluating the potential future earnings of the reporting units; the estimated cost of equity; and the market growth and new business assumptions, including whether the assumptions used by management were reasonable considering, as applicable, (i) the current and past performance of the reporting units; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the methods and the reasonableness of certain significant assumptions. credit losses.

San Juan, Puerto Rico

March 1, 2023 February 29, 2024

We have served as the Corporation's auditor since 1971, which includes periods before the Corporation became subject to SEC reporting requirements.

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. LLP-216 Expires Dec. 1, 2025
Stamp E497972 E548240 of the P.R. Society of

Certified Public Accountants has been affixed to the file copy of this report

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**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

[UNAUDITED]

December 31,

December 31,

(In thousands, except share information)

2022 2023

2021 2022

Assets:

Cash and due from banks

$

1206

**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) INCOME (UNAUDITED)**

Years ended December 31,
(In thousands)
2023
2022
2021
2020
Net income
$
541,342
$
1,102,641
$
934,889
$
506,622
Other comprehensive income (loss) income before tax:
Foreign currency translation adjustment
(7,793)
10,572
3,947
(14,471)
Adjustment of pension and postretirement benefit plans
23,052
7,811
36,950
(9,032)
Amortization of net losses
19,253
15,644
20,749
21,447
Unrealized net holding gains (losses) gains on debt securities arising during the period
391,633
(2,539,421)

117 121

**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

Accumulated
other
Common
Preferred
Retained
Treasury
comprehensive
(In thousands)
stock stock
Surplus
earnings stock
income (loss) income
Total

118 122

**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31

119 123

Acquisition of premises and equipment

(208,044)

(103,789)

(72,781)

(60,073)

Proceeds from insurance claims

- 145

-

366 -

Proceeds from sale of:

Premises and equipment and other productive assets

8,658

10,305

21,482

26,548

Foreclosed assets

109,547

107,203

86,942

77,521

Net cash (used in) provided by (used in) investing activities

(2,613,407)

5,350,200

(10,518,650)

(13,068,146)

**Cash flows from financing activities:**

Net increase (decrease) increase in:

Deposits

2,365,451

(5,770,261)

10,138,617

13,102,028

120 124

**Notes to Consolidated Financial Statements**

Note 1 -

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**Note 1 – Nature of Operations and basis of Presentation**

***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 mainland U.S., the Corporation provides retail, mortgage and commercial banking services 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, investment and insurance services and equipment leasing and financing services through Popular specialized Equipment Finance (“PEF”), a wholly owned subsidiary subsidiaries.
of PB based in Minnesota.

***Basis of Presentation***

Leveraging the completion of the Evertec Transactions, as defined in Note 4 to the Consolidated Financial Statements, 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 our clients, as well as the competitive landscape, have evolved, requiring us to make important investments in our technological infrastructure and adopt more agile practices. Our technology and business transformation will be a significant priority for the Corporation over the next three years and beyond.
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.
The following table provides the detail of the reclassifications for each respective year: the year.

| | Year ended December 31, 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| *Financial statement line item* | **As reported** | **Adjustments** | **Adjusted** | **As reported** | **Adjustments** | **Adjusted** |
| Equipment expenses | $ 92,097 | $ (59,178) | $ 32,919 | $ 88,932 | $ (56,418) | $ 32,514 |
| Professional services fees | 410,865 | (284,144) | | | | |

122 126.

**Note 2 – 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.
The following is a description of the most significant of these policies:

*Principles of consolidation*

The consolidated financial statements include the accounts of Popular, Inc. and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. In accordance with the consolidation guidance for variable interest entities, the Corporation would also consolidate any variable interest entities (“VIEs”) for which it has a controlling financial interest; and therefore, it is the primary beneficiary. Assets held in a fiduciary capacity are not assets of the Corporation and, accordingly, are not included in the Consolidated Statements of Financial Condition.
Unconsolidated investments, in which there is at least 20% ownership and / or the Corporation exercises significant influence, are generally accounted for by the equity method with earnings recorded in other operating income. Limited partnerships are also accounted for by the equity method unless the investor’s interest is so “minor” that the limited partner may have virtually no influence over partnership operating and financial policies. These investments are included in other assets and the Corporation’s proportionate share of income or loss is included in other operating income.
Statutory business trusts that are wholly-owned by the Corporation and are issuers of trust preferred securities are not consolidated in the Corporation’s Consolidated Financial Statements.

*Business combinations*

Business combinations are accounted for under the acquisition method. Under this method, assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date are measured at their fair values as of the acquisition date. The acquisition date is the date the acquirer obtains control. Transaction costs are expensed as incurred. Contingent consideration classified as an asset or a liability is remeasured to fair value at each reporting reporting date until the contingency is is resolved. The changes in fair value of the contingent consideration are recognized in earnings unless the arrangement is a hedging instrument for which changes are initially recognized in other comprehensive income income. (loss). Refer to Note 4 for information of business combinations completed by the Corporation for the years presented.

*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.

*Fair value measurements*

The Corporation determines the fair values of its financial instruments based on the fair value framework established in the guidance for Fair Value Measurements in Accounting in ASC Standards Codification (“ASC”) Subtopic 820-10, which requires an entity to maximize the use maximize of observable inputs and minimize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined as the

as the exchange price that would be received for an asset or paid to transfer a liability (an (an exit price) in the principal or most advantageous market for the asset or liability market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard describes three levels of inputs that may be used to measure fair value which are (1) quoted market prices for identical assets or liabilities in active markets, (2) observable market-based inputs or unobservable inputs that are corroborated by market data, and (3)

unobservable inputs that may be are used not to corroborated measure by market data. The fair value which are (1) quoted market prices for identical assets or liabilities in active markets, (2) observable market-based inputs or unobservable inputs that are corroborated by market data, and (3) unobservable inputs that are not corroborated by market data. The fair value hierarchy ranks the quality and reliability of the of the information used to determine the fair values.

The guidance in ASC Subtopic 820-10 also addresses measuring fair value in situations where markets are inactive and transactions are not orderly. Transactions or quoted prices for assets and liabilities may not be determinative of fair value when transactions are not orderly, and thus, may require adjustments to estimate fair value. Price quotes based on transactions that are not orderly should be given little, if any, weight in measuring fair value. Price quotes based on transactions that are orderly shall be considered in determining fair value, and the weight given is based on facts and circumstances. If sufficient information is not available to determine if price quotes are based on orderly transactions, less weight should be given to the price quote relative to other transactions that are known to be orderly.

(234,144)
126,721
394,122
(261,708)
132,414

Technology and software expenses
-
277,979
277,979
-
263,886
263,886

Processing and transactional services
-
121,867
121,867
-
112,039
112,039

Communications
25,234
(11,205)
14,029
23,496
(10,266)
13,230

Other operating expenses
136,988
(44,819)
92,169
128,882
(47,533)
81,349

Net effect on operating expenses
$
665,184
$
-
$
665,184
$
635,432
$
-
$
635,432

123 127

*Investment securities*

Investment securities are classified in four categories and accounted for as follows:

- Debt securities that the Corporation has the intent and ability to hold to maturity are classified as debt securities securities held-to-maturity and reported at amortized cost. An ACL is established for the expected credit losses over the remaining term of debt securities held-to-maturity. The Corporation has established a methodology to estimate credit losses which considers qualitative factors, including internal credit ratings and the underlying source of repayment in determining the amount of expected credit losses. Debt securities held-to-maturity are written-off through the ACL when a portion or the entire amount is deemed uncollectible, based on the information considered to develop expected credit losses through the life of the asset. The ACL is estimated by leveraging the expected loss framework for mortgages in the case of securities collateralized by 2nd lien loans and the commercial C&I models for municipal bonds. As part of this framework, internal factors are stressed, as a qualitative adjustment, to reflect current conditions that are not necessarily captured within the historical loss experience. The modeling framework includes a 2-year reasonable and supportable period gradually reverting, over a over 3-years horizon, to historical information at the model input level. The Corporation’s portfolio of held-to-maturity securities includes U.S. Treasury notes and obligations from the U.S. Government. These securities have 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. The Corporation may not sell or transfer held-to-maturity securities without calling into question its intent to hold other debt securities to maturity, unless a 3-years nonrecurring horizon, or to unusual historical event information that at the model input level. The Corporation may could not sell or transfer held-to-maturity securities without calling into question its intent to hold other debt securities to maturity, unless a nonrecurring or unusual event that could not have been reasonably anticipated has occurred.
- 

Debt securities classified as trading securities are reported at fair value, with unrealized and realized gains and losses included in non-interest income.

- Debt securities classified as available-for-sale are reported at fair value. Declines in fair value below the securities' amortized cost which are not related to estimated credit losses are recorded through other comprehensive income or loss, net of taxes. If the Corporation intends to sell or believes it is more likely than not that it will be required to sell the debt security, it is written down to fair value through earnings. Credit losses relating to available-for-sale debt securities are recorded through an ACL, which are limited to the difference between the amortized cost and the fair value of the asset. The ACL is established for the expected credit losses over the remaining term of debt security. The Corporation's portfolio of available-for-sale securities is comprised mainly of U.S. Treasury notes and obligations from the U.S. Government. These securities have 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. The Corporation monitors its securities portfolio composition and credit performance on a quarterly basis to determine if any allowance is considered necessary. Debt securities available-for-sale are written-off when a portion or the entire amount is deemed uncollectible, based on the information considered to develop expected credit losses through the life of the asset. The specific identification method is used to determine realized gains and losses on debt securities available-for-sale, which are included in net (loss) gain on sale of debt securities in the Consolidated Statements of Operations.

- Equity securities that have readily available fair values are reported at fair value. Equity securities that do not have readily available fair values are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Stock that is owned by the Corporation to comply with regulatory requirements, such as Federal Reserve Bank and Federal Home Loan Bank ("FHLB") stock, is included in this category, and their realizable value equals their cost. Unrealized and realized gains and losses and any impairment on equity securities are included in net gain (loss), including impairment on equity securities in the Consolidated Statements of Operations. Dividend income from investments in equity securities is included in interest income.

The amortization of premiums is deducted and the accretion of discounts is added to net interest income based on the interest method over the outstanding period of the related securities. Purchases and sales of securities are recognized on a trade date basis.

*Derivative financial instruments*

All derivatives are recognized on the Statements of Financial Condition at fair value. The Corporation's policy is not to offset the fair value amounts recognized for multiple derivative instruments executed with the same counterparty under a master netting



arrangement nor to offset the fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from the same master netting arrangement as the derivative instruments.

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For a cash flow hedge, changes in the fair value of the derivative instrument are recorded net of taxes in accumulated other comprehensive income/ income (loss) and subsequently reclassified reclassified to net income (loss) in the same period(s) that the hedged transaction impacts impacts earnings. For free-standing derivative instruments, changes in fair values are reported in current period earnings.

Prior to entering a hedge transaction, the Corporation formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative instruments to specific assets and liabilities on the Statements of Financial Condition or to specific forecasted transactions or firm commitments along with a formal assessment, at both inception of the hedge and on an ongoing basis, as to the effectiveness of the derivative instrument in offsetting changes in fair values or cash flows of the hedged item. Hedge accounting is discontinued when the derivative instrument is not highly effective as a hedge, a derivative expires, is sold, terminated, when it is unlikely that a forecasted transaction will occur or when it is determined that it is no longer appropriate. When hedge accounting is discontinued the derivative continues to be carried at fair value with changes in fair value included in earnings.

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 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. 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 are expected to be offset by the changes in the fair value of the forward contract, both of which are now recorded through net income.

For non-exchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

The fair value of derivative instruments considers the risk of non-performance by the counterparty or the Corporation, as applicable.

The Corporation obtains or pledges collateral in connection with its derivative activities when applicable under the agreement

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the extent that the loan's reduction in value has not already been provided for in the ACL, an additional provision for credit losses is recorded. Subsequent to reclassification to held-for-sale, the amount, by which cost exceeds fair value, if any, is accounted for as a valuation allowance with changes therein included in the determination of net income for the period in which the change occurs. Effective on January 1, 2023, newly originated mortgage loans held-for-sale are reported at fair value, with changes recorded through earnings.

The past due status of a loan is determined in accordance with its contractual repayment terms. Furthermore, loans are reported as past due when either interest or principal remains unpaid for 30 days or more in accordance with its contractual repayment terms.

Non-accrual loans are those loans on which the accrual of interest is discontinued. When a loan is placed on non-accrual status, all previously accrued and unpaid interest is charged against interest income and the loan is accounted for either on a cash-basis method or on the cost-recovery method. Loans designated as non-accruing are returned to accrual status when the Corporation expects repayment of the remaining contractual principal and interest.

Recognition of interest income on commercial and construction loans is discontinued when the loans are 90 days or more in arrears on payments of principal or interest or when other factors indicate that the collection of principal and interest is doubtful. The portion of a secured loan deemed uncollectible is charged-off no later than 365 days past due. However, in the case of a collateral

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lependent loan, the excess of the recorded investment over the fair value of the collateral (portion deemed uncollectible) is jenerally promptly charged-off, but in any event, not later than the quarter following the quarter in which such excess was first ecognized. Commercial unsecured loans are charged-off no later than 180 days past due. Recognition of interest income on nortgage loans is generally discontinued when loans are 90 days or more in arrears on payments of principal or interest. The ›ortion of a mortgage loan deemed uncollectible is charged-off when the loan is 180 days past due. The Corporation discontinues he recognition of interest on residential mortgage loans insured by the Federal Housing Administration (“FHA”) or guaranteed by he U.S. Department of Veterans Affairs (“VA”) when 15-months delinquent as to principal or interest. The principal repayment on hese loans is insured. Recognition of interest income on closed-end consumer loans and home equity lines of credit is discontinued vhen the loans are 90 days or more in arrears on payments of principal or interest. Income is generally recognized on open-end :onsumer loans, except for home equity lines of credit, until the loans are charged-off. Recognition of interest income for lease inancing is ceased when loans are 90 days or more in arrears. Closed-end consumer loans and leases are charged-off when they ıre 120 days in arrears. Open-end (revolving credit) consumer loans are charged-off when 180 days in arrears. Commercial and :onsumer overdrafts are generally charged-off no later than 60 days past their due date.

\ loan classified as a troubled modified with debt restructuring (“TDR”) is financial difficulties is typically in non-accrual status at the ime of the modification. The TDR

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

*.oan modifications*

n connection with the implementation of the Accounting Standards Update (“ASU”) 2022-02, the Corporation modified its policy elated to loan modifications. As discussed in Note 3, the new accounting guidance eliminates the recognition and measurement ›rinciple of troubled debt restructurings (TDRs).

\ modification is subject to disclosure under the new ASU when the Corporation separately concludes that both of the following :onditions exist: 1) the debtor is experiencing financial difficulties and 2) the modification constitutes a reduction in the interest rate ›n the loan, a payment extension, a forgiveness of principal, or a more-than-insignificant payment delay. Determination that a ›orrower is experiencing financial difficulties involves a degree of judgment.

'he identification of loan modifications to debtors with financial difficulties is critical in the determination of the adequacy of the ACL.

'he ASU 2022-02 eliminates the requirement to use a discounted cash flow (“DCF”) approach to estimated credit losses for nodified loans with borrowers experiencing financial difficulties. The entity can apply a methodology similar to the one used for oans 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 $

16

million ($

29

million net of tax) in the reserve which was recorded as an adjustment to the beginning balance of retained earnings.

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

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The Corporation leases passenger and commercial vehicles and equipment to individual and corporate customers. The finance method of accounting is used to recognize revenue on lease contracts that meet the criteria specified in the guidance for leases in ASC Topic 842. Aggregate rentals due over the term of the leases less unearned income are included in finance lease contracts receivable. Unearned income is amortized using a method which results in approximate level rates of return on the principal amounts outstanding. Finance lease origination fees and costs are deferred and amortized over the average life of the lease as an adjustment to the interest yield.

Revenue for other leases is recognized as it becomes due under the terms of the agreement.

*Loans acquired with deteriorated credit quality*

Purchased credit deteriorated (“PCD”) loans are defined as those with evidence of a more-than-insignificant deterioration in credit quality since origination. PCD loans are initially recorded at its purchase price plus an estimated allowance for credit losses (“ACL”). Upon the acquisition of a PCD loan, the Corporation makes an estimate of the expected credit losses over the remaining contractual term of each individual loan. The estimated credit losses over the life of the loan are recorded as an ACL with a corresponding addition to the loan purchase price. The amount of the purchased premium or discount which is not related to credit risk is is amortized

over the life of the loan through net interest income using the effective interest method or a method that approximates the effective interest method. Changes in expected credit losses are recorded as an increase or decrease to the ACL with a corresponding charge (reverse) to the provision for credit losses in the Consolidated Statement of Operations. These loans follow the same nonaccrual policies as non-PCD loans. Modifications of PCD loans that meet the definition of a TDR are accounted and reported as such following the same processes as non-PCD loans.
Refer to Note 8
to the Consolidated Financial Statements for additional information with respect to loans acquired with deteriorated credit quality.

*Accrued interest receivable*

The amortized basis for loans and investments in debt securities is presented exclusive of accrued interest receivable. The Corporation has elected not to establish an ACL for accrued interest receivable for loans and investments in debt securities, given the Corporation's non-accrual policies, in which accrual of interest is discontinued and reversed based on the asset's delinquency status.

*Allowance for credit losses – loans portfolio*

The Corporation establishes an ACL for its loan portfolio based on its estimate of credit losses over the remaining contractual term of the loans, adjusted for expected prepayments. An ACL is recognized for all loans including originated and purchased loans, since inception, with a corresponding charge to the provision for credit losses, except for PCD loans for which the ACL at acquisition is ecorded as an addition to the purchase price with subsequent changes recorded in earnings. Loan losses are charged and ecoveries are credited to the ACL.

he Corporation follows a methodology to estimate the ACL which includes a reasonable and supportable forecast period for stimating credit losses, considering quantitative and qualitative factors as well as the economic outlook. As part of this nethodology, management evaluates various macroeconomic scenarios provided by third parties. At December 31,

022, 2023,

nanagement applied probability weights to the outcome of the selected scenarios. This evaluation includes benchmarking rocedures as well as careful analysis of the underlying assumptions used to build the scenarios. The application of probability veights include baseline, optimistic and pessimistic scenarios. The weights applied are subject to evaluation on a quarterly basis as art of the ACL's governance process. The Corporation considers additional macroeconomic scenarios as part of its qualitative djustment framework.

he macroeconomic variables chosen to estimate credit losses were selected by combining quantitative procedures with expert udgment. These variables were determined to be the best predictors of expected credit losses within the Corporation's loan ortfolios and include drivers such as unemployment rate, different measures of employment levels, house prices, gross domestic roduct and measures of disposable income, amongst others. The loss estimation framework includes a reasonable and upportable period of 2 years for PR portfolios, gradually reverting, over a 3-years horizon, to historical macroeconomic variables at he model input level. For the US portfolio the reasonable and supportable period considers the contractual life of the asset, npacted by prepayments, except for the US CRE portfolio. The US CRE portfolio utilizes a 2-year reasonable and supportable eriod gradually reverting, over a 3-years horizon, to historical information at the output level.

he Corporation developed loan level quantitative models distributed by geography and loan type. This segmentation was letermined by evaluating their risk characteristics, which include default patterns, source of repayment, type of collateral, and

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lending channels, amongst others. The modeling framework includes competing risk models to generate lifetime defaults and prepayments, and other loan level modeling techniques to estimate loss severity. Recoveries on future losses are contemplated as part of the loss severity modeling. These parameters are estimated by combining internal risk factors with macroeconomic expectations. In order to generate the expected credit losses, the output of these models is combined with loan level repayment information. The internal risk factors contemplated within the models may include borrowers' credit scores, loan-to-value, delinquency status, risk ratings, interest rate, loan term, loan age and type of collateral, amongstothers.

The ACL also includes a qualitative framework that addresses two main components: losses that are expected but not captured within the quantitative modeling framework, and model imprecision. In order to identify potential losses that are not captured through the models, management evaluates model limitations as well as the different risks covered by the variables used in each quantitative model. The Corporation considers additional macroeconomic scenarios to address these risks. This assessment takes into consideration factors listed as part of ASC 326-20-55-4. To complement the analysis, management also evaluates whether there are sectors that have low levels of historical defaults, but current conditions show the potential for future losses. This type of qualitative adjustment is more prevalent in the commercial portfolios. The model imprecision component of the qualitative adjustments is determined after evaluating model performance for these portfolios through different time periods. This type of qualitative adjustment mainly impacts consumer portfolios.

The Corporation has designated as collateral dependent loans secured by collateral when foreclosure is probable or when foreclosure is not probable but the practical expedient is used. The practical expedient is used when repayment is expected to be provided substantially by the sale or operation of the collateral and the borrower is experiencing financial difficulty. The ACL of collateral dependent loans is measured based on the fair value of the collateral less costs to sell. 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.

In the case of troubled debt restructurings ("TDRs"), the established framework captures the impact of concessions through discounting modified contractual cash flows, both principal and interest, at the loan's original effective rate. The impact of these concessions is combined with the expected credit losses generated by the quantitative loss models in order to arrive at the ACL. As a result, the ACL related to TDRs is impacted by the expected macroeconomic conditions.

The Credit Cards portfolio, due to its revolving nature, does not have a specified maturity date. To estimate the average remaining term of this segment, management evaluated the portfolios payment behavior based on internal historical data. These payment behaviors were further classified into sub-categories that accounted for delinquency history and differences between transactors, revolvers and customers that have exhibited mixed transactor/revolver behavior. Transactors are defined as active accounts without any finance charge in the last 6 months. The paydown curves generated for each sub-category are applied to the outstanding exposure at the measurement date using the first-in first-out (FIFO) methodology. These amortization patterns are combined with loan level default and loss severity modeling to arrive at the ACL.

*Troubled debt restructurings*

A restructuring constitutes a TDR when the Corporation separately concludes that both of the following conditions exist: 1) the restructuring constitute a concession and 2) the debtor is experiencing financial difficulties. The concessions stem from an agreement between the Corporation and the debtor or are imposed by law or a court. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. A concession has been granted when, as a result of the restructuring, the Corporation does not expect to collect all amounts due, including interest accrued at the original contract rate. If the payment of principal is dependent on the value of collateral, the current value of the collateral is taken into consideration in determining the amount of principal to be collected; therefore, all factors that changed are considered to determine if a concession was granted, including the change in the fair value of the underlying collateral that may be used to repay the loan. Classification of loan modifications as TDRs involves a degree of judgment. Indicators that the debtor is experiencing financial difficulties which are considered include: (i) the borrower is currently in default on any of its debt or it is probable that the borrower would be in payment default on any of its debt in the foreseeable future without the modification; (ii) the borrower has declared or is in the process of declaring bankruptcy; (iii) there is significant doubt as to whether the borrower will continue to be a going concern; (iv) the borrower has securities that have been delisted, are in the process of being delisted, or are under threat of being delisted from an exchange; (v) based on estimates and projections that only encompass the borrower's current business capabilities, it is forecasted that the entity-specific cash flows will be insufficient to service the debt (both interest and principal) in accordance with the contractual terms of the existing agreement through maturity; and (vi) absent the current modification, the borrower cannot obtain funds from sources other than the existing creditors at an effective interest rate equal to the current market interest rate for similar debt for a non-troubled debtor. The identification of TDRs is critical in the determination of the adequacy of the ACL.

A loan may be restructured in a troubled debt restructuring into two (or more) loan agreements, for example, Note A and Note B. Note A represents the portion of the original loan principal amount that is expected to be fully collected along with contractual interest. Note B represents the portion of the original loan that may be considered uncollectible and charged-off, but the obligation is not forgiven to the borrower. Note A may be returned to accrual status provided all of the conditions for a TDR to be returned to accrual status are met. The modified loans are considered TDRs.

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

*Reserve for unfunded commitments*

The Corporation establishes a reserve for unfunded commitments, based on the estimated losses over the remaining term of the facility. An allowance is not established for commitments that are unconditionally cancellable by the Corporation. Accordingly, no reserve is established for unfunded commitments related to its credit cards portfolio. Reserve for the unfunded portion of credit commitments is presented within other liabilities in the Consolidated Statements of Financial Condition. Net adjustments to the reserve for unfunded commitments are reflected in the Consolidated Statements of Operations as provision for credit losses for the years ended December 31, 2022 December 31, 2023 and 2021. 2022.

*Transfers and servicing of financial assets*

The transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset in which the Corporation surrenders control over the assets is accounted for as a sale if all of the following conditions set forth in ASC Topic 860 are met: (1) the assets must be isolated from creditors of the transferor, (2) the transferee must obtain the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the transferor servicing liabilities, if applicable; initially measures at fair value assets obtained and liabilities incurred in a sale; and recognizes in earnings any gain or loss on the sale.

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The guidance on transfer of financial assets requires a true sale analysis of the treatment of the transfer under state law as if the Corporation was a debtor under the bankruptcy code. A true sale legal analysis includes several legally relevant factors, such as the nature and level of recourse to the transferor, and the nature of retained interests in the loans sold. The analytical conclusion as to a true sale is never absolute and unconditional, but contains qualifications based on the inherent equitable powers of a bankruptcy court, as well as the unsettled state of the common law. Once the legal isolation test has been met, other factors concerning the nature and extent of the transferor's control over the transferred assets are taken into account in order to determine whether derecognition of assets is warranted.

The Corporation sells mortgage loans to the Government National Mortgage Association ("GNMA") in the normal course of business and retains the servicing rights. The GNMA programs under which the loans loans are sold allow the Corporation to repurchase individual delinquent loans that meet certain criteria. At the Corporation's option, and without GNMA's prior authorization, the Corporation may repurchase the delinquent loan for an amount equal to 100% of the remaining principal balance of the loan. Once the Corporation
has the unconditional ability to repurchase the delinquent loan, the Corporation is deemed to have regained effective control over the loan and recognizes the loan on its balance sheet as well as an offsetting liability, regardless of the Corporation's intent to repurchase the loan.

*Servicing assets*

The Corporation periodically sells or securitizes loans while retaining the obligation to perform the servicing of such loans. In addition, the Corporation may purchase or assume the right to service loans originated by others. Whenever the Corporation undertakes an obligation to service a loan, management assesses whether a servicing asset or liability should be recognized. A servicing asset is recognized whenever the compensation for servicing is expected to more than adequately compensate the servicer for performing the servicing. Likewise, a servicing liability would be recognized in the event that servicing fees to be received are not expected to adequately compensate the Corporation for its expected cost. Mortgage servicing assets recorded at fair value are separately presented on the Consolidated Statements of Financial Condition.

All separately recognized servicing assets are initially recognized at fair value. For subsequent measurement of measurement of servicing rights, the
Corporation has elected the fair value method for mortgage loans servicing rights ("MSRs"). Under the fair value measurement method, MSRs are recorded at fair value each reporting period, and changes in fair value are reported in mortgage banking activities in the Consolidated Statement of Operations. Contractual servicing fees including ancillary income and late fees, as well as fair value adjustments, are reported in mortgage banking activities in the Consolidated Statement of Operations. Loan servicing fees, which are based on a percentage of the principal balances of the loans serviced, are credited to income as loan payments are collected.

The fair value of servicing rights is estimated by using a cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected loan prepayment rates, discount rates, servicing costs, and other economic factors, which are determined based on current market conditions.

*Premises and equipment*

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the estimated useful life of each type of asset. Amortization of leasehold improvements is computed over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Costs of maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred. Costs of renewals and betterments are capitalized. When assets are disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings as realized or incurred, respectively.

The Corporation capitalizes interest cost incurred in the construction of significant real estate projects, which consist primarily of facilities for its own use or intended for lease. The amount of interest cost capitalized is to be an allocation of the interest cost incurred during the period required to substantially complete the asset. The interest rate for capitalization purposes is to be based on a weighted average rate on the Corporation's outstanding borrowings, unless there is a specific new borrowing associated with the asset. Interest cost capitalized for the years ended December 31, 2023, 2022 2021 and 2020 2021 was not significant.

The Corporation recognizes right-of-use assets ("ROU assets") and lease liabilities relating to operating and finance lease arrangements in its Consolidated Statements of Financial Condition within other assets and other liabilities, respectively. For finance leases, interest is recognized on the lease liability separately from the amortization of the ROU asset, whereas for operating leases a single lease cost is recognized so that the cost of the lease is allocated over the lease term on a straight-line basis. Impairments on ROU assets are evaluated under the guidance for impairment or disposal of long-lived assets. The Corporation recognizes gains

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on sale and leaseback transactions in earnings when the transfer constitutes a sale, and the transaction was at fair value. value.
Refer to
Note 33 to the Consolidated Financial Statements for additional information on operating and finance lease arrangements.

*Impairment of long-lived assets*

The Corporation evaluates for impairment its long-lived assets to be held and used, and long-lived assets to be disposed of, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and records a write down for the difference between the carrying amount and the fair value less costs to sell.

*Other real estate*

Other real estate, received in satisfaction of a loan, is recorded at fair value less estimated costs of disposal. The difference between the carrying amount of the loan and the fair value less cost to sell is recorded as an adjustment to the ACL. Subsequent to foreclosure, any losses in the carrying value arising from periodic re-evaluations of the properties, and any gains or losses on the sale of these properties are credited or charged to expense in the period incurred and are included as OREO expenses. The cost of maintaining and operating such properties is expensed as incurred.

Updated appraisals are obtained to adjust the value of the other real estate assets. The frequency depends on the loan type and total credit exposure. The appraisal for a commercial or construction other real estate property with a book value value equal to or greater than $1 million is updated annually and if lower than $1 million it is updated every two years. For residential mortgage properties, the
Corporation requests appraisals annually.

Appraisals may be adjusted due to age, collateral inspections, property profiles, or general market conditions. The adjustments applied are based upon internal information such as other appraisals for the type of properties and/or loss severity information that can provide historical trends in the real estate market and may change from time to time based on market conditions.

*Goodwill and other intangible assets*

Goodwill is recognized when the purchase price is higher than the fair value of net assets acquired in business combinations under the purchase method of accounting. Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances indicate possible impairment. If the carrying amount of any of the reporting units exceeds its fair value, the Corporation would be required to record an impairment charge for the difference up to the amount of the goodwill. 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. Goodwill impairment losses are recorded as part of operating expenses in the Consolidated Statements of Operations.

Other intangible assets deemed to have an indefinite life are not amortized but are tested for impairment using a one-step process which compares the fair value with the carrying amount of the asset. In determining that an intangible asset has an indefinite life, the Corporation considers expected cash inflows and legal, regulatory, contractual, competitive, economic and other factors, which could limit the intangible asset's useful life.

Other identifiable intangible assets with a finite useful life, mainly core deposits, are amortized using various methods over the periods benefited, which range from 5 to 10 years. These intangibles are evaluated periodically for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments on intangible assets with a finite useful life are evaluated under the guidance for impairment or disposal of long-lived assets.

*Assets sold / purchased under agreements to repurchase / resell*

Repurchase and resell agreements are treated as collateralized financing transactions and are carried at the amounts at which the assets will be subsequently reacquired or resold as specified in the respective agreements.

It is the Corporation's policy to take possession of securities purchased under agreements to resell. However, the counterparties to such agreements maintain effective control over such securities, and accordingly those securities are not reflected in the Corporation's Consolidated Statements of Financial Condition. The Corporation monitors the fair value of the underlying securities as compared to the related receivable, including accrued interest.

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.

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The Corporation may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

*Software*

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Capitalized software is stated at cost, less accumulated amortization. Capitalized software includes purchased software and capitalizable application development costs associated with internally-developed software. Amortization, computed on a straight-line method, is charged to operations over the estimated useful life of the software. Capitalized software is included in “Other assets” in the Consolidated Statement of Financial Condition.

*Guarantees, including indirect guarantees of indebtedness to to others*

The estimated losses to be absorbed under the credit recourse arrangements are recorded as a liability when the loans are sold and are updated by accruing or reversing expense (categorized in the line item “Adjustments (expense) to indemnity reserves on loans sold” in the Consolidated Statements of Operations) throughout the life of the loan, as necessary, when additional relevant information becomes available. The methodology used to estimate the recourse liability considers current conditions, macroeconomic expectations through a 2-years reasonable and supportable period, gradually reverting to historical macroeconomic variables through a at 2-years reasonable the and supportable model period, gradually input reverting level over a 3-years horizon to historical loss experience, 3-years, portfolio composition by risk characteristics, amongst other factors. Statistical methods are used to estimate the recourse liability. Expected loss rates are are applied to different loan segmentations. The expected loss, which represents the the amount expected to be lost lost on a given loan, considers the probability of of default and loss severity. The reserve for the estimated reserve for the estimated losses under the credit recourse arrangements is presented separately within other liabilities in the Consolidated Statements of Consolidated Statements of Financial Condition. Refer to Note 23 to the Consolidated Financial Financial Statements for further disclosures on guarantees.

*Treasury stock*

Treasury stock is recorded at cost and is carried as a reduction of stockholders’ equity in the Consolidated Statements of Financial Condition. At the date of retirement or subsequent reissue, the treasury stock account is reduced by the cost of such stock. At retirement, the excess of the cost of the treasury stock over its par value is recorded entirely to surplus. At reissuance, the difference between the consideration received upon issuance and the specific cost is charged or credited to surplus.

*Revenues from contract with customers*

Refer to Note 32 for a detailed description of the Corporation’s policies on the recognition and presentation of revenues from contract with customers.

*Foreign exchange*

Assets and liabilities denominated in foreign currencies are translated to U.S. dollars using prevailing rates of exchange at the end of the period. Revenues, expenses, gains and losses are translated using weighted average rates for the period. The resulting foreign currency translation adjustment from operations for which the functional currency is other than the U.S. dollar is reported in accumulated other comprehensive loss, income (loss), except for highly inflationary environments in which the effects are included in other other operating expenses.

The Corporation holds interests in Centro Financiero BHD León, S.A. (“BHD León”) in the Dominican Republic. The business of BHD León is mainly conducted in their country’s foreign currency. The resulting foreign currency translation adjustment from these operations is reported in accumulated other comprehensive loss. (loss) income (loss).

Refer to the disclosure of accumulated other comprehensive income (loss) included in Note 22.

*Income taxes*

The Corporation recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Corporation’s financial statements or tax returns. Deferred income tax assets and liabilities are determined for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. The computation is based on enacted tax laws and rates applicable to periods in which the temporary differences are expected to be recovered or settled.

The guidance for income taxes requires a reduction of the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not (defined as a likelihood of more than 50 percent) that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically by the Corporation based on the more likely than not realization threshold criterion. In the assessment for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This

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ıssessment considers, among others, all sources of taxable income available to realize the deferred tax asset, including the future eversal of existing temporary differences, the future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in carryback years and tax-planning strategies. In making such assessments, significant weight is given to evidence that can be objectively verified.

The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in the Corporation's financial statements or tax returns and future profitability. The Corporation's accounting for deferred tax consequences represents management's best estimate of those future events.

Positions taken in the Corporation's tax returns may be subject to challenge by the taxing authorities upon examination. Uncertain tax positions are initially recognized in the financial statements when it is more likely than not (greater than 50%) that the position will be sustained upon examination by the tax authorities, assuming full knowledge of the position and all relevant facts. The amount of unrecognized tax benefit may increase or decrease in the the future for various reasons including adding amounts for current tax year positions,
expiration of open income tax returns due to the statute of limitations, changes in management's judgment about the level of uncertainty, including addition or elimination of uncertain tax positions, status of examinations, litigation, settlements with tax authorities and legislative activity.

The Corporation accounts for the taxes collected from customers and remitted to governmental authorities on a net basis (excluded from revenues).

Income tax expense or benefit for the year is allocated among continuing operations, discontinued operations, and other comprehensive income (loss), as applicable. The amount allocated to continuing operations is the tax effect of the pre-tax income or loss loss from continuing operations that occurred during the year, plus or minus income tax effects of (a) changes in circumstances that cause a change in judgment about the realization of deferred tax assets in future years, (b) changes in tax laws or rates, (c)
changes in tax status, and (d) tax-deductible dividends paid to stockholders, subject to certain exceptions.

*Employees' retirement and other postretirement benefit plans*

Pension costs are computed on the basis of accepted actuarial methods and are charged to current operations. Net pension costs are based on various actuarial assumptions regarding future experience under the plan, which include costs for services rendered during the period, interest costs and return on plan assets, as well as deferral and amortization of certain items such as actuarial gains or losses.

The funding policy is to contribute to the plan, as necessary, to provide for services to date and for those expected to be earned in the future. To the extent that these requirements are fully covered by assets in the plan, a contribution may not be made in a particular year.

The cost of postretirement benefits, which is determined based on actuarial assumptions and estimates of the costs of providing these benefits in the future, is accrued during the years that the employee renders the required service.

The guidance for compensation retirement benefits of ASC Topic 715 requires the recognition of the funded status of each defined pension benefit plan, retiree health care and other postretirement benefit plans on the Consolidated Statements of Financial Condition.

*Stock-based compensation*

The Corporation opted to use the fair value method of recording stock-based compensation as described in the guidance for employee share plans in ASC Subtopic 718-50.

*Comprehensive income*

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is separately presented in the Consolidated Statements of Comprehensive Income.

*Net income per common share*

Basic income per common share is computed by dividing net income adjusted for preferred stock dividends, including undeclared or unpaid dividends if cumulative, and charges or credits related to the extinguishment of preferred stock or induced conversions of preferred stock, by the weighted average number of common shares outstanding during the year. Diluted income per common share

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akes into consideration the weighted average common shares adjusted for the effect of stock options, restricted stock, performance shares and warrants, if any, using the treasury stock method.

*Statement of cash flows*

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For purposes of reporting cash flows, cash includes cash on hand and amounts due from banks, including restricted cash.

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*Recently Adopted Accounting Standards Updates*
*Standard*
*Description*
*Date of adoption*
*Effect on the financial statements*
*FASB ASU 2022-06, 2023-04,*
*Reference Rate Reform Liabilities (Topic 405) -*
*(Topic 848) - Deferral of Amendments to SEC*
*the Sunset Date of Topic Paragraphs Pursuant to*
*848 SEC Staff Accounting*
*Bulletin No. 121*
The FASB Financial Accounting Standards Board
("FASB") issued Accounting Standards
Update ("ASU" ("ASU") 2022-06 2023-04 in December
2022, which defers the sunset date of August Topic 2023
848 from which December 31, amends 2022 to paragraphs December
31, within 2024. ASC
Topic 848 provided optional guidance 405 to ease clarify the potential accounting burden 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 (Topic 505), and*
*Compensation—Stock*
*Compensation (Topic 718)*
*- Amendments to SEC*
*Paragraphs Pursuant to*
*SEC Staff Accounting*
*Bulletin No. 120, SEC*
*Staff Announcement at the*
*March 24, 2022 EITF*
*Meeting, and Staff*
*Accounting Bulletin Topic*
*6.B, Accounting Series*
*Release 280—General*
*Revision of Regulation S-*
*X: Income or Loss*
*Applicable to Common*
*Stock*
The FASB issued ASU 2023-03 in July
accounting for (or recognizing the effects of) 2023 which amends or supersedes various reference rate reform on financial
r134rting. SEC paragraphs within the Codification to
December 21, 2022 conform to past SEC announcements and guidance which updated SAB Topics 5.T,
14, and 6. B.

July 1, 2023 *Financial Instruments – Credit Losses (Topic 326)*

The CECL model applies to financial assets measured at amortized cost ... The Corporation was not impacted by the adoption of ASU 2022-06 during the fourth quarter of 2022 since it had adopted FASB this ASU ... ASU 2020-04, establishes a forward-looking methodology that reflects the expected credit losses over the lives of financial Reference Rate Reform (Topic 848) in first acquired or originated. Under the revised methodology, credit losses are measured December 2021, as disclosed in Note 2 ... and reasonable and supportable forecasts that affect the collectability of financial assets. to ECL the ... Consolidated Financial ... recognizing credit losses for available-for-sale securities by replacing the direct write-down Statements included in Form 10-K for the year ended December 31, 2021 ... at which the security's fair value is less than the The Corporation ceased originating ... vides that the initial allowance for credit losses on purchased credit deteriorated ("PCD") LIBOR-based contracts in December increase to the purchase price, with subsequent changes to the allowance recorded as a 2021. loss expense. The standards also expand credit quality disclosures. These accounting standards updates were effective on

*FASB ASU 2021-05,* ... or to the adoption of CECL, the Corporation followed a systematic methodology to establish and evaluate the *Leases (Topic 842),* ... allowance for credit losses to provide for probable losses in the loan portfolio.

*Lessors – Certain Leases* ... the Corporation recorded an increase in its allowance for credit losses related to its loan portfolio of $

*with Variable Lease*

*Payments* ... a decrease of $

The FASB issued ASU 2021-05 in July 2021, which amends ASC Topic 842 so that lessors can classify as operating leases those leases with variable lease payments that, prior to the amendments, would have been classified as sales-type or direct financing lease and at inception a loss would have been recognized.

January 1, 2022 ... to its held-to-maturity debt securities portfolio. The adoption of CECL was recognized under the modified

The Corporation was not impacted by the adoption of ASU 2021-05 during the first quarter of 2022 since it does not hold direct financing leases with variable lease payments ... of the year of implementation, net of income taxes, except for

*FASB ASU 2021-04,*

*Earnings per Share (Topic*

*260), Debt – Modifications* ... previously accounted under ASC Subtopic 310-30, which resulted in a reclassification between certain

*and Extinguishments* ... accounts to the allowance for credit losses. The total impact to retained earnings, net of tax, related to the

*(Subtopic 470-50),*

*Compensation – Stock*

*Compensation (Topic*

*718), and Derivatives and* ... adoption of CECL, the Corporation made the election to break the existing pools of purchased credit

*Hedging – Contracts in* ... and, as such, these loans are no longer excluded from non-performing status.

*Entity's Own Equity*

*(Subtopic 815-40):*

*Issuer's Accounting for*

*Certain Modifications or*

*Exchanges of*

*Freestanding Equity-*

*Classified Written Call*

*Options (a consensus of the FASB Emerging*

*Issues Task Force)*

The FASB issued ASU 2021-04 in May 2021, which clarifies the accounting for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after a modification or exchange and the related EPS effects of such transaction if recognized as an adjustment to equity.

January 1, 2022

The Corporation was not impacted by the adoption of ASU 2021-04 during the first quarter of 2022 since it does not hold freestanding equity-classified written call options under the scope of this codifies previous guidance.

*FASB ASU 2020-06, Debt*

*– Debt with Conversion*

*and other Options*

*(Subtopic 470-20) and*

*Derivatives and Hedging –*

*Contracts in Entity's Own*

*Equity (Subtopic 815-40):*

*Accounting for Convertible*

*Instruments and Contracts*

*in an Entity's Own Equity*

The FASB issued ASU 2020-06 in August 2020 which, among other things, simplifies the accounting for convertible instruments and contracts in an entity's own equity and amends the diluted EPS computation for these instruments.

January 1, 2022

The Corporation adopted ASU 2020-06 during the first quarter of 2022. There was no material impact upon the adoption in the analysis of the accelerated share repurchase transaction discussed in Note 17, which was classified as an equity instrument and the related potential shares were considered in its dilutive earnings per share calculation.

*Accounting Standards Updates Not Yet Adopted*
*Standard*
*Description*
*Date of adoption*
*Effect on the financial statements*
*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 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 does was not expect to be impacted by the adoption of this ASU 2022-05 during standard the first quarter of 2023 since it does does not holds Long- hold Long-Duration Contracts

Duration Contracts (LDTI).

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*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 does was not expect to be impacted by the adoption of this ASU 2022-04 standard since it does not use supplier finance programs.

*FASB ASU 2022-03, Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sale Restriction*

The FASB issued ASU 2022-03 in June 2022, which clarifies that a contractual restriction that prohibits the sale of an equity security is not considered part of the unit of account of the equity security, therefore, is not considered in measuring its fair value.

The ASU also provides enhanced disclosures for equity securities subject to a contractual sale restriction.

January 1, 2024

The Corporation does not anticipate that use the supplier adoption finance programs.

*Recently Adopted Accounting Standards Updates*
*Standard*
*Description*
*Date of adoption*
*Effect on the financial statements this accounting pronouncement will have a material effect in its consolidated statement of financial condition and results of operations.*

*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 ASC Receivables—
Troubled Subtopic 310-40
Receivables—Troubled Debt Restructurings
by Creditors Restructurings by Creditors
and requires creditors to apply
apply the loan
refinancing and restructuring
guidance to determine determine whether a modification results in aa new loan or a continuation of an existing loan. In addition,
the ASU enhances the disclosure disclosure requirements for certain loan refinancing refinancing and restructurings by creditors
when a
borrower is experiencing financial difficulty difficulty and enhances the vintage
disclosure by
requiring the disclosure of current-period current-period gross write-offs by year of origination for origination for financing receivables and net investments investments in leases.

January 1, 2023

The Corporation adopted ASU 2022-02 during the first quarter of 2023. The adoption of this standard will result in enhanced resulted in enhanced disclosure for loans modified modified to borrowers with financial difficulties 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 eliminates 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 Corporation impact of preliminarily estimates that the impact of discontinuing the use of the DCF model to measure the concession will result in a release use of the ACL DCF model to measure the concession resulted in a release of the allowance for credit losses ("ACL") of
$
46

approximately
$45 million, mainly mainly related to 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. The For the transition method related to the recognition and measurement of TDRs.

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*Accounting Standards Updates Not Yet Adopted*

*Standard*
*Description*
*Date of adoption*
*Effect on the financial statements 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 does was not expect to be impacted by the adoption of this ASU standard 2022-01 since it does not hold does not hold derivatives designated as fair value 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
Upon The adoption Corporation was not impacted by the adoption of ASU 2021-08, however, it will consider this ASU, guidance The for Corporation 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 2023-09, Income Tax ( Topic 740) - Improvements to Income Tax Disclosures* | The FASB issued ASU 2023-09 in December 2023, which amends ASC topic 740 by enhancing disclosures regarding rate reconciliation and requiring the disclosure of income taxes paid, income (or loss) from continuing operations before income tax expense and income tax expense disaggregated by national, state and foreign level. Disclosures that no longer were considered cost beneficial or relevant were removed from ASC topic 740 | January 1, 2025 | The Corporation is currently evaluating the impact that the adoption of this guidance will have on its financial statements and presentation and disclosures. |
| *FASB ASU 2023-08, Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60) - Accounting for and Disclosure of Crypto Assets* | The FASB issued ASU 2023-08 in December 2023, which amends ASC subtopic 350-60 by requiring that crypto assets are measured at fair value in the statement of financial position each reporting period with changes from remeasurement being recognized in net income. The ASU also requires enhanced disclosures for both annual and interim reporting periods to provide investors with relevant information to analyze and assess the exposure and risk of significant individual crypto asset holdings. | January 1, 2025 | The Corporation does not expect to be impacted by the adoption of this ASU since it does not hold crypto-assets for its platform users. |
| *FASB ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures* | The FASB issued ASU 2023-07 in November 2023, which amends ASC topic 280 by requiring additional disclosures about significant segment expenses. | For fiscal years beginning on January 1, 2024<br>For interim periods within fiscal years beginning after January 1, 2025 | The Corporation is currently evaluating the impact that the adoption of this guidance will have on its financial statements and presentation and disclosures. |

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*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, the SEC 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, recognize and initially measure its assets and liabilities at fair value.

January 1, 2025

Upon adoption of this ASU, the Corporation will consider this guidance for the initial measure of assets and liabilities of newly created joint ventures.

*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 ASC topic 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 ASC 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 does not expect to be impacted by the adoption of this ASU since it does not hold investments in tax equity investments.

*Accounting Standards Updates Not Yet Adopted*

| *Standard* | *Description* | *Date of adoption* | *Effect on the financial statements* |
| --- | --- | --- | --- |
| *FASB ASU 2023-01, Leases (Topic 842) - Common Control Arrangements* | The FASB issued ASU 2023-01 in March 2023, which amends ASC Topic 842 and requires the amortization 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. |
| *FASB ASU 2022-03, Fair Value Measurement (Topic 820) - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restriction* | The FASB issued ASU 2022-03 in June 2022, which clarifies that a contractual restriction that prohibits the sale of an equity security is not considered part of the unit of account of the equity security, therefore, is not considered in measuring its fair value. The ASU also provides enhanced disclosures for equity securities subject to a contractual sale restriction. | January 1, 2024 | The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect in its consolidated statement of financial condition and results of operations. |

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**Note 4**

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**Business combinations**

**Acquisition of key customer channels and business from Evertec**

On July 1, 2022, BPPR completed its previously announced acquisition of certain assets used by Evertec Group, LLC ("Evertec Group"), a wholly owned subsidiary of Evertec, Inc. ("Evertec"), to service certain BPPR channels ("Business Acquisition Transaction").

As a result of the closing of the Business Acquisition Transaction, BPPR acquired from Evertec Group certain critical channels, including BPPR's retail and business digital banking and commercial cash management applications. In connection with the Business Acquisition Transaction, BPPR also entered into amended and restated service agreements with Evertec Group pursuant to which Evertec Group will continue to provide various information technology and transaction processing services to Popular, BPPR and their respective subsidiaries.

Under the amended service agreements, Evertec Group no longer has exclusive rights to provide certain of Popular's technology services. The amended service agreements include discounted pricing and lowered caps on contractual pricing escalators tied to the Consumer Price Index. As part of the transaction, BPPR and Evertec also entered into a revenue sharing structure for BPPR in connection with its merchant acquiring relationship with Evertec. Under the terms of the amended and restated Master Service Agreement ("MSA"), Evertec will be entitled to receive monthly payments from the Corporation to the extent that Evertec's revenues, covered under the MSA, fall below certain agreed annualized minimum amounts.

As consideration for the Business Acquisition Transaction, BPPR delivered to Evertec Group 4,589,169 shares of Evertec common stock valued at closing at $ 169.2 million (based on Evertec's stock price on June 30, 2022 of $ 36.88 ). A total of $ 144.8 million of the consideration for the transaction was attributed to the acquisition of the critical channels of which $ 28.7 million were attributed to Software Intangible Assets and $ 116.1 million were attributed to goodwill. The transaction was accounted for as a business combination. The remaining $ 24.2 million was attributed to the renegotiation of the MSA with Evertec and was recorded as an expense. The Corporation also recorded a credit of $ 6.9 million in Evertec billings under the MSA during the third quarter of 2022 as a result of the Business Acquisition Transaction, resulting in a net expense charge of $ 17.3 million.

On August 15, 2022, the Corporation completed the sale of its remaining 7,065,634 shares of common stock of Evertec (the "Evertec Stock Sale", and collectively with the Business Acquisition Transaction, the "Evertec Transactions"). Following the Evertec Stock Sale, Popular no longer owns any Evertec common stock. The impact of the gain on the sale of Evertec shares used as consideration for the Business Acquisition Transaction in exchange for the acquired applications on July 1, 2022 and the net expense associated with the renegotiation of the MSA, together with the Evertec Stock Sale and the related accounting adjustments of the Evertec Transactions, resulted in an aggregate after-tax gain of $

226.6
million, recorded during the third quarter of 2022.

The following table presents the fair values of the consideration and major classes of identifiable assets acquired by BPPR as of July 1, 2022.

(In thousands)

The fair value initially assigned to the assets acquired is preliminary and subject to refinement for up to one year after the closing

Fair Value



*Developed technology – Software intangible assets*

In order to determine the fair value of the developed technology acquired, the Corporation considered the guidance in ASC Topic 820, Fair Value Measurements. The Corporation used used the cost replacement methodology and estimated the cost that would be incurred in developing the acquired technology as the assets' fair value. In developing this estimate, the Corporation considered the historical direct costs as well as indirect costs and applied an inflation factor to arrive at what would be the current replacement cost. To this estimated cost, the Corporation applied an obsolescence factor to arrive at the estimated fair value of the acquired technology. The obsolescence factor considered the estimated remaining useful life of the acquired software, considering existing and upcoming technology changes, as well as the scalability of the system architecture for further developments. This software acquired for internal use is recorded within Other Assets in the accompanying Consolidated Financial Statements and will be amortized over its current estimated remaining useful life of
5
years.

*Goodwill*

The goodwill is the residual difference between the consideration transferred to Evertec and the fair value of the assets acquired, net of the liabilities assumed, if any. The entire amount of goodwill is deductible for income tax purposes pursuant to P.R. Internal Revenue Code ("IRC") section 1033.07 over a
15
-year period.

The Corporation believes that given the amount of assets acquired and the size of the operations acquired in relation to Popular's operations, the historical results of Evertec are not material to Popular's results, and thus no pro forma information is presented.

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**Acquisition of K2 Capital Group LLC's equipment leasing and financing business**

On October 15, 2021, Popular Equipment Finance, LLC ("PEF"), a newly formed wholly-owned subsidiary of Popular Bank ("PB"), completed the acquisition of certain assets and the assumption of certain liabilities of K2 Capital Group LLC's ("K2") equipment leasing and financing business based in Minnesota (the "Acquired Business"). Commercial loans acquired by PEF as part of this transaction consisted of $105 million in commercial direct financing leases and $14 million in working capital lines.

Specializing in the healthcare industry, the Acquired Business provided a variety of lease products, including operating and finance leases, and also offers private label vendor finance programs to equipment manufacturers and healthcare organizations. The acquisition provides PB with a national equipment leasing platform that complements its existing healthcare lending business.

The following table presents the fair values of the consideration and major classes of identifiable assets acquired and liabilities assumed by PEF as of October 15, 2021.

| (In thousands) | | Fair Value |
| --- | --- | --- |
| Cash consideration | $ | 156,628 |
| Contingent consideration | | 9,241 |
| Total consideration | $ | 165,869 |
| Assets: | | |
| Cash and due from banks | $ | 300 |
| Commercial loans | | 115,575 |
| Premises and equipment | | 3,996 |
| Accrued income receivable | | 57 |
| Other assets | | 2,822 |
| Other intangible assets | | 2,887 |
| Total assets | $ | [illegible] |

The fair value initially assigned to the assets acquired is preliminary and subject to refinement for up to one year after the closing date of the acquisition as new information relative to closing date fair value becomes available. As the Corporation finalizes its analysis, there may continue to be adjustments to the recorded carrying values, and thus the recognized goodwill may increase or decrease.

Following is a description of the methods used to determine the fair values of significant assets acquired and liabilities assumed on the K2 Transaction:

*Commercial Loans*

In determining the fair value of commercial direct financing leases, the specific terms and conditions of each lease agreement were considered. The fair values for commercial direct financing leases were calculated based on the fair value of the underlying collateral, or from the cash flows expected to be collected discounted at a market rate commensurate with the credit risk profile of the lessee at origination in instances where there was a purchase option at the end of the lease term with a stated guaranteed residual value. Fair values for commercial working capital lines were calculated based on the present value of remaining contractual payments discounted at a market rate commensurate with the credit risk profile of the borrower at origination. These commercial loans were accounted for under ASC Subtopic 310-20. As of October 15, 2021, the gross contractual receivable for commercial loans amounted to $ 125 million. An allowance for credit losses of $

140

*Goodwill*

The amount of goodwill is the residual difference between the consideration transferred to K2 and the fair value of the assets acquired, net of the liabilities assumed. The entire amount of goodwill is deductible for income tax purposes pursuant to U.S. Internal Revenue Code (“IRC”) section 197 over a 15 -year period.

During the third quarter of 2022, the Corporation revised its projected earnings related to this Acquired Business, and accordingly, recorded a goodwill impairment charge of $ 9.0 million.

*Contingent consideration*

The fair value of the contingent consideration, which related to approximately $ 29 million in earnout payments that could be payable to K2 over a three-year period, was calculated based on a Montecarlo Simulation model.

During the third quarter of 2022, the Corporation updated its estimates related to the ability to realize the earnings targets for the contingent payment, and accordingly, recorded a positive adjustment of $ 9.2 million related this liability.

The Corporation believes that given the amount of assets and liabilities assumed and the size of the operations acquired in relation to Popular’s operations, the historical results of K2 are not significant to Popular’s results, and thus no pro forma information is presented.

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**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 $
2.8 2.7
billion at December 31, 2022 2023 (December 31,
2021 2022 - $
2.7 2.8
billion). Cash and due from banks, as well as other highly liquid securities, are used to cover the required average reserve balances.

At December 31, 2022, 2023, the Corporation held $
80 78
million in restricted assets in the form of funds deposited in money market accounts, debt securities available for sale and equity securities (December 31, 2021 2022 - $
50 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.

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**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 December 31, 2023 and December 31, 2022.

142 **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 December 31, 2022 and December 31, 2021.

At December 31, 2022 December 31, 2023

Gross
Gross
Weighted
Amortized
unrealized unrealized
Fair
average
(In thousands)
cost gains
losses value
yield
U.S. Treasury securities
Within 1 year
$
7,103,518
$
526
$
59,415
$
7,044,629
3.51
%

148

144
(In thousands)
2023
2022
2021
2020
Gross realized gains

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 December 31, 2022 December 31, 2023 and 2021. 2022.

695
oss realized losses

(
672)
t realized gains (losses) on sale of debt securities available-for-sale

At December 31, 2023

Less than 12 months

Total

Gross

At December 31, 2021

Less than 12 months 12 months or more

Total

Gross

Fair

Gross

Gross unrealized

Fair

unrealized

Fair

unrealized

At December 31, 2022

Less than 12 months

Fair

unrealized

12 months or more

(In thousands)

(In thousands)

As of December 31, 2022, 2023, the portfolio of available-for-sale debt securities reflects gross unrealized losses of approximately $1.8 1.4 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. result The portfolio of available-for-sale debt securities is comprised