

**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

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  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 .

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  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  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  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2022, the aggregate market value of the Common Stock held by non-affiliates of Popular, Inc. was approximately \$ 5.8 billion based upon the reported closing price of \$76.93 on the Nasdaq Global Select Market on that date.

As of February 24, 2023, there were 71,867,263 shares of Popular, Inc.'s Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Popular, Inc.'s definitive proxy statement relating to the 2023 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.

## 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
- adverse economic conditions, including high levels of and ongoing increases in inflation rates, that adversely affect housing prices, the job market, consumer confidence and spending habits which may affect in turn, among other things, our level of non-performing assets, charge-offs and provision expense;
- changes in interest rates and market liquidity, which may reduce interest margins, impact funding sources, reduce loan originations, affect our ability to originate and distribute financial products in the primary and secondary markets and impact the value of our investment portfolio and our ability to return capital to our shareholders;
- the impact of the current fiscal and economic challenges of Puerto Rico and the measures taken and to be taken by the Puerto Rico Government and the Federally-appointed oversight board on the economy, our customers and our business;
- the impact of the pending debt restructuring proceedings under Title III of the Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA”) and of other actions taken or to be taken to address Puerto Rico’s fiscal challenges on the value of our portfolio of Puerto Rico government securities and loans to governmental entities and of our commercial, mortgage and consumer loan portfolios where private borrowers could be directly affected by governmental action;
- the amount of Puerto Rico public sector deposits held at the Corporation, whose future balances are uncertain and difficult to predict and may be impacted by factors such as the amount of Federal funds received by the P.R. Government in connection with the COVID-19 pandemic and hurricane recovery assistance and the rate of expenditure of such funds, as well as the financial condition, liquidity and cash management practices of the Puerto Rico Government and its instrumentalities;
- unforeseen or catastrophic events, including extreme weather events, including hurricanes, other natural disasters, man-made disasters, acts of violence or war or pandemics, epidemics and other health-related crises, including any resurgence of COVID-19, or the fear of any such event occurring, any of which could cause adverse consequences for our business, including, but not limited to, disruptions in our operations;
- our ability to achieve the expected benefits from our transformation initiative, including our ability to achieve our targeted sustainable return on tangible common equity of 14% by the end of 2025;

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

Moreover, the outcome of legal and regulatory proceedings, as discussed in "Part 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.

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## PART I POPULAR, INC.

### ITEM 1. BUSINESS

#### General

Popular is a diversified, publicly-owned financial holding company, registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act"), and subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). Popular was incorporated in 1984 under the laws of the Commonwealth of Puerto Rico and is the largest financial institution based in Puerto Rico, with consolidated assets of \$67.6 billion, total deposits of \$61.2 billion and stockholders' equity of \$4.1 billion at December 31, 2022. At December 31, 2022, we ranked among the 50 largest U.S. bank holding companies based on total assets according to information gathered and disclosed by the Federal Reserve Board.

We operate in two principal markets:

- Puerto Rico: We provide retail, mortgage and commercial banking services through our principal banking subsidiary, Banco Popular de Puerto Rico ("Banco Popular" or "BPPR"), as well as auto and equipment leasing and financing, investment banking, broker-dealer and insurance services through specialized subsidiaries. BPPR's deposits are insured under the Deposit Insurance Fund ("DIF") of the Federal Deposit Insurance Corporation ("FDIC"). The banking operations of BPPR are primarily based in Puerto Rico, where BPPR has the largest retail banking franchise.
- Mainland United States: We provide retail, mortgage and commercial banking services through our New York-chartered banking subsidiary, Popular Bank ("PB" or "Popular U.S."), which has branches in New York, New Jersey and Florida; as well as commercial direct financing leases through a specialized subsidiary, Popular Equipment Finance LLC in Minnesota. PB's deposits are insured under the DIF of the FDIC.
- BPPR also conducts banking operations in the U.S. Virgin Islands, the British Virgin Islands and New York. In addition to BPPR's commercial banking operations in New York that include direct loan origination and participating loans originated by PB, BPPR offers or holds financial products on a National scale in the U.S. market, including personal loans previously originated under the E-Loan brand, purchased personal loans originated by third parties, issuing co-branded credit cards offerings and gathering insured institutional deposits via online deposit gathering platforms. In the U.S. and British Virgin Islands, BPPR offers a range of banking products, including loans and deposits to both retail and commercial customers.

For further information about the Corporation's results segregated by its reportable segments, see "Reportable Segment Results" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section ("MD&A") and Note 37 to the Consolidated Financial Statements included in this Form 10-K.

#### Transformation Initiative:

The Corporation launched a significant, multi-year, broad-based 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, compelling us to make important investments in our technological infrastructure and adopt more agile practices. We believe these investments will result in an enhanced digital experience for our clients, as well as better technology and more efficient processes for our employees, and make us a more efficient and profitable company, allowing us to achieve a 14% return on tangible common equity target by the end of 2025. Our technology and business transformation will be a significant priority for the Corporation over the next three years and beyond. Refer to the Overview section of Management's Discussion and Analysis included in this Form 10-K for information on this transformation initiative and other recent significant events that have impacted or will impact our current and future operations.

#### Lending Activities

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 or refurbishment of their residence.

(3) Consumer. Consumer loans are mainly comprised of personal 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 or developers used for 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 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.

#### **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 Financial Statements included in this Form 10-K.

Our loan portfolio is diversified by loan category. However, approximately 57% of our loan portfolio at December 31, 2022 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.

#### **Loan category**

<i>(Dollars in millions)</i>	<b>BPPR</b>	<b>%</b>	<b>PB</b>	<b>%</b>	<b>POPULAR</b>	<b>%</b>
C&I	\$3,796	17	\$2,043	21	\$5,839	18
CRE	4,627	20	5,273	55	9,900	31
Construction	147	1	611	7	758	2
Leasing	1,586	7	-	-	1,586	5
Consumer	6,281	28	317	3	6,598	21
Mortgage	6,110	27	1,287	14	7,397	23
<b>Total</b>	<b>\$22,547</b>	<b>100</b>	<b>\$9,531</b>	<b>100</b>	<b>\$32,078</b>	<b>100</b>

Except for the Corporation’s exposure to the Puerto Rico Government sector, no individual or single group of related accounts is considered material in relation to our total assets or deposits, or in relation to our overall business. For a discussion of our loan portfolio, our deposits portfolio and our exposure to the Government of Puerto Rico, see “Financial Condition – Loans”, “Financial Condition – Deposits” and “Credit Risk – Geographical and Government Risk” in the MD&A and to Note 24 - Commitment and Contingencies to the Consolidated Financial Statements included in this Form 10-K.

#### **Credit Administration and Credit Policies**



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 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 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 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 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 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 debtor.

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 considered 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 approved under certain circumstances, including (i) when past due status is administrative in nature, such as expiration of a loan facility before the new documentation 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, discussed 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 industry 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").

### **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 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 subject to the same regulatory restrictions as domestic banks and bank holding 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 card companies, consumer finance companies, institutional lenders and other financial and non-financial 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 financial services industry. We work to anticipate and adapt to dynamic competitive conditions whether through developing and marketing innovative products and services, adopting or developing new technologies that differentiate our 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 loyalty and to attract and retain business. However, we can provide no assurance as to the effectiveness of these efforts on our future business or results of operations, and as to our continued ability to 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**

Attracting, developing, and retaining top talent in an environment that promotes wellness, inclusion, learning, and transparency 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 to become a better organization is dependent on fostering our employees' 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 a comprehensive benefits package, including, but not limited to, health insurance, paid time off, and wellness initiatives. Our full and part-time employees have access to affordable healthcare with Popular covering up to 90% of the premium. Additionally, the Corporation promotes employee health by encouraging annual physical exams and maintaining a Health and Wellness Center at its Puerto Rico-based corporate offices staffed with healthcare providers, where employees and eligible dependents can complete their physical exam, receive acute care or visit a nutritionist or psychologist free of charge. The Health and Wellness Center received more than 18,600 in-person and virtual visits from employees during 2022 and acted as a key component to effectively manage the challenges imposed by the COVID-19 pandemic.

The Corporation also provides targeted benefits aimed at promoting work-life balance. For example, 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% 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 financial goals, through which employees may receive up to 8% of eligible compensation (capped at \$70,000), partially in cash and partially as a 401(k) contribution. Furthermore, since 2017 we have invested in our compensation strategy, introducing a job leveling framework, adjusting salaries to better compete with the market, offering merit increases, and raising our base salary to \$13 per hour in Puerto Rico, \$15 per hour in the Virgin Islands, \$17 per hour in Florida, and \$20 per hour in New York and New Jersey. During January 2023, there was an additional increase to \$15 per hour for Puerto Rico and \$16 per hour in the Virgin Islands.

#### *Talent Development*

Popular strives 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, the Corporation continued offering virtual training after effectively transitioning most sessions provided 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. 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% to 17% and advanced learners from 45% to 53%, compared to 2021. Popular also continues to promote the use of LinkedIn Learning, which features over 16,000 on-demand e-learning courses available anytime and anywhere, to strengthen and advance the Corporation's development strategies for all its employees. The organization's strong training and development framework has contributed to internal growth opportunities for our employees. As a result, the Corporation's internal mobility rate in 2022 was 33%. This included employees who applied or were selected for vacancies, were promoted, or had lateral movements.

Popular received the BAI Innovation in Learning & Development Award for being a Talent Lab & Skills Accelerator. This year, we performed an internal talent and skills inventory of 83% of employees to reveal underutilized skills and education. The organization invested in the development of 126 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 results, keeping employees engaged, and achieving the Corporation's strategic goals, Popular has implemented programs aimed at strengthening and developing leadership skills and effective talent management. As part of the Corporation's Executive Leadership Development strategy, readiness courses are offered to employees in topics such as change management, conscious inclusion, leading hybrid teams, and better conversations focused on the return to office scenarios.

Our organizational development strategy is aimed at creating organizational and leadership effectiveness, while advancing organizational readiness to succeed based on our future needs. There were more than 80 organizational development and team interventions and exercises facilitated during 2022, spanning the areas of change management, team alignment and leader effectiveness.

#### Diversity, Equity, and Inclusion

At Popular, we value our differences and strive to improve the workplace experience for all. As of December 31, 2022, 65% of the Corporation's employees were female, while 35% were male. Women accounted for 64% of first and mid-level management and 33% of executive-level management as of such date. The Corporation also maintains a multidisciplinary council, headed by our Corporate Diversity Officer, which helps develop and implement initiatives 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 within the 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 on an interactive dashboard that encompasses data surrounding different people-related topics to support the people strategy, data-driven decision-making and environmental, social and governance ("ESG") monitoring. The dashboard provides senior management with visibility over people metrics such as workforce demographics, hiring, turnover, and Diversity, Equity, and Inclusion.

As of year-end 2022, our turnover rate was 10.8%, improving 1.9 percentage points since 2021. Additionally, voluntary turnover rate was 8.8%, improving 2.3 percentage points since 2021. Throughout 2022, the Corporation saw a stabilization in turnover, which had been increasing for the past seven quarters. The dashboard metrics, such as turnover, help shape our attraction and retention strategy.

#### Board Oversight

The Talent and Compensation Committee 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 Committee reviews and advises management on the Corporation's general compensation philosophy, programs, and policies, and on the Corporation's talent acquisition and development, workforce engagement, succession planning, culture, diversity, equity (including pay equity) and inclusion, among other human capital topics.

We encourage you to review our Corporate Sustainability Report published on [www.popular.com](http://www.popular.com) for more detailed information regarding the Corporation's human capital management programs and initiatives. The 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.

#### **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 and regulation by 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, Popular had total consolidated assets of \$67.6 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 defined in Section 23A of the Federal Reserve Act) between BPPR or PB, on the 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

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, 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 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*

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 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, the FDIC issued a Statement on Resolution Plans for Insured Depository Institutions, which, among other things, establishes a three-year filing cycle for banks with \$100 billion or more in total assets and provides details regarding the content that filers will be expected to prepare.

As of December 31, 2022, Popular, PNA, BPPR and PB's total assets were below the thresholds for applicability of these rules.

#### *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 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 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 quarterly assessment period of 2023. The FDIC, as required under the Federal Deposit Insurance Act ("FDIA"), established a plan in September 2020 to restore the DIF reserve ratio to meet or exceed the statutory minimum of 1.35 percent within eight years. The increased assessment is intended to improve the likelihood that the DIF reserve ratio would reach the required minimum by the statutory deadline of September 30, 2028.

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

#### *Brokered Deposits*

The FDIA and regulations adopted thereunder restrict the use of brokered deposits and the rate of interest payable on deposits for institutions that 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 deposits regulations have had or will have a material effect on the funding or liquidity of BPPR and PB.

#### *Capital Adequacy*

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

the federal banking agencies (the "Capital Rules"), which implement the Basel III framework set forth by 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 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, 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 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, 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 are subject to rules that provide for simplified capital requirements relating to the threshold deductions for certain mortgage servicing assets, deferred tax assets, investments in the capital of unconsolidated financial 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

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. The impact of these standards on us will depend on the manner in which they are implemented by the federal bank regulators.

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 for more information regarding CECL.

#### *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 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 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,



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, both BPPR and PB were well capitalized.

#### *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, 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. At December 31, 2022, BPPR needed to obtain 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, 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.

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 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.

#### *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 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 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

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 new financial activities and merge with or purchase other financial institutions. In May 2022, the Office of the Comptroller of the Currency (“OCC”), the Federal Reserve Board, and the FDIC jointly issued a proposed rule to modernize federal banking agencies’ CRA regulations. The proposed rule would adjust CRA evaluations based on bank size and type, with many of the proposed changes applying only to banks with over \$2 billion in assets and several applying only to banks with over \$10 billion in assets, such as Popular. The effects on Popular of any potential change to the CRA rules will depend on the final form of any Federal Reserve rulemaking.

#### *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.

#### *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.

#### *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.

#### *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 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

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 NYDFS requires financial institutions regulated by the NYDFS, 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 March 2022, the SEC proposed new rules that would require registrants, such as Popular, to (i) report material cybersecurity incidents on Form 8-K, (ii) include updated disclosure in Forms 10-K and 10-Q of previously disclosed cybersecurity incidents, and disclose previously undisclosed, individually immaterial incidents when a determination is made that they have 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.

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*

State and federal banking regulators have become increasingly focused on matters regarding climate change and its associated risks. In 2021, the OCC proposed principles to provide for a framework for the management of climate-related risks for financial institutions and in 2022, the FDIC, the Federal Reserve Board and the NYDFS each proposed principles or guidance with respect to the management of climate-related risks for financial institutions. Additionally, in 2022, the SEC proposed rule changes that would require registrants, such as Popular, to disclose information about climate-related risks and certain climate-related financial statement metrics.

#### *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

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 financials. The final rule requires the securities exchanges to propose conforming listing standards by February 26, 2023 and requires the standards to become effective 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 listing standard has become effective. Popular will work to implement these new requirements as the 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 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 the undistributed profits of the bank, and the balance, if 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

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, 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, the legal lending limit for BPPR under this provision was approximately \$334 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, 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](http://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. 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](http://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

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, geopolitical conflicts, consumer and changes in business sentiment and unemployment. A significant portion of our business is concentrated in Puerto Rico, which accounted for approximately 79% of our assets and 84% of our deposits as of December 31, 2022 and 82% of our revenues for the year ended December 31, 2022. As a result, our financial condition and results of operations are highly dependent on the general trends of the Puerto Rico economy and other conditions affecting Puerto Rico consumers and businesses. The concentration of our operations in Puerto Rico exposes us to greater risks 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 recently emerged from bankruptcy, Puerto Rico still faces economic and fiscal challenges and could face additional economic or fiscal challenges in the future, including as a result of weakness or volatility in the global economy and financial markets. A weakening of the Puerto Rico economy or other adverse economic conditions affecting Puerto Rico consumers and businesses could result in decreased demand for our products or services, deterioration in the credit quality of our customers, higher delinquencies, charge-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 to the state of the global and U.S. economy and financial markets. Global financial markets have recently experienced periods of extraordinary disruption and volatility, exacerbated by the COVID-19 pandemic, the war in Ukraine, supply-chain disruptions, high levels of, and rapid increases in, inflation, and increasing and high interest rates. Inflationary pressures have increased certain of our expenses (including our personnel expenses) and adversely affected consumer sentiment. Central bank responses to inflationary pressures have led to higher market interest rates and, in turn, lower activity levels across U.S. and global financial markets. These circumstances have resulted in, and could continue to result in, reductions in the value of our investments. If these conditions persist or worsen, our results of operations, financial position 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

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 Reserve Board 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 in recent months, following a mid-2022 peak, the Federal Reserve Board has signaled that it may increase 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. Higher interest rates could also lead to fewer originations of commercial and residential real estate loans, loss of deposits, a misalignment in 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 pressure arising from increases in interest rates may also affect borrowers' financial condition and their ability to pay their debts when due. 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 impact of further increases in interest rates on accumulated other comprehensive income and tangible capital. However, if interest rates continue to rise rapidly or for a prolonged period, we may accumulate significant additional mark-to-market 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.

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 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, our exposure to the Puerto Rico government consisted of \$374 million in direct lending exposure to Puerto Rico municipalities and \$251 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, approximately 56% of our loan portfolio consisted of loans secured by real estate collateral (comprised of 29% in commercial loans, 25% in residential mortgage loans and 2% in construction loans). 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 section of the MD&A included in this 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 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, 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 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 collateral securing the mortgage loan. During 2022, we repurchased approximately \$7 million in mortgage loans subject to credit recourse provisions. As of December 31, 2022, our liability established to cover the estimated credit loss exposure related to loans sold or serviced with credit recourse amounted to \$7 million. We may suffer losses on these loans if the proceeds from a foreclosure sale of

the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing of the related property.

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

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 of the loan, and they 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 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 stable source of funding for our lending activities and the operation of our business. Therefore, our funding costs are largely dependent on our ability to maintain and grow our deposits. As 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 avoid losing deposits. We may also need to 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 billion, or approximately 25% of our total deposits, as of December 31, 2022), and the amount of these deposits may fluctuate depending on the financial condition and liquidity of these entities, as well as on our ability to maintain these customer relationships. If we are unable to maintain or grow our deposits for any reason, we may be subject to paying higher funding costs 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 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 of the proliferation of new technologies, such as Internet and mobile banking to conduct instant financial transactions anywhere globally, growing geo-political threats, such as the ongoing Russian conflict in Ukraine, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, hacktivists and other parties. In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to transmit and store sensitive data. We employ a layered defensive approach that employs people, processes and technology to manage and maintain 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 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 to a cyber attack could increase in the future as we continue to expand our mobile banking and other internet based product offerings, the use of the cloud for system 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 may face are e-fraud, denial-of-service (DDoS), ransomware, computer intrusion and the exploitation of software zero-day vulnerabilities that might result in disruption of services and in the exposure or loss of customer or proprietary data. Loss from e-fraud occurs when cybercriminals compromise our systems or the systems of our customers and extract funds from customer's credit cards or bank accounts, including through brute force, 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

employees, to access networks, websites and online resources. Computer intrusion attempts either direct or through social engineering, supply chain compromise, email, text or voice messages, including using brand impersonation (regularly referred to as phishing, vishing and smishing), might 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.

We are the target of phishing, smishing and vishing attacks targeting both our customers and 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 certain defensive measures in response to brute force attacks on one of our platforms which resulted in certain of our customers log-in credentials and information being exposed. As a result, Popular notified, as required or otherwise deemed appropriate, customers identified as affected by the incident. We have to date not 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, 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 facilitating the use of digital channels by our customers, has increased our exposure to 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 in Ukraine, have also illustrated increased geo-political factors and the risks related to supply-chain compromises and de-stabilizing activities linked to nation-state sponsored activity as an increasing trend to monitor actively. Risks and exposures related to cyber 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 cyber-attacks as geopolitical weapons. Although we are regularly targeted by unauthorized threat-actor activity, 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 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 of the harm caused by the cyber 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 to our clients, customers, counterparties and regulators, as well as the public. Moreover, potential new regulations may require us to disclose information about a cybersecurity event before it has been resolved or fully investigated. Furthermore, it may not be clear how best to contain and remediate the potential harm caused by the cyber attack, and certain errors or actions could be repeated or compounded before they are discovered and remediated. 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. 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.

We also rely on third parties for the performance of a significant portion of our information technology functions and the

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 misappropriation of confidential information of us or that of our clients, customers, counterparties or employees, or other negative implications identified above with respect to a cyber-attack on our systems, which could have a material adverse effect on us. Cyber attacks at third-party service providers 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 for us is Evertec, and certain risks particular to Evertec are discussed under "Operational Risks — We are subject to additional risks relating to the Evertec Business Acquisition Transaction". During 2021, we determined that, as a result of the widely reported breach of Accellion, Inc.'s File Transfer Appliance tool, 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. As a result, 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, Popular's networks and systems were not impacted, and our third-party service provider agreed 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 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 perform functions 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, our ability to timely mitigate vulnerabilities and manage such risks, given the rise in number 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 availability of our systems and delay the deployment of technology enhancements and innovation.

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, Popular could 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, and actions taken by governmental authorities and other third parties in response to such events, could again adversely affect our operations, cause economic and market disruption, adversely impact the ability of borrowers to timely repay their loans, or affect the value of any

collateral held by us, any of which could have a material adverse 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 events, including coverage for business interruption, the insurance may not be sufficient to cover all of the damage from any such event, and there is no insurance against the disruption that a catastrophic event could produce to the markets that we serve and 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. 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 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, as a result of system breakdowns, misconfigurations and instances of application obsolescence, which have in certain cases led to exposure of BPPR customer information. For a discussion of the Evertec Business Acquisition Transaction, please refer to the Year 2022 Significant Events section of the MD&A.

While we select third-party vendors carefully and have increased our oversight of 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 or harm to our reputation, any of which could materially and adversely affect us. The inability of our third-party 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.

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

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, we will have to commence 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:

- 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.

## 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 regulation under U.S. federal, state and Puerto Rico laws that govern almost all aspects of our operations and limit the businesses in which we may be engaged, including regulation, supervision and examination by federal, state and foreign banking authorities. These laws and regulations 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 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 the offering of products intended to achieve ESG-related objectives. If we do not appropriately comply with current or future laws or regulations, we may be subject to fines, penalties or judgments, or to material regulatory restrictions on our business, which could also materially and adversely affect our financial condition and results of operations.

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 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 of the U.S. and Puerto Rico governments, including those that investigate compliance with 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 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 from the departments of the U.S. government that investigate mortgage-related conduct, mainly concerning real estate appraisals and residential and construction loans in Puerto Rico. BPPR has also self-identified and reported to applicable regulators compliance matters related to 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 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 the ultimate outcome of the matter, could be time-consuming and expensive. Further, regulators in the performance of their supervisory and enforcement duties, have significant discretion and power to prevent or remedy what they deem to be unsafe 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 on Popular.

**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.**

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 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 designed to assist us and our personnel in complying with these applicable laws and regulations. With respect to OFAC regulations and economic and trade sanction programs, these 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 applicable laws and regulations in transactions in which we engage, and such violations could adversely affect our 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 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 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 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, and the impact on us will depend



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

**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 DIF and, as a result, BPPR and PB are subject to FDIC deposit insurance assessments. On 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 quarterly assessment period of 2023. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, our level of non-performing assets increases, or our risk profile changes or our capital position is impaired, we may be required to pay even higher FDIC premiums. Any future increases or special assessments may materially adversely affect our results of operations. See the “Supervision and Regulation—FDIC Insurance” discussion in Item 1. Business of this Form 10-K for additional information related to the FDIC’s deposit insurance assessments applicable to BPPR and PB.

**The resolution of pending litigation and regulatory proceedings, if unfavorable, could have material adverse financial effects or cause significant reputational harm to us, which, in turn, could seriously harm our business prospects.**

We face legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remains high. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. For further information relating to our legal risk, see Note 24 - “Commitments & Contingencies”, to the Consolidated Financial Statements in this Form 10-K.

**LIQUIDITY RISKS**

**We are subject to risks related to our own credit rating and capital levels. Actions by the rating agencies or decreases in our capital levels may have adverse effects on our business, including by raising the cost of our obligations or affecting our ability to borrow.**

Actions by the rating agencies could raise the cost of our borrowings, since lower rated securities are usually required by the market to pay higher rates than obligations of higher credit quality. Our credit ratings were reduced substantially in 2009 and, although one of the three major rating agencies upgraded our senior unsecured rating back to “investment grade” during 2021, the remaining two rating agencies have not upgraded their current “non-investment grade” rating. The market for non-investment grade securities is much smaller and less liquid than for investment grade securities. If we were to attempt to issue preferred stock or debt securities into the capital markets, it is possible that there would not be sufficient demand to complete a transaction or that the cost could be substantially higher than for more highly rated securities.

In addition, changes in our ratings and capital levels could affect our relationships with some creditors and business counterparties. For example, having negative tangible capital may impact our ability to access some sources of wholesale funding. The Federal Housing Finance Agency restricts the Federal Home Loan Bank of New York (“FHLBNY”) from lending to members of the FHLBNY with negative tangible capital unless the member’s primary banking regulator makes a written request to the FHLBNY to maintain access to borrowings. Both BPPR and PB have secured borrowing facilities with the FHLBNY, and had outstanding exposures of \$1.9 billion and \$1.4 million respectively as of December 31, 2022. Losing access to the FHLBNY borrowing facilities could adversely impact liquidity at the banking subsidiaries. Additionally, if BPPR or PB cease to be well-capitalized, the FDIA and regulations adopted thereunder would restrict their ability to accept brokered deposits and limits the rate of interest payable on deposits.

Our banking subsidiaries also have recourse obligations under certain agreements with third parties, including servicing and custodial agreements, that include ratings covenants. Upon failure to maintain the required credit ratings, the third parties could have the right to require us to engage a substitute fund custodian and increase collateral levels securing recourse obligations. Collateral pledged by us to secure recourse obligations approximated \$29 million at December 31, 2022. Management expects that we would be able to meet any additional collateral requirements if and when needed. The requirements to post collateral under certain agreements or the loss of custodian funds, however, could reduce our liquidity resources and impact our results of operations. The termination of those agreements or the inability to realize servicing income for our businesses could have an adverse effect on those businesses. Other counterparties are also sensitive to the risk of a ratings downgrade and the implications for our businesses, and may be less likely to engage in transactions with us, or may only engage in them at a substantially higher cost, if our ratings remain below investment grade.

**As a holding company, we depend on dividends and distributions from our subsidiaries for liquidity.**

As a bank holding company, we depend primarily on dividends from our banking and other operating subsidiaries to fund our cash needs, including to capitalize our subsidiaries. Our banking subsidiaries, BPPR and PB, are limited by law in their ability to make dividend payments and other distributions to us based on their earnings, dividend history, and capital position. Based on its current financial condition, PB may not declare or pay a dividend without the prior approval of the Federal Reserve Board and the NYSDFS. A failure by our banking subsidiaries to generate sufficient income and free cash flow to make dividend payments to us may affect our ability to fund our cash needs, which could have a negative impact on our financial condition, liquidity, results of operation or capital position. Such failure could also affect our ability to pay dividends to our stockholders and to repurchase shares of our common stock. We have in the past suspended dividend payments on our common stock and preferred stock during times of economic uncertainty, and there can be no assurance that we will be able to continue to declare dividends to our stockholders in any future periods.

An impact on the tangible capital levels of our operating subsidiaries, could also limit the amount of capital we may upstream to the holding company. Tangible capital levels have, and may continue to be, adversely affected by the impact of rapidly rising interest rates on investment securities in our available-for-sale portfolio. For a discussion of risks related to changes in interest rates, see "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" in Item 1A of this Form 10-K.

We also depend on dividends from our banking and other operating subsidiaries to pay debt service on outstanding debt and to repay maturing debt. We have \$300 million of notes that mature on September 14, 2023. If we were 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 would be subject to regulatory requirements and could require the prior approval of the Federal Reserve Board.

**STRATEGIC RISKS**

**Potential acquisitions of businesses or loan portfolios could increase some of the risks that we face, and may be delayed or prohibited due to regulatory constraints.**

To the extent permitted by our applicable regulators, we may pursue strategic acquisition opportunities. Acquiring other businesses, however, involves various risks, including potential exposure to unknown or contingent liabilities of the target company, exposure to potential asset quality issues of the target company, potential disruption to our business, the possible loss of key employees and customers of the target company, and difficulty in estimating the value of the target company. If we pay a premium over book or market value in connection with an acquisition, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, or other projected benefits from an acquisition could have a material adverse effect on our business, financial condition and results of operations.

Similarly, acquiring loan portfolios involves various risks. When acquiring loan portfolios, management makes assumptions and judgments about the collectability of the loans, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of secured loans. In estimating the extent of the losses, we analyze the loan portfolio based on historical loss experience, volume and classification of loans, volume and trends in delinquencies and nonaccruals, local economic conditions, and other pertinent information. If our assumptions are incorrect, however, our actual losses could be higher than estimated and increased loss reserves may be required, which would negatively affect our results of operations.

Finally, certain acquisitions by financial institutions, including us, are subject to approval by a variety of federal and state regulatory agencies. Regulatory approvals could be delayed, impeded, restrictively conditioned or denied. We may fail to pursue, evaluate or complete strategic and competitively significant acquisition opportunities as a result of our inability, or perceived or anticipated inability, to obtain regulatory approvals in a timely manner, under reasonable conditions or at all. Difficulties associated with potential acquisitions that may result from these factors could have a material adverse effect on our business, financial condition and results of operations.

**We have embarked on a broad-based multi-year, technological and business process transformation. The failure to achieve the goals of the transformation project, the inability to maintain project expenses within current estimates or delays in executing our plans to implement the transformation project, may materially and adversely affect our business,**

**financial condition, results of operations, or cause reputational harm.**

The Corporation has embarked on a broad-based multi-year, technological and business process transformation. Our technology and business transformation will be a significant priority for the Corporation over the next three years and beyond. We expect the expenses tied to this transformation project, which will continue through at least 2025, to result in an enhanced digital experience for our clients, as well as better technology and more efficient processes for our employees.

To execute the transformation project, we plan to expand our digital capabilities, modernize our technology foundation, and implement agile and efficient business processes across the entire company. We may not succeed in executing the transformation project, may fail to properly estimate cost of the same, or may experience delays in executing our plans, which may in turn cause the Corporation to incur costs exceeding our current estimates or disrupt our operations, including our technological services to our customers, or fall short of our projected earnings targets driven by these efforts. To the extent that these disruptions persist over time and/or recur, this could negatively impact our competitive position, require additional expenditures, and/or harm our relationships with our customers and thus may materially and adversely affect our business, financial condition, results of operations, or cause reputational harm.

**We face significant and increasing competition in the rapidly evolving financial services industry.**

We operate in a highly competitive environment, in which we compete on the basis of a number of factors, including customer service, quality and variety of products and services, price, interest rates on loans and deposits, innovation, technology, ease of use, reputation, and transaction execution. While our main competition continues to come from other Puerto Rico banks and financial institutions, we may face increased competition from other institutions in the future as emerging technologies and the growth of e-commerce have significantly reduced geographic barriers, made it easier for non-depository institutions to offer products and services that traditionally were banking products and allowed non-traditional financial service providers and technology companies to provide electronic and internet-based financial solutions and services. Increased competition could create pressure to lower prices, fees, commissions or credit standards on our products and services, which could adversely affect our financial condition and results of operations. Increased competition could also create pressure to raise interest rates on deposits, which could also impact our financial condition and results of operations.

**If we are unable to meet constant technological changes and react quickly to meet new industry standards, including as a result of our continued dependence on Evertec, we may be unable to enhance our current services and introduce new products and services in a timely and cost-effective manner, placing us at a competitive disadvantage and significantly affecting our business, financial condition and results of operations.**

To compete effectively, we need to constantly enhance and modify our products and services and introduce new products and services to attract and retain clients or to match products and services offered by our competitors, including technology companies and other nonbank firms that are engaged in providing similar products and services. Although the Evertec Business Acquisition Transaction eliminated certain provisions of a previous Master Services Agreement with Evertec that required us to use Evertec exclusively to develop and implement new or enhanced products and services, and is expected to improve Popular's ability to manage and control the development of the customer channels supported by the Acquired Assets, Popular expects that it will continue to depend on Evertec's technology services to operate and control current products and services and to implement future products and services, making our success dependent on Evertec's ability to timely complete and introduce these enhancements and new products and services in a cost-effective manner. Our ability to enhance our customer channels is also dependent on Evertec timely delivering Core APIs that meet BPPR's requirements, which Evertec has committed to develop under the MSA. The Core APIs are necessary for BPPR to connect future enhancements to the Acquired Assets to existing Evertec core applications.

Some of our competitors rely on financial services technology and outsourcing companies that are much larger than Evertec, serve a greater number of clients than Evertec, and may have better technological capabilities and product offerings than Evertec. Furthermore, financial services technology companies typically make capital investments to develop and modify their product and service offerings to facilitate their customers' compliance with the extensive and evolving regulatory and industry requirements, and in most cases such costs are borne by the technology provider. Because of our contractual relationship with Evertec, and because Popular is the sole customer of certain of Evertec's services and products, we have in the past borne the full cost of such developments and modifications and may be required to do so in the future, subject to the terms of the MSA.

Moreover, the terms, speed, scalability, and functionality of certain of Evertec's technology services are not competitive when compared to offerings from its competitors. Evertec's failure to sufficiently invest in and upscale its technology and services infrastructure to meet the rapidly changing technology demands of our industry may result in us being unable to meet customer expectations and attract or retain customers. Any such impact could, in turn, reduce Popular's revenues, place us in a competitive

disadvantage and significantly affect our business, financial condition and results of operations. While the closing of 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, it also resulted in extensions of certain existing commercial agreements with Evertec and, as a result, have prolonged the duration of our exposure to the risks presented by Evertec's technological capabilities and its failures to enhance its products and services and otherwise meet evolving demands.

**The ability to attract and retain qualified employees is critical to our success.**

Our success depends, in large part, on our ability to attract and retain qualified employees. Competition for qualified candidates is intense and has increased recently as a result of a tighter labor market. Increased competition may lead to difficulties in attracting or retaining qualified employees, which may, in turn, lead to significant challenges in the execution of our business strategies and have an adverse effect on the quality of the service we provide to the customers and communities we serve. Such challenges could adversely affect our business, operations and financial condition. In addition, increased competition may lead to higher compensation packages and more flexible work arrangements. We may also be required to hire employees outside of our market areas for certain positions that require specific expertise, which could result in employment and tax compliance-related expenses, challenges and risks. In addition, flexible work arrangements, such as remote or hybrid work models, have led to other workplace challenges, including fewer opportunities for face-to-face interactions or to promote a cohesive corporate culture and heightened cybersecurity, information security and other operational risks.

Our ability to attract and retain qualified employees is also impacted by regulatory limitations on our compensation practices, such as a clawback requirements of incentive compensation, which may not affect other institutions with which we compete for talent. The scope and content of regulators' policies on executive compensation continue to develop and are likely to continue evolving. Such policies and limitations on our compensation practices could adversely affect our ability to attract, retain and motivate talented senior leaders in support of our long-term strategy.

**OTHER RISKS**

**An impairment of our goodwill, deferred tax assets or amortizable intangible assets could adversely affect our financial condition and results of operations.**

As of December 31, 2022, we had approximately \$827 million, \$954 million and \$94 million, respectively, of goodwill, net deferred tax assets and amortizable intangible assets recorded on our balance sheet.

Under GAAP, goodwill is tested for impairment at least annually and amortizable intangible assets are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances, indicating that the carrying value of the goodwill or amortizable intangible assets may not be recoverable, include a decline in Popular's stock price related to a deterioration in global or local economic conditions, declines in our market capitalization, reduced future earnings estimates, and interest rate changes. The goodwill impairment evaluation process requires us to make estimates and assumptions with regards to the fair value of our reporting units. Actual values may differ significantly from these estimates. Such differences could result in future impairment of goodwill that would, in turn, negatively impact our results of operations and the reporting unit where the goodwill is recorded.

The determination of whether a deferred tax asset is realizable is based on weighting all available 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 analysis considers all sources of 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 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 2. PROPERTIES**

As of December 31, 2022, BPPR operated 168 branches, of which 65 were owned and 103 were leased premises, and PB operated 39 branches of which 3 were owned and 36 were on leased premises. Also, the Corporation had 584 ATMs operating in Puerto Rico, 23 in the Virgin Islands and 94 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.

## **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".

During 2022, the Corporation declared cash dividends in the total amount of \$2.20 per common share outstanding, for an aggregate amount of \$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, 2023, Popular had 6,612 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 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 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. 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, the maximum number of shares of common stock remaining available for future issuance under this plan was 3,444,778. 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:

##### 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	-	\$-	-	-
November 1 – November 30	-	-	-	-
December 1 – December 31	840,064	70.80	840,024	-
Total December 31, 2022	840,064	\$70.80	840,024	-

[1] Includes 40 shares of common stock acquired by the Corporation during December 2022, in connection with the satisfaction of tax withholding obligations on vested awards of restricted stock or restricted stock units granted to directors and certain employees under the Corporation's Omnibus Incentive Plan. The acquired shares of common stock were added back to treasury stock.

[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

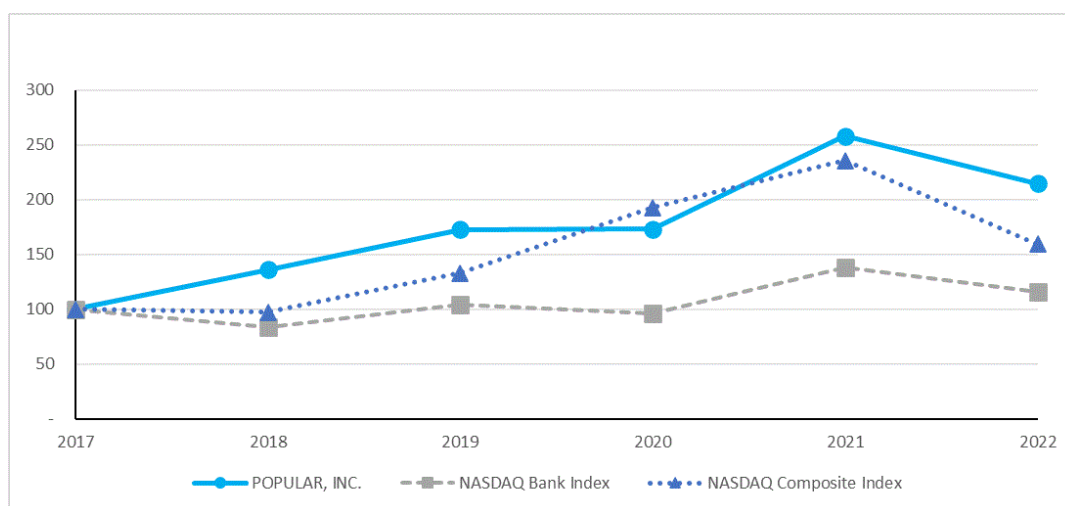
For information about our equity compensation plans, refer to Part III, Item 12.

#### Stock Performance Graph (1)

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, plus (ii) the change in the per share price since the measurement date, by the share price at the measurement date.

**Comparison of Five-Year Cumulative Total Return (TSR)**  
**Assumes all dividends were reinvested**  
**Base Year: December 31, 2017 = \$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.

**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 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 to 108 of this Form 10-K.

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

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 and 110 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, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None

**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.

**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 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 the captions "Principal Stockholders" and "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 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
Total		3,444,778

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

The information under the caption "Board of Directors' Independence" and "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 through 260 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 and 2021

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

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

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

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.

## 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. \(incorporated by reference to Exhibit 3.1 of Popular, Inc.'s Current Report on Form 8-K dated and filed on January 2, 2020\).](#)
- 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 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. \(1\)](#)

- 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. Dierksen as director of Popular, Inc., dated October 18, 2013 \(incorporated by reference to Exhibit 10.13 of Popular, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013\).](#)\*
- 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 \(incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018\).](#)\*

- 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. Rodríguez, 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 \(incorporated by reference to Exhibit 10.1 of Popular, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2022\).](#)\*

10.25	<a href="#"><u>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).</u></a>
10.26	<a href="#"><u>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.)</u></a>
21.1	<a href="#"><u>Schedule of Subsidiaries of Popular, Inc. (1)</u></a>
22.1	<a href="#"><u>Issuers of Guaranteed Securities (1)</u></a>
23.1	<a href="#"><u>Consent of Independent Registered Public Accounting Firm (1)</u></a>
31.1	<a href="#"><u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)</u></a>
31.2	<a href="#"><u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)</u></a>
32.1	<a href="#"><u>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)</u></a>
32.2	<a href="#"><u>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)</u></a>
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)
104	The cover page of Popular, Inc. Annual Report on Form 10-K for the year ended December 31, 2022, 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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## 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; adverse economic conditions, including high levels of and ongoing increases in inflation rates, that adversely affect housing prices, the job market, consumer confidence and spending habits which may affect in turn, among other things, our level of non-performing assets, charge-offs and provision expense; changes in interest rates and market liquidity, which may reduce interest margins, impact funding sources, reduce loan originations, affect our ability to originate and distribute financial products in the primary and secondary markets and impact the value of our investment portfolio and our ability to return capital to our shareholders; the impact of the current fiscal and economic challenges of Puerto Rico and the measures taken and to be taken by the Puerto Rico Government and the Federally-appointed oversight board on the economy, our customers and our business; the impact of the pending debt restructuring proceedings under Title III of the Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA”) and of other actions taken or to be taken to address Puerto Rico’s fiscal challenges on the value of our portfolio of Puerto Rico government securities and loans to governmental entities and of our commercial, mortgage and consumer loan portfolios where private borrowers could be directly affected by governmental action; the amount of Puerto Rico public sector deposits held at the Corporation, whose future balances are uncertain and difficult to predict and may be impacted by factors such as the amount of Federal funds received by the P.R. Government in connection with the COVID-19 pandemic and hurricane recovery assistance and the rate of expenditure of such funds, as well as the financial condition, liquidity and cash management practices of the Puerto Rico Government and its instrumentalities; unforeseen or catastrophic events, including extreme weather events, including hurricanes, other natural disasters, man-made disasters, acts of violence or war or pandemics, epidemics and other health-related crises, including any resurgence of COVID-19, or the fear of any such event occurring, any of which could cause adverse consequences for our business, including, but not limited to, disruptions in our operations; our ability to achieve the expected benefits from our transformation initiative, including our ability to achieve our targeted sustainable return on tangible common equity of 14% by the end of 2025; risks related to Popular’s acquisition of certain information technology and related assets formerly used by Evertec, Inc. to service certain of Banco Popular de Puerto Rico’s key channels, as well as the entry into amended and restated commercial agreements (the “Evertec Business Acquisition Transaction”), including Popular’s ability to successfully transition and integrate the assets acquired as part of the Evertec Business Acquisition Transaction, as well as related operations, employees and third party contractors; unexpected costs, including, without limitation, costs due to exposure to any unrecorded liabilities or issues not identified during due diligence investigation of the Evertec Business Acquisition Transaction or that are not subject to indemnification or reimbursement by Evertec, Inc.; and business and other risks arising from the extension of Popular’s current commercial agreements with Evertec, Inc.; the fiscal and monetary policies of the federal government and its agencies; changes in federal bank regulatory and supervisory policies, including required levels of capital and the impact of proposed capital standards on our capital ratios; additional Federal Deposit Insurance Corporation (“FDIC”) assessments; regulatory approvals that may be necessary to undertake certain actions or consummate strategic transactions, such as acquisitions and dispositions; the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets in Puerto Rico and the other markets in which our borrowers are located; the performance of the stock and bond markets; competition in the financial services industry; possible legislative, tax or regulatory changes; a failure in or breach of our operational or security systems or infrastructure or those of Evertec, Inc., our provider of core financial transaction processing and information technology services, or of third parties providing services to us, including as a result of cyberattacks, e-fraud, denial-of-services and computer intrusion, that might result in, among other things, loss or breach of customer data, disruption of services, reputational damage or

additional costs to Popular; changes in market rates and prices which may adversely impact the value of financial assets and liabilities; potential judgments, claims, damages, penalties, fines, enforcement actions and reputational damage resulting from pending or future litigation and regulatory or government investigations or actions, including as a result of our participation in and execution of government programs related to the COVID-19 pandemic; changes in accounting standards, rules and interpretations; our ability to grow our core businesses; decisions to downsize, sell or close branches or business units or otherwise change our business mix; and management's ability to identify and manage these and other risks.

Moreover, the outcome of legal and regulatory proceedings, as discussed in "Part 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 SIGNIFICANT EVENTS**

### ***Acquisition of Key Customer Channels and Amendments to Commercial Contracts with Evertec***

On July 1, 2022, BPPR completed the announced acquisition of certain assets from Evertec Group, LLC ("Evertec Group"), a wholly owned subsidiary of Evertec, Inc. ("Evertec") (NYSE: EVTC), to service certain BPPR channels (the "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 for the quarter 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 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 in the fourth quarter of 2022, the Corporation has 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 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.

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 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 the Corporation's liquidity position and its intention to reduce the impact on accumulated other comprehensive income (loss) ("AOCI") and tangible capital of further increases in interest rates.

The securities were reclassified at fair value at the time of the transfer. At the date of the transfer, these securities had pre-tax unrealized losses of \$873.0 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

#### **Partial Release of the Deferred Tax Asset Valuation Allowance**

During the fourth quarter of 2022, the Corporation recorded a partial reversal of 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 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.

**Table 1 - Selected Financial Data**

	Years ended December 31,		
<i>(Dollars in thousands, except per common share data)</i>	2022	2021	2020
<b>CONDENSED STATEMENTS OF OPERATIONS</b>			
Interest income	\$ 2,465,911	\$ 2,122,637	\$ 2,091,551
Interest expense	298,552	165,047	234,938
Net interest income	2,167,359	1,957,590	1,856,613
Provision for credit losses (benefit)	83,030	(193,464)	292,536
Non-interest income	897,062	642,128	512,312
Operating expenses	1,746,420	1,549,275	1,457,829
Income tax expense	132,330	309,018	111,938
Net income	\$ 1,102,641	\$ 934,889	\$ 506,622
Net income applicable to common stock	\$ 1,101,229	\$ 933,477	\$ 504,864
<b>PER COMMON SHARE DATA</b>			
Net income per common share - basic	\$ 14.65	\$ 11.49	\$ 5.88
Net income per common share - diluted	14.63	11.46	5.87
Dividends declared	2.20	1.75	1.60
Common equity per share	56.66	74.48	71.30
Market value per common share	66.32	82.04	56.32
Outstanding shares:			
Average - basic	75,147,263	81,263,027	85,882,371
Average - assuming dilution	75,274,003	81,420,154	85,975,259
End of period	71,853,720	79,851,169	84,244,235
<b>AVERAGE BALANCES</b>			
Net loans <sup>[1]</sup>	\$ 30,405,281	\$ 29,074,036	\$ 28,384,981
Earning assets	69,729,933	68,088,675	56,404,607
Total assets	72,808,604	71,168,650	59,583,455
Deposits	64,716,404	63,102,916	51,585,779
Borrowings	1,119,878	1,255,495	1,321,772
Total stockholders' equity	6,009,225	5,777,652	5,419,938
<b>PERIOD END BALANCE</b>			
Net loans <sup>[1]</sup>	\$ 32,083,150	\$ 29,299,725	\$ 29,484,651
Allowance for credit losses - loans portfolio	720,302	695,366	896,250
Earning assets	64,251,062	72,103,862	62,989,715
Total assets	67,637,917	75,097,899	65,926,000
Deposits	61,227,227	67,005,088	56,866,340
Borrowings	1,400,319	1,155,166	1,346,284
Total stockholders' equity	4,093,425	5,969,397	6,028,687
<b>SELECTED RATIOS</b>			
Net interest margin (non-taxable equivalent basis)	3.11 %	2.88 %	3.29 %
Net interest margin (taxable equivalent basis) -Non-GAAP	3.46	3.19	3.62
Return on assets	1.51	1.31	0.85
Return on common equity	18.39	16.22	9.36
Tier I capital	16.45	17.49	16.33
Total capital	18.26	19.35	18.81

[1] Includes loans held-for-sale.

## **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 as compared with the same period in 2021, 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.

The discussion that follows provides highlights of the Corporation's results of operations for the year ended December 31, 2022 compared to the results of operations of 2021. 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 a discussion of our 2021 results of operations compared with 2020, 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.

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

	2022	2021	2020
Net interest income	2.98 %	2.75 %	3.12 %
Provision for credit (losses) benefit	(0.11)	0.27	(0.49)
Mortgage banking activities	0.06	0.07	0.02
Net (loss) gain and valuation adjustments on investment securities	(0.01)	-	0.01
Other non-interest income	1.18	0.83	0.83
Total net interest income and non-interest income, net of provision for credit losses	4.10	3.92	3.49
Operating expenses	(2.40)	(2.18)	(2.45)
Income before income tax	1.70	1.74	1.04
Income tax expense	(0.19)	(0.43)	(0.19)
Net income	1.51 %	1.31 %	0.85 %

Net interest income for the year ended December 31, 2022 was \$2.2 billion, an increase of \$209.8 million when compared to 2021. The increase in net interest income was mainly driven by higher interest income from money market investments due to higher interest rates, higher income from investment securities and higher interest income from commercial and consumer loans due to higher volumes and yields. The net interest margin for the year ended December 31, 2022 was 3.11 % compared to 2.88% for the same period in 2021, driven by higher average volume of earning assets and higher interest rates as the Federal Reserve increased the Federal Funds Rate during 2022. On a taxable equivalent basis, net interest margin was 3.46% in 2022, compared to 3.19% in 2021. Refer to the Net Interest Income section of this MD&A for additional information.

The Corporation's total provision for credit losses reflected an expense of \$83.0 million for the year ended December 31, 2022, compared to a reserve release of \$193.5 million for 2021. The expense for the year 2022 was mostly driven by changes in the economic scenario, higher loan volumes and changes in credit quality. The Corporation continued to exhibit favorable credit quality trends with low levels of net charge-offs and decreasing non-performing loans. Non-performing assets totaled \$528.6 million at December 31, 2022, reflecting a decrease of \$104.4 million when compared to December 31, 2021. Refer to the Provision for Credit Losses and Credit Risk sections of this MD&A for information on the allowance for credit losses, non-performing assets, troubled debt restructurings, net charge-offs and credit quality metrics.

Non-interest income for the year ended December 31, 2022 amounted to \$897.1 million, an increase of \$254.9 million, when compared with 2021, mostly due to: the \$257.7 million gain related to the Evertec Transactions and related accounting adjustments and higher service fees due to higher credit card fees and merchant network business fees as a result of the revenue sharing agreement entered into in connection with the Evertec Transactions. Refer to the Non-Interest Income section of this MD&A for additional information on the major variances of the different categories of non-interest income.

Total operating expenses amounted to \$1.7 billion for the year 2022, reflecting an increase of \$197.1 million, when compared to the same period in 2021, mainly due to higher personnel costs reflecting salary increases and a higher headcount, professional fees, technology and software expenses, reflecting the impact of the investment in the transformation initiative, higher business promotions expense driven by customer loyalty programs and a \$17.3 million expense associated with the Evertec Transactions. Refer to the Operating Expenses section of this MD&A for additional information.

Income tax expense amounted to \$132.3 million for the year ended December 31, 2022, compared with an income tax expense of \$309.0 million for the previous year. The decrease in income tax expense for the year is mainly due to the impact of the partial reversal of the deferred tax asset valuation allowance of the U.S. Operations and, higher taxable income that was exempt or subject to preferential tax rates. Refer to the Income Taxes section in this MD&A and Note 35 to the Consolidated Financial Statements for additional information on income taxes.

At December 31, 2022, the Corporation's total assets were \$67.6 billion, compared with \$75.1 billion at December 31, 2021. The decrease of \$7.5 billion is mainly driven by lower money market investments due to a decrease in deposits mainly in the Puerto Rico



public sector, partially offset by an increase in loans held-in-portfolio mainly in the commercial and consumer portfolios. Refer to the Statement of Financial Condition Analysis section of this MD&A for additional information.

Deposits amounted to \$61.2 billion at December 31, 2022, compared with \$67.0 billion at December 31, 2021. Table 8 presents a breakdown of deposits by major categories. The decrease in deposits was mainly due to lower Puerto Rico public sector deposits. The Corporation's borrowings amounted to \$1.4 billion at December 31, 2022, compared to \$1.2 billion at December 31, 2021. Refer to Note 17 to the Consolidated Financial Statements for detailed information on the Corporation's borrowings.

Refer to Table 7 in the Statement of Financial Condition Analysis section of this MD&A for the percentage allocation of the composition of the Corporation's financing to total assets.

Stockholders' equity amounted to \$4.1 billion at December 31, 2022, compared to \$6.0 billion at December 31, 2021. The decrease was principally due to higher accumulated unrealized losses on debt securities available-for-sale and the impact of two accelerated share repurchase transactions completed during 2022, declared dividends, partially offset by net income for the year. The Corporation and its banking subsidiaries continue to be well-capitalized at December 31, 2022. The Common Equity Tier 1 Capital ratio at December 31, 2022 was 16.39%, compared to 17.42% at December 31, 2021.

For further discussion of operating results, financial condition and business risks refer to the narrative and tables included herein.

The shares of the Corporation's common stock are traded on the Nasdaq Global Select Market under the symbol BPOP.

#### **CRITICAL ACCOUNTING POLICIES / ESTIMATES**

The accounting and reporting policies followed by the Corporation and its subsidiaries conform with generally accepted accounting principles in the United States of America ("GAAP") and general practices within the financial services industry. The Corporation's significant accounting policies are described in detail in Note 2 to the Consolidated Financial Statements and should be read in conjunction with this section.

Critical accounting policies require management to make estimates and assumptions, which involve significant judgment about the effect of matters that are inherently uncertain and that involve a high degree of subjectivity. These estimates are made under facts and circumstances at a point in time and changes in those facts and circumstances could produce actual results that differ from those estimates. The following MD&A section is a summary of what management considers the Corporation's critical accounting policies and estimates.

#### **Fair Value Measurement of Financial Instruments**

The Corporation currently measures at fair value on a recurring basis its trading debt securities, debt securities available-for-sale, certain equity securities, derivatives and mortgage servicing rights. Occasionally, the Corporation is required to record at fair value other assets on a nonrecurring basis, such as loans held-for-sale, loans held-in-portfolio that are collateral dependent and certain other assets. These nonrecurring fair value adjustments typically result from the application of lower of cost or fair value accounting or write-downs of individual assets.

The Corporation categorizes its assets and liabilities measured at fair value under the three-level hierarchy. The level within the hierarchy is based on whether the inputs to the valuation methodology used for fair value measurement are observable.

The Corporation requires the use of observable inputs when available, in order to minimize the use of unobservable inputs to determine fair value. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The amount of judgment involved in estimating the fair value of a financial instrument depends 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.

#### 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, 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 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.

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 in the United States (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 merits and risks of the appropriate tax treatment of 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. The U.S. 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.

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

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 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

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, refer to Note 15 to the Consolidated Financial Statements.

### **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 was \$619.9 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 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; for example, 8.5% for large cap stocks, 8.8% for small cap stocks, 9.0% for international stocks, 6.1% for long corporate bonds and 4.9% 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 its expected return on plan assets for year 2023 to 5.9% and 6.5% for the Pension Plans. Expected rates of return of 4.3% and 5.4% had been used for 2022 and 4.6% and 5.5% had been used 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 a net benefit of \$0.5 million in 2022. The total pension expense included a benefit of \$35.4 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 from 5.9% to 5.65% would increase the projected 2023 pension expense for the Banco Popular de Puerto Rico Retirement Plan, the Corporation's largest plan, by approximately \$1.4 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 be allocated to various components of the financial statements, including other comprehensive income. The determination of 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 of \$8.3 million at December 31, 2022.

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% to 5.37% for the Pension Plans and 5.42% for the OPEB Plan to determine the benefit obligations at December 31, 2022.

A 50 basis point decrease to each of the rates in the December 31, 2022 Willis Towers Watson RATE: Link (10/90) Model would increase the projected 2023 expense for the Banco Popular de Puerto Rico Retirement Plan by approximately \$1.8 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. The Corporation had recorded a liability for the underfunded postretirement benefit obligation of \$118.3 million at December 31, 2022.

## 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, 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 was \$2.2 billion or \$209.8 million higher than in 2021. Net interest income, on a taxable equivalent basis, for the year ended December 31, 2022 was \$2.4 billion compared to \$2.2 billion in 2021.

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

	2022	2021
Prime rate.....	4.86%	3.25%
Fed funds rate.....	1.86	0.25
3-month Treasury Bill.....	2.01	0.03
10-year Treasury.....	2.95	1.44
FNMA 30-year.....	4.26	1.84

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. Prepayment penalties, late fees collected and the amortization of premiums / discounts on purchased loans, including the discount accretion on purchased credit deteriorated loans ("PCD"), are also included as part of the loan yield. Interest income for the period ended December 31, 2022, included \$44.6 million related to those items, compared to \$131.5 million for the same period in 2021. The year over year decrease is related to lower amortized fees resulting from the forgiveness of PPP loans by \$55.7 million, lower discount amortization on commercial loans by \$16.3 million mainly driven by lower interest from cancellation of PCD loans and \$6.6 million lower amortization of the fair value discount of the auto portfolios acquired in previous years.

Table 3 presents the different components of the Corporation's net interest income, on a taxable equivalent basis, for the year ended December 31, 2022, as compared with the same period in 2021, segregated by major categories of interest earning assets and interest-bearing liabilities. Net interest margin was 3.11% in 2022 or 23 basis points higher than the 2.88% reported in 2021. The higher net interest margin for the year 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 variances:

- Higher 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 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 lower amortized fees resulting from the forgiveness of PPP loans by \$55.7 million 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:

- Higher interest expense on deposits by \$141.2 million due to the increase in interest cost by 29 basis points resulting mainly from a higher cost of the fully indexed Puerto Rico government deposits and the increase in cost of Popular U.S. deposits. Under the terms of BPPR's deposit pricing agreement with Puerto Rico public sector, public funds rates are market linked with a lag minus a specified spread. As such, if short-term interest rates continue to increase, we would expect the costs of public funds to continue to increase. This source of funding still results in an attractive spread under market rates.



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

Year ended December 31,

Average Volume			Average Yields / Costs			Interest			Variance		
2022	2021	Variance	2022	2021	Variance	2022	2021	Variance	Rate	Volume	
(In millions)						(In thousands)					
\$ 9,531	\$ 16,000	\$ (6,469)	1.24 %	0.13 %	1.11 %	Money market investments	\$ 118,079	\$ 21,147	\$ 96,932	\$ 108,780	\$ (11,848)
29,743	22,931	6,812	2.23	2.22	0.01	Investment securities [1]	664,278	508,131	156,147	16,116	140,031
51	84	(33)	5.94	5.16	0.78	Trading securities	3,049	4,339	(1,290)	600	(1,890)
						Total money market, investment and trading securities	785,406	533,617	251,789	125,496	126,293
39,325	39,015	310	2.00	1.37	0.63	Loans:					
14,562	13,455	1,107	5.46	5.39	0.07	Commercial	795,115	723,765	71,350	10,997	60,353
778	849	(71)	6.29	5.41	0.88	Construction	48,920	45,821	3,099	7,172	(4,073)
1,475	1,289	186	5.92	6.00	(0.08)	Leasing	87,274	77,356	9,918	(1,093)	11,011
7,322	7,696	(374)	5.34	5.09	0.25	Mortgage	391,133	392,047	(914)	18,584	(19,498)
2,743	2,463	280	11.66	11.17	0.49	Consumer	319,920	275,078	44,842	11,546	33,296
3,525	3,322	203	8.02	8.47	(0.45)	Auto	282,533	280,722	1,811	(14,833)	16,644
30,405	29,074	1,331	6.33	6.19	0.14	Total loans	1,924,895	1,794,789	130,106	32,373	97,733
\$ 69,730	\$ 68,089	\$ 1,641	3.89 %	3.43 %	0.46 %	Total earning assets	\$ 2,710,301	\$ 2,328,406	\$ 381,895	\$ 157,869	\$ 224,026
						Interest bearing deposits:					
\$ 25,884	\$ 25,959	\$ (75)	0.61 %	0.12 %	0.49 %	NOW and money market [2]	\$ 158,664	\$ 31,911	\$ 126,753	\$ 127,953	\$ (1,200)
15,886	15,429	457	0.20	0.18	0.02	Savings	32,400	27,123	5,277	4,983	294
6,853	7,028	(175)	0.90	0.75	0.15	Time deposits	61,781	52,587	9,194	10,241	(1,047)
48,623	48,416	207	0.52	0.23	0.29	Total interest bearing deposits	252,845	111,621	141,224	143,177	(1,953)
206	92	114	2.78	0.35	2.43	Short-term borrowings	5,737	318	5,419	2,030	3,389
						Other medium and long-term debt	39,970	53,107	(13,137)	63	(13,200)
939	1,185	(246)	4.26	4.49	(0.23)	Total interest bearing liabilities	298,552	165,046	133,506	145,270	(11,764)
49,768	49,693	75	0.60	0.33	0.27	Demand deposits					
16,094	14,687	1,407				Other sources of funds					
3,868	3,709	159				Total source of funds	298,552	165,046	133,506	145,270	(11,764)
\$ 69,730	\$ 68,089	\$ 1,641	0.43 %	0.24 %	0.19 %	Net interest margin/ income on a taxable equivalent basis (Non-GAAP)	2,411,749	2,163,360	248,389	\$ 12,599	\$ 235,790
						Net interest spread					
						Taxable equivalent adjustment	244,390	205,770	38,620		
						Net interest margin/ income non-taxable equivalent basis (GAAP)	\$ 2,167,359	\$ 1,957,590	\$ 209,769		

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

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

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

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

For the year ended December 31, 2022, the Corporation recorded an expense of \$84.2 million for its allowance for credit losses ("ACL") related to loans held-in-portfolio and unfunded commitments, compared with a reserve release 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 for the year 2022 reflected an expense of \$0.9 million, compared to a reserve release of \$8.0 million for the same period of 2021.

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 Popular U.S. segment was \$13.8 million for the year 2022, an unfavorable variance of \$68.1 million, compared to a reserve release of \$54.3 million for the year 2021.

At December 31, 2022, the total allowance for credit losses for loans held-in-portfolio amounted to \$720.3 million, compared to \$695.4 million as of December 31, 2021. The ratio of the allowance for credit losses to loans held-in-portfolio was 2.25% at December 31, 2022, compared to 2.38% at December 31, 2021. 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, the Corporation recorded a reserve release of \$1.2 million, compared to a reserve release of \$2.2 million for the year ended December 31, 2021. At December 31, 2022, the total allowance for credit losses for this portfolio amounted to \$6.9 million, compared to \$8.1 million as of December 31, 2021. Refer to Note 7 to the Consolidated Financial Statements for additional information on the ACL for this portfolio.

#### **Non-Interest Income**

For the year ended December 31, 2022, non-interest income increased by \$254.9 million, when compared with the 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 that contributed to the variance in non-interest income were:

- higher other service fees by \$22.8 million, principally at the BPPR segment, 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;
- a favorable adjustment of \$9.2 million in the fair value of the contingent consideration related to purchase price adjustments for the 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 investment which had been previously written off;

partially offset by:

- lower service charges on deposit accounts by \$5.5 million, mainly at BPPR, 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 driven by the current interest rate environment;
- lower income from mortgage banking activities by 7.7 million mainly due to lower gains from loan securitization and valuation adjustments on loans held for sale by \$21.9 million, impacted by the Corporation's determination in the third quarter of 2022 to retain certain guaranteed loans as held for investment; partially offset 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 and higher gains from closed derivative positions by \$5.3 million;
- an unfavorable variance of \$7.5 million on the fair value adjustments to the portfolio of equity securities related to deferred benefit plans, which have an offsetting effect recorded as lower personnel costs; and
- 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.

### 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 year.

**Table 4 - Operating Expenses Reclassification**

<i>Financial statement line item</i>	2021			2020		
	As reported	Adjustments	Adjusted	As reported	Adjustments	Adjusted
Equipment expenses	\$ 92,097	\$ (59,178)	\$ 32,919	\$ 88,932	\$ (56,418)	\$ 32,514
Professional services	410,865	(284,144)	126,721	394,122	(261,708)	132,414
Technology and software expenses	-	277,979	277,979	-	263,886	263,886
Processing and transactional services	-	121,367	121,367	-	112,039	112,039
Communications	25,234	(11,205)	14,029	23,496	(10,266)	13,230
Other 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

Table 5 provides a breakdown of operating expenses by major categories.

**Table 5 - Operating Expenses**

(In thousands)	Years ended December 31,		
	2022	2021	2020
<b>Personnel costs:</b>			
Salaries	\$ 432,910	\$ 371,644	\$ 370,179
Commissions, incentives and other bonuses	155,889	142,212	78,582
Pension, postretirement and medical insurance	56,085	52,077	44,123
Other personnel costs, including payroll taxes	74,880	65,869	71,321
<b>Total personnel costs</b>	<b>719,764</b>	<b>631,802</b>	<b>564,205</b>
Net occupancy expenses	106,169	102,226	119,345
Equipment expenses	35,626	32,919	32,514
Other taxes	63,603	56,783	54,454
Professional fees	172,043	126,721	132,414
Technology and software expenses	291,902	277,979	263,886
<b>Processing and transactional services:</b>			
Credit and debit cards	45,455	40,383	40,903
Other processing and transactional services	81,690	80,984	71,136
<b>Total processing and transactional services</b>	<b>127,145</b>	<b>121,367</b>	<b>112,039</b>
Communications	14,885	14,029	13,230
<b>Business promotion:</b>			
Rewards and customer loyalty programs	51,832	38,919	30,380
Other business promotion	37,086	34,062	27,228
<b>Total business promotion</b>	<b>88,918</b>	<b>72,981</b>	<b>57,608</b>
FDIC deposit insurance	26,787	25,579	23,868
Other real estate owned (OREO) income	(22,143)	(14,414)	(3,480)
<b>Other operating expenses:</b>			
Operational losses	32,049	38,391	26,331
All other	77,397	53,778	55,018
<b>Total other operating expenses</b>	<b>109,446</b>	<b>92,169</b>	<b>81,349</b>
Amortization of intangibles	3,275	9,134	6,397
Goodwill impairment charge	9,000	-	-
<b>Total operating expenses</b>	<b>\$ 1,746,420</b>	<b>\$ 1,549,275</b>	<b>\$ 1,457,829</b>
Personnel costs to average assets	0.99 %	0.89 %	0.95 %
Operating expenses to average assets	2.40	2.18	2.45
Employees (full-time equivalent)	8,813	8,351	8,522
Average assets per employee (in millions)	\$8.26	\$8.52	\$6.99

Operating expenses for the year ended December 31, 2022 increased by \$197.1 million, when compared with the previous year. The increase in operating expenses was driven primarily by:

- Higher personnel costs by \$88.0 million mainly due to higher salaries expense by \$61.3 million as a result of market adjustments, annual salary revisions and an increase in headcount, higher commission and incentives by \$13.7 million, due to higher headcount, salary revisions and, in part, profit-sharing expense and higher payroll taxes and fringe benefits, including health and retirement benefits, reflecting the overall increase in salary base;
- Higher net occupancy expense by \$3.9 million mainly due to BPPR's lower rental income due to the sale of two corporate office buildings during the third quarter of 2021, coupled with higher rent expense related to the space remaining occupied by BPPR;

- Higher other taxes by \$6.8 million mainly due to an increase in personal property tax expense and a higher base used to estimate an annual Puerto Rico regulatory license fee;
- Higher professional fees by \$45.3 million primarily due to Corporate initiatives including \$22 million related to a multi-year corporate transformation initiative to expand the Corporation's digital capabilities, modernize its technology platform and implement agile and efficient business processes;
- Higher technology and software expenses by \$13.9 million mainly due to higher software amortization expense by \$10.3 million, including \$2.4 million related to the software intangible assets acquired as part of the Evertec Transactions, and higher IT professional fees and network management expense by \$15.5 million due to various ongoing technology projects; partially offset by a decrease in charges related to internet banking of \$9.6 million and lower application hosting expense reflecting savings as a result of the Evertec Transactions;
- 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;
- Higher business promotion expense by \$15.9 million mainly due to higher customer reward program expense in our credit card business by \$12.9 million, reflecting an increase in customer purchase activity, higher sponsorship expense by \$1.5 million and higher donations by \$1.2 million, including hurricane related donations;
- Higher total other operating expenses, including operational losses, by \$17.3 million mainly due to the \$17.3 million expense related to the Evertec Transactions; net of \$6.9 million in credits received in connection with this transaction and higher gain on sale of foreclosed auto units by \$6.6 million; offset by \$6.5 million of lower sundry losses; and
- a goodwill impairment charge of \$9.0 million due to a decrease in Popular Equipment Finance's (PEF) projected earnings considered as part of the Corporation's annual goodwill impairment analysis.

These variances were partially offset by:

- Higher other real estate owned (OREO) income by \$7.7 million mainly due to higher gain on sale of commercial properties; and
- Lower amortization of intangibles by \$5.9 million due to an impairment write-down of \$5.4 million of a trademark during 2021.

### **Income Taxes**

For the year ended December 31, 2022, the Corporation recorded an income tax expense of \$132.3 million, compared to \$309.0 million for the same period of 2021. The income tax expense for the year ended December 31, 2022, reflects the impact of the reversal of a portion of the deferred tax asset valuation allowance of the U. S. Operations amounting to \$68.2 million, higher taxable income subject to preferential tax rates, primarily attributed to the gain from the sale of Evertec shares, and higher tax exempt income recorded during this year.

At December 31, 2022, the Corporation had a net deferred tax asset amounting to \$1 billion, net of a valuation allowance of \$0.5 billion. The net deferred tax asset related to the U.S. operations was \$0.3 billion, net of a valuation allowance of \$0.4 billion.

The Inflation Reduction Act of 2022 imposes a new corporate alternative minimum tax ("AMT"), effective for taxable year 2023, to corporations that meet a dual three-year average adjusted financial statement income ("AFSI") threshold of \$1 billion on a worldwide basis and \$100 million for its U.S. operations. The AFSI is, in general, the GAAP net income per financial statements with certain adjustments, including foreign taxes and tax depreciation. The Corporation is still evaluating the application of these adjustments that could be decisive in whether Popular is subject to the corporate AMT. If it is determined that the Corporation is subject to the corporate AMT, it is not expected to have a material impact on the financial statements of the Corporation.

Refer to Note 35 to the Consolidated Financial Statements for a reconciliation of the statutory income tax rate to the effective tax rate and additional information on the income tax expense and deferred tax asset balances.

## Fourth Quarter Results

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

Net interest income for the fourth quarter of 2022 amounted to \$559.6 million, compared with \$501.3 million for the fourth quarter of 2021, an increase of \$58.3 million. The increase in net interest income was mainly due higher interest rates as the Federal Reserve increased the Federal Funds Rate by 425 basis points during 2022 and higher average balance of loans resulting from the growth during 2022 at both BPPR and PB. The net interest margin increased by 50 basis points to 3.28% due to an increase in market rates and the earning assets mix, that had a higher concentration on loans which carry a higher yield than money market and investment securities. On a taxable equivalent basis, the net interest margin for the fourth quarter of 2022 was 3.64%, compared to 3.02% for the fourth quarter of 2021.

The provision 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. The provision expense recorded in the fourth quarter of 2022 reflects changes in credit metrics, portfolio growth as well as 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.

Non-interest income amounted to \$158.5 million for the quarter ended December 31, 2022, compared with \$164.7 million for the same quarter in 2021. The decrease of \$6.2 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, service charges on deposit accounts were lower by \$6.9 million, 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.

Operating expenses totaled \$461.7 million for the quarter ended December 31, 2022, compared with \$417.4 million for the same quarter in the previous year. The increase of \$44.3 million is mainly related to higher personnel costs by \$29.7 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; higher technology 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, the Corporation recorded an income tax benefit of \$50.3 million, compared with income tax expense of \$75.6 million for the same quarter of 2021. The favorable variance in income tax expense was mainly attributable to a partial reversal of the deferred tax asset valuation allowance of the U.S. operation during the fourth quarter of 2022 of \$68.2 million and lower income before tax, higher benefit from tax-exempt income, including true-up adjustment of \$9.5 million in relation to the fiscal year 2021 tax returns for the P.R. 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.

The Corporate group reported a net income of \$150.1 million for the year ended December 31, 2022, compared with a net income of \$13.4 million for the previous year. The increase in net income was mainly attributed to the \$128.8 million in after-tax gains recognized by the Corporation as a result of the Evertec Stock Sale and related accounting adjustments; lower interest expense by \$10.4 million from 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.

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

- Higher net interest income by \$148.9 million 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 Federal Reserve and higher average balances of U.S. Treasury securities; higher interest income from loans by \$54.7 million, mainly due to higher average balances from consumer, leasing and commercial loans; partially offset by higher interest expense on deposits by \$123.7 million mainly due to higher costs on the market-indexed Puerto Rico government deposits, NOW accounts and time deposits. The BPPR segment's net interest margin was 3.05% for 2022 compared with 2.86% for the same period in 2021.
- A provision for loan losses expenses of \$70.3 million in 2022, compared to a reserve release of \$136.4 million for the year ended 2021, or an unfavorable variance of \$206.7 million. The provision for 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;
- Higher non-interest income by \$115.0 million mainly due to:
  - Higher other operating income by \$112.0 million mostly due to the benefit related to the Evertec Business Acquisition Transaction,
  - Higher other service fees by \$21.3 million due to higher merchant acquiring fees related to the revenue sharing agreement entered in connection with the Evertec Transactions and higher credit card fees as a result of higher interchange transaction volumes.
- Higher operating expenses by \$167.8 million, mainly due to:
  - Higher other expenses by \$75.5 million mainly due to higher allocations from the Corporate group by \$56.0 million, mainly advisory and other professional services, and a \$17.3 million expense related to Evertec Transactions;
  - Higher personnel costs by \$71.8 million driven by higher salaries and benefits due to market salary adjustments and annual salary revisions and a higher headcount; higher incentive compensation, higher profit sharing expenses and higher fringe benefits;
  - Higher business promotions by \$15.6 million mainly due to higher customer rewards expense related to higher transactional volumes and higher sponsorships and donations, including hurricane related assistance;
  - Higher technology and software expenses by \$5.7 million including \$2.4 million related 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;

Partially offset by:

- Higher OREO income by \$7.4 million mainly due to higher gain on sale of OREO of \$5.9 million.
- Lower professional fees by \$3.8 million mainly due to lower consulting fees related to ongoing projects.
- Lower income tax expense by \$105.1 million due to lower income before tax and higher income that was exempt or subject to preferential tax rates.

#### **Popular U.S.**

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

- Higher net interest income by \$51.8 million mainly due to higher interest income from loans by \$74.2 million mainly due to higher average balances from commercial loans as well as higher yields due to increase in rates; and higher interest income from money market investment securities by \$2.9 million due to higher rates, partially offset by lower income from debt securities by \$1.6 million and higher cost of deposits by \$22.9 million due to higher interest rates. The Popular U.S. reportable segment's net interest margin was 3.68% for 2022 compared with 3.39% for the same period in 2021;
- An unfavorable variance of \$69.3 million on the provision for loan losses and unfunded commitments, due to the reserve release of \$56.9 million in 2021, which reflected improvements in credit metrics and Covid-related economic outlook, compared to a provision expense of \$12.5 million recorded in 2022 which reflected an expected economic slowdown in 2023;
- Higher non-interest income by \$7.4 million mainly due to the positive adjustment of \$9.2 million on the contingent liability related to the K-2 Acquisition;
- Higher operating expenses by \$35.4 million mainly due to:
  - Higher personnel costs by \$10.2 million due to salary market and annual adjustments;
  - Higher other expenses by \$7.4 million due to higher charges allocated from the Corporate segment, mainly professional fees; and
  - The goodwill impairment charge of \$9.0 million recorded at PEF.
- Lower income tax expense by \$81.7 million due mainly to a lower income before tax and the partial 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 at December 31, 2022, compared to \$75.1 billion at December 31, 2021. Refer to the Corporation's Consolidated Statements of Financial Condition at December 31, 2022 and 2021 included in this 2022 Form 10-K. Also, refer to the Statistical Summary 2022-2021 in this MD&A for Condensed Statements of Financial Condition.

##### *Money market investments and debt securities*

Money market investments decreased by \$11.9 billion at December 31, 2022, when compared to December 31, 2021. This was impacted by the decrease in deposits of \$5.8 billion, mainly in the Puerto Rico Public sector, and the deployment of liquidity to purchase debt securities. Debt securities available-for-sale decreased by \$7.2 billion, while debt securities held-to-maturity increased by \$8.4 billion. As previously mentioned, during 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. 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*

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 billion to \$32.1 billion at December 31, 2022, mainly due to growth in the commercial portfolio of \$2.0 billion, reflected at both BPPR and PB by approximately \$1.0 billion, 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 \$532.4 million in the aggregate including 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 during 2022 and the purchase of national consumer loans through its U.S. branch. The auto loans portfolio at BPPR benefited from the sustained level of auto sales, which although lower than 2021, remained a higher than 2020. In addition, though mortgage loans declined by \$29.7 million from the previous year, this was impacted by management's determination to retain certain guaranteed loans in the portfolio, which reduced the portfolio attrition.

The allowance for credit losses for the loan portfolio increased by \$24.9 million mainly due to changes in the macroeconomic outlook, 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.

**Table 6 - Loans Ending Balances**

<i>(In thousands)</i>	At December 31,	
	2022	2021
<b>Loans held-in-portfolio:</b>		
Commercial	\$ 15,739,132	\$ 13,732,701
Construction	757,984	716,220
Leasing	1,585,739	1,381,319
Mortgage	7,397,471	7,427,196
Auto	3,512,530	3,412,187
Consumer	3,084,913	2,570,934
<b>Total loans held-in-portfolio</b>	<b>\$ 32,077,769</b>	<b>\$ 29,240,557</b>
<b>Loans held-for-sale:</b>		
Mortgage	\$ 5,381	\$ 59,168
<b>Total loans held-for-sale</b>	<b>\$ 5,381</b>	<b>\$ 59,168</b>
<b>Total loans</b>	<b>\$ 32,083,150</b>	<b>\$ 29,299,725</b>

**Other assets**

Other assets amounted to \$1.8 billion at December 31, 2022, an increase of \$0.2 billion when compared to December 31, 2021. At December 31, 2022, this includes \$125 million in cash receivable from the maturities of investment securities near the end of the year and \$28.7 million in software intangibles acquired as part of the Evertec Transactions. Refer to Note 14 to the Consolidated Financial Statements for a breakdown of the principal categories that comprise the caption of "Other Assets" in the Consolidated Statements of Financial Condition at December 31, 2022 and 2021.

**Liabilities**

The Corporation's total liabilities were \$63.5 billion at December 31, 2022, a decrease of \$5.6 billion compared to \$69.1 billion at December 31, 2021, mainly due to a decrease 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 and 2021 is included in Table 7.

**Table 7 - Financing to Total Assets**

<i>(In millions)</i>	December 31,	December 31,	% increase (decrease) from 2021 to 2022	% of total assets	
	2022	2021		2022	2021
Non-interest bearing deposits	\$ 15,960	\$ 15,684	1.8 %	23.6 %	20.9 %
Interest-bearing core deposits	41,600	47,954	(13.3)	61.5	63.9
Other interest-bearing deposits	3,667	3,367	8.9	5.4	4.5
Repurchase agreements	149	92	62.0	0.2	0.1
Other short-term borrowings	365	75	N.M.	0.5	0.1
Notes payable	887	989	(10.3)	1.3	1.3
Other liabilities	917	968	(5.3)	1.4	1.3
Stockholders' equity	4,093	5,969	(31.4)	6.1	7.9

**Deposits**

The Corporation's deposits totaled \$61.2 billion at December 31, 2022, compared to \$67.0 billion at December 31, 2021. The deposits decrease of \$5.8 billion was mainly due to lower Puerto Rico public sector deposits by \$5.2 billion. Public sector deposit balances amounted to \$15.2 billion at December 31, 2022. The receipt by the Puerto Rico Government of additional Federal

assistance, and seasonal tax collections, could increase public deposit balances at BPPR in the near term. However, 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, the financial condition, liquidity and cash management practices of the Puerto Rico Government and its instrumentalities and the implementation of fiscal and debt adjustment plans approved pursuant to PROMESA or other actions mandated by the Fiscal Oversight and Management Board for Puerto Rico (the "Oversight Board").

Approximately 25% of the Corporation's deposits are public fund deposits from the Government of Puerto Rico, municipalities and government instrumentalities and corporations ("public funds"). These public funds deposits are indexed to short term market rates and fluctuate in cost with changes in those rates with a one-quarter lag, in accordance with contractual terms. As a result, these 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 these public funds by approximately 120 basis points in the first quarter of 2023 when compared to the last quarter in 2022.

Refer to Table 8 for a breakdown of the Corporation's deposits at December 31, 2022 and 2021.

**Table 8 - Deposits Ending Balances**

(In thousands)	2022	2021
Demand deposits <sup>[1]</sup>	\$ 26,382,605	\$ 25,889,732
Savings, NOW and money market deposits (non-brokered)	27,265,156	33,674,134
Savings, NOW and money market deposits (brokered)	798,064	729,073
Time deposits (non-brokered)	6,442,886	6,685,938
Time deposits (brokered CDs)	338,516	26,211
<b>Total deposits</b>	<b>\$ 61,227,227</b>	<b>\$ 67,005,088</b>

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

#### *Borrowings*

The Corporation's borrowings amounted to \$1.4 billion at December 31, 2022, compared to \$1.2 billion at December 31, 2021. 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.

#### *Other liabilities*

The Corporation's other liabilities amounted to \$1.0 billion at December 31, 2022, a decrease of \$51.3 million when compared to December 31, 2021.

#### **Stockholders' Equity**

Stockholders' equity totaled \$4.1 billion at December 31, 2022, a decrease of \$1.9 billion when compared to December 31, 2021. The decrease was principally due to higher accumulated unrealized losses on debt securities available-for-sale 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 on common stock and \$1.4 million in dividends on preferred stock, partially offset by net income for the year ended December 31, 2022 of \$1.1 billion. Refer to the Consolidated Statements of Financial Condition, Comprehensive Income and 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), an integral component of stockholders' equity.

## 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 and 2021. 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 and 2021.

**Table 9 - Capital Adequacy Data**

	At December 31,	
(Dollars in thousands)	2022	2021
<b>Risk-based capital:</b>		
Common Equity Tier 1 capital	\$ 5,639,686	\$ 5,476,031
Additional Tier 1 Capital	22,143	22,143
Tier 1 capital	\$ 5,661,829	\$ 5,498,174
Supplementary (Tier 2) capital	623,818	585,931
Total capital	\$ 6,285,647	\$ 6,084,105
Total risk-weighted assets	\$ 34,415,889	\$ 31,441,224
Adjusted average quarterly assets	\$ 70,287,610	\$ 74,238,367
<b>Ratios:</b>		
Common Equity Tier 1 capital	16.39 %	17.42 %
Tier 1 capital	16.45	17.49
Total capital	18.26	19.35
Leverage ratio	8.06	7.41
Average equity to assets	8.25	8.12
Average tangible equity to assets	7.27	7.20
Average equity to loans	19.76	19.87

On April 1, 2020, the Corporation adopted the final rule issued by the federal banking regulatory agencies pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 that simplified several requirements in the agencies' regulatory capital rules. These rules simplified the regulatory capital requirement for mortgage servicing assets (MSAs), deferred tax assets arising from temporary differences and investments in the capital of unconsolidated financial institutions by raising the CET1 deduction threshold from 10% to 25%. The 15% CET1 deduction threshold which applies to the aggregate amount of such items was eliminated. The rule also requires, among other changes, increasing from 100% to 250% the risk weight to MSAs and temporary

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, compared to December 31, 2021, 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. The increase in leverage capital ratio was mainly due to the decrease in 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 a significant impact on the risk-weighted 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, the Corporation had phased-in 25% of the cumulative CECL deferral with the remaining impact to be recognized over the remaining two years. In the first quarter of 2023, the Corporation will phase in a cumulative 50% 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, the Corporation has \$38 million in PPP loans and 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**

(In thousands)	At December 31,	
	2022	2021
Common stockholders' equity	\$ 4,198,409	\$ 6,116,756
AOCI related adjustments due to opt-out election	2,468,193	257,762
Goodwill, net of associated deferred tax liability (DTL)	(691,560)	(591,703)
Intangible assets, net of associated DTLs	(12,944)	(16,219)
Deferred tax assets and other deductions	(322,412)	(290,565)
Common equity tier 1 capital	\$ 5,639,686	\$ 5,476,031
Common equity tier 1 capital to risk-weighted assets	16.39 %	17.42 %

*Non-GAAP financial measures*

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

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 and 2021.

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

(In thousands, except share or per share information)	At December 31,	
	2022	2021
Total stockholders' equity	\$ 4,093,425	\$ 5,969,397
Less: Preferred stock	(22,143)	(22,143)
Less: Goodwill	(827,428)	(720,293)
Less: Other intangibles	(12,944)	(16,219)
<b>Total tangible common equity</b>	<b>\$ 3,230,910</b>	<b>\$ 5,210,742</b>
Total assets	\$ 67,637,917	\$ 75,097,899
Less: Goodwill	(827,428)	(720,293)
Less: Other intangibles	(12,944)	(16,219)
<b>Total tangible assets</b>	<b>\$ 66,797,545</b>	<b>\$ 74,361,387</b>
Tangible common equity to tangible assets	4.84 %	7.01 %
Common shares outstanding at end of period	71,853,720	79,851,169
Tangible book value per common share	\$ 44.97	\$ 65.26

	Year-to-date average	
Total stockholders' equity [1]	\$ 6,009,225	\$ 5,777,652
Less: Preferred Stock	(22,143)	(22,143)
Less: Goodwill	(757,133)	(679,959)
Less: Other intangibles	(17,113)	(20,861)
<b>Total tangible common equity</b>	<b>\$ 5,212,836</b>	<b>\$ 5,054,689</b>
Average return on tangible common equity	21.13 %	18.47 %

[1] Average balances exclude unrealized gains or losses on debt securities available-for-sale and unrealized losses on debt securities transfer to held-to-maturities.

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

#### Interest Rate Risk ("IRR")

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

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

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

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

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

The asset and liability management group performs validation procedures on various assumptions used as part of the simulation analyses as well as validations of results on a monthly basis. In addition, the model and processes used to assess IRR are subject to independent validations according to the guidelines established in the Model Governance and Validation policy.

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



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

(Dollars in thousands)	December 31, 2022		December 31, 2021	
	Amount Change	Percent Change	Amount Change	Percent Change
<b>Change in interest rate</b>				
+400 basis points	\$ (38,548)	(1.75) %	\$ 257,223	13.21 %
+200 basis points	(18,078)	(0.82)	197,354	10.14
+100 basis points	(7,787)	(0.35)	166,920	8.57
-100 basis points	41,763	1.90	(78,408)	(4.03)
-200 basis points	78,381	3.56	(120,661)	(6.20)

As of December 31, 2022, NII simulations show the Corporation has a neutral to slightly liability sensitive position driven by the rapid increase in short-term interest rates throughout the year and its impact on Puerto Rico public sector deposits which are indexed to market rates, as well as the deployment of cash to fund loan growth and purchase investments. 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 short-term rates have risen, the cost of these deposits now increases in sync with market rates and therefore reduce the benefit banks typically have in rising rate environments. As of December 31, 2022, Popular 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 of the expected benefit in net interest income given the higher interest rates observed during 2022, ii) a decrease in cash balances (which repriced instantaneously) via the deployment into longer term investments and loans, and iii) the market indexed nature of Puerto Rico public sector deposits which represented \$15.2 billion or 25% of deposits as of December 31, 2022.

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.

**Table 13 - Interest Rate Sensitivity**

At December 31, 2022									
By repricing dates									
(Dollars in thousands)	0-30 days	Within 31 - 90 days	After three months but within six months	After six months but within nine months	After nine months but within one year	After one year but within two years	After two years	Non-interest bearing assets / liabilities	Total
<b>Assets:</b>									
Money market investments	\$ 5,614,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,614,595
Investment and trading securities	2,085,332	750,646	1,026,603	1,076,243	1,116,553	4,590,807	16,292,815	(392,593)	26,546,406
Loans	5,090,409	2,875,448	1,436,637	1,248,850	1,256,549	4,559,631	15,718,001	(102,375)	32,083,150
<b>Other assets</b>	-	-	-	-	-	-	-	3,393,766	3,393,766
<b>Total</b>	<b>12,790,336</b>	<b>3,626,094</b>	<b>2,463,240</b>	<b>2,325,093</b>	<b>2,373,102</b>	<b>9,150,438</b>	<b>32,010,816</b>	<b>2,898,798</b>	<b>67,637,917</b>
<b>Liabilities and stockholders' equity:</b>									
Savings, NOW and money market and other interest bearing demand deposits	17,880,089	794,797	1,115,771	1,031,454	954,856	3,178,624	13,529,678	-	38,485,269
Certificates of deposit	1,921,505	468,312	640,081	452,482	496,747	1,194,998	1,607,276	-	6,781,401
Federal funds purchased and assets sold under agreements to repurchase	99,558	31,530	17,521	-	-	-	-	-	148,609
Other short-term borrowings	365,000	-	-	-	-	-	-	-	365,000
Notes payable	1,000	-	20,000	299,109	22,261	91,943	452,397	-	886,710
Non-interest bearing deposits	-	-	-	-	-	-	-	15,960,557	15,960,557
Other non-interest bearing liabilities	-	-	-	-	-	-	-	916,946	916,946
<b>Stockholders' equity</b>	-	-	-	-	-	-	-	4,093,425	4,093,425
<b>Total</b>	<b>\$ 20,267,152</b>	<b>\$ 1,294,639</b>	<b>\$ 1,793,373</b>	<b>\$ 1,783,045</b>	<b>\$ 1,473,864</b>	<b>\$ 4,465,565</b>	<b>\$ 15,589,351</b>	<b>\$ 20,970,928</b>	<b>\$ 67,637,917</b>
Interest rate sensitive gap	(7,476,816)	2,331,455	669,867	542,048	899,238	4,684,873	16,421,465	(18,072,130)	-
Cumulative interest rate sensitive gap	(7,476,816)	(5,145,361)	(4,475,494)	(3,933,446)	(3,034,208)	1,650,665	18,072,130	-	-
Cumulative interest rate sensitive gap to earning assets	(11.55)%	(7.95)%	(6.91)%	(6.08)%	(4.69)%	2.55 %	27.92 %	-	-

Table 14, which presents the maturity distribution of earning assets, takes into consideration prepayment assumptions.

**Table 14 - Maturity Distribution of Earning Assets**

As of December 31, 2022								
Maturities								
(In thousands)	After one year			After five years		After fifteen years		Total
	One year or less	through five years		through fifteen years		After fifteen years		
		Fixed interest rates	Variable interest rates	Fixed interest rates	Variable interest rates	Fixed interest rates	Variable interest rates	
Money market securities	\$ 5,614,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,614,595
Investment and trading securities	5,972,315	15,917,065	12,593	4,474,589	3,287	-	-	26,379,849
<b>Loans:</b>								
Commercial	4,609,900	5,335,022	3,628,170	1,092,038	930,166	45,176	98,659	15,739,132
Construction	469,212	45,911	193,334	8,261	34,232	-	7,033	757,984
Leasing	426,138	1,127,923	-	31,678	-	-	-	1,585,739
Consumer	1,845,426	3,584,443	298,977	187,647	595,179	85,770	-	6,597,443
Mortgage	581,384	2,074,029	107,067	3,759,026	54,812	826,508	26	7,402,852
<b>Subtotal loans</b>	<b>7,932,060</b>	<b>12,167,328</b>	<b>4,227,549</b>	<b>5,078,651</b>	<b>1,614,390</b>	<b>957,454</b>	<b>105,718</b>	<b>32,083,150</b>
<b>Total earning assets</b>	<b>\$ 19,518,969</b>	<b>\$ 28,084,393</b>	<b>\$ 4,240,142</b>	<b>\$ 9,553,241</b>	<b>\$ 1,617,677</b>	<b>\$ 957,454</b>	<b>\$ 105,718</b>	<b>\$ 64,077,594</b>

Note: Equity securities available-for-sale and other investment securities, including Federal Reserve Bank stock and Federal Home Loan Bank stock held by the Corporation, are not included in this table. Loans held-for-sale have been allocated according to the expected sale date.

### 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, the Corporation held trading securities with a fair value of \$28 million, representing approximately 0.04% of the Corporation's total assets, compared with \$30 million and 0.04%, respectively, at December 31, 2021. As shown in Table 15, the trading portfolio consists principally of mortgage-backed securities and U.S. Treasuries, which at December 31, 2022 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**

(Dollars in thousands)	December 31, 2022		December 31, 2021	
	Amount	Weighted Average Yield <sup>[1]</sup>	Amount	Weighted Average Yield <sup>[1]</sup>
Mortgage-backed securities	\$ 14,223	5.79 %	\$ 22,559	5.12 %
U.S. Treasury securities	13,069	3.26	6,530	0.03
Collateralized mortgage obligations	160	5.51	257	5.61
Puerto Rico government obligations	64	0.45	85	0.47
Interest-only strips	207	12.00	280	12.00
Total	\$ 27,723	4.63 %	\$ 29,711	4.06 %

[1] Not on a taxable equivalent basis.

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

The Corporation's trading portfolio had a 5-day VAR of approximately \$0.2 million for the last week in December 31, 2022. There are numerous assumptions and estimates associated with VAR modeling, and actual results could differ from these assumptions and estimates. Backtesting is performed to compare actual results against maximum estimated losses, in order to evaluate model and assumptions accuracy.

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

### **Derivatives**

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 Note 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.

### 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 million at December 31, 2022. 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 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, the Corporation had approximately \$ 57 million in an unfavorable foreign currency translation adjustment as part of accumulated other comprehensive income (loss), compared with an unfavorable adjustment of \$ 67 million at December 31, 2021 and \$ 71 million at December 31, 2020.

### **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 under both normal and stressed market conditions. The Board of Directors is responsible for establishing the Corporation's tolerance for liquidity risk, including approving relevant risk limits and policies. The Board of Directors has delegated the monitoring of these risks to the Board's Risk Management Committee and the Asset/Liability Management Committee. The management of liquidity risk, on a long-term and day-to-day basis, is the responsibility of the Corporate Treasury Division. The Corporation's Corporate Treasurer is responsible for implementing the policies and procedures approved by the Board of Directors and for monitoring the Corporation's liquidity position on an ongoing basis. Also, the Corporate Treasury Division coordinates corporate wide liquidity management strategies and activities with the reportable segments, oversees policy breaches and manages the escalation process. The Financial and Operational Risk Management Division is responsible for the independent monitoring and reporting of adherence with established policies.

An institution's liquidity may be pressured if, for example, it experiences a sudden and unexpected substantial cash outflow due to exogenous events such as the COVID-19 pandemic, its credit rating is downgraded, or some other event 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 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 to monitor more effectively the Corporation's liquidity position and that of the banking subsidiaries. Additionally, contingency funding plans are used to model various stress events of different magnitudes and affecting different time horizons that assist management in evaluating the size of the liquidity buffers needed if those stress events occur. However, such models may not predict accurately how the market and customers might react to every event, and are dependent on many assumptions.

Deposits, including customer deposits, brokered deposits and public funds deposits, continue to be the most significant source of funds for the Corporation, funding 91% of the Corporation's total assets at December 31, 2022 and 89% at December 31, 2021. The ratio of total ending loans to deposits was 52% at December 31, 2022, compared to 44% at December 31, 2021. In addition to traditional deposits, the Corporation maintains borrowing arrangements, which amounted to approximately \$1.4 billion in outstanding balances at December 31, 2022 (December 31, 2021 - \$1.2 billion). A detailed description of the Corporation's borrowings, including their terms, is included in Note 17 to the Consolidated Financial Statements. Also, the Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements provide information on the Corporation's cash inflows and outflows.

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.

Refer to Note 17 to the Consolidated Financial Statements, for additional information of the Corporation's borrowing facilities available through its banking subsidiaries.

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

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

The Corporation's ability to compete successfully in the marketplace for deposits, excluding brokered deposits, depends on various factors, including pricing, service, convenience and financial stability as reflected by operating results, credit ratings (by nationally recognized credit rating agencies), and importantly, FDIC deposit insurance. Although a downgrade in the credit ratings of the 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 the potential effect of a downgrade in the credit ratings.

Deposits are a key source of funding as they 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 all non-interest bearing deposits, savings deposits and certificates of deposit under \$250,000, excluding brokered deposits with denominations under \$250,000. Core deposits have historically provided the Corporation with a sizable source of relatively stable and low-cost funds. Core deposits totaled \$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. Core deposits financed 90% of the Corporation's earning assets at December 31, 2022, compared with 88% at December 31, 2021.

The distribution by maturity of certificates of deposits with denominations of \$250,000 and over at December 31, 2022 is presented in the table that follows:

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

(In thousands)	
3 months or less	\$ 1,809,781
Over 3 to 12 months	333,648
Over 1 year to 3 years	282,506
Over 3 years	119,815
<b>Total</b>	<b>\$ 2,545,750</b>

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

**Table 17 - Average Total Deposits**

(In thousands)	For the years ended December 31,	
	2022	2021
Non-interest bearing demand deposits	\$ 16,093,704	\$ 14,687,093
Savings accounts	16,242,457	15,753,630
NOW, money market and other interest bearing demand accounts	25,539,909	25,648,707
Certificates of deposit	6,840,334	7,013,486
<b>Total interest bearing deposits</b>	<b>48,622,700</b>	<b>48,415,823</b>
<b>Total average deposits</b>	<b>\$ 64,716,404</b>	<b>\$ 63,102,916</b>

The Corporation had \$1.1 billion in brokered deposits at December 31, 2022, which financed approximately 2% of its total assets (December 31, 2021 - \$0.8 billion and 1%, respectively). In the event that any of the Corporation's banking subsidiaries' regulatory capital ratios fall below those required by a well-capitalized institution or are subject to capital restrictions by the regulators, that banking subsidiary faces the risk of not being able to raise or maintain brokered deposits and faces limitations on the rate paid on deposits, which may hinder the Corporation's ability to effectively compete in its retail markets and could affect its deposit raising efforts.

Deposits from the public sector represent an important source of funds for the Corporation. As of December 31, 2022, total public sector deposits were \$15.2 billion, compared to \$20.3 billion at December 31, 2021. Generally, these deposits require that the bank pledge high credit quality securities as collateral; therefore, liquidity risks arising from public sector deposit outflows are lower given that the bank receives its collateral in return. This, now unpledged, collateral can either be financed via repurchase agreements or sold for cash. However, there are some timing differences between the time the deposit outflow occurs and when the bank receives its collateral. Additionally, the Corporation mainly utilizes fixed-rate U.S. Treasury debt securities as collateral. While these securities have limited credit risk, they are subject to market value risk based on changes in the interest rate environment. When interest rates increase, the value of this collateral decreases and could result in the Corporation having to provide additional collateral to cover the same amount of deposit liabilities. This additional collateral could reduce unpledged securities otherwise available as liquidity sources to the Corporation.

At December 31, 2022, management believes that the banking subsidiaries had sufficient current and projected liquidity sources to meet their anticipated cash flow obligations, as well as special needs and off-balance sheet commitments, in the ordinary course of business and have sufficient liquidity resources to address a stress event. Although the banking subsidiaries have historically been able to replace maturing deposits and advances, no assurance can be given that they would be able to replace those funds in the future if the Corporation's financial condition or general market conditions were to deteriorate. The Corporation's financial flexibility will be severely constrained if the banking subsidiaries are unable to maintain access to funding or if adequate financing is not available to accommodate future financing needs at acceptable interest rates. The banking subsidiaries also are required to deposit cash or qualifying securities to meet margin requirements on repurchase agreements and other collateralized borrowing facilities. To the extent that the value of securities previously pledged as collateral declines because of market changes, the Corporation will be

required to deposit additional cash or securities to meet its margin requirements, thereby adversely affecting its liquidity. Finally, if management is required to rely more heavily on more expensive funding sources to meet its future growth, revenues may not increase proportionately to cover costs. In this case, profitability would be adversely affected.

Bank Holding Companies

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

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

The outstanding balance of notes payable at the BHCs amounted to \$497 million at December 31, 2022 and \$496 million at December 31, 2021.

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

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

Year	(In thousands)
2023	\$ 299,109
Later years	198,319
Total	\$ 497,428

The Corporation's 6.125% unsecured senior debt securities mature in the September of 2023. Annual debt service at the BHCs is approximately \$32 million, and the Corporation's latest quarterly dividend was \$0.55 per share or approximately \$40 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 borrowings or capital contributions from their holding 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, the Corporation declared cash dividends of \$2.20 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, the BHCs received dividends amounting to \$450 million from BPPR, \$54 million from PNA, \$19 million from PIBI, \$8 million in dividends from its non-banking subsidiaries and \$2 million in dividends from Evertec. In addition, during the year ended December 31, 2022, Popular International Bank Inc., a wholly owned subsidiary of Popular, Inc., received \$16 million in dividends from its investment in BHD. Dividends from BPPR constitute Popular, Inc.'s primary source of liquidity.

#### Other Funding Sources and Capital

The debt securities portfolio provides an additional source of liquidity, which may be realized through either securities sales or repurchase agreements. The Corporation's debt securities portfolio consists primarily of liquid U.S. government debt securities, U.S. government sponsored agency debt securities, U.S. government sponsored agency mortgage-backed securities, and U.S. government sponsored agency collateralized mortgage obligations that can be used to raise funds in the repo markets. The availability of the repurchase agreement would be subject to having sufficient unpledged collateral available at the time the transactions are to be consummated, in addition to overall liquidity and risk appetite of the various counterparties. The Corporation's unpledged debt securities amounted to \$8.0 billion at December 31, 2022 and \$3.0 billion at December 31, 2021. A substantial portion of these debt securities could be used to raise financing in the U.S. money markets or from secured lending sources.

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 extend 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 contractual obligations and debt commitments. As discussed above, liquidity is managed by the Corporation in order to meet its short- and long-term cash obligations. Note 17 to the Consolidated Financial Statements has information on the Corporation's borrowings by maturity, which amounted to \$1.4 billion at December 31, 2022 (December 31, 2021 - \$1.2 billion).

#### Financial information of guarantor and issuers of registered guaranteed securities

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

PNA has issued junior subordinated debentures guaranteed by PIHC (together with PNA, the "obligor group") purchased by statutory trusts established by the Corporation. These debentures were purchased by the statutory trust using the proceeds from

trust preferred securities issued to the public (referred to as "capital securities"), together with the proceeds of the related issuances of common securities of the trusts.

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

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

The following summarized financial information presents the financial position of the obligor group, on a combined basis at December 31, 2022 and December 31, 2021, and the results of their operations for the period ended December 31, 2022 and December 31, 2021. Investments in and equity in the earnings from the other subsidiaries and affiliates that are not members of the obligor group have been excluded.

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

**Table 19 - Summarized Statement of Condition**

(In thousands)	December 31, 2022		December 31, 2021	
<b>Assets</b>				
Cash and money market investments	\$	203,083	\$	291,540
Investment securities		24,815		25,691
Accounts receivables from non-obligor subsidiaries		16,853		17,634
Other loans (net of allowance for credit losses of \$370 (2021 - \$96))		27,826		29,349
Investment in equity method investees		5,350		114,955
Other assets		45,278		42,251
<b>Total assets</b>	<b>\$</b>	<b>323,205</b>	<b>\$</b>	<b>521,420</b>
<b>Liabilities and Stockholders' deficit</b>				
Accounts payable to non-obligor subsidiaries	\$	3,709	\$	6,481
Accounts payable to affiliates and related parties		-		1,254
Notes payable		497,428		496,134
Other liabilities		112,847		97,172
<b>Stockholders' deficit</b>		<b>(290,779)</b>		<b>(79,621)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$</b>	<b>323,205</b>	<b>\$</b>	<b>521,420</b>

**Table 20 - Summarized Statement of Operations**

(In thousands)	For the years ended			
	December 31, 2022		December 31, 2021	
<b>Income:</b>				
Dividends from non-obligor subsidiaries	\$	458,000	\$	792,000
Interest income from non-obligor subsidiaries and affiliates		705		848
Earnings from investments in equity method investees		15,688		29,387
Other operating income		145,295		3,136
<b>Total income</b>	<b>\$</b>	<b>619,688</b>	<b>\$</b>	<b>825,371</b>
<b>Expenses:</b>				
Services provided by non-obligor subsidiaries and affiliates (net of reimbursement by subsidiaries for services provided by parent of \$222,935 (2021 - \$162,019))	\$	18,467	\$	13,594
Other operating expenses		23,607		33,524
<b>Total expenses</b>	<b>\$</b>	<b>42,074</b>	<b>\$</b>	<b>47,118</b>
<b>Net income (loss)</b>	<b>\$</b>	<b>577,614</b>	<b>\$</b>	<b>778,253</b>

During the year ended December 31, 2022, the Obligor group recorded \$1.5 million of dividend distributions from its direct equity method investees, and \$72.0 million of dividend distributions from non-obligor subsidiaries which were recorded as a reduction to the investments. During the year ended December 31, 2021, the Obligor group recorded \$3.0 million of distributions from its direct equity method investees, of which \$2.3 million were related to dividend distributions.

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

### Risks to Liquidity

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

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

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

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

Furthermore, various statutory provisions limit the amount of dividends an insured depository institution may pay to its holding company without regulatory approval. A member bank must obtain the approval of the Federal Reserve Board for any dividend, if the total of all dividends declared by the member bank during the calendar year would exceed the total of its net income for that year, combined with its retained net income for the preceding two years, after considering those years' dividend activity, less any required transfers to surplus or to a fund for the retirement of any preferred stock. During the year ended December 31, 2022, 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. At December 31, 2022, BPPR needed to obtain 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 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 and the NYSDFS. The ability of a bank subsidiary to up-stream dividends to its BHC could thus be impacted by its financial performance and capital, including tangible and regulatory capital, thus potentially limiting the amount of cash moving up to the BHCs from the banking subsidiaries. This could, in turn, affect the BHCs ability to declare dividends on its outstanding common and preferred stock, repurchase its securities or meet its debt obligations, for example.

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

### Obligations Subject to Rating Triggers or Collateral Requirements

The Corporation's banking subsidiaries currently do not use borrowings that are rated by the major rating agencies, as these banking subsidiaries are funded primarily with deposits and secured borrowings. The banking subsidiaries had \$9 million in deposits at December 31, 2022 that are subject to rating triggers.

In addition, certain mortgage servicing and custodial agreements that BPPR has with third parties include rating covenants. In the event of a credit rating downgrade, the third parties have the right to require the institution to engage a substitute cash custodian for escrow deposits and/or increase collateral levels securing the recourse obligations. Also, as discussed in Note 23 to the Consolidated Financial Statements, the Corporation services residential mortgage loans subject to credit recourse provisions.

Certain contractual agreements require the Corporation to post collateral to secure such recourse obligations if the institution's required credit ratings are not maintained. Collateral pledged by the Corporation to secure recourse obligations amounted to approximately \$29 million at December 31, 2022. 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, Hurricane María caused significant damage and destruction across the island, resulting in further economic contraction. Puerto Rico's economy has been gradually recovering since 2018, in part aided by the large amount of federal disaster relief and recovery assistance funds injected into the Puerto Rico economy in connection with Hurricane María and other recent natural disasters. This growth was interrupted by the economic shock caused by the COVID-19 pandemic in 2020, but has since resumed, in part aided by additional federal assistance from pandemic-related stimulus measures.

The latest Puerto Rico Economic Activity Index, published by the Economic Development Bank for Puerto Rico (the "Economic Activity Index"), reflected a 0.6% increase in December 2022, compared to December 2021. During calendar year 2022, 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 direct measurement of real GNP. According to the Puerto Rico Planning Board's latest economic forecast (dated August 2021), Puerto Rico's real GNP is projected to increase 1.7% during the current fiscal year (July 2022-June 2023).

While the Puerto Rico economy has not directly tracked the United States economy in recent years, many of the external factors that impact the Puerto Rico economy are affected by the policies and performance of the United States economy. These external factors include the level of interest rates and the rate of inflation. Inflation in the United States, as measured by the United States Consumer Price Index (published by the U.S. Bureau of Labor Statistics), increased 6.5% in calendar year 2022, mainly driven by pent-up demand and supply-chain disruptions caused by the pandemic. During the same period, inflation in Puerto Rico, as measured by the Puerto Rico Consumer Price Index (published by the Department of Labor and Human Resources of Puerto Rico), increased 6.1% for similar reasons. The rate of inflation has slowed down in recent months, following a mid-2022 peak, as the Federal Reserve has implemented a series of benchmark interest rate increases. The speed and scope of the inflation slowdown will inform if and how much interest rates will continue to increase, as well how these changes will impact the United States and Puerto Rico economies.

### Fiscal Challenges.

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

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

Since 2017, Puerto Rico and several of its instrumentalities have availed themselves of the debt restructuring mechanisms of Titles III and VI of PROMESA. The Puerto Rico government emerged from Title III of PROMESA in March 2022. Several instrumentalities, including Government Development Bank for Puerto Rico, the Puerto Rico Sales Tax Financing Corporation, and the Puerto Rico Highways and Transportation Authority, have also completed debt restructurings under Titles III or VI of PROMESA. While the majority of the debt has already been restructured, some PR Government Entities still face significant fiscal challenges. For example, the Puerto Rico Electric Power Authority is still in the process of restructuring its debts under Title III of PROMESA and 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 scheduled to be ultimately eliminated by fiscal year 2025 as part of the fiscal measures required by the Oversight Board. According to the latest Puerto Rico fiscal plan certified by the Oversight Board, municipalities have made little to no progress towards implementing the fiscal discipline required to reduce reliance on these budgetary appropriations and this lack of fiscal management may threaten the ability of certain municipalities to provide necessary services, such as health, sanitation, public safety and emergency services to their residents, forcing them to prioritize expenditures. 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, the Corporation's direct exposure to PR Government Entities totaled \$374 million, of which \$327 million were outstanding, compared to \$367 million at December 31, 2021, of which \$349 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 consists of loans and \$25 million are securities (\$319 million and \$30 million, respectively, at December 31, 2021). All of the Corporation's direct exposure outstanding at December 31, 2022 were obligations from various Puerto Rico municipalities. In most cases, these were "general obligations" of a municipality, to which the applicable municipality has pledged its good faith, credit and unlimited taxing power, or "special obligations" of a municipality, to which the applicable municipality has pledged basic property tax or sales tax revenues. At December 31, 2022, 73% of the Corporation's exposure to municipal loans and securities was concentrated in the municipalities of San Juan, Guaynabo, Carolina and Bayamón.

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, the Corporation had \$251 million in loans insured or securities issued by Puerto Rico governmental entities, but for which the principal source of repayment is non-governmental (\$275 million at December 31, 2021). These included \$209 million in residential mortgage loans insured by the Puerto Rico Housing Finance Authority ("HFA"), a PR Government Entity (December 31, 2021 - \$232 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 in bonds issued by HFA which are secured by second mortgage loans on Puerto Rico residential properties, and for which HFA also provides insurance to cover losses in the event of a borrower default, and upon the satisfaction of certain other conditions (December 31, 2021 - \$43 million). In the event that the mortgage loans insured by HFA and held by the Corporation directly or those serving as collateral for the HFA bonds default and the collateral is insufficient to satisfy the outstanding balance of these loans, HFA's ability to honor its insurance will depend, among other factors, on the financial condition of HFA at the time such obligations become due and payable. The Corporation does not consider the government guarantee when estimating the credit losses associated with this portfolio.

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

As of December 31, 2022, BPPR had \$15.2 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, the Corporation had approximately \$28 million in direct exposure to USVI government entities (December 31, 2021 - \$70 million).

#### **British Virgin Islands**

The Corporation has operations in the British Virgin Islands ("BVI"), which has been 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 it has a loan portfolio amounting to approximately \$214 million comprised of various retail and commercial clients, compared to a loan portfolio of \$221 million at December 31, 2021.

#### **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 of residential mortgages, \$38 million of SBA loans under the Paycheck Protection Program ("PPP") and \$72 million commercial loans were insured or guaranteed by the U.S. Government or its agencies at December 31, 2022 (compared to \$1.6 billion, \$353 million and \$67 million, respectively, at December 31, 2021).

### **Non-Performing Assets**

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

During 2022, the Corporation showed favorable credit quality trends with low levels of NCOs and decreasing NPLs. We continue to closely monitor changes in the macroeconomic environment and borrower performance, given inflationary pressures and geopolitical uncertainty. However, management believes that the improvement over recent years in the risk profile of the Corporation's loan portfolios positions Popular to operate successfully under the current environment.

Total NPAs decreased by \$104 million when compared with December 31, 2021. Total non-performing loans held-in-portfolio ("NPLs") decreased by \$108 million from December 31, 2021. BPPR's NPLs decreased by \$112 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 was mainly due to the combined effects of collection efforts, increased foreclosure activity and lower inflows compared with pre-pandemic 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 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 to total loans held-in-portfolio was 1.4% compared to 1.9%, at December 31, 2021. Other real estate owned loans ("OREOs") increased by \$4 million. At December 31, 2022, NPLs secured by real estate amounted to \$303 million in the Puerto Rico operations and \$33 million in Popular U.S. These figures were \$428 million and \$31 million, respectively, at 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 at December 31, 2022, compared with \$77 million at December 31, 2021. The CRE NPL ratios for the BPPR and Popular U.S. segments were 1.04% and 0.12%, respectively, at December 31, 2021, compared with 1.95% and 0.04%, respectively, at December 31, 2021.

In addition to the NPLs included in Table 21, at December 31, 2022, there were \$374 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 - \$214 million).

For the year ended December 31, 2022, total inflows of NPLs held-in-portfolio, excluding consumer loans, decreased by approximately \$74 million, when compared to the inflows for the same period in 2021. Inflows of NPLs held-in-portfolio at the BPPR segment decreased by \$76 million compared to the same period in 2021, driven by lower mortgage and commercial inflows by \$38 million each. Inflows of NPLs held-in-portfolio at the Popular U.S. segment increased by \$2 million from the same period in 2021.



**Table 21 - Non-Performing Assets**

(Dollars in thousands)	December 31, 2022			December 31, 2021		
	BPPR	Popular U.S.	Popular, Inc.	BPPR	Popular U.S.	Popular, Inc.
<b>Non-accrual loans:</b>						
Commercial	\$ 82,171	\$ 10,868	\$ 93,039	\$ 120,047	\$ 5,532	\$ 125,579
Construction	-	-	-	485	-	485
Leasing	5,941	-	5,941	3,102	-	3,102
Mortgage	242,391	20,488	262,879	333,887	21,969	355,856
Auto	40,978	-	40,978	23,085	-	23,085
Consumer	30,528	6,076	36,604	33,683	6,087	39,770
<b>Total non-performing loans held-in-portfolio</b>	<b>402,009</b>	<b>37,432</b>	<b>439,441</b>	<b>514,289</b>	<b>33,588</b>	<b>547,877</b>
<b>Other real estate owned ("OREO")</b>	<b>88,773</b>	<b>353</b>	<b>89,126</b>	<b>83,618</b>	<b>1,459</b>	<b>85,077</b>
<b>Total non-performing assets</b>	<b>\$ 490,782</b>	<b>\$ 37,785</b>	<b>\$ 528,567</b>	<b>\$ 597,907</b>	<b>\$ 35,047</b>	<b>\$ 632,954</b>
<b>Accruing loans past-due 90 days or more<sup>[2]</sup></b>	<b>\$ 351,248</b>	<b>\$ 366</b>	<b>\$ 351,614</b>	<b>\$ 480,649</b>	<b>\$ 118</b>	<b>\$ 480,767</b>
<b>Non-performing loans to loans held-in-portfolio</b>			<b>1.37 %</b>			<b>1.87 %</b>
<b>Interest lost</b>		<b>\$ 27,920</b>			<b>\$ 38,123</b>	

[1] There were no non-performing loans held-for-sale as of December 31, 2022 and 2021.

[2] It is the Corporation's policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. The balance of these loans includes \$14 million at December 31, 2022 related to the rebooking of loans previously pooled into GNMA securities, in which the Corporation had a buy-back option as further described below (December 31, 2021 - \$13 million). Under the GNMA program, issuers such as BPPR have the option but not the obligation to repurchase loans that are 90 days or more past due. For accounting purposes, these loans subject to the repurchase option are required to be reflected (rebooked) on the financial statements of BPPR with an offsetting liability. These balances include \$190 million of residential mortgage loans insured by FHA or guaranteed by the VA that are no longer accruing interest as of December 31, 2022 (December 31, 2021 - \$304 million). Furthermore, the Corporation has approximately \$42 million in reverse mortgage loans which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation's policy to exclude these balances from non-performing assets (December 31, 2021 - \$50 million).

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

<i>(In thousands)</i>	For the year ended December 31, 2022		
	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)
Non-performing loans charged-off	(7,413)	(9,062)	(16,475)
Loans returned to accrual status / loan collections	(241,992)	(40,577)	(282,569)
Ending balance NPLs	\$ 324,562	\$ 31,356	\$ 355,918

**Table 23 - Activity in Non-Performing Loans Held-in-Portfolio (Excluding Consumer Loans)**

<i>(In thousands)</i>	For the year ended December 31, 2021		
	BPPR	Popular U.S.	Popular, Inc.
Beginning balance	\$ 639,932	\$ 28,412	\$ 668,344
Plus:			
New non-performing loans	234,258	51,494	285,752
Advances on existing non-performing loans	-	84	84
Less:			
Non-performing loans transferred to OREO	(34,419)	-	(34,419)
Non-performing loans charged-off	(35,963)	(1,592)	(37,555)
Loans returned to accrual status / loan collections	(349,389)	(42,124)	(391,513)
Loans transferred to held-for-sale	-	(8,773)	(8,773)
Ending balance NPLs	\$ 454,419	\$ 27,501	\$ 481,920

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

<i>(In thousands)</i>	For the year ended December 31, 2022		
	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)	(8,935)	(14,807)
Loans returned to accrual status / loan collections	(46,717)	(22,115)	(68,832)
Ending balance - NPLs	\$82,171	\$10,868	\$93,039

**Table 25 - Activity in Non-Performing Commercial Loans Held-in-Portfolio**

<i>(In thousands)</i>	For the year ended December 31, 2021		
	BPPR	Popular U.S.	Popular, Inc.
Beginning balance - NPLs	\$204,092	5,988	\$210,080
Plus:			
New non-performing loans	57,132	13,510	70,642
Advances on existing non-performing loans	-	52	52
Less:			
Non-performing loans transferred to OREO	(9,261)	-	(9,261)
Non-performing loans charged-off	(14,935)	(1,042)	(15,977)
Loans returned to accrual status / loan collections	(116,981)	(11,203)	(128,184)
Loans transferred to held-for-sale	-	(1,773)	(1,773)
Ending balance - NPLs	\$120,047	\$5,532	\$125,579

**Table 26 - Activity in Non-Performing Construction Loans Held-In-Portfolio**

<i>(In thousands)</i>	For the year ended December 31, 2022		
	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 27 - Activity in Non-Performing Construction Loans Held-in-Portfolio**

<i>(In thousands)</i>	For the year ended December 31, 2021		
	BPPR	Popular U.S.	Popular, Inc.
Beginning balance - NPLs	\$21,497	\$7,560	\$29,057
Plus:			
New non-performing loans	481	12,141	12,622
Less:			
Non-performing loans charged-off	(6,620)	(523)	(7,143)
Loans returned to accrual status / loan collections	(14,873)	(12,178)	(27,051)
Loans in accrual status transfer to held-for-sale	-	(7,000)	(7,000)
Ending balance - NPLs	\$485	\$-	\$485

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

<i>(In thousands)</i>	For the year ended December 31, 2022		
	BPPR	Popular U.S.	Popular, Inc.
Beginning balance - NPLs	\$333,887	\$21,969	\$355,856
Plus:			
New non-performing loans	138,652	16,893	155,545
Advances on existing non-performing loans	-	300	300
Less:			
Non-performing loans transferred to OREO	(33,817)	(85)	(33,902)
Non-performing loans charged-off	(1,541)	(127)	(1,668)
Loans returned to accrual status / loan collections	(194,790)	(18,462)	(213,252)
Ending balance - NPLs	\$242,391	\$20,488	\$262,879

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

<i>(In thousands)</i>	For the year ended December 31, 2021		
	BPPR	Popular U.S.	Popular, Inc.
Beginning balance - NPLs	\$414,343	\$14,864	\$429,207
Plus:			
New non-performing loans	176,645	25,843	202,488
Advances on existing non-performing loans	-	32	32
Less:			
Non-performing loans transferred to OREO	(25,158)	-	(25,158)
Non-performing loans charged-off	(14,408)	(27)	(14,435)
Loans returned to accrual status / loan collections	(217,535)	(18,743)	(236,278)
Ending balance - NPLs	\$333,887	\$21,969	\$355,856

### 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 and 2021, are presented below.

**Table 30 - Loan Delinquencies**

	2022			2021		
	Loans delinquent 30 days or more	Total loans	Total delinquencies as a percentage of total loans	Loans delinquent 30 days or more	Total loans	Total delinquencies as a percentage of total loans
Commercial	\$ 119,476	\$ 15,739,132	0.76 %	\$ 161,251	\$ 13,732,701	1.17 %
Construction	-	757,984	-	485	716,220	0.07
Leasing	21,487	1,585,739	1.36	14,379	1,381,319	1.04
Mortgage <sup>(1)</sup>	937,253	7,397,471	12.67	1,141,082	7,427,196	15.36
Consumer	216,401	6,597,443	3.28	173,896	5,983,121	2.91
Loans held-for-sale	-	5,381	-	-	59,168	-
<b>Total</b>	<b>\$ 1,294,617</b>	<b>\$ 32,083,150</b>	<b>4.04 %</b>	<b>\$ 1,491,093</b>	<b>\$ 29,299,725</b>	<b>5.09 %</b>

<sup>(1)</sup> Loans delinquent 30 days or more includes \$0.5 billion of residential mortgage loans insured by FHA or guaranteed by the VA as of December 31, 2021 (December 31, 2020 - \$0.6 billion). Refer to Note 8 to the Consolidated Financial Statements for additional information of guaranteed loans.

### Allowance for Credit Losses ("ACL")

The Corporation adopted the new CECL accounting standard effective on January 1, 2020. The allowance for credit losses ("ACL"), represents management's estimate of expected credit losses through the remaining contractual life of the different loan segments, impacted by expected prepayments. The ACL is maintained at a sufficient level to provide for estimated credit losses on collateral dependent loans as well as troubled debt restructurings separately from the remainder of the loan portfolio. The Corporation's management evaluates the adequacy of the ACL on a quarterly basis. In this evaluation, management considers current conditions, macroeconomic economic expectations through a reasonable and supportable period, historical loss experience, portfolio composition by loan type and risk characteristics, results of periodic credit reviews of individual loans, and regulatory requirements, amongst other factors.

The Corporation must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown, such as economic developments affecting specific customers, industries, or markets. Other factors that can affect management's estimates are recalibration of statistical models used to calculate lifetime expected losses, changes in underwriting standards, financial accounting standards and loan impairment measurements, among others. Changes in the financial condition of individual borrowers, in economic conditions, and in the condition of the various markets in which collateral may be sold, may also affect the required level of the allowance for credit losses. Consequently, the business financial condition, liquidity, capital, and results of operations could also be affected.

At December 31, 2022, the allowance for credit losses amounted to \$720 million, an increase of \$25 million, when compared with December 31, 2021. Given that any one economic outlook is inherently uncertain, the Corporation leverages multiple scenarios to estimate its ACL. The baseline scenario continues to be assigned the highest probability, followed by the pessimistic scenario. The Corporation evaluates, at least on an annual basis, the assumptions tied to the CECL accounting framework. These include the reasonable and supportable period as well as the reversion window. During the third quarter of 2022, as part of its evaluation procedures, the Corporation decided to extend the reversion window from 1 year to 3 years. The extension in the reversion window results in a better representation of historical movements for key macroeconomic variables that impact the ACL. This change in assumptions contributed to a reduction of \$11 million in the ACL. The reasonable and supportable period assumptions remained unchanged at 2-years.

The baseline scenario assumes a 2023 annualized GDP growth for Puerto Rico and the United States of 1.3% and 0.7%. For 2022, annualized expected growth was 2.6% and 1.8% for Puerto Rico and United States, respectively. The reduction in 2023 is due to the expected slowdown in the economy as a result of tight monetary policy, weaker job growth and persistent inflation. The 2023 average unemployment rate is forecasted at 7.8% and 4.0% for Puerto Rico and United States, respectively, compared to 2022 average levels of 6.4% for Puerto Rico and 3.7% for the United States. In 2023, weaker job growth due to the expected slowdown in the economy will contribute to the increase in unemployment rate.

The ACL for BPPR increased by \$21 million to \$616 million, when compared to December 31, 2021, mostly driven by changes in the economic scenario, higher loan volumes and changes in credit quality. The ACL for Popular U.S. increased by \$4 million to \$105 million, when compared to December 31, 2021.

The provision for credit losses for the year ended December 31, 2022, amounted to an expense of \$83.3 million, compared to a benefit of \$183.3 million for the year ended December 31, 2021, as the prior year included reductions in reserves due to post-pandemic improvements in the macroeconomic outlook and lower NCOs. Refer to Note 9 – Allowance for credit losses – loans held-in-portfolio to the Consolidated Financial Statements, and to the Provision for Credit Losses section of this MD&A for additional information.

The following table presents net charge-offs to average loans held-in-portfolio (“HIP”) ratios by loan category for the years ended December 31, 2022 and 2021:

**Table 31 - Net Charge-Offs (Recoveries) to Average Loans HIP**

	December 31, 2022			December 31, 2021		
	BPPR	Popular U.S.	Popular Inc.	BPPR	Popular U.S.	Popular Inc.
Commercial	(0.14)%	0.11 %	(0.02)%	(0.24)%	(0.02)%	(0.15)%
Construction	(0.48)	(0.19)	(0.25)	1.27	(0.02)	0.19
Mortgage	(0.26)	-	(0.22)	0.04	-	0.04
Leasing	0.26	-	0.26	0.11	-	0.11
Consumer	1.22	1.33	1.22	0.58	0.99	0.60
<b>Total</b>	<b>0.23 %</b>	<b>0.12 %</b>	<b>0.20 %</b>	<b>0.09%</b>	<b>0.01%</b>	<b>0.07%</b>

NCOs for the year ended December 31, 2022 amounted to \$59.3 million, increasing by \$38.6 million when compared to the same period in 2021. The BPPR segment increased by \$29.4 million mainly driven by higher consumer NCOs by \$40.5 million, mostly auto loans, in part offset by lower mortgage NCOs by \$18.5 million. The increase in the consumer NCOs was mostly related to post-pandemic normalization, as NCOs continue at historical low levels. The PB segment NCOs increased by \$9.2 million, mainly driven by higher commercial NCOs by \$8.6 million, due to the \$8.7 million charge-off during the fourth quarter of 2022 on the above-mentioned healthcare NPL.

**Table 32 - Allowance for Credit Losses - Loan Portfolios**

December 31, 2022						
(Dollars in thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Total ACL	\$ 235,376	\$ 4,246	\$ 135,254	\$ 20,618	\$ 324,808	\$ 720,302
Total loans held-in-portfolio	\$ 15,739,132	\$ 757,984	\$ 7,397,471	\$ 1,585,739	\$ 6,597,443	\$ 32,077,769
ACL to loans held-in-portfolio	1.50 %	0.56 %	1.83 %	1.30 %	4.92 %	2.25 %
Total Non-performing loans held-in-portfolio	\$ 93,039	\$ -	\$ 262,879	\$ 5,941	\$ 77,582	\$ 439,441
ACL to non-performing loans held-in-portfolio	252.99%	N.M.	51.45%	347.05%	418.66%	163.91%

N.M. - Not meaningful.

**Table 33 - Allowance for Credit Losses - Loan Portfolios**

December 31, 2021						
(Dollars in thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Total ACL	\$ 215,805	\$ 6,363	\$ 154,478	\$ 17,578	\$ 301,142	\$ 695,366
Total loans held-in-portfolio	\$ 13,732,701	\$ 716,220	\$ 7,427,196	\$ 1,381,319	\$ 5,983,121	\$ 29,240,557
ACL to loans held-in-portfolio	1.57 %	0.89 %	2.08 %	1.27 %	5.03 %	2.38 %
Total Non-performing loans held-in-portfolio	\$ 125,579	\$ 485	\$ 355,856	\$ 3,102	\$ 62,855	\$ 547,877
ACL to non-performing loans held-in-portfolio	171.85%	N.M.	43.41%	566.67%	479.11%	126.92%

N.M. - Not meaningful.

Table 34 details the breakdown of the allowance for credit losses by loan categories. The breakdown is made for analytical purposes, and it is not necessarily indicative of the categories in which future loan losses may occur.

**Table 34 - Allocation of the Allowance for Credit Losses - Loans**

At December 31,				
(Dollars in millions)	2022		2021	
	ACL	% of loans in each category to total loans	ACL	% of loans in each category to total loans
Commercial	\$235.4	49.1%	\$215.8	47.0%
Construction	4.2	2.4	6.4	2.4
Mortgage	135.3	23.1	154.5	25.4
Leasing	20.6	4.9	17.6	4.7
Consumer	324.8	20.5	301.1	20.5
Total <sup>(1)</sup>	\$720.3	100.0%	\$695.4	100.0%

[1] Note: For purposes of this table the term loans refers to loans held-in-portfolio excluding loans held-for-sale.

**Troubled debt restructurings**

The Corporation's troubled debt restructurings ("TDRs") loans amounted to \$1.6 billion at December 31, 2022, decreasing by \$12 million, from December 31, 2021. A total of \$725 million of these TDRs are related to guaranteed loans, which are in accruing status. The Corporation has offered to clients impacted by the hurricanes Fiona and Ian a moratorium of up to three monthly payments on personal and commercial credit cards, auto loans, leases, and personal loans, subject to certain eligibility requirements. Mortgage clients also benefited from different payment relief alternatives available, depending on their type of loan. Loan relief options for commercial clients were reviewed on a case-by-case basis. As of December 31, 2022, approximately 2,428 loans with a \$94.8 million amortized cost were granted a moratorium of which 218 loans with a \$7.7 million amortized cost have been classified as TDR.

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.

### **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.

The Enterprise Risk Management Committee (the "ERM Committee") is a management committee whose purpose is to: (a) monitor the principal risks as defined in the Risk Appetite Statement ("RAS") 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. The ERM Committee and the Enterprise 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 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, 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 risks are properly identified, measured, monitored, as well as communicated to the appropriate regulatory agency as necessary to keep them apprised of material matters within the purview of these agencies.



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 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 CSG also leads the Cyber Security Committee.

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 analysis are performed. In order to ensure strategic risks are properly identified and 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.

**Statistical Summary 2022-2021**  
**Statements of Financial Condition**

(In thousands)	At December 31,	
	2022	2021
<b>Assets:</b>		
Cash and due from banks	\$ 469,501	\$ 428,433
Money market investments:		
Time deposits with other banks	5,614,595	17,536,719
Total money market investments	5,614,595	17,536,719
Trading account debt securities, at fair value	27,723	29,711
Debt securities available-for-sale, at fair value	17,804,374	24,968,269
Debt securities held-to-maturity, at amortized cost	8,525,366	79,461
Less – Allowance for credit losses	6,911	8,096
Debt securities held-to-maturity, net	8,518,455	71,365
Equity securities	195,854	189,977
Loans held-for-sale, at lower of cost or fair value	5,381	59,168
Loans held-in-portfolio:		
Loans held-in-portfolio	32,372,925	29,506,225
Less – Unearned income	295,156	265,668
Allowance for credit losses	720,302	695,366
Total loans held-in-portfolio, net	31,357,467	28,545,191
Premises and equipment, net	498,711	494,240
Other real estate	89,126	85,077
Accrued income receivable	240,195	203,096
Mortgage servicing rights, at fair value	128,350	121,570
Other assets	1,847,813	1,628,571
Goodwill	827,428	720,293
Other intangible assets	12,944	16,219
<b>Total assets</b>	<b>\$ 67,637,917</b>	<b>\$ 75,097,899</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Deposits:		
Non-interest bearing	\$ 15,960,557	\$ 15,684,482
Interest bearing	45,266,670	51,320,606
Total deposits	61,227,227	67,005,088
Assets sold under agreements to repurchase	148,609	91,603
Other short-term borrowings	365,000	75,000
Notes payable	886,710	988,563
Other liabilities	916,946	968,248
Total liabilities	63,544,492	69,128,502
Stockholders' equity:		
Preferred stock	22,143	22,143
Common stock	1,047	1,046
Surplus	4,790,993	4,650,182
Retained earnings	3,834,348	2,973,745
Treasury stock – at cost	(2,030,178)	(1,352,650)
Accumulated other comprehensive loss, net of tax	(2,524,928)	(325,069)
Total stockholders' equity	4,093,425	5,969,397
<b>Total liabilities and stockholders' equity</b>	<b>\$ 67,637,917</b>	<b>\$ 75,097,899</b>

**Statistical Summary 2020-2022**  
**Statements of Operations**

(In thousands)	For the years ended December 31,		
	2022	2021	2020
<b>Interest income:</b>			
Loans	\$ 1,876,166	\$ 1,747,827	\$ 1,742,390
Money market investments	118,080	21,147	19,721
Investment securities	471,665	353,663	329,440
<b>Total interest income</b>	<b>2,465,911</b>	<b>2,122,637</b>	<b>2,091,551</b>
Less - Interest expense	298,552	165,047	234,938
<b>Net interest income</b>	<b>2,167,359</b>	<b>1,957,590</b>	<b>1,856,613</b>
Provision for credit losses (benefit)	83,030	(193,464)	292,536
<b>Net interest income after provision for credit losses</b>	<b>2,084,329</b>	<b>2,151,054</b>	<b>1,564,077</b>
Mortgage banking activities	42,450	50,133	10,401
Net gain on sale of debt securities	-	23	41
Net (loss) gain, including impairment, on equity securities	(7,334)	131	6,279
Net (loss) gain on trading account debt securities	(784)	(389)	1,033
Net (loss) gain on sale of loans, including valuation adjustments on loans held-for-sale	-	(73)	1,234
Adjustment to indemnity reserves on loans sold	919	4,406	390
<b>Other non-interest income</b>	<b>861,811</b>	<b>587,897</b>	<b>492,934</b>
<b>Total non-interest income</b>	<b>897,062</b>	<b>642,128</b>	<b>512,312</b>
<b>Operating expenses:</b>			
Personnel costs	719,764	631,802	564,205
All other operating expenses	1,026,656	917,473	893,624
<b>Total operating expenses</b>	<b>1,746,420</b>	<b>1,549,275</b>	<b>1,457,829</b>
Income before income tax	1,234,971	1,243,907	618,560
Income tax expense	132,330	309,018	111,938
<b>Net Income</b>	<b>\$ 1,102,641</b>	<b>\$ 934,889</b>	<b>\$ 506,622</b>
<b>Net Income Applicable to Common Stock</b>	<b>\$ 1,101,229</b>	<b>\$ 933,477</b>	<b>\$ 504,864</b>

## Statistical Summary 2020-2022

### Average Balance Sheet and Summary of Net Interest Income

On a Taxable Equivalent Basis\*

(Dollars in thousands)	2022			2021			2020		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>Assets</b>									
Interest earning assets:									
Money market investments	\$ 9,530,698	\$ 118,079	1.24 %	\$ 15,999,741	\$ 21,147	0.13 %	\$ 8,597,652	\$ 19,723	0.23 %
U.S. Treasury securities	21,141,431	448,961	2.12	12,396,773	266,670	2.16	12,107,819	257,308	2.13
Obligations of U.S. Government sponsored entities	41	2	5.66	7,972	120	1.50	70,424	2,818	4.00
Obligations of Puerto Rico, States and political subdivisions	67,965	7,824	11.51	75,607	7,608	10.06	82,051	5,705	6.95
Collateralized mortgage obligations and mortgage-backed securities	8,342,672	198,566	2.38	10,255,525	224,706	2.19	6,913,416	194,794	2.82
Other	190,489	8,925	4.68	194,640	9,027	4.64	178,818	7,369	4.12
Total investment securities	29,742,598	664,278	2.23	22,930,517	508,131	2.22	19,352,528	467,994	2.42
Trading account securities	51,357	3,049	5.94	84,380	4,339	5.16	69,446	4,165	6.00
Loans (net of unearned income)	30,405,280	1,924,895	6.33	29,074,036	1,794,789	6.19	28,384,981	1,785,022	6.29
Total interest earning assets/Interest income	\$ 69,729,933	\$ 2,710,301	3.89 %	\$ 68,088,674	\$ 2,328,406	3.43 %	\$ 56,404,607	\$ 2,276,904	4.04 %
Total non-interest earning assets	3,078,671			3,079,976			3,178,848		
Total assets	\$ 72,808,604			\$ 71,168,650			\$ 59,583,455		
<b>Liabilities and Stockholders' Equity</b>									
Interest bearing liabilities:									
Savings, NOW, money market and other									
interest bearing demand accounts	\$ 41,769,576	\$ 191,064	0.46 %	\$ 41,387,504	\$ 59,034	0.15 %	\$ 32,077,578	\$ 92,417	0.29 %
Time deposits	6,853,127	61,781	0.90	7,028,334	52,587	0.75	7,970,474	83,438	1.05
Federal funds purchased	7	-	3.92	1	-	0.25	342	1	0.25
Securities purchased under agreement to resell	107,305	2,309	2.15	91,394	317	0.35	143,718	2,336	1.63
Other short-term borrowings	99,083	3,428	3.46	343	1	0.35	21,557	120	0.56
Notes payable	938,778	39,970	4.26	1,184,737	53,107	4.49	1,178,169	56,626	4.81
Total interest bearing liabilities/Interest expense	49,767,876	298,552	0.60	49,692,313	165,046	0.33	41,391,838	234,938	0.57
Total non-interest bearing liabilities	17,031,503			15,698,685			12,771,679		
Total liabilities	66,799,379			65,390,998			54,163,517		
Stockholders' equity	6,009,225			5,777,652			5,419,938		
Total liabilities and stockholders' equity	\$ 72,808,604			\$ 71,168,650			\$ 59,583,455		
Net interest income on a taxable equivalent basis		\$ 2,411,749			\$ 2,163,360			\$ 2,041,966	
Cost of funding earning assets			0.43 %			0.24 %			0.42 %
Net interest margin			3.46 %			3.19 %			3.62 %
Effect of the taxable equivalent adjustment		244,390			205,770			185,353	
Net interest income per books		\$ 2,167,359			\$ 1,957,590			\$ 1,856,613	

\* Shows the effect of the tax exempt status of some loans and investments on their yield, using the applicable statutory income tax rates. The computation considers the interest expense disallowance required by the Puerto Rico Internal Revenue Code. This adjustment is shown in order to compare the yields of the tax exempt and taxable assets on a taxable basis.

Note: Average loan balances include the average balance of non-accruing loans. No interest income is recognized for these loans in accordance with the Corporation's policy.



## 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. In making this assessment, management used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of 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 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, as stated in their report dated March 1, 2023 which appears herein.

A handwritten signature in black ink, appearing to read 'Ignacio Alvarez'.

Ignacio Alvarez  
President and  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Carlos J. Vázquez'.

Carlos J. Vázquez  
Executive Vice President  
and Chief Financial Officer



## **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 and 2021, and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022, 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, 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 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, 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.

#### ***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 communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate 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 below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### ***Allowance for Credit Losses on Loans Held-in-Portfolio - Quantitative Models, and Qualitative Adjustments to the Puerto Rico 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, the allowance for credit losses was \$720 million on total loans of \$32 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 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 covered by the variables used in each 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.

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 portfolios is a critical audit matter are (i) the significant judgment by management in determining 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 audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the allowance for credit losses for loans held-in-portfolio, including qualitative adjustments to the Puerto Rico portfolios. These procedures also included, among others, testing management's process for estimating the allowance for credit losses by (i) evaluating the appropriateness of the methodology, including models 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 of the qualitative adjustments to Puerto Rico portfolios allowance for credit losses; and (iv) testing the data used in the allowance for credit 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 of the cost 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 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 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



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.



San Juan, Puerto Rico  
March 1, 2023

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 of the P.R. Society of  
Certified Public Accountants has been  
affixed to the file copy of this report

POPULAR, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share information)	December 31, 2022	December 31, 2021
<b>Assets:</b>		
Cash and due from banks	\$ 469,501	\$ 428,433
<b>Money market investments:</b>		
Time deposits with other banks	5,614,595	17,536,719
Total money market investments	5,614,595	17,536,719
<b>Trading account debt securities, at fair value:</b>		
Other trading account debt securities	27,723	29,711
<b>Debt securities available-for-sale, at fair value:</b>		
Pledged securities with creditors' right to repledge	129,203	93,330
Other debt securities available-for-sale	17,675,171	24,874,939
<b>Debt securities held-to-maturity, at amortized cost (fair value 2022 - \$8,440,196; 2021 - \$83,368)</b>		
Less – Allowance for credit losses	6,911	8,096
Debt securities held-to-maturity, net	8,518,455	71,365
Equity securities (realizable value 2022 - \$196,665; 2021 - \$192,345)	195,854	189,977
Loans held-for-sale, at lower of cost or fair value	5,381	59,168
<b>Loans held-in-portfolio</b>		
Less – Unearned income	295,156	265,668
Allowance for credit losses	720,302	695,366
Total loans held-in-portfolio, net	31,357,467	28,545,191
Premises and equipment, net	498,711	494,240
Other real estate	89,126	85,077
Accrued income receivable	240,195	203,096
Mortgage servicing rights, at fair value	128,350	121,570
Other assets	1,847,813	1,628,571
Goodwill	827,428	720,293
Other intangible assets	12,944	16,219
<b>Total assets</b>	<b>\$ 67,637,917</b>	<b>\$ 75,097,899</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Non-interest bearing	\$ 15,960,557	\$ 15,684,482
Interest bearing	45,266,670	51,320,606
Total deposits	61,227,227	67,005,088
Assets sold under agreements to repurchase	148,609	91,603
Other short-term borrowings	365,000	75,000
Notes payable	886,710	988,563
Other liabilities	916,946	968,248
Total liabilities	63,544,492	69,128,502
<b>Commitments and contingencies (Refer to Note 24)</b>		
<b>Stockholders' equity:</b>		
Preferred stock, 30,000,000 shares authorized; 885,726 shares issued and outstanding (2021 - 885,726)	22,143	22,143
Common stock, \$0.01 par value; 170,000,000 shares authorized; 104,657,522 shares issued (2021 - 104,579,334) and 71,853,720 shares outstanding (2021 - 79,851,169)	1,047	1,046
Surplus	4,790,993	4,650,182
Retained earnings	3,834,348	2,973,745
Treasury stock - at cost, 32,803,802 shares (2021 - 24,728,165)	(2,030,178)	(1,352,650)
Accumulated other comprehensive loss, net of tax	(2,524,928)	(325,069)
Total stockholders' equity	4,093,425	5,969,397
<b>Total liabilities and stockholders' equity</b>	<b>\$ 67,637,917</b>	<b>\$ 75,097,899</b>

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

POPULAR, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share information)	Years ended December 31,		
	2022	2021	2020
<b>Interest income:</b>			
Loans	\$ 1,876,166	\$ 1,747,827	\$ 1,742,390
Money market investments	118,080	21,147	19,721
Investment securities	471,665	353,663	329,440
<b>Total interest income</b>	<b>2,465,911</b>	<b>2,122,637</b>	<b>2,091,551</b>
<b>Interest expense:</b>			
Deposits	252,845	111,621	175,855
Short-term borrowings	5,737	319	2,457
Long-term debt	39,970	53,107	56,626
<b>Total interest expense</b>	<b>298,552</b>	<b>165,047</b>	<b>234,938</b>
Net interest income	2,167,359	1,957,590	1,856,613
Provision for credit losses (benefit)	83,030	(193,464)	292,536
<b>Net interest income after provision for credit losses (benefit)</b>	<b>2,084,329</b>	<b>2,151,054</b>	<b>1,564,077</b>
Service charges on deposit accounts	157,210	162,698	147,823
Other service fees	334,009	311,248	257,892
Mortgage banking activities (Refer to Note 10)	42,450	50,133	10,401
Net gain on sale of debt securities	-	23	41
Net (loss) gain, including impairment on equity securities	(7,334)	131	6,279
Net (loss) profit on trading account debt securities	(784)	(389)	1,033
Net (loss) gain on sale of loans, including valuation adjustments on loans held-for-sale	-	(73)	1,234
Adjustments to indemnity reserves on loans sold	919	4,406	390
Other operating income	370,592	113,951	87,219
<b>Total non-interest income</b>	<b>897,062</b>	<b>642,128</b>	<b>512,312</b>
<b>Operating expenses:</b>			
Personnel costs	719,764	631,802	564,205
Net occupancy expenses	106,169	102,226	119,345
Equipment expenses	35,626	32,919	32,514
Other taxes	63,603	56,783	54,454
Professional fees	172,043	126,721	132,414
Technology and software expenses	291,902	277,979	263,886
Processing and transactional services	127,145	121,367	112,039
Communications	14,885	14,029	13,230
Business promotion	88,918	72,981	57,608
FDIC deposit insurance	26,787	25,579	23,868
Other real estate owned (OREO) income	(22,143)	(14,414)	(3,480)
Other operating expenses	109,446	92,169	81,349
Amortization of intangibles	3,275	9,134	6,397
Goodwill impairment charge	9,000	-	-
<b>Total operating expenses</b>	<b>1,746,420</b>	<b>1,549,275</b>	<b>1,457,829</b>
Income before income tax	1,234,971	1,243,907	618,560
Income tax expense	132,330	309,018	111,938
<b>Net Income</b>	<b>\$ 1,102,641</b>	<b>\$ 934,889</b>	<b>\$ 506,622</b>
<b>Net Income Applicable to Common Stock</b>	<b>\$ 1,101,229</b>	<b>\$ 933,477</b>	<b>\$ 504,864</b>
<b>Net Income per Common Share – Basic</b>	<b>\$ 14.65</b>	<b>\$ 11.49</b>	<b>\$ 5.88</b>
<b>Net Income per Common Share – Diluted</b>	<b>\$ 14.63</b>	<b>\$ 11.46</b>	<b>\$ 5.87</b>

The accompanying notes are an integral part of these consolidated financial statements.

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

(In thousands)	Years ended December 31,		
	2022	2021	2020
Net income	\$ 1,102,641	\$ 934,889	\$ 506,622
Other comprehensive (loss) income before tax:			
Foreign currency translation adjustment	10,572	3,947	(14,471)
Adjustment of pension and postretirement benefit plans	7,811	36,950	(9,032)
Amortization of net losses	15,644	20,749	21,447
Unrealized net holding (losses) gains on debt securities arising during the period	(2,539,421)	(619,470)	419,993
Reclassification adjustment for gains included in net income	-	(23)	(41)
Amortization of unrealized losses of debt securities transfer from available-for-sale to held-to-maturity [1]	41,642	-	-
Unrealized net gains (losses) on cash flow hedges	3,719	539	(8,872)
Reclassification adjustment for net (gains) losses included in net income	(960)	1,847	6,379
Other comprehensive (loss) income before tax	(2,460,993)	(555,461)	415,403
Income tax benefit (expense)	261,134	40,401	(55,474)
Total other comprehensive (loss) income, net of tax	(2,199,859)	(515,060)	359,929
Comprehensive (loss) income, net of tax	\$ (1,097,218)	\$ 419,829	\$ 866,551

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

(In thousands)	Years ended December 31,		
	2022	2021	2020
Adjustment of pension and postretirement benefit plans	\$ (2,929)	\$ (13,856)	\$ 3,387
Amortization of net losses	(5,867)	(7,781)	(8,042)
Unrealized net holding (losses) gains on debt securities arising during the period	278,324	62,468	(51,213)
Reclassification adjustment for gains included in net income	-	5	6
Amortization of unrealized losses of debt securities transferred from available-for-sale to held-to-maturity [1]	(8,328)	-	-
Unrealized net gains (losses) on cash flow hedges	(612)	(172)	2,472
Reclassification adjustment for net (gains) losses included in net income	546	(263)	(2,084)
Income tax benefit (expense)	\$ 261,134	\$ 40,401	\$ (55,474)

[1] 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. Refer to Note 7 to the Consolidated Financial Statements for additional information.

*The accompanying notes are an integral part of these consolidated financial statements.*

**POPULAR, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(In thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other	Total
						comprehensive (loss) income	
Balance at December 31, 2019	\$ 1,044	\$ 50,160	\$ 4,447,412	\$ 2,147,915	\$ (459,814)	\$ (169,938)	\$ 6,016,779
Cumulative effect of accounting change				(205,842)			(205,842)
Net income				506,622			506,622
Issuance of stock	1		4,262				4,263
Dividends declared:							
Common stock <sup>[1]</sup>				(136,561)			(136,561)
Preferred stock				(1,758)			(1,758)
Common stock purchases <sup>[2]</sup>			76,335		(580,507)		(504,172)
Common stock reissuance			(1,192)		6,022		4,830
Preferred Stock, Redemption Amount <sup>[3]</sup>		(28,017)					(28,017)
Stock based compensation			(4,731)		17,345		12,614
Other comprehensive income, net of tax						359,929	359,929
Transfer to statutory reserve			49,448	(49,448)			-
Balance at December 31, 2020	\$ 1,045	\$ 22,143	\$ 4,571,534	\$ 2,260,928	\$ (1,016,954)	\$ 189,991	\$ 6,028,687
Net income				934,889			934,889
Issuance of stock	1		4,673				4,674
Dividends declared:							
Common stock <sup>[1]</sup>				(142,290)			(142,290)
Preferred stock				(1,412)			(1,412)
Common stock purchases <sup>[4]</sup>			(8,557)		(347,093)		(355,650)
Stock based compensation			4,162		11,397		15,559
Other comprehensive loss, net of tax						(515,060)	(515,060)
Transfer to statutory reserve			78,370	(78,370)			-
Balance at December 31, 2021	\$ 1,046	\$ 22,143	\$ 4,650,182	\$ 2,973,745	\$ (1,352,650)	\$ (325,069)	\$ 5,969,397
Net income				1,102,641			1,102,641
Issuance of stock	1		5,836				5,837
Dividends declared:							
Common stock <sup>[1]</sup>				(163,693)			(163,693)
Preferred stock				(1,412)			(1,412)
Common stock purchases <sup>[5]</sup>			53,592		(691,256)		(637,664)
Stock based compensation			4,450		13,728		18,178
Other comprehensive loss, net of tax						(2,199,859)	(2,199,859)
Transfer to statutory reserve			76,933	(76,933)			-
Balance at December 31, 2022	\$ 1,047	\$ 22,143	\$ 4,790,993	\$ 3,834,348	\$ (2,030,178)	\$ (2,524,928)	\$ 4,093,425

[1] Dividends declared per common share during the year ended December 31, 2022 - \$2.20 (2021 - \$1.75; 2020 - \$1.60).

[2] During the year ended December 31, 2020, the Corporation completed a \$500 million accelerated share repurchase transaction with respect to its common stock, which was accounted for as a treasury stock transaction. Refer to Note 20 for additional information.

[3] On February 24, 2020, the Corporation redeemed all the outstanding shares of 2008 Series B Preferred Stock. Refer to Note 20 for additional information.

[4] During the year ended December 31, 2021, the Corporation completed a \$350 million accelerated share repurchase transaction with respect to its common stock, which was accounted for as a treasury stock transaction. Refer to Note 20 for additional information.

[5] During the year ended December 31, 2022, the Corporation completed two accelerated share repurchase transactions with respect to its common stock, which were accounted for as a treasury stock transactions. The aggregate amount of both transactions was \$631 million. Refer to Note 20 for additional information.

Disclosure of changes in number of shares:	Years ended December 31,		
	2022	2021	2020
Preferred Stock:			
Balance at beginning of year	885,726	885,726	2,006,391
Redemption of stocks	-	-	(1,120,665)
Balance at end of year	885,726	885,726	885,726
Common Stock:			
Balance at beginning of year	104,579,334	104,508,290	104,392,222
Issuance of stock	78,188	71,044	116,068
Balance at end of year	104,657,522	104,579,334	104,508,290
Treasury stock	(32,803,802)	(24,728,165)	(20,264,055)
Common Stock – Outstanding	71,853,720	79,851,169	84,244,235

The accompanying notes are an integral part of these consolidated financial statements.

**POPULAR, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)	Years ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net income	\$ 1,102,641	\$ 934,889	\$ 506,622
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses (benefit)	83,030	(193,464)	292,536
Goodwill impairment losses	9,000	-	-
Amortization of intangibles	3,275	9,134	6,397
Depreciation and amortization of premises and equipment	55,107	55,104	58,452
Net accretion of discounts and amortization of premiums and deferred fees	29,120	(21,962)	(63,300)
Interest capitalized on loans subject to the temporary payment moratorium or loss mitigation alternatives	(11,521)	(15,567)	(95,212)
Share-based compensation	16,727	17,774	8,254
Impairment losses on right-of-use and long-lived assets	2,233	5,320	18,004
Fair value adjustments on mortgage servicing rights	(166)	10,206	42,055
Fair value adjustment for contingent consideration	(9,241)	-	-
Adjustments to indemnity reserves on loans sold	(919)	(4,406)	(390)
Earnings from investments under the equity method, net of dividends or distributions	(29,522)	(50,942)	(27,738)
Deferred income tax (benefit) expense	(33,129)	229,371	75,044
(Gain) loss on:			
Disposition of premises and equipment and other productive assets	(9,453)	(18,393)	(11,561)
Proceeds from insurance claims	-	-	(366)
Sale of debt securities	-	(23)	(41)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	252	(21,611)	(32,449)
Sale of equity method investment	(8,198)	-	-
Disposition of stock as part of the Evertec Transactions	(240,412)	-	-
Sale of foreclosed assets, including write-downs	(33,008)	(30,098)	(19,958)
Acquisitions of loans held-for-sale	(122,363)	(251,336)	(227,697)
Proceeds from sale of loans held-for-sale	64,542	95,100	83,456
Net originations on loans held-for-sale	(202,913)	(527,585)	(391,537)
Net decrease (increase) in:			
Trading debt securities	353,301	741,465	493,993
Equity securities	54	(2,336)	(8,263)
Accrued income receivable	(62,932)	6,193	(35,616)
Other assets	76,589	25,022	114,329
Net increase (decrease) in:			
Interest payable	6,061	(5,395)	(5,404)
Pension and other postretirement benefits obligation	(2,893)	(4,104)	5,898
Other liabilities	(20,724)	22,802	(106,736)
<b>Total adjustments</b>	<b>(88,103)</b>	<b>70,269</b>	<b>172,150</b>
<b>Net cash provided by operating activities</b>	<b>1,014,538</b>	<b>1,005,158</b>	<b>678,772</b>
<b>Cash flows from investing activities:</b>			
Net decrease (increase) in money market investments	11,922,703	(5,895,789)	(8,378,577)
Purchases of investment securities:			
Available-for-sale	(22,232,278)	(14,672,856)	(21,033,807)
Held-to-maturity	(1,879,443)	-	-
Equity	(48,921)	(16,196)	(30,794)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:			
Available-for-sale	20,143,921	9,602,430	18,224,362
Held-to-maturity	9,826	15,700	6,733
Proceeds from sale of investment securities:			
Available-for-sale	-	235,992	5,103
Equity	42,990	2,904	25,206
Net (disbursements) repayments on loans	(2,237,084)	469,268	(875,941)
Proceeds from sale of loans	141,314	203,179	84,385
Acquisition of loan portfolios	(753,684)	(348,179)	(1,138,276)
Payments to acquire other intangible	-	(905)	(83)
Payments to acquire businesses, net of cash acquired	-	(155,828)	-
Return of capital from equity method investments	681	6,362	959
Payments to acquire equity method investments	(1,625)	(375)	(1,778)
Proceeds from sale of equity method investment	8,198	-	-
Proceeds from the Evertec stock sale	219,883	-	-

Acquisition of premises and equipment	(103,789)	(72,781)	(60,073)
Proceeds from insurance claims	-	-	366
Proceeds from sale of:			
Premises and equipment and other productive assets	10,305	21,482	26,548
Foreclosed assets	107,203	86,942	77,521
Net cash provided by (used in) investing activities	5,350,200	(10,518,650)	(13,068,146)
<b>Cash flows from financing activities:</b>			
Net (decrease) increase in:			
Deposits	(5,770,261)	10,138,617	13,102,028
Assets sold under agreements to repurchase	57,006	(29,700)	(72,076)
Other short-term borrowings	290,000	75,000	-
Payments of notes payable	(103,147)	(237,713)	(139,920)
Principal payments of finance leases	(3,346)	(2,852)	(3,145)
Proceeds from issuance of notes payable	-	-	261,999
Proceeds from issuance of common stock	5,837	4,674	9,093
Payments for repurchase of redeemable preferred stock	-	-	(28,017)
Dividends paid	(161,516)	(141,466)	(133,645)
Net payments for repurchase of common stock	(631,893)	(350,535)	(500,479)
Payments related to tax withholding for share-based compensation	(5,771)	(5,115)	(3,693)
Net cash (used in) provided by financing activities	(6,323,091)	9,450,910	12,492,145
Net increase (decrease) in cash and due from banks, and restricted cash	41,647	(62,582)	102,771
Cash and due from banks, and restricted cash at beginning of period	434,512	497,094	394,323
Cash and due from banks, and restricted cash at end of period	\$ 476,159	\$ 434,512	\$ 497,094

The accompanying notes are an integral part of these consolidated financial statements.

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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, and equipment leasing and financing services through Popular Equipment Finance (“PEF”), a wholly owned subsidiary 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:

<i>Financial statement line item</i>	2021			2020		
	<i>As reported</i>	<i>Adjustments</i>	<i>Adjusted</i>	<i>As reported</i>	<i>Adjustments</i>	<i>Adjusted</i>
Equipment expenses	\$ 92,097	\$ (59,178)	\$ 32,919	\$ 88,932	\$ (56,418)	\$ 32,514
Professional services	410,865	(284,144)	126,721	394,122	(261,708)	132,414
Technology and software expenses	-	277,979	277,979	-	263,886	263,886
Processing and transactional services	-	121,367	121,367	-	112,039	112,039
Communications	25,234	(11,205)	14,029	23,496	(10,266)	13,230
Other 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

**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 date until the contingency 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. 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 ASC Subtopic 820-10, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous 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 are not corroborated by market data. The fair value hierarchy ranks the quality and reliability of the information used to determine 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.

### *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 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 2<sup>nd</sup> 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 3-years horizon, to historical information at the model input level. 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 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.

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

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.

#### *Loans*

Loans are classified as loans held-in-portfolio when management has the intent and ability to hold the loan for the foreseeable future, or until maturity or payoff. The foreseeable future is a management judgment which is determined based upon the type of loan, business strategies, current market conditions, balance sheet management and liquidity needs. Management's view of the foreseeable future may change based on changes in these conditions. When a decision is made to sell or securitize a loan that was not originated or initially acquired with the intent to sell or securitize, the loan is reclassified from held-in-portfolio into held-for-sale. Due to changing market conditions or other strategic initiatives, management's intent with respect to the disposition of the loan may change, and accordingly, loans previously classified as held-for-sale may be reclassified into held-in-portfolio. Loans transferred between loans held-for-sale and held-in-portfolio classifications are recorded at the lower of cost or fair value at the date of transfer.

Purchased loans with no evidence of credit deterioration since origination are recorded at fair value upon acquisition. Credit discounts are included in the determination of fair value.

Loans held-for-sale are stated at the lower of cost or fair value, cost being determined based on the outstanding loan balance less unearned income, and fair value determined, generally in the aggregate. Fair value is measured based on current market prices for similar loans, outstanding investor commitments, prices of recent sales or discounted cash flow analyses which utilize inputs and assumptions which are believed to be consistent with market participants' views. The cost basis also includes consideration of deferred origination fees and costs, which are recognized in earnings at the time of sale. Upon reclassification to held-for-sale, credit related fair value adjustments are recorded as a reduction in the ACL. To 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 (loss) for the period in which the change occurs.

Loans held-in-portfolio are reported at their outstanding principal balances net of any unearned income, charge-offs, unamortized deferred fees and costs on originated loans, and premiums or discounts on purchased loans. Fees collected and costs incurred in the origination of new loans are deferred and amortized using the interest method or a method which approximates the interest method over the term of the loan as an adjustment to interest yield.

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

dependent loan, the excess of the recorded investment over the fair value of the collateral (portion deemed uncollectible) is generally promptly charged-off, but in any event, not later than the quarter following the quarter in which such excess was first recognized. Commercial unsecured loans are charged-off no later than 180 days past due. Recognition of interest income on mortgage loans is generally discontinued when loans are 90 days or more in arrears on payments of principal or interest. The portion of a mortgage loan deemed uncollectible is charged-off when the loan is 180 days past due. The Corporation discontinues the recognition of interest on residential mortgage loans insured by the Federal Housing Administration ("FHA") or guaranteed by the U.S. Department of Veterans Affairs ("VA") when 15-months delinquent as to principal or interest. The principal repayment on these loans is insured. Recognition of interest income on closed-end consumer loans and home equity lines of credit is discontinued when the loans are 90 days or more in arrears on payments of principal or interest. Income is generally recognized on open-end consumer loans, except for home equity lines of credit, until the loans are charged-off. Recognition of interest income for lease financing is ceased when loans are 90 days or more in arrears. Closed-end consumer loans and leases are charged-off when they are 120 days in arrears. Open-end (revolving credit) consumer loans are charged-off when 180 days in arrears. Commercial and consumer overdrafts are generally charged-off no later than 60 days past their due date.

A loan classified as a troubled debt restructuring ("TDR") is typically in non-accrual status at the time of the modification. The TDR loan continues in non-accrual status until the borrower has demonstrated a willingness and ability to make the restructured loan payments (at least six months of sustained performance after the modification (or one year for loans providing for quarterly or semi-annual payments)) and management has concluded that it is probable that the borrower would not be in payment default in the foreseeable future.

#### *Lease financing*

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 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

recorded as an addition to the purchase price with subsequent changes recorded in earnings. Loan losses are charged and recoveries are credited to the ACL.

The Corporation follows a methodology to estimate 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, management applied probability weights to the outcome of the selected scenarios. This evaluation includes benchmarking procedures as well as careful analysis of the underlying assumptions used to build the scenarios. The application of probability weights include baseline, optimistic and pessimistic scenarios. The weights applied are subject to evaluation on a quarterly basis as part of the ACL's governance process. The Corporation considers additional macroeconomic scenarios as part of its qualitative adjustment framework.

The macroeconomic variables chosen to estimate credit losses were selected by combining quantitative procedures with expert judgment. These variables were determined to be the best predictors of expected credit losses within the Corporation's loan portfolios and include drivers such as unemployment rate, different measures of employment levels, house prices, gross domestic product and measures of disposable income, amongst others. The loss estimation framework includes a reasonable and supportable period of 2 years for PR portfolios, gradually reverting, over a 3-years horizon, to historical macroeconomic variables at the model input level. For the US portfolio the reasonable and supportable period considers the contractual life of the asset, impacted by prepayments, except for the US CRE portfolio. The US CRE portfolio utilizes a 2-year reasonable and supportable period gradually reverting, over a 3-years horizon, to historical information at the output level.

The Corporation developed loan level quantitative models distributed by geography and loan type. This segmentation was determined by evaluating their risk characteristics, which include default patterns, source of repayment, type of collateral, and 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, amongst others.

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 and 2021.

#### *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 cannot maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. When the Corporation transfers financial assets and the transfer fails any one of these criteria, the Corporation is prevented from derecognizing the transferred financial assets and the transaction is accounted for as a secured borrowing. For federal and Puerto Rico income tax purposes, the Corporation treats the transfers of loans which do not qualify as "true sales" under the applicable accounting guidance, as sales, recognizing a deferred tax asset or liability on the transaction.

For transfers of financial assets that satisfy the conditions to be accounted for as sales, the Corporation derecognizes all assets sold; recognizes all assets obtained and liabilities incurred in consideration as proceeds of the sale, including servicing assets and

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.

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 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 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, 2022, 2021 and 2020 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 on sale and leaseback transactions in earnings when the transfer constitutes a sale, and the transaction was at fair 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 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.

The Corporation may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

#### *Software*

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 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 over a 3-years horizon to historical loss experience, portfolio composition by risk characteristics, amongst other factors. Statistical methods are used to estimate the recourse liability. Expected loss rates are applied to different loan segmentations. The expected loss, which represents the amount expected to be lost on a given loan, considers the probability of default and loss severity. The reserve for the estimated losses under the credit recourse arrangements is presented separately within other liabilities in the Consolidated Statements of Financial Condition. Refer to Note 23 to the Consolidated 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, except for highly inflationary environments in which the effects are included in 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.

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

assessment considers, among others, all sources of taxable income available to realize the deferred tax asset, including the future reversal 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 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, as applicable. The amount allocated to continuing operations is the tax effect of the pre-tax income or 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

takes 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*

For purposes of reporting cash flows, cash includes cash on hand and amounts due from banks, including restricted cash.

### Note 3 - New accounting pronouncements

#### Recently Adopted Accounting Standards Updates

<i>Standard</i>	<i>Description</i>	<i>Date of adoption</i>	<i>Effect on the financial statements</i>
<i>FASB ASU 2022-06, Reference Rate Reform (Topic 848) - Deferral of the Sunset Date of Topic 848</i>	The FASB issued Accounting Standards Update ("ASU") 2022-06 in December 2022, which defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. Topic 848 provided optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting.	December 21, 2022	The Corporation was not impacted by the adoption of ASU 2022-06 during the fourth quarter of 2022 since it had adopted FASB ASU 2020-04, Reference Rate Reform (Topic 848) in December 2021, as disclosed in Note 2 to the Consolidated Financial Statements included in Form 10-K for the year ended December 31, 2021. The Corporation ceased originating LIBOR-based contracts in December 2021.
<i>FASB ASU 2021-05, Leases (Topic 842), Lessors – Certain Leases with Variable Lease Payments</i>	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 these amendments, would have been classified as a sales-type or direct financing lease and at inception a loss would have been recognized.	January 1, 2022	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.
<i>FASB ASU 2021-04, Earnings per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in 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)</i>	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 guidance.
<i>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</i>	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.

*FASB ASUs Financial Instruments – Credit Losses (Topic 326)*

The CECL model applies to financial assets measured at amortized cost that are subject to credit losses and certain off-balance sheet exposures. CECL establishes a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first acquired or originated. Under the revised methodology, credit losses are measured based on past events, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets. CECL also revises the approach to recognizing credit losses for available-for-sale securities by replacing the direct write-down approach with the allowance approach and limiting the allowance to the amount at which the security's fair value is less than the amortized cost. In addition, CECL provides that the initial allowance for credit losses on purchased credit deteriorated ("PCD") financial assets will be recorded as an increase to the purchase price, with subsequent changes to the allowance recorded as a credit loss expense. The standards also expand credit quality disclosures. These accounting standards updates were effective on January 1, 2020. Prior to the adoption of CECL, the Corporation followed a systematic methodology to establish and evaluate the adequacy of the allowance for credit losses to provide for probable losses in the loan portfolio.

As a result of the adoption, the Corporation recorded an increase in its allowance for credit losses related to its loan portfolio of \$315 million, and a decrease of \$9 million in the allowance for credit losses for unfunded commitments and credit recourse guarantees which is recorded in Other Liabilities. The Corporation also recognized an allowance for credit losses of approximately \$13 million related to its held-to-maturity debt securities portfolio. The adoption of CECL was recognized under the modified retrospective approach. Therefore, the adjustments to record the increase in the allowance for credit losses was recorded as a decrease to the opening balance of retained earnings of the year of implementation, net of income taxes, except for approximately \$7 million related to loans previously accounted under ASC Subtopic 310-30, which resulted in a reclassification between certain contra loan balance accounts to the allowance for credit losses. The total impact to retained earnings, net of tax, related to the adoption of CECL was of \$205.8 million. As part of the adoption of CECL, the Corporation made the election to break the existing pools of purchased credit impaired ("PCI") loans and, as such, these loans are no longer excluded from non-performing status.

*Accounting Standards Updates Not Yet Adopted*

<i>Standard</i>	<i>Description</i>	<i>Date of adoption</i>	<i>Effect on the financial statements</i>
<i>FASB ASU 2022-05, Financial Services - Insurance (Topic 944) Transition for Sold Contracts</i>	The FASB issued ASU 2022-05 in December 2022, which allows an insurance entity to make an accounting policy election of applying the Long-Duration Contracts (LDTI) transition guidance on a transaction-by-transaction basis if the contracts have been derecognized because of a sale or disposal and the insurance entity has no significant continuing involvement with the derecognized contract.	January 1, 2023	The Corporation does not expect to be impacted by the adoption of this standard since it does not holds Long-Duration Contracts (LDTI).
<i>FASB ASU 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50) Disclosure of Supplier Finance Program Obligations</i>	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 not expect to be impacted by the adoption of this standard since it does not use supplier finance programs.
<i>FASB ASU 2022-03, Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sale Restriction</i>	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.
<i>FASB ASU 2022-02, Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures</i>	The FASB issued ASU 2022-02 in March 2022, which eliminates the accounting guidance for troubled debt restructurings (“TDRs”) in Subtopic 310-40 Receivables—Troubled Debt Restructurings by Creditors and requires creditors to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition, the ASU enhances the disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty and enhances the vintage disclosure by requiring the disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases.	January 1, 2023	The adoption of this standard will result in enhanced disclosure for loans modified to borrowers with financial difficulties and the disclosure of 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 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 preliminarily estimates that the impact of discontinuing the use of the DCF model to measure the concession will result in a release of the ACL of approximately \$45 million, mainly related to mortgage loans for which modifications mostly included a reduction in contractual interest rates and given the extended maturity term of these loans, this resulted in an increase in the ACL in the period of modification. The Corporation has elected to apply the modified retrospective approach for the adoption of this standard. Accordingly, this will be presented as an adjustment increase, net of tax effect, to the beginning balance of retained earnings upon adoption on January 1, 2023.

*Accounting Standards Updates Not Yet Adopted*

<i>Standard</i>	<i>Description</i>	<i>Date of adoption</i>	<i>Effect on the financial statements</i>
<i>FASB ASU 2022-01, Derivatives and Hedging (Topic 815) – Fair Value Hedging—Portfolio Layer Method</i>	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 not expect to be impacted by the adoption of this standard since it does not hold derivatives designated as fair value hedges.
<i>FASB ASU 2021-08, Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers</i>	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 adoption of this ASU, The Corporation will consider this guidance for revenue contracts with customers recognized as part of business combinations entered into on or after the effective date.



#### Note 4 – 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)		Fair Value
Stock consideration	\$	144,785
Total consideration	\$	144,785
Assets:		
Developed technology - Software intangible assets	\$	28,650
Total assets	\$	28,650
Net assets acquired	\$	28,650
Goodwill on acquisition	\$	116,135

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.

The following is a description of the methods used to determine the fair values of significant assets acquired in the Business Acquisition Transaction:

*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 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.

### **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 health care 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
<b>Total consideration</b>	<b>\$</b>	<b>165,869</b>
Assets:		
Cash and due from banks	\$	800
Commercial loans		115,575
Premises and equipment		8,996
Accrued income receivable		57
Other assets		2,822
Other intangible assets		2,887
<b>Total assets</b>	<b>\$</b>	<b>131,137</b>
Other liabilities		14,439
<b>Total liabilities</b>	<b>\$</b>	<b>14,439</b>
Net assets acquired	\$	116,698
Goodwill on acquisition	\$	49,171

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 \$1 million was recognized as of October 15, 2021 with an offset to provision for credit losses, which represents the estimate of contractual cash flows not expected to be collected.

*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.

**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 billion at December 31, 2022 (December 31, 2021 - \$2.7 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, the Corporation held \$80 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 - \$50 million). The restricted assets held in debt securities available for sale and equity securities consist primarily of assets held for the Corporation's non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

### Note 6 – Debt securities available-for-sale

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of debt securities available-for-sale at December 31, 2022 and December 31, 2021.

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

[1] Includes \$11.3 billion pledged to secure government and trust deposits, assets sold under agreements to repurchase, credit facilities and loan servicing agreements that the secured parties are not permitted to sell or repledge the collateral, of which \$ 10.3 billion serve as collateral for public funds.

At December 31, 2021					
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
<b>U.S. Treasury securities</b>					
Within 1 year	\$ 1,225,558	\$ 13,556	\$ 69	\$ 1,239,045	2.33 %
After 1 to 5 years	10,059,163	98,808	65,186	10,092,785	1.18
After 5 to 10 years	4,563,265	739	36,804	4,527,200	1.22
<b>Total U.S. Treasury securities</b>	<b>15,847,986</b>	<b>113,103</b>	<b>102,059</b>	<b>15,859,030</b>	<b>1.27</b>
<b>Obligations of U.S. Government sponsored entities</b>					
Within 1 year	70	-	-	70	5.63
<b>Total obligations of U.S. Government sponsored entities</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>5.63</b>
<b>Collateralized mortgage obligations - federal agencies</b>					
After 1 to 5 years	2,433	42	-	2,475	2.16
After 5 to 10 years	43,241	295	6	43,530	1.54
After 10 years	172,176	3,441	357	175,260	2.13
<b>Total collateralized mortgage obligations - federal agencies</b>	<b>217,850</b>	<b>3,778</b>	<b>363</b>	<b>221,265</b>	<b>2.01</b>
<b>Mortgage-backed securities</b>					
Within 1 year	11	1	-	12	4.79
After 1 to 5 years	65,749	2,380	11	68,118	2.23
After 5 to 10 years	665,600	17,998	5	683,593	1.97
After 10 years	8,263,835	68,128	195,910	8,136,053	1.67
<b>Total mortgage-backed securities</b>	<b>8,995,195</b>	<b>88,507</b>	<b>195,926</b>	<b>8,887,776</b>	<b>1.69</b>
<b>Other</b>					
After 1 to 5 years	123	5	-	128	3.62
<b>Total other</b>	<b>123</b>	<b>5</b>	<b>-</b>	<b>128</b>	<b>3.62</b>
<b>Total debt securities available-for-sale<sup>[1]</sup></b>	<b>\$25,061,224</b>	<b>\$ 205,393</b>	<b>\$ 298,348</b>	<b>\$24,968,269</b>	<b>1.42 %</b>

[1] Includes \$22.0 billion pledged to secure government and trust deposits, assets sold under agreements to repurchase, credit facilities and loan servicing agreements that the secured parties are not permitted to sell or repledge the collateral, of which \$ 20.9 billion serve as collateral for public funds.

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

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

The following table presents the aggregate amortized cost and fair value of debt securities available-for-sale at December 31, 2022 by contractual maturity.

(In thousands)	Amortized cost	Fair value
Within 1 year	\$ 4,576,127	\$ 4,529,477
After 1 to 5 years	6,873,043	6,458,553
After 5 to 10 years	1,223,590	1,120,944
After 10 years	6,889,789	5,695,400
<b>Total debt securities available-for-sale</b>	<b>\$ 19,562,549</b>	<b>\$ 17,804,374</b>

There were no debt securities available-for-sale sold during the year ended December 31, 2022. During the year ended December 31, 2021, the Corporation sold U.S Treasury Notes. The proceeds from these sales were \$236 million. Gross realized gains and losses on the sale of debt securities available-for-sale for the years ended December 31, 2022, 2021 and 2020 were as follows:

(In thousands)	2022	2021	2020
Gross realized gains	\$ -	\$ 695	\$ 41
Gross realized losses	-	(672)	-
Net realized gains (losses) on sale of debt securities available-for-sale	\$ -	\$ 23	\$ 41

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 and 2021.

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

(In thousands)	At December 31, 2021					
	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. Treasury securities	\$ 9,590,448	\$ 102,059	\$ -	\$ -	\$ 9,590,448	\$ 102,059
Collateralized mortgage obligations - federal agencies	35,533	334	1,084	29	36,617	363
Mortgage-backed securities	5,767,556	170,614	595,051	25,312	6,362,607	195,926
Total debt securities available-for-sale in an unrealized loss position	\$ 15,393,537	\$ 273,007	\$ 596,135	\$ 25,341	\$ 15,989,672	\$ 298,348

As of December 31, 2022, the portfolio of available-for-sale debt securities reflects gross unrealized losses of approximately \$1.8 billion, driven mainly by fixed-rate U.S. Treasury Securities and mortgage-backed securities, which have been impacted by a decline in fair value as a result of the rising interest rate environment. The portfolio of available-for-sale debt securities is comprised mainly of U.S. Treasuries and obligations from the U.S. Government, its agencies or government sponsored entities, including FNMA, FHMLC and GNMA. As discussed in Note 2 to the Consolidated Financial Statements, these securities carry an explicit or implicit guarantee from the U.S. Government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, the Corporation applies a zero-credit loss assumption and no ACL for these securities has been established.

In October 2022, the Corporation transferred U.S. Treasury securities with a fair value of \$6.5 billion (par value of \$7.4 billion) from its available-for-sale portfolio to its held-to-maturity portfolio. Management changed its intent, given its ability to hold these securities to maturity due to the Corporation's liquidity position and its intention to reduce the impact on accumulated other comprehensive income (loss) ("AOCI") and tangible capital of further increases in interest rates. The securities were reclassified at fair value at the time of the transfer. At the date of the transfer, these securities had pre-tax unrealized losses of \$873.0 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.



## Note 7 –Debt securities held-to-maturity

The following tables present the amortized cost, allowance for credit losses, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of debt securities held-to-maturity at December 31, 2022 and 2021.

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

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

[2] Includes \$6.9 million pledged to secure public and trust deposits that the secured parties are not permitted to sell or repledge the collateral.

At December 31, 2021								
(In thousands)	Amortized cost	Allowance for Credit Losses	Net of Allowance	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield	
<b>Obligations of Puerto Rico, States and political subdivisions</b>								
Within 1 year	\$ 4,240	\$ 7	\$ 4,233	\$ 4	\$ -	\$ 4,237	6.07 %	
After 1 to 5 years	14,395	148	14,247	149	-	14,396	6.23	
After 5 to 10 years	11,280	122	11,158	104	-	11,262	2.18	
After 10 years	43,561	7,819	35,742	11,746	-	47,488	1.50	
<b>Total obligations of Puerto Rico, States and political subdivisions</b>	<b>73,476</b>	<b>8,096</b>	<b>65,380</b>	<b>12,003</b>	<b>-</b>	<b>77,383</b>	<b>2.79</b>	
<b>Collateralized mortgage obligations - federal agencies</b>								
After 1 to 5 years	25	-	25	-	-	25	6.44	
<b>Total collateralized mortgage obligations - federal agencies</b>	<b>25</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>6.44</b>	
<b>Securities in wholly owned statutory business trusts</b>								
After 10 years	5,960	-	5,960	-	-	5,960	6.33	
<b>Total securities in wholly owned statutory business trusts</b>	<b>5,960</b>	<b>-</b>	<b>5,960</b>	<b>-</b>	<b>-</b>	<b>5,960</b>	<b>6.33</b>	
<b>Total debt securities held-to-maturity</b>	<b>\$ 79,461</b>	<b>\$ 8,096</b>	<b>\$ 71,365</b>	<b>\$ 12,003</b>	<b>\$ -</b>	<b>\$ 83,368</b>	<b>3.06 %</b>	

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

The following table presents the aggregate amortized cost and fair value of debt securities held-to-maturity at December 31, 2022 by contractual maturity.

(In thousands)	Amortized cost	Book Value	Fair value
Within 1 year	\$ 503,564	\$ 503,564	\$ 497,358
After 1 to 5 years	6,166,692	5,659,891	5,599,919
After 5 to 10 years	2,639,263	2,314,691	2,299,834
After 10 years	47,220	47,220	43,085
<b>Total debt securities held-to-maturity</b>	<b>\$ 9,356,739</b>	<b>\$ 8,525,366</b>	<b>\$ 8,440,196</b>

#### Credit Quality Indicators

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

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

At December 31, 2022 and December 31, 2021, the "Obligations of Puerto Rico, States and political subdivisions" classified as held-to-maturity, includes securities issued by municipalities of Puerto Rico that are generally not rated by a credit rating agency. This includes \$25 million of general and special obligation bonds issued by three municipalities of Puerto Rico, that are payable primarily from certain property taxes imposed by the issuing municipality (December 31, 2021 - \$0 million). In the case of general obligations, they also benefit from a pledge of the full faith, credit and unlimited taxing power of the issuing municipality, which is required by law to levy property taxes in an amount sufficient for the payment of debt service on such general obligation bonds. The Corporation performs periodic credit quality reviews of these securities and internally assigns standardized credit risk ratings based on its evaluation. The Corporation considers these ratings in its estimate to develop the allowance for credit losses associated with these securities. For the definitions of the obligor risk ratings, refer to the Credit Quality section of Note 9 to the Consolidated Financial Statements.

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

(In thousands)	At December 31, 2022		At December 31, 2021	
	Securities issued by Puerto Rico municipalities			
Watch	\$	13,735	\$	16,345
Pass		10,925		13,800
<b>Total</b>	<b>\$</b>	<b>24,660</b>	<b>\$</b>	<b>30,145</b>

At December 31, 2022, the portfolio of "Obligations of Puerto Rico, States and political subdivisions" also includes \$ 42 million in securities issued by the Puerto Rico Housing Finance Authority ("HFA"), a government instrumentality, for which the underlying source of payment is second mortgage loans in Puerto Rico residential properties (not the government), but for which HFA, provides a guarantee in the event of default and upon the satisfaction of certain other conditions (December 31, 2021 - \$43 million). These securities are not rated by a credit rating agency. The Corporation assesses the credit risk associated with these securities by evaluating the refreshed FICO scores of a representative sample of the underlying borrowers. At December 31, 2022, the average refreshed FICO score for the representative sample, comprised of 65% of the nominal value of the securities, used for the loss estimate was of 707 (compared to 64% and 704, respectively, at December 31, 2021). The loss estimates for this portfolio was based on the methodology established under CECL for similar loan obligations. The Corporation does not consider the government guarantee when estimating the credit losses associated with this portfolio.

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

Refer to Note 24 to the Consolidated Financial Statements for additional information on the Corporation's exposure to the Puerto Rico Government.

*Delinquency status*

At December 31, 2022 and December 31, 2021, there were no securities held-to-maturity in past due or non-performing status.

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

The following table provides the activity in the allowance for credit losses related to debt securities held-to-maturity by security type at December 31, 2022 and December 31, 2021:

(In thousands)	For the year ended December 31,	
	2022	2021
	Obligations of Puerto Rico, States and political subdivisions	
Allowance for credit losses:		
Beginning balance	\$ 8,096	\$ 10,261
Provision for credit losses (benefit)	(1,185)	(2,165)
Securities charged-off	-	-
Recoveries	-	-
Ending balance	\$ 6,911	\$ 8,096

The allowance for credit losses for the Obligations of Puerto Rico, States and political subdivisions includes \$ 0.3 million for securities issued by municipalities of Puerto Rico, and \$6.6 million for bonds issued by the Puerto Rico HFA, which are secured by second mortgage loans on Puerto Rico residential properties (compared to \$0.3 million and \$7.8 million, respectively, at December 31, 2021).

**Note 8 – Loans**

For a summary of the accounting policies related to loans, interest recognition and allowance for credit losses refer to Note 2 - Summary of Significant Accounting Policies of this Form 10-K.

During the year ended December 31, 2022, the Corporation recorded purchases (including repurchases) of mortgage loans of \$299 million, which include \$4 million in Purchased Credit Deteriorated ("PCD") loans, consumer loans of \$433 million and commercial loans of \$142 million; compared to purchases (including repurchases) of mortgage loans of \$393 million, which include \$14 million in PCD loans, consumer loans of \$61 million and commercial loans of \$139 million during the year ended December 31, 2021.

The Corporation performed whole-loan sales involving approximately \$63 million of residential mortgage loans and \$138 million of commercial and construction loans during the year ended December 31, 2022 (December 31, 2021 - \$145 million of residential mortgage loans and \$131 million of commercial and construction loans). Also, during the year ended December 31, 2022, the Corporation securitized approximately \$169 million of mortgage loans into Government National Mortgage Association ("GNMA") mortgage-backed securities and \$122 million of mortgage loans into Federal National Mortgage Association ("FNMA") mortgage-backed securities, compared to \$380 million and \$330 million, respectively, during the year ended December 31, 2021. Also, the Corporation securitized approximately \$9 million of mortgage loans into Federal Home Loan Mortgage Corporation ("FHLMC") mortgage-backed securities during the year ended December 31, 2022.

*Delinquency status*

The following tables present the amortized cost basis of loans held-in-portfolio ("HIP"), net of unearned income, by past due status, and by loan class including those that are in non-performing status or that are accruing interest but are past due 90 days or more at December 31, 2022 and 2021.

December 31, 2022

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

December 31, 2022

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

December 31, 2022

Popular, Inc.

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

[1] It is the Corporation's policy to report delinquent residential mortgage loans insured by Federal Housing Administration ("FHA") or guaranteed by the U.S. Department of Veterans Affairs ("VA") as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. The balance of these loans includes \$ 14 million at December 31, 2022 related to the rebooking of loans previously pooled into GNMA securities, in which the Corporation had a buy-back option. Under the GNMA program, issuers such as BPPR have the option but not the obligation to repurchase loans that are 90 days or more past due. For accounting purposes, these loans subject to repurchases option are required to be reflected (rebooked) on the financial statements of BPPR with an offsetting liability. These balances also include \$ 190 million of residential mortgage loans insured by FHA or guaranteed by the VA that are no longer accruing interest as of December 31, 2022. Furthermore, the Corporation has approximately \$42 million in reverse mortgage loans which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation's policy to exclude these balances from non-performing assets.

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

[3] Includes \$7.4 billion pledged to secure credit facilities and public funds that the secured parties are not permitted to sell or repledge the collateral, of which \$4.8 billion were pledged at the Federal Home Loan Bank ("FHLB") as collateral for borrowings and \$2.6 billion at the Federal Reserve Bank ("FRB") for discount window borrowings.

December 31, 2021

BPPR								
(In thousands)	Past due				Current	Loans HIP	Past due 90 days or more	
	30-59 days	60-89 days	90 days or more	Total past due			Non-accrual loans	Accruing loans
Commercial multi-family	\$ 314	\$ -	\$ 272	\$ 586	\$ 154,183	\$ 154,769	\$ 272	\$ -
Commercial real estate:								
Non-owner occupied	2,399	136	20,716	23,251	2,266,672	2,289,923	20,716	-
Owner occupied	3,329	278	54,335	57,942	1,365,787	1,423,729	54,335	-
Commercial and industrial	3,438	1,727	45,242	50,407	3,478,041	3,528,448	44,724	518
Construction	-	-	485	485	86,626	87,111	485	-
Mortgage	217,830	81,754	805,245	1,104,829	5,147,037	6,251,866	333,887	471,358
Leasing	9,240	2,037	3,102	14,379	1,366,940	1,381,319	3,102	-
Consumer:								
Credit cards	5,768	3,520	8,577	17,865	901,986	919,851	-	8,577
Home equity lines of credit	46	-	23	69	3,502	3,571	-	23
Personal	10,027	6,072	21,235	37,334	1,250,726	1,288,060	21,235	-
Auto	59,128	15,019	23,085	97,232	3,314,955	3,412,187	23,085	-
Other	432	714	12,621	13,767	110,781	124,548	12,448	173
<b>Total</b>	<b>\$ 311,951</b>	<b>\$ 111,257</b>	<b>\$ 994,938</b>	<b>\$ 1,418,146</b>	<b>\$ 19,447,236</b>	<b>\$ 20,865,382</b>	<b>\$ 514,289</b>	<b>\$ 480,649</b>

December 31, 2021

Popular U.S.								
(In thousands)	Past due				Current	Loans HIP	Past due 90 days or more	
	30-59 days	60-89 days	90 days or more	Total past due			Non-accrual loans	Accruing loans
Commercial multi-family	\$ 3,826	\$ -	\$ -	\$ 3,826	\$ 1,804,035	\$ 1,807,861	\$ -	\$ -
Commercial real estate:								
Non-owner occupied	5,721	683	622	7,026	2,316,441	2,323,467	622	-
Owner occupied	1,095	-	1,013	2,108	392,265	394,373	1,013	-
Commercial and industrial	9,410	2,680	4,015	16,105	1,794,026	1,810,131	3,897	118
Construction	-	-	-	-	629,109	629,109	-	-
Mortgage	11,711	2,573	21,969	36,253	1,139,077	1,175,330	21,969	-
Consumer:								
Credit cards	-	-	-	-	10	10	-	-
Home equity lines of credit	71	34	5,406	5,511	69,780	75,291	5,406	-
Personal	863	574	681	2,118	152,827	154,945	681	-
Other	-	-	-	-	4,658	4,658	-	-
<b>Total</b>	<b>\$ 32,697</b>	<b>\$ 6,544</b>	<b>\$ 33,706</b>	<b>\$ 72,947</b>	<b>\$ 8,302,228</b>	<b>\$ 8,375,175</b>	<b>\$ 33,588</b>	<b>\$ 118</b>

December 31, 2021

Popular, Inc.

(In thousands)	Past due						Past due 90 days or more	
	30-59	60-89	90 days	Total	Current	Loans HIP <sup>[2]</sup> [3]	Non-accrual	Accruing
	days	days	or more	past due			loans	loans
Commercial multi-family	\$ 4,140	\$ -	\$ 272	\$ 4,412	\$ 1,958,218	\$ 1,962,630	\$ 272	\$ -
Commercial real estate:								
Non-owner occupied	8,120	819	21,338	30,277	4,583,113	4,613,390	21,338	-
Owner occupied	4,424	278	55,348	60,050	1,758,052	1,818,102	55,348	-
Commercial and industrial	12,848	4,407	49,257	66,512	5,272,067	5,338,579	48,621	636
Construction	-	-	485	485	715,735	716,220	485	-
Mortgage <sup>[1]</sup>	229,541	84,327	827,214	1,141,082	6,286,114	7,427,196	355,856	471,358
Leasing	9,240	2,037	3,102	14,379	1,366,940	1,381,319	3,102	-
Consumer:								
Credit cards	5,768	3,520	8,577	17,865	901,996	919,861	-	8,577
Home equity lines of credit	117	34	5,429	5,580	73,282	78,862	5,406	23
Personal	10,890	6,646	21,916	39,452	1,403,553	1,443,005	21,916	-
Auto	59,128	15,019	23,085	97,232	3,314,955	3,412,187	23,085	-
Other	432	714	12,621	13,767	115,439	129,206	12,448	173
<b>Total</b>	<b>\$ 344,648</b>	<b>\$ 117,801</b>	<b>\$ 1,028,644</b>	<b>\$ 1,491,093</b>	<b>\$ 27,749,464</b>	<b>\$ 29,240,557</b>	<b>\$ 547,877</b>	<b>\$ 480,767</b>

[1] It is the Corporation's policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. The balance of these loans includes \$ 13 million at December 31, 2021 related to the rebooking of loans previously pooled into GNMA securities, in which the Corporation had a buy-back option. Under the GNMA program, issuers such as BPPR have the option but not the obligation to repurchase loans that are 90 days or more past due. For accounting purposes, these loans subject to repurchases option are required to be reflected (rebooked) on the financial statements of BPPR with an offsetting liability. These balances also include \$ 304 million of residential mortgage loans insured by FHA or guaranteed by the VA that are no longer accruing interest as of December 31, 2021. Furthermore, the Corporation has approximately \$ 50 million in reverse mortgage loans which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation's policy to exclude these balances from non-performing assets.

[2] Loans held-in-portfolio are net of \$ 266 million in unearned income and exclude \$ 59 million in loans held-for-sale.

[3] Includes \$ 6.6 billion pledged to secure credit facilities and public funds that the secured parties are not permitted to sell or repledge the collateral, of which \$ 3.2 billion were pledged at the FHLB as collateral for borrowings and \$ 1.7 billion at the FRB for discount window borrowings and \$ 1.7 billion serve as collateral for public funds.

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

At December 31, 2022, mortgage loans held-in-portfolio include \$ 2.0 billion (December 31, 2021 - \$ 1.9 billion) of loans insured by the FHA, or guaranteed by the VA of which \$ 0.3 billion (December 31, 2021 - \$ 0.5 billion) are 90 days or more past due. These balances include \$ 725 million in loans modified under a TDR (December 31, 2021 - \$ 716 million), that are presented as accruing loans. The portfolio of guaranteed loans includes \$ 190 million of residential mortgage loans in Puerto Rico that are no longer accruing interest as of December 31, 2022 (December 31, 2021 - \$ 304 million). The Corporation has approximately \$ 42 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest at December 31, 2022 (December 31, 2021 - \$ 50 million).

Loans with a delinquency status of 90 days past due as of December 31, 2022 include \$ 14 million in loans previously pooled into GNMA securities (December 31, 2021 - \$ 13 million). Under the GNMA program, issuers such as BPPR have the option but not the obligation to repurchase loans that are 90 days or more past due. For accounting purposes, these loans subject to the repurchase option are required to be reflected on the financial statements of BPPR with an offsetting liability. Loans in our serviced GNMA portfolio benefit from payment forbearance programs but continue to reflect the contractual delinquency until the borrower repays deferred payments or completes a payment deferral modification or other borrower assistance alternative.

The components of the net financing leases, including finance leases within the C&I category, receivable at December 31, 2022 and 2021 were as follows:



(In thousands)	2022	2021
Total minimum lease payments	\$ 1,336,173	\$ 1,190,545
Estimated residual value of leased property	605,638	518,670
Deferred origination costs, net of fees	24,909	21,474
Less - Unearned financing income	293,091	257,738
Net minimum lease payments	1,673,629	1,472,951
Less - Allowance for credit losses	22,216	18,581
Net minimum lease payments, net of allowance for credit losses	\$ 1,651,413	\$ 1,454,370

At December 31, 2022, future minimum lease payments are expected to be received as follows:

(In thousands)	
2023	\$ 111,779
2024	132,371
2025	177,836
2026	303,773
2027	402,035
2028 and thereafter	208,379
Total	\$ 1,336,173

The following tables present the amortized cost basis of non-accrual loans as of December 31, 2022 and 2021 by class of loans:

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

December 31, 2021							
(In thousands)	BPPR		Popular U.S.		Popular, Inc.		
	Non-accrual with no allowance	Non-accrual with allowance	Non-accrual with no allowance	Non-accrual with allowance	Non-accrual with no allowance	Non-accrual with allowance	
Commercial multi-family	\$ -	\$ 272	\$ -	\$ -	\$ -	\$ 272	
Commercial real estate non-owner occupied	15,819	4,897	-	622	15,819	5,519	
Commercial real estate owner occupied	13,491	40,844	-	1,013	13,491	41,857	
Commercial and industrial	30,177	14,547	-	3,897	30,177	18,444	
Construction	-	485	-	-	-	485	
Mortgage	169,827	164,060	29	21,940	169,856	186,000	
Leasing	276	2,826	-	-	276	2,826	
Consumer:							
HELOCs	-	-	-	5,406	-	5,406	
Personal	6,279	14,956	81	600	6,360	15,556	
Auto	879	22,206	-	-	879	22,206	
Other	-	12,448	-	-	-	12,448	
<b>Total</b>	<b>\$ 236,748</b>	<b>\$ 277,541</b>	<b>\$ 110</b>	<b>\$ 33,478</b>	<b>\$ 236,858</b>	<b>\$ 311,019</b>	

Loans in non-accrual status with no allowance at December 31, 2022 include \$ 177 million in collateral dependent loans (December 31, 2021 - \$237 million). The Corporation recognized \$4 million in interest income on non-accrual loans during the year ended December 31, 2022 (December 31, 2021 - \$3 million).

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

The following tables present the amortized cost basis of collateral-dependent loans, for which the ACL was measured based on the fair value of the collateral less cost to sell, by class of loans and type of collateral as of December 31, 2022 and 2021:

December 31, 2022

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

(In thousands)	December 31, 2021					Total
	Real Estate	Auto	Equipment	Accounts Receivables	Other	
<b>BPPR</b>						
Commercial multi-family	\$ 1,374	\$ -	\$ -	\$ -	\$ -	1,374
Commercial real estate:						
Non-owner occupied	211,026	-	-	-	-	211,026
Owner occupied	47,268	-	-	-	-	47,268
Commercial and industrial	2,650	-	680	10,675	27,893	41,898
Mortgage	179,774	-	-	-	-	179,774
Leasing	-	574	-	-	-	574
Consumer:						
Personal	6,165	-	-	-	-	6,165
Auto	-	8,983	-	-	-	8,983
<b>Total BPPR</b>	<b>\$ 448,257</b>	<b>\$ 9,557</b>	<b>\$ 680</b>	<b>\$ 10,675</b>	<b>\$ 27,893</b>	<b>\$ 497,062</b>
<b>Popular U.S.</b>						
Mortgage	\$ 926	\$ -	\$ -	\$ -	\$ -	926
<b>Total Popular U.S.</b>	<b>\$ 926</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 926</b>
<b>Popular, Inc.</b>						
Commercial multi-family	\$ 1,374	\$ -	\$ -	\$ -	\$ -	1,374
Commercial real estate:						
Non-owner occupied	211,026	-	-	-	-	211,026
Owner occupied	47,268	-	-	-	-	47,268
Commercial and industrial	2,650	-	680	10,675	27,893	41,898
Mortgage	180,700	-	-	-	-	180,700
Leasing	-	574	-	-	-	574
Consumer:						
Personal	6,165	-	-	-	-	6,165
Auto	-	8,983	-	-	-	8,983
<b>Total Popular, Inc.</b>	<b>\$ 449,183</b>	<b>\$ 9,557</b>	<b>\$ 680</b>	<b>\$ 10,675</b>	<b>\$ 27,893</b>	<b>\$ 497,988</b>

#### *Purchased Credit Deteriorated (PCD) Loans*

The Corporation has purchased loans during the year for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The carrying amount of those loans is as follows:

(In thousands)	December 31, 2022		December 31, 2021	
Purchase price of loans at acquisition	\$	3,144	\$	10,995
Allowance for credit losses at acquisition		915		3,142
Non-credit discount / (premium) at acquisition		140		446
<b>Par value of acquired loans at acquisition</b>	<b>\$</b>	<b>4,199</b>	<b>\$</b>	<b>14,583</b>

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

The Corporation follows the current expected credit loss (“CECL”) model, to establish and evaluate the adequacy of the allowance for credit losses (“ACL”) to provide for expected losses in the loan portfolio. This model establishes a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first acquired or originated. In addition, CECL provides that the initial ACL on purchased credit deteriorated (“PCD”) financial assets be recorded as an increase to the purchase price, with subsequent changes to the allowance recorded as a credit loss expense. The provision for credit losses recorded in current operations is based on this methodology. Loan losses are charged and recoveries are credited to the ACL.

At December 31, 2022, the Corporation estimated the ACL by weighting the outputs of optimistic, baseline, and pessimistic scenarios. Among the three scenarios used to estimate the ACL, the baseline is assigned the highest probability, followed by the pessimistic scenario given the uncertainties in the economic outlook and downside risk. The weightings applied are subject to evaluation on a quarterly basis as part of the ACL’s governance process. The Corporation evaluates, at least on an annual basis, the assumptions tied to the CECL accounting framework. These include the reasonable and supportable period as well as the reversion window. During the third quarter of 2022, as part of its evaluation procedures, the Corporation decided to extend the reversion window from 1 year to 3 years. The extension in the reversion window results in a better representation of historical movements for key macroeconomic variables that impact the ACL. This change in assumptions contributed to a reduction of \$11 million in the ACL. The reasonable and supportable period assumptions remained unchanged at 2-years.

The baseline scenario assumes a 2023 annualized GDP growth for Puerto Rico and the United States of 1.3% and 0.7%. For 2022 annualized expected growth was 2.6% and 1.8% for Puerto Rico and United States, respectively. The reduction in 2023 is due to the expected slowdown in the economy as a result of tight monetary policy, weaker job growth and persistent inflation.

The 2023 average unemployment rate is forecasted at 7.8% and 4.0% for Puerto Rico and United States, respectively, compared to 2022 average level 6.4% for Puerto Rico and 3.7% for the United States. In 2023, weaker job growth due to the expected slowdown in the economy will contribute to an increase in the unemployment rate.

The following tables present the changes in the ACL of loans held-in-portfolio and unfunded commitments for the years ended December 31, 2022 and 2021.

For the year ended December 31, 2022							
BPPR							
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total	
<b>Allowance for credit losses - loans:</b>							
Beginning balance	\$ 151,928	\$ 1,641	\$ 138,286	\$ 17,578	\$ 284,729	\$ 594,162	
Provision for credit losses (benefit)	11,475	526	(37,600)	6,832	88,311	69,544	
Initial allowance for credit losses - PCD Loans	-	-	915	-	-	915	
Charge-offs	(7,238)	-	(5,105)	(7,107)	(106,752)	(126,202)	
Recoveries	18,130	811	20,848	3,315	34,022	77,126	
Ending balance - loans	\$ 174,295	\$ 2,978	\$ 117,344	\$ 20,618	\$ 300,310	\$ 615,545	
<b>Allowance for credit losses - unfunded commitments:</b>							
Beginning balance	\$ 1,751	\$ 2,388	\$ -	\$ -	\$ -	\$ 4,139	
Provision for credit losses (benefit)	2,585	(366)	-	-	-	2,219	
Ending balance - unfunded commitments [1]	\$ 4,336	\$ 2,022	\$ -	\$ -	\$ -	\$ 6,358	

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

For the year ended December 31, 2022

Popular U.S.

(In thousands)	Commercial	Construction	Mortgage	Consumer	Total
<b>Allowance for credit losses - loans:</b>					
Beginning balance	\$ 63,877	\$ 4,722	\$ 16,192	\$ 16,413	\$ 101,204
Provision for credit losses (benefit)	4,597	(4,586)	1,706	12,046	13,763
Charge-offs	(10,012)	-	(68)	(8,036)	(18,116)
Recoveries	2,619	1,132	80	4,075	7,906
Ending balance - loans	\$ 61,081	\$ 1,268	\$ 17,910	\$ 24,498	\$ 104,757
<b>Allowance for credit losses - unfunded commitments:</b>					
Beginning balance	\$ 1,384	\$ 2,337	\$ -	\$ 37	\$ 3,758
Provision for credit losses (benefit)	(209)	(1,153)	-	51	(1,311)
Ending balance - unfunded commitments [1]	\$ 1,175	\$ 1,184	\$ -	\$ 88	\$ 2,447

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

For the year ended December 31, 2022

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses - loans:</b>						
Beginning balance	\$ 215,805	\$ 6,363	\$ 154,478	\$ 17,578	\$ 301,142	\$ 695,366
Provision for credit losses (benefit)	16,072	(4,060)	(35,894)	6,832	100,357	83,307
Initial allowance for credit losses - PCD Loans	-	-	915	-	-	915
Charge-offs	(17,250)	-	(5,173)	(7,107)	(114,788)	(144,318)
Recoveries	20,749	1,943	20,928	3,315	38,097	85,032
Ending balance - loans	\$ 235,376	\$ 4,246	\$ 135,254	\$ 20,618	\$ 324,808	\$ 720,302
<b>Allowance for credit losses - unfunded commitments:</b>						
Beginning balance	\$ 3,135	\$ 4,725	\$ -	\$ -	\$ 37	\$ 7,897
Provision for credit losses (benefit)	2,376	(1,519)	-	-	51	908
Ending balance - unfunded commitments [1]	\$ 5,511	\$ 3,206	\$ -	\$ -	\$ 88	\$ 8,805

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

For the year ended December 31, 2021

BPPR

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses - loans:</b>						
Beginning balance	\$ 225,323	\$ 4,871	\$ 195,557	\$ 16,863	\$ 297,136	\$ 739,750
Provision for credit losses (benefit)	(91,695)	(1,533)	(57,684)	2,094	19,800	(129,018)
Initial allowance for credit losses - PCD Loans	-	-	3,142	-	-	3,142
Charge-offs	(17,180)	(6,620)	(17,656)	(4,637)	(78,047)	(124,140)
Recoveries	35,480	4,923	14,927	3,258	45,840	104,428
<b>Ending balance - loans</b>	<b>\$ 151,928</b>	<b>\$ 1,641</b>	<b>\$ 138,286</b>	<b>\$ 17,578</b>	<b>\$ 284,729</b>	<b>\$ 594,162</b>
<b>Allowance for credit losses - unfunded commitments:</b>						
Beginning balance	\$ 4,913	\$ 4,610	\$ -	\$ -	\$ -	\$ 9,523
Provision for credit losses (benefit)	(3,162)	(2,222)	-	-	-	(5,384)
<b>Ending balance - unfunded commitments [1]</b>	<b>\$ 1,751</b>	<b>\$ 2,388</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,139</b>

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

For the year ended December 31, 2021

Popular U.S.

(In thousands)	Commercial	Construction	Mortgage	Consumer	Total
<b>Allowance for credit losses - loans:</b>					
Beginning balance	\$ 108,057	\$ 9,366	\$ 20,159	\$ 18,918	\$ 156,500
Provision for credit losses (benefit)	(45,427)	(4,764)	(3,949)	(187)	(54,327)
Charge-offs	(1,177)	(523)	(605)	(8,732)	(11,037)
Recoveries	2,424	643	587	6,414	10,068
<b>Ending balance - loans</b>	<b>\$ 63,877</b>	<b>\$ 4,722</b>	<b>\$ 16,192</b>	<b>\$ 16,413</b>	<b>\$ 101,204</b>
<b>Allowance for credit losses - unfunded commitments:</b>					
Beginning balance	\$ 1,753	\$ 4,469	\$ -	\$ 106	\$ 6,328
Provision for credit losses (benefit)	(369)	(2,132)	-	(69)	(2,570)
<b>Ending balance - unfunded commitments [1]</b>	<b>\$ 1,384</b>	<b>\$ 2,337</b>	<b>\$ -</b>	<b>\$ 37</b>	<b>\$ 3,758</b>

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

For the year ended December 31, 2021

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses - loans:</b>						
Beginning balance	\$ 333,380	\$ 14,237	\$ 215,716	\$ 16,863	\$ 316,054	\$ 896,250
Provision for credit losses (benefit)	(137,122)	(6,297)	(61,633)	2,094	19,613	(183,345)
Initial allowance for credit losses - PCD Loans	-	-	3,142	-	-	3,142
Charge-offs	(18,357)	(7,143)	(18,261)	(4,637)	(86,779)	(135,177)
Recoveries	37,904	5,566	15,514	3,258	52,254	114,496
<b>Ending balance - loans</b>	<b>\$ 215,805</b>	<b>\$ 6,363</b>	<b>\$ 154,478</b>	<b>\$ 17,578</b>	<b>\$ 301,142</b>	<b>\$ 695,366</b>
<b>Allowance for credit losses - unfunded commitments:</b>						
Beginning balance	\$ 6,666	\$ 9,079	\$ -	\$ -	\$ 106	\$ 15,851
Provision for credit losses (benefit)	(3,531)	(4,354)	-	-	(69)	(7,954)
<b>Ending balance - unfunded commitments [1]</b>	<b>\$ 3,135</b>	<b>\$ 4,725</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37</b>	<b>\$ 7,897</b>

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

### **Modifications**

A modification of a loan constitutes a troubled debt restructuring when a borrower is experiencing financial difficulty and the modification constitutes a concession. For a summary of the accounting policy related to troubled debt restructurings ("TDRs"), refer to the Summary of Significant Accounting Policies included in Note 2 to these Consolidated Financial Statements.

The outstanding balance of loans classified as TDRs amounted to \$1.6 billion at December 31, 2022 (December 31, 2021 - \$1.7 billion). The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in TDRs amounted to \$12 million related to the commercial loan portfolio at December 31, 2022 (December 31, 2021 - \$9 million).

The following table presents the outstanding balance of loans classified as TDRs according to their accruing status and the related allowance at December 31, 2022 and 2021.

The Corporation has offered to clients impacted by the hurricanes Fiona a moratorium of up to three monthly payments on personal and commercial credit cards, auto loans, leases, and personal loans, subject to certain eligibility requirements. Mortgage clients also benefited from different payment relief alternatives available, depending on their type of loan. Loan relief options for commercial clients were reviewed on a case-by-case basis. As of December 31, 2022, approximately 2,428 loans with a \$94.8 million amortized cost were granted a moratorium of which 218 loans with a \$7.7 million amortized cost have been classified as TDR.

(In thousands)	December 31, 2022				December 31, 2021			
	Accruing	Non-Accruing	Total	Related Allowance	Accruing	Non-Accruing	Total	Related Allowance
<b>Loans held-in-portfolio:</b>								
Commercial	\$ 269,784	\$ 54,641	\$ 324,425	\$ 18,451	\$ 261,344	\$ 64,744	\$ 326,088	\$ 24,736
Mortgage <sup>[1]</sup>	1,169,976	86,790	1,256,766	58,819	1,143,204	112,509	1,255,713	61,888
Leasing	1,154	24	1,178	43	325	47	372	42
Consumer	54,395	7,883	62,278	13,577	64,093	10,556	74,649	16,124
<b>Loans held-in-portfolio</b>	<b>\$ 1,495,309</b>	<b>\$ 149,338</b>	<b>\$ 1,644,647</b>	<b>\$ 90,890</b>	<b>\$ 1,468,966</b>	<b>\$ 187,856</b>	<b>\$ 1,656,822</b>	<b>\$ 102,790</b>

[1] At December 31, 2022, accruing mortgage loan TDRs include \$725 million guaranteed by U.S. sponsored entities at BPPR, compared to \$716 million at December 31, 2021.

The following tables present the loan count by type of modification for those loans modified in a TDR during the years ended December 31, 2022 and 2021. Loans modified as TDRs for the U.S. operations are considered insignificant to the Corporation.



For the year ended December 31, 2022

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	-	2	2	4
Commercial real estate owner occupied	3	10	1	14
Commercial and industrial	4	9	1	16
Mortgage	7	217	881	5
Leasing	-	2	1	34
Consumer:				
Credit cards	48	-	-	48
HELOCs	-	-	1	-
Personal	111	111	3	40
Auto	-	1	-	129
Other	1	-	-	-
<b>Total</b>	<b>174</b>	<b>352</b>	<b>890</b>	<b>290</b>

For the year ended December 31, 2021

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family	-	1	1	-
Commercial real estate non-owner occupied	-	11	1	-
Commercial real estate owner occupied	4	23	4	12
Commercial and industrial	5	13	-	21
Mortgage	39	140	1,590	5
Leasing	-	-	2	-
Consumer:				
Credit cards	134	-	1	43
HELOCs	-	1	1	-
Personal	183	117	1	2
Auto	-	7	3	-
Other	7	-	-	1
<b>Total</b>	<b>372</b>	<b>313</b>	<b>1,604</b>	<b>84</b>

During the year ended December 31, 2022, three loans with an aggregate unpaid principal balance of \$2.7 million were restructured into multiple notes ("Note A / B split"), compared to five loans with an aggregate unpaid principal balance of \$10.2 million during the year ended December 31, 2021. No charge-offs were recorded as part of Note A / B splits during 2022 and 2021. These loans were restructured after analyzing the borrowers' capacity to repay the debt, collateral and ability to perform under the modified terms.

The following tables present, by class, quantitative information related to loans modified as TDRs during the years ended December 31, 2022 and 2021.

Popular, Inc.				
For the year ended December 31, 2022				
(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for credit losses as a result of modification
Commercial real estate non-owner occupied	8	\$ 6,530	\$ 6,527	\$ 60
Commercial real estate owner occupied	28	19,192	19,165	(2,078)
Commercial and industrial	30	51,139	50,929	2,120
Mortgage	1,110	128,581	125,875	4,447
Leasing	37	1,181	1,180	13
Consumer:				
Credit cards	96	866	898	10
HELOCs	1	245	236	67
Personal	265	3,581	3,479	671
Auto	130	1,631	1,631	5
Other	1	8	8	1
<b>Total</b>	<b>1,706</b>	<b>\$ 212,954</b>	<b>\$ 209,928</b>	<b>\$ 5,316</b>

Popular, Inc.				
For the year ended December 31, 2021				
(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for credit losses as a result of modification
Commercial multi-family	2	\$ 246	\$ 211	\$ 26
Commercial real estate non-owner occupied	12	3,612	3,604	177
Commercial real estate owner occupied	43	95,354	90,096	1,577
Commercial and industrial	39	6,573	5,719	745
Mortgage	1,774	213,661	214,367	6,632
Leasing	2	40	38	5
Consumer:				
Credit cards	178	2,223	2,136	42
HELOCs	2	176	228	54
Personal	303	4,222	4,217	899
Auto	10	199	206	65
Other	8	305	303	124
<b>Total</b>	<b>2,373</b>	<b>\$ 326,611</b>	<b>\$ 321,125</b>	<b>\$ 10,346</b>

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

Defaulted during the year ended December 31, 2022		
(Dollars in thousands)	Loan count	Recorded investment as of first default date
Commercial real estate owner occupied	2	\$ 620
Commercial and industrial	7	6,639
Mortgage	75	9,391
Leasing	1	5
Consumer:		
Credit cards	29	249
Personal	49	918
<b>Total</b>	<b>163</b>	<b>\$ 17,822</b>

Defaulted during the year ended December 31, 2021

(Dollars in thousands)	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied	4	\$ 8,421
Commercial real estate owner occupied	4	4,500
Commercial and industrial	5	317
Mortgage	104	10,543
Consumer:		
Credit cards	81	979
Personal	27	723
<b>Total</b>	<b>225</b>	<b>\$ 25,483</b>

Commercial, consumer and mortgage loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a TDR subsequently default, the allowance for credit losses may be increased or partial charge-offs may be taken to further write-down the carrying value of the loan.

### ***Credit Quality***

The Corporation has defined a risk rating system to assign a rating to all credit exposures, particularly for the commercial and construction loan portfolios. Risk ratings in the aggregate provide the Corporation's management the asset quality profile for the loan portfolio. The risk rating system provides for the assignment of ratings at the obligor level based on the financial condition of the borrower. The risk rating analysis process is performed at least once a year or more frequently if events or conditions change which may deteriorate the credit quality. In the case of consumer and mortgage loans, these loans are classified considering their delinquency status at the end of the reporting period.

The Corporation's obligor risk rating scales range from rating 1 (Excellent) to rating 14 (Loss). The obligor risk rating reflects the risk of payment default of a borrower in the ordinary course of business.

#### Pass Credit Classifications:

Pass (Scales 1 through 8) – Loans classified as pass have a well defined primary source of repayment, with no apparent risk, strong financial position, minimal operating risk, profitability, liquidity and strong capitalization.

Watch (Scale 9) – Loans classified as watch have acceptable business credit, but borrower's operations, cash flow or financial condition evidence more than average risk, requires above average levels of supervision and attention from Loan Officers.

Special Mention (Scale 10) - Loans classified as special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Corporation's credit position at some future date.

#### Adversely Classified Classifications:

Substandard (Scales 11 and 12) - Loans classified as substandard are deemed to be inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Loans classified as such have well-defined weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful (Scale 13) - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the additional characteristic that the weaknesses make the collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss (Scale 14) - Uncollectible and of such little value that continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this asset even though partial recovery may be effected in the future.

Risk ratings scales 10 through 14 conform to regulatory ratings. The assignment of the obligor risk rating is based on relevant information about the ability of borrowers to service their debts such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors.

The following tables present the amortized cost basis, net of unearned income, of loans held-in-portfolio based on the Corporation's assignment of obligor risk ratings as defined at December 31, 2022 and 2021 by vintage year.

December 31, 2022

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

December 31, 2022

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

December 31, 2022

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

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



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

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

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

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(In thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2021	2020	2019	2018	2017	Prior Years			
<b>BPPR</b>									
<b>Commercial:</b>									
<b>Commercial multi-family</b>									
Watch	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,485	\$ -	\$ -	\$ 4,485
Special mention	-	-	-	-	-	3,025	-	-	3,025
Substandard	-	-	982	-	-	6,257	100	-	7,339
Pass	24,936	21,288	34,840	25,311	2,066	31,468	11	-	139,920
Total commercial multi-family	\$ 24,936	\$ 21,288	\$ 35,822	\$ 25,311	\$ 2,066	\$ 45,235	\$ 111	\$ -	\$ 154,769
<b>Commercial real estate non-owner occupied</b>									
Watch	\$ 100,465	\$ 228,852	\$ 25,443	\$ 137,044	\$ 2,406	\$ 205,304	\$ 3,237	\$ -	\$ 702,751
Special Mention	18,509	12,563	7,271	-	4,608	24,056	-	-	67,007
Substandard	30,155	27,790	24,200	25,456	2,770	72,407	-	-	182,778
Pass	513,087	88,662	88,353	37,999	42,522	557,052	9,712	-	1,337,387
Total commercial real estate non-owner occupied	\$ 662,216	\$ 357,867	\$ 145,267	\$ 200,499	\$ 52,306	\$ 858,819	\$ 12,949	\$ -	\$ 2,289,923
<b>Commercial real estate owner occupied</b>									
Watch	\$ 8,393	\$ 8,612	\$ 8,972	\$ 6,958	\$ 3,039	\$ 121,716	\$ -	\$ -	\$ 157,690
Special Mention	5,573	857	7,598	1,427	2,449	103,472	-	-	121,376
Substandard	6,960	1,028	1,646	35,529	1,869	113,288	-	-	160,320
Doubtful	-	-	-	-	76	612	-	-	688
Pass	238,533	198,442	44,943	23,112	32,585	429,651	16,389	-	983,655
Total commercial real estate owner occupied	\$ 259,459	\$ 208,939	\$ 63,159	\$ 67,026	\$ 40,018	\$ 768,739	\$ 16,389	\$ -	\$ 1,423,729
<b>Commercial and industrial</b>									
Watch	\$ 186,529	\$ 12,542	\$ 21,536	\$ 103,835	\$ 14,577	\$ 90,776	\$ 108,183	\$ -	\$ 537,978
Special Mention	7,380	9,936	14,856	28,473	1,012	28,448	60,397	-	150,502
Substandard	2,190	1,091	3,041	35,826	66,771	45,168	38,003	-	192,090
Doubtful	-	-	-	-	-	62	-	-	62
Pass	843,661	335,369	275,357	84,084	72,580	333,869	702,896	-	2,647,816
Total commercial and industrial	\$ 1,039,760	\$ 358,938	\$ 314,790	\$ 252,218	\$ 154,940	\$ 498,323	\$ 909,479	\$ -	\$ 3,528,448
<b>Construction</b>									
Substandard	\$ -	\$ -	\$ 485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 485
Pass	21,596	41,622	1,148	-	-	-	22,260	-	86,626
Total construction	\$ 21,596	\$ 41,622	\$ 1,633	\$ -	\$ -	\$ -	\$ 22,260	\$ -	\$ 87,111
<b>Mortgage</b>									
Substandard	\$ -	\$ 954	\$ 5,212	\$ 5,613	\$ 4,310	\$ 122,690	\$ -	\$ -	\$ 138,779
Pass	463,742	304,780	223,464	265,239	194,982	4,660,880	-	-	6,113,087
Total mortgage	\$ 463,742	\$ 305,734	\$ 228,676	\$ 270,852	\$ 199,292	\$ 4,783,570	\$ -	\$ -	\$ 6,251,866
<b>Leasing</b>									
Substandard	\$ 124	\$ 618	\$ 880	\$ 613	\$ 613	\$ 235	\$ -	\$ -	\$ 3,083
Loss	-	-	-	1	16	2	-	-	19
Pass	613,452	328,085	222,770	133,112	62,881	17,917	-	-	1,378,217
Total leasing	\$ 613,576	\$ 328,703	\$ 223,650	\$ 133,726	\$ 63,510	\$ 18,154	\$ -	\$ -	\$ 1,381,319

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(In thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2021	2020	2019	2018	2017	Prior Years			
<b>BPPR</b>									
<b>Consumer:</b>									
<b>Credit cards</b>									
Substandard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,577	\$ -	\$ 8,577
Pass	-	-	-	-	-	-	911,274	-	911,274
<b>Total credit cards</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 919,851</b>	<b>\$ -</b>	<b>\$ 919,851</b>
<b>HELOCs</b>									
Substandard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23	\$ -	\$ 23
Pass	-	-	-	-	-	-	3,548	-	3,548
<b>Total HELOCs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,571</b>	<b>\$ -</b>	<b>\$ 3,571</b>
<b>Personal</b>									
Substandard	\$ 426	\$ 610	\$ 2,105	\$ 866	\$ 936	\$ 15,680	\$ -	\$ 1,385	\$ 22,008
Loss	30	2	3	-	-	3	-	-	38
Pass	539,604	197,652	227,328	91,341	53,630	120,065	-	36,394	1,266,014
<b>Total Personal</b>	<b>\$ 540,060</b>	<b>\$ 198,264</b>	<b>\$ 229,436</b>	<b>\$ 92,207</b>	<b>\$ 54,566</b>	<b>\$ 135,748</b>	<b>\$ -</b>	<b>\$ 37,779</b>	<b>\$ 1,288,060</b>
<b>Auto</b>									
Substandard	\$ 3,080	\$ 7,520	\$ 9,498	\$ 4,739	\$ 2,210	\$ 1,422	\$ -	\$ -	\$ 28,469
Loss	42	11	-	-	-	-	-	-	53
Pass	1,259,800	808,339	637,300	420,293	177,104	80,829	-	-	3,383,665
<b>Total Auto</b>	<b>\$ 1,262,922</b>	<b>\$ 815,870</b>	<b>\$ 646,798</b>	<b>\$ 425,032</b>	<b>\$ 179,314</b>	<b>\$ 82,251</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,412,187</b>
<b>Other consumer</b>									
Substandard	\$ -	\$ 114	\$ 21	\$ 487	\$ -	\$ 135	\$ 11,250	\$ -	\$ 12,007
Loss	-	-	-	579	-	34	-	-	613
Pass	24,845	9,781	9,348	5,610	3,914	947	57,483	-	111,928
<b>Total Other consumer</b>	<b>\$ 24,845</b>	<b>\$ 9,895</b>	<b>\$ 9,369</b>	<b>\$ 6,676</b>	<b>\$ 3,914</b>	<b>\$ 1,116</b>	<b>\$ 68,733</b>	<b>\$ -</b>	<b>\$ 124,548</b>
<b>Total Puerto Rico</b>	<b>\$ 4,913,112</b>	<b>\$ 2,647,120</b>	<b>\$ 1,898,600</b>	<b>\$ 1,473,547</b>	<b>\$ 749,926</b>	<b>\$ 7,191,955</b>	<b>\$ 1,953,343</b>	<b>\$ 37,779</b>	<b>\$ 20,865,382</b>

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(In thousands)	Term Loans Amortized Cost Basis by Origination Year					Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2021	2020	2019	2018	2017				
<b>Popular U.S.</b>									
<b>Commercial:</b>									
<b>Commercial multi-family</b>									
Watch	\$ 8,600	\$ 41,348	\$ 56,229	\$ 20,682	\$ 37,343	\$ 48,753	\$ -	\$ -	212,955
Special mention	-	3,752	9,013	30,244	11,071	28,297	-	-	82,377
Substandard	-	-	67,149	12,748	-	18,644	-	-	98,541
Pass	422,613	241,805	201,298	144,534	46,809	352,724	4,205	-	1,413,988
Total commercial multi-family	\$ 431,213	\$ 286,905	\$ 333,689	\$ 208,208	\$ 95,223	\$ 448,418	\$ 4,205	\$ -	1,807,861
<b>Commercial real estate non-owner occupied</b>									
Watch	\$ 12,716	\$ 22,109	\$ 42,067	\$ 56,576	\$ 28,604	\$ 154,289	\$ 780	\$ -	317,141
Special Mention	2,939	-	3,205	7,025	10,573	15,569	-	-	39,311
Substandard	-	756	6,405	14,544	11,384	60,323	-	-	93,412
Pass	543,667	356,071	156,925	211,432	250,516	346,606	8,386	-	1,873,603
Total commercial real estate non-owner occupied	\$ 559,322	\$ 378,936	\$ 208,602	\$ 289,577	\$ 301,077	\$ 576,787	\$ 9,166	\$ -	2,323,467
<b>Commercial real estate owner occupied</b>									
Watch	\$ -	\$ 239	\$ 7,825	\$ 8,150	\$ 1,676	\$ 17,132	\$ 4,222	\$ -	39,244
Special Mention	-	-	-	-	-	1,800	-	-	1,800
Substandard	-	-	1,148	2,878	-	20,841	-	-	24,867
Pass	129,898	46,737	34,355	23,845	26,236	63,463	3,928	-	328,462
Total commercial real estate owner occupied	\$ 129,898	\$ 46,976	\$ 43,328	\$ 34,873	\$ 27,912	\$ 103,236	\$ 8,150	\$ -	394,373
<b>Commercial and industrial</b>									
Watch	\$ 3,747	\$ 4,667	\$ 4,292	\$ 9,273	\$ 5	\$ 1,530	\$ 3,925	\$ -	27,439
Special Mention	2,504	7,203	670	481	59	215	8,177	-	19,309
Substandard	537	97	4,559	495	168	1,890	159	-	7,905
Loss	262	58	108	17	51	191	-	-	687
Pass	273,254	339,564	211,695	191,086	115,146	339,336	284,710	-	1,754,791
Total commercial and industrial	\$ 280,304	\$ 351,589	\$ 221,324	\$ 201,352	\$ 115,429	\$ 343,162	\$ 296,971	\$ -	1,810,131
<b>Construction</b>									
Watch	\$ -	\$ 14,300	\$ 23,547	\$ 28,757	\$ 34,205	\$ -	\$ -	\$ -	100,809
Special Mention	-	-	-	-	-	13,622	-	-	13,622
Substandard	-	-	-	15,438	10,231	-	-	-	25,669
Pass	130,587	136,045	165,105	13,634	36,500	7,138	-	-	489,009
Total construction	\$ 130,587	\$ 150,345	\$ 188,652	\$ 57,829	\$ 80,936	\$ 20,760	\$ -	\$ -	629,109
<b>Mortgage</b>									
Substandard	\$ -	\$ 4,338	\$ 3,894	\$ 967	\$ 217	\$ 12,680	\$ -	\$ -	22,096
Pass	326,641	266,212	215,071	61,986	6,376	276,948	-	-	1,153,234
Total mortgage	\$ 326,641	\$ 270,550	\$ 218,965	\$ 62,953	\$ 6,593	\$ 289,628	\$ -	\$ -	1,175,330

December 31, 2021

(In thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total	
	2021	2020	2019	2018	2017	Prior Years				
<b>Popular U.S.</b>										
<b>Consumer:</b>										
<b>Credit cards</b>										
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ -	10
Total credit cards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ -	10
<b>HELOCs</b>										
Substandard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,006	\$ -	\$ -	\$ 935	3,941
Loss	-	-	-	-	-	207	-	-	1,258	1,465
Pass	-	-	-	-	-	11,423	38,267	20,195	-	69,885
Total HELOCs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,636	\$ 38,267	\$ 22,388	\$ -	75,291
<b>Personal</b>										
Substandard	\$ 72	\$ 81	\$ 250	\$ 73	\$ 17	\$ 163	\$ 2	\$ -	\$ -	658
Loss	-	-	4	-	-	19	-	-	-	23
Pass	75,538	19,411	43,346	7,418	2,802	5,625	124	-	-	154,264
Total Personal	\$ 75,610	\$ 19,492	\$ 43,600	\$ 7,491	\$ 2,819	\$ 5,807	\$ 126	\$ -	\$ -	154,945
<b>Other consumer</b>										
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,658	\$ -	\$ -	4,658
Total Other consumer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,658	\$ -	\$ -	4,658
Total Popular U.S.	\$ 1,933,575	\$ 1,504,793	\$ 1,258,160	\$ 862,283	\$ 629,989	\$ 1,802,434	\$ 361,553	\$ 22,388	\$ -	8,375,175

December 31, 2021

	Term Loans					Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year								
(In thousands)	2021	2020	2019	2018	2017				
<b>Popular, Inc.</b>									
<b>Commercial:</b>									
<b>Commercial multi-family</b>									
Watch	\$ 8,600	\$ 41,348	\$ 56,229	\$ 20,682	\$ 37,343	\$ 53,238	\$ -	\$ -	\$ 217,440
Special mention	-	3,752	9,013	30,244	11,071	31,322	-	-	85,402
Substandard	-	-	68,131	12,748	-	24,901	100	-	105,880
Pass	447,549	263,093	236,138	169,845	48,875	384,192	4,216	-	1,553,908
Total commercial multi-family	\$ 456,149	\$ 308,193	\$ 369,511	\$ 233,519	\$ 97,289	\$ 493,653	\$ 4,316	\$ -	\$ 1,962,630
<b>Commercial real estate non-owner occupied</b>									
Watch	\$ 113,181	\$ 250,961	\$ 67,510	\$ 193,620	\$ 31,010	\$ 359,593	\$ 4,017	\$ -	\$ 1,019,892
Special Mention	21,448	12,563	10,476	7,025	15,181	39,625	-	-	106,318
Substandard	30,155	28,546	30,605	40,000	14,154	132,730	-	-	276,190
Pass	1,056,754	444,733	245,278	249,431	293,038	903,658	18,098	-	3,210,990
Total commercial real estate non-owner occupied	\$ 1,221,538	\$ 736,803	\$ 353,869	\$ 490,076	\$ 353,383	\$ 1,435,606	\$ 22,115	\$ -	\$ 4,613,390
<b>Commercial real estate owner occupied</b>									
Watch	\$ 8,393	\$ 8,851	\$ 16,797	\$ 15,108	\$ 4,715	\$ 138,848	\$ 4,222	\$ -	\$ 196,934
Special Mention	5,573	857	7,598	1,427	2,449	105,272	-	-	123,176
Substandard	6,960	1,028	2,794	38,407	1,869	134,129	-	-	185,187
Doubtful	-	-	-	-	76	612	-	-	688
Pass	368,431	245,179	79,298	46,957	58,821	493,114	20,317	-	1,312,117
Total commercial real estate owner occupied	\$ 389,357	\$ 255,915	\$ 106,487	\$ 101,899	\$ 67,930	\$ 871,975	\$ 24,539	\$ -	\$ 1,818,102
<b>Commercial and industrial</b>									
Watch	\$ 190,276	\$ 17,209	\$ 25,828	\$ 113,108	\$ 14,582	\$ 92,306	\$ 112,108	\$ -	\$ 565,417
Special Mention	9,884	17,139	15,526	28,954	1,071	28,663	68,574	-	169,811
Substandard	2,727	1,188	7,600	36,321	66,939	47,058	38,162	-	199,995
Doubtful	-	-	-	-	-	62	-	-	62
Loss	262	58	108	17	51	191	-	-	687
Pass	1,116,915	674,933	487,052	275,170	187,726	673,205	987,606	-	4,402,607
Total commercial and industrial	\$ 1,320,064	\$ 710,527	\$ 536,114	\$ 453,570	\$ 270,369	\$ 841,485	\$ 1,206,450	\$ -	\$ 5,338,579



December 31, 2021

	Term Loans					Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year								
(In thousands)	2021	2020	2019	2018	2017				
<b>Popular, Inc.</b>									
<b>Construction</b>									
Watch	\$ -	\$ 14,300	\$ 23,547	\$ 28,757	\$ 34,205	\$ -	\$ -	\$ -	100,809
Special Mention	-	-	-	-	-	13,622	-	-	13,622
Substandard	-	-	485	15,438	10,231	-	-	-	26,154
Pass	152,183	177,667	166,253	13,634	36,500	7,138	22,260	-	575,635
<b>Total construction</b>	<b>\$ 152,183</b>	<b>\$ 191,967</b>	<b>\$ 190,285</b>	<b>\$ 57,829</b>	<b>\$ 80,936</b>	<b>\$ 20,760</b>	<b>\$ 22,260</b>	<b>\$ -</b>	<b>716,220</b>
<b>Mortgage</b>									
Substandard	\$ -	\$ 5,292	\$ 9,106	\$ 6,580	\$ 4,527	\$ 135,370	\$ -	\$ -	160,875
Pass	790,383	570,992	438,535	327,225	201,358	4,937,828	-	-	7,266,321
<b>Total mortgage</b>	<b>\$ 790,383</b>	<b>\$ 576,284</b>	<b>\$ 447,641</b>	<b>\$ 333,805</b>	<b>\$ 205,885</b>	<b>\$ 5,073,198</b>	<b>\$ -</b>	<b>\$ -</b>	<b>7,427,196</b>
<b>Leasing</b>									
Substandard	\$ 124	\$ 618	\$ 880	\$ 613	\$ 613	\$ 235	\$ -	\$ -	3,083
Loss	-	-	-	1	16	2	-	-	19
Pass	613,452	328,085	222,770	133,112	62,881	17,917	-	-	1,378,217
<b>Total leasing</b>	<b>\$ 613,576</b>	<b>\$ 328,703</b>	<b>\$ 223,650</b>	<b>\$ 133,726</b>	<b>\$ 63,510</b>	<b>\$ 18,154</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,381,319</b>

December 31, 2021

(In thousands)	Term Loans Amortized Cost Basis by Origination Year					Prior Years	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2021	2020	2019	2018	2017				
<b>Popular, Inc.</b>									
<b>Consumer:</b>									
<b>Credit cards</b>									
Substandard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,577	\$ -	\$ 8,577
Pass	-	-	-	-	-	-	911,284	-	911,284
<b>Total credit cards</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 919,861</b>	<b>\$ -</b>	<b>\$ 919,861</b>
<b>HELOCs</b>									
Substandard	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,006	\$ 23	\$ 935	\$ 3,964
Loss	-	-	-	-	-	207	-	1,258	1,465
Pass	-	-	-	-	-	11,423	41,815	20,195	73,433
<b>Total HELOCs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,636</b>	<b>\$ 41,838</b>	<b>\$ 22,388</b>	<b>\$ 78,862</b>
<b>Personal</b>									
Substandard	\$ 498	\$ 691	\$ 2,355	\$ 939	\$ 953	\$ 15,843	\$ 2	\$ 1,385	\$ 22,666
Loss	30	2	7	-	-	22	-	-	61
Pass	615,142	217,063	270,674	98,759	56,432	125,690	124	36,394	1,420,278
<b>Total Personal</b>	<b>\$ 615,670</b>	<b>\$ 217,756</b>	<b>\$ 273,036</b>	<b>\$ 99,698</b>	<b>\$ 57,385</b>	<b>\$ 141,555</b>	<b>\$ 126</b>	<b>\$ 37,779</b>	<b>\$ 1,443,005</b>
<b>Auto</b>									
Substandard	\$ 3,080	\$ 7,520	\$ 9,498	\$ 4,739	\$ 2,210	\$ 1,422	\$ -	\$ -	\$ 28,469
Loss	42	11	-	-	-	-	-	-	53
Pass	1,259,800	808,339	637,300	420,293	177,104	80,829	-	-	3,383,665
<b>Total Auto</b>	<b>\$ 1,262,922</b>	<b>\$ 815,870</b>	<b>\$ 646,798</b>	<b>\$ 425,032</b>	<b>\$ 179,314</b>	<b>\$ 82,251</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,412,187</b>
<b>Other consumer</b>									
Substandard	\$ -	\$ 114	\$ 21	\$ 487	\$ -	\$ 135	\$ 11,250	\$ -	\$ 12,007
Loss	-	-	-	579	-	34	-	-	613
Pass	24,845	9,781	9,348	5,610	3,914	947	62,141	-	116,586
<b>Total Other consumer</b>	<b>\$ 24,845</b>	<b>\$ 9,895</b>	<b>\$ 9,369</b>	<b>\$ 6,676</b>	<b>\$ 3,914</b>	<b>\$ 1,116</b>	<b>\$ 73,391</b>	<b>\$ -</b>	<b>\$ 129,206</b>
<b>Total Popular Inc.</b>	<b>\$ 6,846,687</b>	<b>\$ 4,151,913</b>	<b>\$ 3,156,760</b>	<b>\$ 2,335,830</b>	<b>\$ 1,379,915</b>	<b>\$ 8,994,389</b>	<b>\$ 2,314,896</b>	<b>\$ 60,167</b>	<b>\$ 29,240,557</b>

**Note 10 – Mortgage banking activities**

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

The following table presents the components of mortgage banking activities:

(In thousands)	Years ended December 31,		
	2022	2021	2020
<b>Mortgage servicing fees, net of fair value adjustments:</b>			
Mortgage servicing fees	\$ 36,487	\$ 38,105	\$ 43,234
Mortgage servicing rights fair value adjustments	236	(10,206)	(42,055)
<b>Total mortgage servicing fees, net of fair value adjustments</b>	<b>36,723</b>	<b>27,899</b>	<b>1,179</b>
<b>Net (loss) gain on sale of loans, including valuation on loans held for sale</b>	<b>(251)</b>	<b>21,684</b>	<b>31,215</b>
<b>Trading account profit (loss):</b>			
Realized gains (losses) on closed derivative positions	6,635	1,323	(10,586)
<b>Total trading account profit (loss)</b>	<b>6,635</b>	<b>1,323</b>	<b>(10,586)</b>
<b>Losses on repurchased loans, including interest advances [1]</b>	<b>(657)</b>	<b>(773)</b>	<b>(11,407)</b>
<b>Total mortgage banking activities</b>	<b>\$ 42,450</b>	<b>\$ 50,133</b>	<b>\$ 10,401</b>

[1] The Corporation, from time to time, repurchases delinquent loans from its GNMA servicing portfolio, in compliance with Guarantor guidelines, and may incur in losses related to previously advanced interest on delinquent loans. During the quarter ended September 30, 2020 the Corporation repurchased \$687.9 million of GNMA loans and recorded a loss of \$ 10.5 million for previously advanced interest on delinquent loans. Effective for the quarter ended September 30, 2020, the Corporation has determined to present these losses as part of its Mortgage Banking Activities, which were previously presented within the indemnity reserves on loans sold component of non-interest income.

**Note 11 – Transfers of financial assets and mortgage servicing assets**

The Corporation typically transfers conforming residential mortgage loans in conjunction with GNMA, FNMA and FHLMC securitization transactions whereby the loans are exchanged for cash or securities and servicing rights. As seller, the Corporation has made certain representations and warranties with respect to the originally transferred loans and, in the past, has sold certain loans with credit recourse to a government-sponsored entity, namely FNMA. Refer to Note 23 to the Consolidated Financial Statements for a description of such arrangements.

No liabilities were incurred as a result of these securitizations during the years ended December 31, 2022 and 2021 because they did not contain any credit recourse arrangements. The Corporation recorded a net loss of \$1.8 million and a net gain of \$18.4 million, respectively, during the years ended December 31, 2022 and 2021 related to the residential mortgage loans securitized.

The following tables present the initial fair value of the assets obtained as proceeds from residential mortgage loans securitized during the years ended December 31, 2022 and 2021:

Proceeds Obtained During the Year Ended December 31, 2022				
(In thousands)	Level 1	Level 2	Level 3	Initial fair value
<b>Assets</b>				
Trading account debt securities:				
Mortgage-backed securities - GNMA	\$ -	\$ 169,352	\$ -	\$ 169,352
Mortgage-backed securities - FNMA	-	122,422	-	122,422
Mortgage-backed securities - FHLMC	-	8,505	-	8,505
Total trading account debt securities	\$ -	\$ 300,279	\$ -	\$ 300,279
Mortgage servicing rights	\$ -	\$ -	\$ 5,318	\$ 5,318
Total	\$ -	\$ 300,279	\$ 5,318	\$ 305,597

Proceeds Obtained During the Year Ended December 31, 2021				
(In thousands)	Level 1	Level 2	Level 3	Initial fair value
<b>Assets</b>				
Trading account debt securities:				
Mortgage-backed securities - GNMA	\$ -	\$ 380,228	\$ -	\$ 380,228
Mortgage-backed securities - FNMA	-	329,617	-	329,617
Mortgage-backed securities - FHLMC	-	22,688	-	22,688
Total trading account debt securities	\$ -	\$ 732,533	\$ -	\$ 732,533
Mortgage servicing rights	\$ -	\$ -	\$ 11,314	\$ 11,314
Total	\$ -	\$ 732,533	\$ 11,314	\$ 743,847

During the year ended December 31, 2022, the Corporation retained servicing rights on whole loan sales involving approximately \$114 million in principal balance outstanding (2021 - \$144 million), with net realized gains of approximately \$1.8 million (2021 - \$3.2 million). All loan sales performed during the years ended December 31, 2022 and 2021 were without credit recourse agreements.

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

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

The following table presents the changes in MSRs measured using the fair value method for the years ended December 31, 2022 and 2021.

Residential MSR

(In thousands)	December 31, 2022	December 31, 2021
Fair value at beginning of period	\$ 121,570	\$ 118,395
Additions	6,614	13,391
Changes due to payments on loans <sup>[1]</sup>	(11,063)	(15,383)
Reduction due to loan repurchases	(779)	(1,233)
Changes in fair value due to changes in valuation model inputs or assumptions	12,845	6,410
Other	(837)	(10)
Fair value at end of period <sup>[2]</sup>	\$ 128,350	\$ 121,570

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

[2] At December 31, 2022, PB had MSRs amounting to \$ 2.0 million (December 31, 2021 - \$1.6 million).

Residential mortgage loans serviced for others were \$11.1 billion at December 31, 2022 (2021 - \$12.1 billion).

Net mortgage servicing fees, a component of mortgage banking activities in the Consolidated Statements of Operations, include the changes from period to period in the fair value of the MSRs, including changes due to collection / realization of expected cash flows. The banking subsidiaries receive servicing fees based on a percentage of the outstanding loan balance. These servicing fees are credited to income when they are collected. At December 31, 2022, those weighted average mortgage servicing fees were 0.31% (2021 – 0.30%). Under these servicing agreements, the banking subsidiaries do not generally earn significant prepayment penalty fees on the underlying loans serviced.

The section below includes information on assumptions used in the valuation model of the MSRs, originated and purchased. Key economic assumptions used in measuring the servicing rights derived from loans securitized or sold by the Corporation during the years ended December 31, 2022 and 2021 were as follows:

	Years ended			
	December 31, 2022		December 31, 2021	
	BPPR	PB	BPPR	PB
Prepayment speed	5.4 %	8.1 %	6.8 %	19.0 %
Weighted average life (in years)	9.5	7.8	8.3	20.9
Discount rate (annual rate)	10.5 %	9.9 %	10.5 %	10.7 %

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

(In thousands)	Originated MSRs		Purchased MSRs	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	Fair value of servicing rights	\$ 41,548	\$ 40,058	\$ 86,802
Weighted average life (in years)	6.8	7.1	6.9	7.5
Weighted average prepayment speed (annual rate)	5.9 %	7.7 %	7.0 %	7.6 %
Impact on fair value of 10% adverse change	\$ (730)	\$ (1,500)	\$ (1,602)	\$ (1,486)
Impact on fair value of 20% adverse change	\$ (1,433)	\$ (2,359)	\$ (3,143)	\$ (3,495)
Weighted average discount rate (annual rate)	11.2 %	11.2 %	11.0 %	11.0 %
Impact on fair value of 10% adverse change	\$ (1,485)	\$ (2,079)	\$ (3,256)	\$ (2,731)
Impact on fair value of 20% adverse change	\$ (2,876)	\$ (3,452)	\$ (6,304)	\$ (5,832)

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

At December 31, 2022, the Corporation serviced \$0.6 billion (2021 - \$0.7 billion) in residential mortgage loans with credit recourse to the Corporation, from which \$ 15 million was 60 days or more past due (2021 - \$ 26 million). Also refer to Note 23 for information on changes in the Corporation's liability of estimated losses related to loans serviced with credit recourse.

Under the GNMA securitizations, the Corporation, as servicer, has the right to repurchase (but not the obligation), at its option and without GNMA's prior authorization, any loan that is collateral for a GNMA guaranteed mortgage-backed security when certain delinquency criteria are met. At the time that individual loans meet GNMA's specified delinquency criteria and are eligible for repurchase, the Corporation is deemed to have regained effective control over these loans if the Corporation was the pool issuer. At December 31, 2022, the Corporation had recorded \$14 million in mortgage loans on its Consolidated Statements of Financial Condition related to this buy-back option program (2021 - \$13 million). Loans in our serviced GNMA portfolio benefit from payment forbearance programs but continue to reflect the contractual delinquency until the borrower repays deferred payments or completes a payment deferral modification or other borrower assistance alternative. As long as the Corporation continues to service the loans that continue to be collateral in a GNMA guaranteed mortgage-backed security, the MSR is recognized by the Corporation.

During the year ended December 31, 2022, the Corporation repurchased approximately \$58 million of mortgage loans from its GNMA servicing portfolio (2021 - \$94 million). The determination to repurchase these loans was based on the economic benefits of the transaction, which results in a reduction of the servicing costs for these severely delinquent loans, mostly related to principal and interest advances. The risk associated with the loans is reduced due to their guaranteed nature. The Corporation may place these loans under modification programs offered by FHA, VA or United States Department of Agriculture (USDA) or other loss mitigation programs offered by the Corporation, and once brought back to current status, these may be either retained in portfolio or re-sold in the secondary market.

**Note 12 - Premises and equipment**

Premises and equipment are stated at cost less accumulated depreciation and amortization as follows:

(In thousands)	Useful life in years	2022	2021
Premises and equipment:			
Land		\$ 90,625	\$ 94,246
Buildings	10-50	482,030	468,293
Equipment	2-10	388,911	374,192
Leasehold improvements	3-10	89,693	87,406
		960,634	929,891
Less - Accumulated depreciation and amortization		586,479	559,234
Subtotal		374,155	370,657
Construction in progress		33,931	29,337
Premises and equipment, net		\$ 498,711	\$ 494,240

Depreciation and amortization of premises and equipment for the year 2022 was \$55.1 million (2021 - \$55.1 million; 2020 - \$58.4 million), of which \$24.8 million (2021 - \$25.2 million; 2020 - \$27.2 million) was charged to occupancy expense and \$30.3 million (2021 - \$29.8 million; 2020 - \$31.2 million) was charged to equipment, technology and software and other operating expenses. Occupancy expense of premises and equipment is net of rental income of \$13.1 million (2021 - \$13.4 million; 2020 - \$15.5 million). For information related to the amortization expense of finance leases, refer to Note 33 - Leases.

**Note 13 – Other real estate owned**

The following tables present the activity related to Other Real Estate Owned (“OREO”), for the years ended December 31, 2022, 2021 and 2020.

(In thousands)	For the year ended December 31, 2022			Total
	OREO Commercial/Construction	OREO Mortgage		
Balance at beginning of period	\$ 15,017	\$ 70,060		\$ 85,077
Write-downs in value	(959)	(1,517)		(2,476)
Additions	5,787	70,069		75,856
Sales	(7,453)	(61,453)		(68,906)
Other adjustments	108	(533)		(425)
Ending balance	\$ 12,500	\$ 76,626		\$ 89,126

(In thousands)	For the year ended December 31, 2021			Total
	OREO Commercial/Construction	OREO Mortgage		
Balance at beginning of period	\$ 13,214	\$ 69,932		\$ 83,146
Write-downs in value	(1,058)	(2,161)		(3,219)
Additions	9,746	55,898		65,644
Sales	(7,282)	(52,666)		(59,948)
Other adjustments	397	(943)		(546)
Ending balance	\$ 15,017	\$ 70,060		\$ 85,077

(In thousands)	For the year ended December 31, 2020			Total
	OREO Commercial/ Construction	OREO Mortgage		
Balance at beginning of period	\$ 16,959	\$ 105,113		\$ 122,072
Write-downs in value	(1,564)	(3,060)		(4,624)
Additions	2,223	17,785		20,008
Sales	(4,359)	(49,797)		(54,156)
Other adjustments	(45)	(109)		(154)
Ending balance	\$ 13,214	\$ 69,932		\$ 83,146



#### Note 14 – Other assets

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

(In thousands)	December 31, 2022	December 31, 2021
Net deferred tax assets (net of valuation allowance)	\$ 953,676	\$ 657,597
Investments under the equity method	210,001	298,988
Prepaid taxes	39,405	37,924
Other prepaid expenses	33,384	34,937
Capitalized software costs	81,862	44,908
Derivative assets	19,229	26,093
Trades receivable from brokers and counterparties	35,099	65,460
Receivables from investments maturities	125,000	-
Principal, interest and escrow servicing advances	41,916	53,942
Guaranteed mortgage loan claims receivable	59,659	98,001
Operating ROU assets (Note 33)	125,573	141,748
Finance ROU assets (Note 33)	18,884	13,459
Others	104,125	155,514
<b>Total other assets</b>	<b>\$ 1,847,813</b>	<b>\$ 1,628,571</b>

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

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
<b>December 31, 2022</b>			
Software development costs [1]	\$ 63,609	\$ 16,803	\$ 46,806
Software license costs	37,165	14,164	23,001
Cloud computing arrangements	20,745	8,690	12,055
<b>Total Capitalized software costs [2]</b>	<b>\$ 121,519</b>	<b>\$ 39,657</b>	<b>\$ 81,862</b>
<b>December 31, 2021</b>			
Software development costs	\$ 40,033	\$ 18,972	\$ 21,061
Software license costs	168,862	154,571	14,291
Cloud computing arrangements	18,346	8,790	9,556
<b>Total Capitalized software costs</b>	<b>\$ 227,241</b>	<b>\$ 182,333</b>	<b>\$ 44,908</b>

[1] Software development costs includes \$28.7 million acquired as part of the Evertec Transactions.

[2] At December 31, 2022 the table above excludes assets which have been fully amortized.

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

(In thousands)	Year ended December 31,		
	2022	2021	2020
Software development and license costs	\$ 55,011	\$ 45,577	\$ 43,259
Cloud computing arrangements	3,805	3,867	2,206
<b>Total amortization expense</b>	<b>\$ 58,816</b>	<b>\$ 49,444</b>	<b>\$ 45,465</b>

**Note 15 – Goodwill and other intangible assets**

The changes in the carrying amount of goodwill for the years ended December 31, 2022 and 2021, allocated by reportable segments, were as follows (refer to Note 37 for the definition of the Corporation's reportable segments):

2022					
(In thousands)	Balance at January 1, 2022	Goodwill on acquisition	Goodwill impairment	Balance at December 31, 2022	
Banco Popular de Puerto Rico	\$ 320,248	\$ 116,135	\$ -	\$ 436,383	
Popular U.S.	400,045	-	(9,000)	391,045	
<b>Total Popular, Inc.</b>	<b>\$ 720,293</b>	<b>\$ 116,135</b>	<b>\$ (9,000)</b>	<b>\$ 827,428</b>	

2021					
(In thousands)	Balance at January 1, 2021	Goodwill on acquisition	Goodwill impairment	Balance at December 31, 2021	
Banco Popular de Puerto Rico	\$ 320,248	\$ -	\$ -	\$ 320,248	
Popular U.S.	350,874	49,171	-	400,045	
<b>Total Popular, Inc.</b>	<b>\$ 671,122</b>	<b>\$ 49,171</b>	<b>\$ -</b>	<b>\$ 720,293</b>	

The goodwill recognized during the year ended December 31, 2022 in the reportable segment of Banco Popular de Puerto Rico of \$116.1 million was related to the Evertec Business Acquisition Transaction. The goodwill recognized during the year ended December 31, 2021 in the reportable segment of Popular U.S. of \$49 million was related to the PEF Acquired Business. Refer to Note 4, Business combination, for additional information related to the assets acquired and liabilities assumed as a result of business combinations, including goodwill and other intangible assets. The goodwill impairment in Popular U.S. of \$9 million during the year ended December 31, 2022 was recognized by the Corporation from the annual test as of July 31, 2022 related to PEF, as a result of a decrease in the projected earnings of this business unit.

At December 31, 2022 and 2021, the Corporation had \$0.7 million of identifiable intangible assets with indefinite useful lives.

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

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
<b>December 31, 2022</b>			
Core deposits	\$ 12,810	\$ 10,034	\$ 2,776
Other customer relationships	14,286	4,878	9,408
<b>Total other intangible assets</b>	<b>\$ 27,096</b>	<b>\$ 14,912</b>	<b>\$ 12,184</b>
<b>December 31, 2021</b>			
Core deposits	\$ 12,810	\$ 8,754	\$ 4,056
Other customer relationships	14,286	2,883	11,403
<b>Total other intangible assets</b>	<b>\$ 27,096</b>	<b>\$ 11,637</b>	<b>\$ 15,459</b>

During the year ended December 31, 2022, the Corporation recognized \$ 3.3 million in amortization expense related to other intangible assets with definite useful lives (2021 - \$ 9.1 million; 2020 - \$6.4 million).

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

(In thousands)	
Year 2023	\$ 3,179
Year 2024	2,938
Year 2025	1,750
Year 2026	1,440
Year 2027	959
Later years	1,918

#### Results of the Annual Goodwill Impairment Test

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

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

The Corporation performed the annual goodwill impairment evaluation for the entire organization during the third quarter of 2022 using July 31, 2022 as the annual evaluation date. The reporting units utilized for this evaluation were those that are one level below the business segments, which are the legal entities within the reportable segment. The Corporation follows push-down accounting, as such all goodwill is assigned to the reporting units when carrying out a business combination.

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

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

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

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

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

For purposes of the discounted cash flows (“DCF”) approach, the valuation is based on estimated future cash flows. The financial projections used in the DCF valuation analysis for each reporting unit are based on the most recent (as of the valuation date) financial projections presented to the Corporation’s Asset / Liability Management Committee (“ALCO”). The growth assumptions included in these projections are based on management’s expectations for each reporting unit’s financial prospects considering economic and industry conditions as well as particular plans of each entity (i.e. restructuring plans, de-leveraging, etc.). The cost of equity used to discount the cash flows was calculated using the Ibbotson Build-Up Method and ranged from 12.51% to 15.73% for the 2022 analysis. The Ibbotson Build-Up Method builds up a cost of equity starting with the rate of return of a “risk-free” asset (20-year U.S. Treasury note) and adds to it additional risk elements such as equity risk premium, size premium, industry risk premium, and a specific geographic risk premium (as applicable). The resulting discount rates were analyzed in terms of reasonability given the current market conditions.

The results of the BPPR annual goodwill impairment test as of July 31, 2022 indicated that the average estimated fair value using all valuation methodologies exceeded BPPR’s equity value by approximately \$ 3.1 billion or 245% compared to \$ 1.5 billion or 50%, for the annual goodwill impairment test completed as of July 31, 2021. PB’s annual goodwill impairment test results as of such dates indicated that the average estimated fair value using all valuation methodologies exceeded PB’s equity value by approximately \$670 million or 41%, compared to \$412 million or 24%, for the annual goodwill impairment test completed as of July 31, 2021. Accordingly, no impairment was recognized for BPPR or PB. The goodwill balance of BPPR and PB, as legal entities, represented approximately 93% of the Corporation’s total goodwill balance as of the July 31, 2022 valuation date.

An impairment of \$9 million was recognized by the Corporation from the annual test as of July 31, 2022 related to PEF as a result of a decrease in the projected earnings of this business unit.

Furthermore, as part of the analyses, management performed a reconciliation of the aggregate fair values determined for the reporting units to the market capitalization of the Corporation concluding that the fair value results determined for the reporting units in the July 31, 2022 annual assessment were reasonable.

The goodwill impairment evaluation process requires the Corporation to make estimates and assumptions with regard to the fair value of the reporting units. Actual values may differ significantly from these estimates. Such differences could result in future impairment of goodwill that would, in turn, negatively impact the Corporation’s results of operations and the reporting units where the goodwill is recorded. Declines in the Corporation’s market capitalization and adverse economic conditions sustained over a longer period of time negatively affecting forecasted cash flows could increase the risk of goodwill impairment in the future.

A decline in the Corporation’s stock price related to global and/or regional macroeconomic conditions, a deterioration in the Puerto Rico economy and fiscal situation, reduced future earnings estimates, additional expenses and higher credit losses, and the continuance of the current interest rate environment could, individually or in the aggregate, have a material impact on the determination of the fair value of our reporting units, which could in turn result in an impairment of goodwill in the future. An impairment of goodwill would result in a non-cash expense, net of tax impact. A charge to earnings related to a goodwill impairment would not impact regulatory capital calculations.

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

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

December 31, 2021

	Balance at December 31, 2021 (gross amounts)	Accumulated impairment losses	Balance at December 31, 2021 (net amounts)
(In thousands)			
Banco Popular de Puerto Rico	\$ 324,049	\$ 3,801	\$ 320,248
Popular U.S.	564,456	164,411	400,045
Total Popular, Inc.	\$ 888,505	\$ 168,212	\$ 720,293

**Note 16 – Deposits**

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

(In thousands)	December 31, 2022	December 31, 2021
Savings accounts	\$ 14,746,329	\$ 15,871,998
NOW, money market and other interest bearing demand deposits	23,738,940	28,736,459
<b>Total savings, NOW, money market and other interest bearing demand deposits</b>	<b>38,485,269</b>	<b>44,608,457</b>
Certificates of deposit:		
Under \$250,000	4,235,651	4,086,059
\$250,000 and over	2,545,750	2,626,090
<b>Total certificates of deposit</b>	<b>6,781,401</b>	<b>6,712,149</b>
<b>Total interest bearing deposits</b>	<b>\$ 45,266,670</b>	<b>\$ 51,320,606</b>

A summary of certificates of deposits by maturity at December 31, 2022 follows:

(In thousands)	
2023	\$ 3,949,235
2024	1,102,195
2025	743,799
2026	416,106
2027	486,738
2028 and thereafter	83,328
<b>Total certificates of deposit</b>	<b>\$ 6,781,401</b>

At December 31, 2022, the Corporation had brokered deposits amounting to \$ 1.1 billion (December 31, 2021 - \$ 0.8 billion).

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans was \$6.3 million at December 31, 2022 (December 31, 2021 - \$6.0 million).

At December 31, 2022, public sector deposits amounted to \$15.2 billion. Public deposit balances are difficult to predict. For example, the receipt by the Puerto Rico Government of hurricane recovery related Federal assistance and seasonal tax collections could increase public deposit balances at BPPR. On the other hand, the amount and timing of reductions in balances are likely to be impacted by, for example, the speed at which federal assistance is distributed, the financial condition, liquidity and cash management practices of the Puerto Rico Government and its instrumentalities and the implementation of fiscal and debt adjustment plans approved pursuant to PROMESA or other actions mandated by the Fiscal Oversight and Management Board for Puerto Rico (the "Oversight Board").

## Note 17 – Borrowings

### Assets sold under agreements to repurchase

Assets sold under agreements to repurchase amounted to \$ 149 million at December 31, 2022 and \$92 million at December 31, 2021.

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

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

### Repurchase agreements accounted for as secured borrowings

	December 31, 2022		December 31, 2021	
	Repurchase liability	Repurchase liability weighted average interest rate	Repurchase liability	Repurchase liability weighted average interest rate
(Dollars in thousands)				
U.S. Treasury securities				
Within 30 days	\$ 410	4.40 %	\$ 19,538	0.30 %
After 30 to 90 days	30,739	3.79	30,295	0.21
After 90 days	17,521	4.39	29,036	0.29
<b>Total U.S. Treasury securities</b>	<b>48,670</b>	<b>4.01</b>	<b>78,869</b>	<b>0.26</b>
Mortgage-backed securities				
Within 30 days	98,984	4.27	11,733	0.26
After 30 to 90 days	791	3.27	-	-
After 90 days	-	-	722	0.16
<b>Total mortgage-backed securities</b>	<b>99,775</b>	<b>4.26</b>	<b>12,455</b>	<b>0.26</b>
Collateralized mortgage obligations				
Within 30 days	164	4.25	279	0.25
<b>Total collateralized mortgage obligations</b>	<b>164</b>	<b>4.25</b>	<b>279</b>	<b>0.25</b>
<b>Total</b>	<b>\$ 148,609</b>	<b>4.18 %</b>	<b>\$ 91,603</b>	<b>0.26 %</b>

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

(Dollars in thousands)	2022	2021
Maximum aggregate balance outstanding at any month-end	\$ 162,450	\$ 92,101
Average monthly aggregate balance outstanding	\$ 107,305	\$ 91,394
Weighted average interest rate:		
For the year	2.15 %	0.35 %
At December 31	4.23 %	0.26 %

*Other short-term borrowings*

At December 31, 2022 and December 31, 2021, other short-term borrowings consisted of \$365 million and \$75 million, respectively, in FHLB Advances. The following table presents additional information related to the Corporation's other short-term borrowings for the years ended December 31, 2022 and December 31, 2021.

(Dollars in thousands)	2022	2021
Maximum aggregate balance outstanding at any month-end	\$ 375,000	\$ 75,000
Average monthly aggregate balance outstanding	\$ 99,083	\$ 343
Weighted average interest rate:		
For the year	3.46 %	0.35 %
At December 31	4.47 %	0.35 %



## Notes Payable

The following table presents the composition of notes payable at December 31, 2022 and December 31, 2021.

(In thousands)	December 31, 2022	December 31, 2021
Advances with the FHLB with maturities ranging from 2023 through 2029 paying interest at monthly fixed rates ranging from 0.39% to 3.18% (2021 - 0.39% to 3.18%)	\$ 389,282	\$ 492,429
Unsecured senior debt securities maturing on September 2023 paying interest semiannually at a fixed rate of 6.125%, net of debt issuance costs of \$891 (2021 - \$2,158)	299,109	297,842
Junior subordinated deferrable interest debentures (related to trust preferred securities) maturing on 2034 with fixed interest rates ranging from 6.125% to 6.564% (2021 - 6.125% to 6.564%), net of debt issuance costs of \$315 (2021 - \$342)	198,319	198,292
<b>Total notes payable</b>	<b>\$ 886,710</b>	<b>\$ 988,563</b>

A breakdown of borrowings by contractual maturities at December 31, 2022 is included in the table below.

(In thousands)	Assets sold under agreements to repurchase	Short-term borrowings	Notes payable	Total
2023	\$ 148,609	\$ 365,000	\$ 342,370	\$ 855,979
2024	-	-	91,944	91,944
2025	-	-	139,920	139,920
2026	-	-	74,500	74,500
Later years	-	-	237,976	237,976
<b>Total borrowings</b>	<b>\$ 148,609</b>	<b>\$ 365,000</b>	<b>\$ 886,710</b>	<b>\$ 1,400,319</b>

At December 31, 2022 and December 31, 2021, the Corporation had FHLB borrowing facilities whereby the Corporation could borrow up to \$3.3 billion and \$3.0 billion, respectively, of which \$0.8 billion and \$0.6 billion, respectively, were used. In addition, at December 31, 2022 and December 31, 2021, the Corporation had placed \$0.4 billion and \$1.2 billion, respectively, of the available FHLB credit facility as collateral for municipal letters of credit to secure deposits. The FHLB borrowing facilities are collateralized with loans held-in-portfolio, and do not have restrictive covenants or callable features.

Also, at December 31, 2022, the Corporation has a borrowing facility at the discount window of the Federal Reserve Bank of New York amounting to \$1.4 billion (December 31, 2021 - \$1.3 billion), which remained unused at December 31, 2022 and December 31, 2021. The facility is a collateralized source of credit that is highly reliable even under difficult market conditions.

#### Note 18 – Trust preferred securities

Statutory trusts established by the Corporation (Popular North America Capital Trust I and Popular Capital Trust II) had issued trust preferred securities (also referred to as “capital securities”) to the public. The proceeds from such issuances, together with the proceeds of the related issuances of common securities of the trusts (the “common securities”), were used by the trusts to purchase junior subordinated deferrable interest debentures (the “junior subordinated debentures”) issued by the Corporation.

The sole assets of the trusts consisted of the junior subordinated debentures of the Corporation and the related accrued interest receivable. These trusts are not consolidated by the Corporation pursuant to accounting principles generally accepted in the United States of America.

The junior subordinated debentures are included by the Corporation as notes payable in the Consolidated Statements of Financial Condition, while the common securities issued by the issuer trusts are included as debt securities held-to-maturity. The common securities of each trust are wholly-owned, or indirectly wholly-owned, by the Corporation.

On November 1, 2021, the Corporation redeemed all outstanding trust preferred securities issued by the Popular Capital Trust I amounting to approximately \$187 million (or approximately \$181 million after excluding the Corporation’s participation in the Trust of approximately \$6 million) in the aggregate.

The following table presents financial data pertaining to the different trusts at December 31, 2022 and 2021.

Issuer	December 31, 2022 and 2021	
	Popular North America Capital Trust I	Popular Capital Trust II
Capital securities	\$ 91,651	\$ 101,023
Distribution rate	6.564 %	6.125 %
Common securities	\$ 2,835	\$ 3,125
Junior subordinated debentures aggregate liquidation amount	\$ 94,486	\$ 104,148
Stated maturity date	September 2034	December 2034
Reference notes	[1],[3],[5]	[2],[4],[5]

[1] Statutory business trust that is wholly-owned by PNA and indirectly wholly-owned by the Corporation.

[2] Statutory business trust that is wholly-owned by the Corporation.

[3] The obligation of PNA under the junior subordinated debenture and its guarantees of the capital securities under the trust is fully and unconditionally guaranteed on a subordinated basis by the Corporation to the extent set forth in the guarantee agreement.

[4] These capital securities are fully and unconditionally guaranteed on a subordinated basis by the Corporation to the extent set forth in the guarantee agreement.

[5] The Corporation has the right, subject to any required prior approval from the Federal Reserve, to redeem after certain dates or upon the occurrence of certain events mentioned below, the junior subordinated debentures at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of redemption. The maturity of the junior subordinated debentures may be shortened at the option of the Corporation prior to their stated maturity dates (i) on or after the stated optional redemption dates stipulated in the agreements, in whole at any time or in part from time to time, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and during the continuation of a tax event, an investment company event or a capital treatment event as set forth in the indentures relating to the capital securities, in each case subject to regulatory approval.

At December 31, 2022, the Corporation’s \$193 million in trust preferred securities outstanding do not qualify for Tier 1 capital treatment, but instead qualify for Tier 2 capital treatment compared to \$193 million at December 31, 2021.

**Note 19 – Other liabilities**

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

(In thousands)	December 31, 2022	December 31, 2021
Accrued expenses	\$ 337,284	\$ 308,594
Accrued interest payable	39,288	33,227
Accounts payable	76,456	91,804
Dividends payable	39,525	35,937
Trades payable	9,461	13,789
Liability for GNMA loans sold with an option to repurchase	14,271	12,806
Reserves for loan indemnifications	7,520	12,639
Reserve for operational losses	39,266	43,886
Operating lease liabilities (Note 33)	137,290	154,114
Finance lease liabilities (Note 33)	24,737	19,719
Pension benefit obligation	8,290	8,778
Postretirement benefit obligation	118,336	161,988
Others	65,222	70,967
<b>Total other liabilities</b>	<b>\$ 916,946</b>	<b>\$ 968,248</b>

## **Note 20 – Stockholders' equity**

The Corporation's common stock ranks junior to all series of preferred stock as to dividend rights and / or as to rights on liquidation, dissolution or winding up of the Corporation. Dividends on preferred stock are payable if declared. The Corporation's ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, its common stock is subject to certain restrictions in the event that the Corporation fails to pay or set aside full dividends on the preferred stock for the latest dividend period. The ability of the Corporation to pay dividends in the future is limited by regulatory requirements, legal availability of funds, recent and projected financial results, capital levels and liquidity of the Corporation, general business conditions and other factors deemed relevant by the Corporation's Board of Directors.

The Corporation's common stock trades on the Nasdaq Global Select Market (the "Nasdaq") under the symbol BPOP. The 2003 Series A Preferred Stock are not listed on Nasdaq.

### *Preferred stocks*

The Corporation 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. The Corporation's shares of preferred stock at December 31, 2022 consisted of:

- 6.375% non-cumulative monthly income preferred stock, 2003 Series A, no par value, liquidation preference value of \$25 per share. Holders on record of the 2003 Series A Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors of the Corporation or an authorized committee thereof, out of funds legally available, non-cumulative cash dividends at the annual rate per share of 6.375% of their liquidation preference value, or \$0.1328125 per share per month. These shares of preferred stock are perpetual, nonconvertible, have no preferential rights to purchase any securities of the Corporation and are redeemable solely at the option of the Corporation with the consent of the Board of Governors of the Federal Reserve System. The redemption price per share is \$25.00. The shares of 2003 Series A Preferred Stock have no voting rights, except for certain rights in instances when the Corporation does not pay dividends for a defined period. These shares are not subject to any sinking fund requirement. Cash dividends declared and paid on the 2003 Series A Preferred Stock amounted to \$ 1.4 million for the years ended December 31, 2022, 2021 and 2020. Outstanding shares of 2003 Series A Preferred Stock amounted to 885,726 at December 31, 2022, 2021 and 2020.

On February 24, 2020, the Corporation redeemed all the outstanding shares of the 2008 Series B Preferred Stock. The redemption price of the 2008 Series B Preferred Stock was \$25.00 per share, plus \$0.1375 (representing the amount of accrued and unpaid dividends for the current monthly dividend period to the redemption date), for a total payment per share in the amount of \$25.1375.

### *Common stock*

#### *Dividends*

During the year 2022, cash dividends of \$2.20 (2021 - \$1.75; 2020 - \$1.60) per common share outstanding were declared amounting to \$ 163.7 million (2021 - \$ 142.3 million; 2020 - \$ 136.6 million) of which \$39.5 million were payable to stockholders of common stock at December 31, 2022 (2021 - \$35.9 million; 2020 - \$33.7 million). The quarterly dividend of \$0.55 per share declared to stockholders of record as of the close of business on December 7, 2022, was paid on January 3, 2023. On February 28, 2023, the Corporation's Board of Directors approved a quarterly cash dividend of \$0.55 per share on its outstanding common stock, payable on April 3, 2023 to stockholders of record at the close of business on March 20, 2023.

#### *Accelerated share repurchase transaction ("ASR")*

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

On March 1, 2022, the Corporation announced that on February 28, 2022 it entered into a \$400 million ASR transactions with respect to its common stock (the "March ASR Agreement"), which was accounted for as a treasury transaction. As a result of the receipt of the initial 3,483,942 shares, the Corporation recognized in stockholders' equity approximately \$ 320 million in treasury stock and \$80 million as a reduction of capital surplus. The Corporation completed the transaction on July 12, 2022 and received

1,582,922 additional shares of common stock and recognized \$ 120 million in treasury stock with a corresponding increase in its capital surplus. In total the Corporation repurchased a total of 5,066,864 shares at an average purchased price of \$78.9443 under the March ASR Agreement.

On May 3, 2021, the Corporation entered into a \$ 350 million ASR transaction with respect to its common stock, which was accounted for as a treasury stock transaction. As a result of the receipt of the initial 3,785,831 shares, the Corporation recognized in stockholders' equity approximately \$280 million in treasury stock and \$70 million as a reduction in capital surplus. The Corporation completed the transaction on September 9, 2021 and received 828,965 additional shares of common stock and recognized \$ 61 million in treasury stock with a corresponding increase in capital surplus. In total, the Corporation repurchased a total of 4,614,796 shares at an average price of \$75.8430 under the ASR Agreement.

On January 30, 2020, the Corporation entered into a \$500 million ASR transaction with respect to its common stock, which was accounted for as a treasury stock transaction. As a result of the receipt of the initial 7,055,919 shares, the Corporation recognized in stockholders' equity approximately \$400 million in treasury stock and \$100 million as a reduction in capital surplus. On March 19, 2020 (the "early termination date"), the dealer counterparty to the ASR exercised its right to terminate the ASR as a result of the trading price of the Corporation's common stock falling below a specified level due to the effects of the COVID-19 pandemic on the global markets. As a result of such early termination, the final settlement of the ASR, which was expected to occur during the fourth quarter of 2020, occurred during the second quarter of 2020. The Corporation completed the transaction on May 27, 2020 and received 4,763,216 additional shares of common stock after the early termination date. In total the Corporation repurchased 11,819,135 shares at an average price per share of \$42.3043 under the ASR.

#### *Statutory reserve*

The Banking Act of the Commonwealth of Puerto Rico requires that a minimum of 10% of BPPR's net income for the year be transferred to a statutory reserve account until such statutory reserve equals the total of paid-in capital on common and preferred stock. Any losses incurred by a bank must first be charged to retained earnings and then to the reserve fund. Amounts credited to the reserve fund may not be used to pay dividends without the prior consent of the Puerto Rico Commissioner of Financial Institutions. The failure to maintain sufficient statutory reserves would preclude BPPR from paying dividends. BPPR's statutory reserve fund amounted to \$ 863 million at December 31, 2022 (2021 - \$786 million; 2020 - \$708 million). During 2022, \$77 million was transferred to the statutory reserve account (2021 - \$78 million, 2020 - \$49 million). BPPR was in compliance with the statutory reserve requirement in 2022, 2021 and 2020.

**Note 21 – Regulatory capital requirements**

The Corporation, BPPR and PB are subject to various regulatory capital requirements imposed by the federal banking agencies. Failure to meet minimum capital requirements can lead to certain mandatory and additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements. Popular, Inc., BPPR and PB are subject to Basel III capital requirements, including minimum and well capitalized regulatory capital ratios and compliance with the standardized approach for determining risk-weighted assets.

The Basel III Capital Rules established a Common Equity Tier I ("CET1") capital measure and related regulatory capital ratio CET1 to risk-weighted assets.

The Basel III Capital Rules provide that a depository institution will be deemed to be well capitalized if it maintained a leverage ratio of at least 5%, a CET1 ratio of at least 6.5%, a Tier 1 risk-based capital ratio of at least 8% and a total risk-based ratio of at least 10%. Management has determined that at December 31, 2022 and 2021, the Corporation exceeded all capital adequacy requirements to which it is subject.

The Corporation has been designated by the Federal Reserve Board as a Financial Holding Company ("FHC") and is eligible to engage in certain financial activities permitted under the Gramm-Leach-Bliley Act of 1999.

Pursuant to the adoption of the CECL accounting standard on January 1, 2020, the Corporation elected to use a five-year transition period option as permitted 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 the adoption of the CECL accounting standard on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during the initial two-year delay.

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

At December 31, 2022 and 2021, BPPR and PB were well-capitalized under the regulatory framework for prompt corrective action.

The following tables present the Corporation's risk-based capital and leverage ratios at December 31, 2022 and 2021 under the Basel III regulatory guidance.

(Dollars in thousands)	Actual		Capital adequacy minimum requirement (including conservation capital buffer) [1]	
	Amount	Ratio	Amount	Ratio
2022				
<b>Total Capital (to Risk-Weighted Assets):</b>				
Corporation	\$ 6,285,648	18.26%	\$ 3,613,668	10.500%
BPPR	4,541,915	18.34	2,599,872	10.500
PB	1,463,511	15.59	985,510	10.500
<b>Common Equity Tier I Capital (to Risk-Weighted Assets):</b>				
Corporation	\$ 5,639,686	16.39%	\$ 2,409,112	7.000%
BPPR	4,230,820	17.09	1,733,248	7.000
PB	1,395,272	14.87	657,007	7.000
<b>Tier I Capital (to Risk-Weighted Assets):</b>				
Corporation	\$ 5,661,829	16.45%	\$ 2,925,351	8.500%
BPPR	4,230,820	17.09	2,104,658	8.500
PB	1,395,272	14.87	797,794	8.500
<b>Tier I Capital (to Average Assets):</b>				
Corporation	\$ 5,661,829	8.06%	\$ 2,811,504	4%
BPPR	4,230,820	7.10	2,383,478	4
PB	1,395,272	13.08	426,832	4

[1] The conservation capital buffer included for these ratios is 2.5%, except for the Tier I to Average Asset ratio for which the buffer is not applicable and therefore the capital adequacy minimum of 4% is presented.

(Dollars in thousands)	Actual		Capital adequacy minimum requirement (including conservation capital buffer)	
	Amount	Ratio	Amount	Ratio
	2021			
<b>Total Capital (to Risk-Weighted Assets):</b>				
Corporation	\$ 6,084,105	19.35%	\$ 3,301,329	10.500%
BPPR	4,281,930	18.92	2,376,184	10.500
PB	1,361,911	16.78	852,032	10.500
<b>Common Equity Tier I Capital (to Risk-Weighted Assets):</b>				
Corporation	\$ 5,476,031	17.42%	\$ 2,200,886	7.000%
BPPR	3,998,102	17.67	1,584,123	7.000
PB	1,309,398	16.14	568,021	7.000
<b>Tier I Capital (to Risk-Weighted Assets):</b>				
Corporation	\$ 5,498,174	17.49%	\$ 2,672,504	8.500%
BPPR	3,998,102	17.67	1,923,577	8.500
PB	1,309,398	16.14	689,740	8.500
<b>Tier I Capital (to Average Assets):</b>				
Corporation	\$ 5,498,174	7.41%	\$ 2,969,535	4%
BPPR	3,998,102	6.24	2,561,003	4
PB	1,309,398	13.44	389,736	4

The following table presents the minimum amounts and ratios for the Corporation's banks to be categorized as well-capitalized.

(Dollars in thousands)	2022		2021	
	Amount	Ratio	Amount	Ratio
<b>Total Capital (to Risk-Weighted Assets):</b>				
BPPR	\$ 2,476,068	10%	\$ 2,263,032	10%
PB	938,581	10	811,459	10
<b>Common Equity Tier I Capital (to Risk-Weighted Assets):</b>				
BPPR	\$ 1,609,444	6.5%	\$ 1,470,971	6.5%
PB	610,078	6.5	527,448	6.5
<b>Tier I Capital (to Risk-Weighted Assets):</b>				
BPPR	\$ 1,980,855	8%	\$ 1,810,426	8%
PB	750,865	8	649,167	8
<b>Tier I Capital (to Average Assets):</b>				
BPPR	\$ 2,979,348	5%	\$ 3,201,254	5%
PB	533,540	5	487,171	5



**Note 22 – Other comprehensive (loss) income**

The following table presents changes in accumulated other comprehensive (loss) income by component for the years ended December 31, 2022, 2021 and 2020.

		Changes in Accumulated Other Comprehensive (Loss) Income by Component [1]		
		Years ended December 31,		
(In thousands)		2022	2021	2020
Foreign currency translation	Beginning Balance	\$ (67,307)	\$ (71,254)	\$ (56,783)
	Other comprehensive income (loss)	10,572	3,947	(14,471)
	Net change	10,572	3,947	(14,471)
	Ending balance	\$ (56,735)	\$ (67,307)	\$ (71,254)
Adjustment of pension and postretirement benefit plans	Beginning Balance	\$ (158,994)	\$ (195,056)	\$ (202,816)
	Other comprehensive income (loss) before reclassifications	4,882	23,094	(5,645)
	Amounts reclassified from accumulated other comprehensive loss for amortization of net losses	9,777	12,968	13,405
	Net change	14,659	36,062	7,760
	Ending balance	\$ (144,335)	\$ (158,994)	\$ (195,056)
Unrealized net holding (losses) gains on debt securities	Beginning Balance	\$ (96,120)	\$ 460,900	\$ 92,155
	Other comprehensive (loss) income before reclassifications	(2,261,097)	(557,002)	368,780
	Amounts reclassified from accumulated other comprehensive (loss) income for gains on securities	-	(18)	(35)
	Amounts reclassified from accumulated other comprehensive (loss) income for amortization of net unrealized losses of debt securities transferred from available-for-sale to held-to-maturity	33,314	-	-
	Net change	(2,227,783)	(557,020)	368,745
	Ending balance	\$ (2,323,903)	\$ (96,120)	\$ 460,900
Unrealized net gains (losses) on cash flow hedges	Beginning Balance	\$ (2,648)	\$ (4,599)	\$ (2,494)
	Other comprehensive income (loss) before reclassifications	3,107	367	(6,400)
	Amounts reclassified from accumulated other comprehensive income (loss)	(414)	1,584	4,295
	Net change	2,693	1,951	(2,105)
	Ending balance	\$ 45	\$ (2,648)	\$ (4,599)
	<b>Total</b>	<b>\$ (2,524,928)</b>	<b>\$ (325,069)</b>	<b>\$ 189,991</b>

[1] All amounts presented are net of tax.

The following table presents the amounts reclassified out of each component of accumulated other comprehensive (loss) income for the years ended December 31, 2022, 2021, and 2020.

(In thousands)	Reclassifications Out of Accumulated Other Comprehensive (Loss) Income			
	Affected Line Item in the Consolidated Statements of Operations	Years ended December 31,		
		2022	2021	2020
<b>Adjustment of pension and postretirement benefit plans</b>				
Amortization of net losses	Other operating expenses	\$ (15,644)	\$ (20,749)	\$ (21,447)
	<b>Total before tax</b>	<b>(15,644)</b>	<b>(20,749)</b>	<b>(21,447)</b>
	Income tax benefit	5,867	7,781	8,042
	<b>Total net of tax</b>	<b>\$ (9,777)</b>	<b>\$ (12,968)</b>	<b>\$ (13,405)</b>
<b>Unrealized net holding (losses) gains on debt securities</b>				
Realized gain on sale of debt securities	Net gain (loss) on sale of debt securities	\$ -	\$ 23	\$ 41
Amortization of unrealized net losses of debt securities transferred to held-to-maturity	Investment securities [1]	(41,642)	-	-
	<b>Total before tax</b>	<b>(41,642)</b>	<b>23</b>	<b>41</b>
	Income tax benefit (expense)	8,328	(5)	(6)
	<b>Total net of tax</b>	<b>\$ (33,314)</b>	<b>\$ 18</b>	<b>\$ 35</b>
<b>Unrealized net gains (losses) losses on cash flow hedges</b>				
Forward contracts	Mortgage banking activities	\$ 1,458	\$ (704)	\$ (5,559)
Interest rate swaps	Other operating income	(498)	(1,143)	(820)
	<b>Total before tax</b>	<b>960</b>	<b>(1,847)</b>	<b>(6,379)</b>
	Income tax (expense) benefit	(546)	263	2,084
	<b>Total net of tax</b>	<b>\$ 414</b>	<b>\$ (1,584)</b>	<b>\$ (4,295)</b>
	<b>Total reclassification adjustments, net of tax</b>	<b>\$ (42,677)</b>	<b>\$ (14,534)</b>	<b>\$ (17,665)</b>

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. Refer to Note 7 to the Consolidated Financial Statements for additional information.

### Note 23 – Guarantees

The Corporation has obligations upon the occurrence of certain events under financial guarantees provided in certain contractual agreements as summarized below.

The Corporation issues financial standby letters of credit and has risk participation in standby letters of credit issued by other financial institutions, in each case to guarantee the performance of various customers to third parties. If the customers failed to meet its financial or performance obligation to the third party under the terms of the contract, then, upon their request, the Corporation would be obligated to make the payment to the guaranteed party. At December 31, 2022, the Corporation recorded a liability of \$0.3 million (December 31, 2021 - \$0.2 million), which represents the unamortized balance of the obligations undertaken in issuing the guarantees under the standby letters of credit. In accordance with the provisions of ASC Topic 460, the Corporation recognizes at fair value the obligation at inception of the standby letters of credit. The fair value approximates the fee received from the customer for issuing such commitments. These fees are deferred and are recognized over the commitment period. The contracted amounts in standby letters of credit outstanding at December 31, 2022 and 2021, shown in Note 24, represent the maximum potential amount of future payments that the Corporation could be required to make under the guarantees in the event of nonperformance by the customers. These standby letters of credit are used by the customers as a credit enhancement and typically expire without being drawn upon. The Corporation's standby letters of credit are generally secured, and in the event of nonperformance by the customers, the Corporation has rights to the underlying collateral provided, which normally includes cash, marketable securities, real estate, receivables, and others. Management does not anticipate any material losses related to these instruments.

Also, from time to time, the Corporation securitized mortgage loans into guaranteed mortgage-backed securities subject in certain instances, to lifetime credit recourse on the loans that serve as collateral for the mortgage-backed securities. The Corporation has not sold any mortgage loans subject to credit recourse since 2009. Also, from time to time, the Corporation may sell, in bulk sale transactions, residential mortgage loans and Small Business Administration ("SBA") commercial loans subject to credit recourse or to certain representations and warranties from the Corporation to the purchaser. These representations and warranties may relate, for example, to borrower creditworthiness, loan documentation, collateral, prepayment and early payment defaults. The Corporation may be required to repurchase the loans under the credit recourse agreements or representation and warranties.

At December 31, 2022, the Corporation serviced \$0.6 billion (December 31, 2021 - \$0.7 billion) in residential mortgage loans subject to credit recourse provisions, principally loans associated with FNMA and FHLMC residential mortgage loan securitization programs. In the event of any customer default, pursuant to the credit recourse provided, the Corporation is required to repurchase the loan or reimburse the third party investor for the incurred loss. The maximum potential amount of future payments that the Corporation would be required to make under the recourse arrangements in the event of nonperformance by the borrowers is equivalent to the total outstanding balance of the residential mortgage loans serviced with recourse and interest, if applicable. During 2022, the Corporation repurchased approximately \$7 million of unpaid principal balance in mortgage loans subject to the credit recourse provisions (2021 - \$19 million). In the event of nonperformance by the borrower, the Corporation has rights to the underlying collateral securing the mortgage loan. The Corporation suffers losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing the related property. At December 31, 2022, the Corporation's liability established to cover the estimated credit loss exposure related to loans sold or serviced with credit recourse amounted to \$7 million (December 31, 2021 - \$12 million). The following table shows the changes in the Corporation's liability of estimated losses from these credit recourse agreements, included in the consolidated statements of financial condition during the years ended December 31, 2022 and 2021.

(In thousands)	Years ended December 31,	
	2022	2021
Balance as of beginning of period	\$ 11,800	\$ 22,484
Provision (benefit) for recourse liability	(1,715)	(2,948)
Net charge-offs	(3,188)	(7,736)
Balance as of end of period	\$ 6,897	\$ 11,800

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 is a function of the recourse arrangements given and considers a variety of factors, which include actual defaults and historical loss experience, foreclosure rate, estimated future defaults and the probability that a loan would be delinquent. Statistical methods are used to estimate the recourse liability. Expected loss rates are applied to different loan segmentations. The expected loss, which represents the amount expected to be lost on a given loan, considers the probability of default and loss severity. The probability of default represents the probability that a loan in good standing would become 90 days delinquent within the following twelve-month period. Regression analysis quantifies the relationship between the default event and loan-specific characteristics, including credit scores, loan-to-value ratios, and loan aging, among others.

When the Corporation sells or securitizes mortgage loans, it generally makes customary representations and warranties regarding the characteristics of the loans sold. The Corporation's mortgage operations in Puerto Rico group conforming mortgage loans into pools which are exchanged for FNMA and GNMA mortgage-backed securities, which are generally sold to private investors, or are sold directly to FNMA for cash. As required under the government agency programs, quality review procedures are performed by the Corporation to ensure that asset guideline qualifications are met. To the extent the loans do not meet specified characteristics, the Corporation may be required to repurchase such loans or indemnify for losses and bear any subsequent loss related to the loans. During the year ended December 31, 2022, the Corporation purchased \$1 million under representation and warranty arrangements. There were no repurchases under BPPR's representation and warranty arrangements during the year ended December 31, 2021. A substantial amount of these loans reinstate to performing status or have mortgage insurance, and thus the ultimate losses on the loans are not deemed significant.

From time to time, the Corporation sells loans and agrees to indemnify the purchaser for credit losses or any breach of certain representations and warranties made in connection with the sale. At December 31, 2022, the Corporation's liability for estimated losses associated with indemnifications and representations and warranties related to loans sold by BPPR amounted to \$0.6 million (December 31, 2021 - \$0.8 million).

Servicing agreements relating to the mortgage-backed securities programs of FNMA and GNMA, and to mortgage loans sold or serviced to certain other investors, including FHLMC, require the Corporation to advance funds to make scheduled payments of principal, interest, taxes and insurance, if such payments have not been received from the borrowers. At December 31, 2022, the Corporation serviced \$11.1 billion in mortgage loans for third-parties, including the loans serviced with credit recourse (December 31, 2021 - \$12.1 billion). The Corporation generally recovers funds advanced pursuant to these arrangements from the mortgage owner, from liquidation proceeds when the mortgage loan is foreclosed or, in the case of FHA/VA loans, under the applicable FHA and VA insurance and guarantees programs. However, in the meantime, the Corporation must absorb the cost of the funds it advances during the time the advance is outstanding. The Corporation must also bear the costs of attempting to collect on delinquent and defaulted mortgage loans. In addition, if a defaulted loan is not cured, the mortgage loan would be canceled as part of the foreclosure proceedings and the Corporation would not receive any future servicing income with respect to that loan. At December 31, 2022, the outstanding balance of funds advanced by the Corporation under such mortgage loan servicing agreements was approximately \$42 million (December 31, 2021 - \$54 million). To the extent the mortgage loans underlying the Corporation's servicing portfolio experience increased delinquencies, the Corporation would be required to dedicate additional cash resources to comply with its obligation to advance funds as well as incur additional administrative costs related to increases in collection efforts.

Popular, Inc. Holding Company ("PIHC") fully and unconditionally guarantees certain borrowing obligations issued by certain of its 100% owned consolidated subsidiaries amounting to \$94 million at both December 31, 2022 and December 31, 2021, respectively. In addition, at both December 31, 2022 and December 31, 2021, PIHC fully and unconditionally guaranteed on a subordinated basis \$193 million of capital securities (trust preferred securities) issued by wholly-owned issuing trust entities to the extent set forth in the applicable guarantee agreement. Refer to Note 18 to the consolidated financial statements for further information on the trust preferred securities.

## Note 24 – Commitments and contingencies

### *Off-balance sheet risk*

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

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

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

(In thousands)	December 31, 2022	December 31, 2021
Commitments to extend credit:		
Credit card lines	\$ 5,853,990	\$ 5,382,089
Commercial and construction lines of credit	4,425,825	3,830,601
Other consumer unused credit commitments	250,271	250,229
Commercial letters of credit	3,351	3,260
Standby letters of credit	27,868	27,848
Commitments to originate or fund mortgage loans	45,170	95,372

At December 31, 2022 and December 31, 2021, the Corporation maintained a reserve of approximately \$8.8 million and \$7.9 million, respectively, for potential losses associated with unfunded loan commitments related to commercial and construction lines of credit.

### *Other commitments*

At December 31, 2022, and December 31, 2021, the Corporation also maintained other non-credit commitments for approximately \$4.8 million and \$1.0 million, respectively, primarily for the acquisition of other investments.

### *Business concentration*

Since the Corporation's business activities are concentrated primarily in Puerto Rico, its results of operations and financial condition are dependent upon the general trends of the Puerto Rico economy and, in particular, the residential and commercial real estate markets. The concentration of the Corporation's operations in Puerto Rico exposes it to greater risk than other banking companies with a wider geographic base. Its asset and revenue composition by geographical area is presented in Note 37 to the Consolidated Financial Statements.

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

At December 31, 2022, the Corporation's direct exposure to the Puerto Rico government and its instrumentalities and municipalities totaled \$374 million, of which \$327 million were outstanding (\$367 million and \$349 million at December 31, 2021). Of the amount outstanding, \$302 million consists of loans and \$25 million are securities (\$319 million and \$30 million at December 31, 2021). Substantially all of the amount outstanding at December 31, 2022 and December 31, 2021 were obligations from various Puerto Rico municipalities. In most cases, these were "general obligations" of a municipality, to which the applicable municipality has pledged its good faith, credit and unlimited taxing power, or "special obligations" of a municipality, to which the applicable municipality has pledged other revenues. At December 31, 2022, 73% of the Corporation's exposure to municipal loans and securities was concentrated in the municipalities of San Juan, Guaynabo, Carolina and Bayamón.

The following table details the loans and investments representing the Corporation's direct exposure to the Puerto Rico government according to their maturities as of December 31, 2022:

(In thousands)	Investment Portfolio	Loans	Total Outstanding	Total Exposure
<b>Central Government</b>				
After 1 to 5 years	\$ 12	\$ -	\$ 12	\$ 12
After 5 to 10 years	1	-	1	1
After 10 years	29	-	29	29
<b>Total Central Government</b>	<b>42</b>	<b>-</b>	<b>42</b>	<b>42</b>
<b>Municipalities</b>				
Within 1 year	4,530	20,243	24,773	42,962
After 1 to 5 years	19,105	101,009	120,114	149,114
After 5 to 10 years	1,025	131,202	132,227	132,227
After 10 years	-	49,831	49,831	49,831
<b>Total Municipalities</b>	<b>24,660</b>	<b>302,285</b>	<b>326,945</b>	<b>374,134</b>
<b>Total Direct Government Exposure</b>	<b>\$ 24,702</b>	<b>\$ 302,285</b>	<b>\$ 326,987</b>	<b>\$ 374,176</b>

In addition, at December 31, 2022, the Corporation had \$251 million in loans insured or securities issued by Puerto Rico governmental entities but for which the principal source of repayment is non-governmental (\$275 million at December 31, 2021). These included \$209 million in residential mortgage loans insured by the Puerto Rico Housing Finance Authority ("HFA"), a governmental instrumentality that has been designated as a covered entity under PROMESA (December 31, 2021 - \$232 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 in bonds issued by HFA which are secured by second mortgage loans on Puerto Rico residential properties, and for which HFA also provides insurance to cover losses in the event of a borrower default and upon the satisfaction of certain other conditions (December 31, 2021 - \$43 million). In the event that the mortgage loans insured by HFA and held by the Corporation directly or those serving as collateral for the HFA bonds default and the collateral is insufficient to satisfy the outstanding balance of these loans, HFA's ability to honor its insurance will depend, among other factors, on the financial condition of HFA at the time such obligations become due and payable. The Corporation does not consider the government guarantee when estimating the credit losses associated with this portfolio. Although the Governor is currently authorized by local legislation to impose a temporary moratorium on the financial obligations of the HFA, a moratorium on such obligations has not been imposed as of the date hereof.

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

In addition, \$1.6 billion of residential mortgages, \$38 million of Small Business Administration ("SBA") loans under the Paycheck Protection Program ("PPP") and \$72 million commercial loans were insured or guaranteed by the U.S. Government or its agencies at December 31, 2022 (compared to \$1.6 billion, \$353 million and \$67 million, respectively, at December 31, 2021). The Corporation also had U.S. Treasury and obligations from the U.S. Government, its agencies or government sponsored entities within the portfolio of available-for-sale and held-to-maturity securities as described in Note 6 and 7 to the Consolidated Financial Statements.

At December 31, 2022, the Corporation has operations in the United States Virgin Islands (the "USVI") and has approximately \$28 million in direct exposure to USVI government entities (December 31, 2021 - \$0 million). The USVI has been experiencing a number of fiscal and economic challenges that could adversely affect the ability of its public corporations and instrumentalities to service their outstanding debt obligations.

At December 31, 2022, the Corporation has operations in the British Virgin Islands ("BVI"), which has been negatively affected by the COVID-19 pandemic, particularly as a reduction in the tourism activity which accounts for a significant portion of its economy. Although the Corporation has no significant exposure to a single borrower in the BVI, it has a loan portfolio amounting to

approximately \$214 million comprised of various retail and commercial clients, compared to a loan portfolio of \$221 million at December 31, 2021.

#### *Legal Proceedings*

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

In certain cases, exposure to loss exists in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes and estimates that the range of reasonably possible losses (with respect to those matters where such limits may be determined, in excess of amounts accrued) for current Legal Proceedings ranged from \$0 to approximately \$20.6 million as of December 31, 2022. In certain cases, management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the Legal Proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current Legal Proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the Legal Proceedings, and the inherent uncertainty of the various potential outcomes of such Legal Proceedings. Accordingly, management's estimate will change from time-to-time, and actual losses may be more or less than the current estimate.

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

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

#### **BANCO POPULAR DE PUERTO RICO**

##### *Hazard Insurance Commission-Related Litigation*

Popular, Inc., BPPR and Popular Insurance, LLC (the "Popular Defendants") were named defendants in a class action complaint captioned *Pérez Díaz v. Popular, Inc., et al*, filed before the Court of First Instance, Arecibo Part. The complaint originally sought damages and preliminary and permanent injunctive relief on behalf of the class against the Popular Defendants, as well as Antilles Insurance Company and MAPFRE-PRAICO Insurance Company (the "Defendant Insurance Companies"). Plaintiffs alleged that the Popular Defendants were unjustly enriched by failing to reimburse them for commissions paid by the Defendant Insurance Companies to the insurance agent and/or mortgagee for policy years when no claims were filed against their hazard insurance policies. They demanded the reimbursement to the purported "class" of an estimated \$400 million plus legal interest, for the "good experience" commissions allegedly paid by the Defendant Insurance Companies during the relevant time period, as well as injunctive relief seeking to enjoin the Defendant Insurance Companies from paying commissions to the insurance agent/mortgagee and ordering them to pay those fees directly to the insured. A motion for dismissal on the merits filed by the Defendant Insurance Companies was denied and each of the Puerto Rico Court of Appeals and the Puerto Rico Supreme Court denied the Popular Defendants' request to review the lower court's denial of the motion to dismiss. In December 2017, plaintiffs amended the complaint and, in January 2018, defendants filed an answer thereto. Separately, in October 2017, the Court entered an order whereby it broadly certified the class, after which the Popular Defendants filed a certiorari petition before the Puerto Rico Court of Appeals in relation to the class certification, which the Court declined to entertain. In November 2018 and in January 2019, plaintiffs filed voluntary dismissal petitions against MAPFRE-PRAICO Insurance Company and Antilles Insurance Company, respectively, leaving the Popular Defendants as the sole remaining defendants in the action.



In April 2019, the Court amended the class definition to limit it to individual homeowners whose residential units were subject to a mortgage from BPPR who, in turn, obtained risk insurance policies with Antilles Insurance or MAPFRE Insurance through Popular Insurance, LLC from 2002 to 2015, and who did not make insurance claims against said policies during their effective term. The Court approved in September 2020 the notice to the class, which was never published.

In May 2021, the Popular Defendants filed a motion for summary judgment with respect to plaintiffs' unjust enrichment theory of liability, reserving the right to file an additional motion for summary judgment regarding damages. Also, in May 2021, Popular, Inc. and BPPR filed a separate motion for summary judgment for failure to state a claim against such entities. During an oral hearing held in September 2021 to discuss the pending motions for summary judgment, Plaintiffs notified they did not object the dismissal of the action with prejudice as to Popular, Inc. and BPPR, leaving Popular Insurance, LLC ("Popular Insurance") as the sole remaining defendant in the case. In October 2021, the Court issued a resolution denying Popular Insurance's Motion for Summary Judgment.

In December 2021, Popular Insurance filed a petition of certiorari to the Puerto Rico Court of Appeals, seeking review from the denial of the motion for summary judgment, and on February 28, 2022, the Court of Appeals entered a judgment reversing the lower court's decision, after concluding it was unable to review de novo the denial of the motion for summary judgment since such decision failed to comply with the summary judgment standard. The Court of Appeals remanded the case to the lower court with instructions to enter a summary judgment that identifies the material contested issues of facts that prevents the lower court from granting Popular Insurance's summary judgment motion.

In May 2022, the trial court issued an amended resolution denying for a second time Popular Insurance's Motion for Summary Judgment. On June 14, 2022, Popular Insurance filed a petition of Certiorari to the Puerto Rico Court of Appeals, seeking review from the denial of the Motion for Summary Judgment. On August 12, 2022, the Court of Appeals reversed the trial court's ruling, granted summary judgment in favor of Popular Insurance, and ordered the dismissal of the case in its entirety. After the Court of Appeals denied a Motion for Reconsideration filed by Plaintiffs, on October 13, 2022, Plaintiffs filed a certiorari petition before the Puerto Rico Supreme Court seeking review of the Court of Appeals judgment.

Popular Insurance filed its opposition brief to Plaintiff's certiorari petition on October 24, 2022. On December 4, 2022, the Puerto Rico Supreme Court issued an order denying the certiorari petition. The judgment ordering the dismissal of the complaint in its entirety became final and unappealable on December 19, 2022. This matter is now closed.

#### *Mortgage-Related Litigation*

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

#### *Insufficient Funds and Overdraft Fees Class Actions*

In February 2020, BPPR was served with a putative class action complaint captioned Soto-Melendez v. Banco Popular de Puerto Rico, filed before the United States District Court for the District of Puerto Rico. The complaint alleges breach of contract, breach of

the covenant of good faith and fair dealing and unjust enrichment due to BPPR's purported practice of (a) assessing more than one insufficient funds fee ("NSF Fees") on the same ACH "item" or transaction and (b) charging both NSF Fees and overdraft fees ("OD Fees") on the same ACH item or transaction, and is filed on behalf of all persons who during the applicable statute of limitations period were charged NSF Fees and/or OD Fees pursuant to these purported practices. In April 2020, BPPR filed a motion to dismiss the case. In April 2021, the Court issued an order granting in part and denying in part BPPR's motion to dismiss; the unjust enrichment claim was dismissed, whereas the breach of contract and covenant of good faith and fair dealing claims survived the motion.

In March 2022, BPPR was also named as a defendant on a putative class action complaint captioned Orama-Caraballo v. Banco Popular, filed before the U.S. District Court for the District of Puerto Rico by the same Plaintiffs' attorneys of the Soto-Melendez complaint. Similar to the claims set forth in the Soto-Melendez complaint, Plaintiffs allege breach of contract, breach of the covenant of good faith and fair dealing, and unjust enrichment due to the bank's purported practice of (a) assessing more than one NSF Fee on the same "item" and (b) charging both NSF Fees and OD Fees on the same "item" but included allegations with respect to "checks" in addition to ACH payments.

During a mediation hearing held in April 2022, the parties in both the Soto Melendez and Orama-Caraballo complaints reached a settlement in principle on a class-wide basis subject to final court approval. The parties filed before the Court a notice of settlement and a request to stay the proceedings in both cases and, on August 15, 2022, the parties submitted the class action settlement agreement for the Court's preliminary approval. On November 23, 2022, the court issued an order granting preliminary approval of the settlement agreement and scheduled the final approval hearing for March 14, 2023.

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

In October 2021, the District Court, notwithstanding that BPPR's Motion to Dismiss remained pending resolution, held an initial scheduling conference and, thereafter, issued a trial management order where it scheduled the deadline for all discovery for November 1, 2022, the deadline for the filing of a joint pre-trial brief for June 1, 2023, and the trial for June 20 to June 30, 2023. During a status hearing held on June 7, 2022, the District Court entered an amended scheduling order extending the discovery deadline to March 31, 2023, and granting plaintiffs until April 14, 2023, to file a motion for class certification. During a mediation hearing held on October 14, 2022, the parties in the Golden action reached a settlement in principle on a class-wide basis subject to final court approval. On October 19, 2022, the parties filed before the Court a notice of settlement and a request to stay the proceedings while Plaintiffs submit a motion for the preliminary approval of the class action settlement. On January 19, 2023, the parties filed the motion for preliminary approval of the settlement agreement, which is pending resolution.

On January 31, 2022, Popular was also named as a defendant on a putative class action complaint captioned Lipsett v. Popular, Inc. d/b/a Banco Popular, filed before the U.S. District Court for the Southern District of New York, seeking damages, restitution and injunctive relief. Similar to the claims set forth in the aforementioned Golden complaint, Plaintiff alleges breach of contract, including violations of the covenant of good faith and fair dealing, as a result of Popular's purported practice of charging OD Fees for APPSN transactions. The complaint further alleged that Popular assesses OD Fees over authorized transactions for which sufficient funds are held for settlement. Popular waived service of process and filed a Motion to Compel Arbitration on April 4, 2022. In response to Popular's motion, Plaintiff filed a Notice of Voluntary Dismissal on April 27, 2022.

On May 13, 2022, Plaintiff in the Lipsett complaint filed a new complaint captioned Lipsett v. Banco Popular North America d/b/a Popular Community Bank with the same allegations of his previous complaint against Popular. On June 10, 2022, after serving Plaintiff with a written notice of election to arbitrate the claims asserted in the complaint which went unanswered, Popular Bank filed a Pre-Motion Conference motion related to a new Motion to Compel Arbitration. After Plaintiff responded to the Pre-Motion conference motion, on September 2, 2022, the Court allowed Popular Bank to file its Motion to Compel Arbitration, which it did on September 8, 2022. Plaintiff opposed to such motion on October 13, 2022, and PB filed its reply on November 3, 2022.

On December 9, 2022, the Court issued a Decision and Order denying Popular's Motion to Compel Arbitration. On December 20, 2022, Popular Bank filed a Notice of Appeal with the United States Court of Appeals for the Second Circuit. On January 31, 2022, the Court of Appeals issued a briefing schedule granting Popular Bank until April 6, 2023 to file its appeal brief. The Court of Appeals also scheduled a "CAMP" mediation conference, which was held on February 21, 2023. No settlement was reached during the mediation.

#### *Cyber Incident Related Litigation*

BPPR was named defendant in a putative class action complaint filed before the U.S. District Court for the District of Puerto Rico, captioned Rosa E. Rivera Marrero v. Banco Popular de Puerto Rico. Plaintiff contends BPPR failed to properly secure and safeguard the class members' personally identifiable information ("PII") which was purportedly exposed through a data breach experienced by a BPPR's vendor in June 2021. Such data breach, which as alleged involved BPPR's files, occurred via the exploitation of an alleged vulnerability in Accellion FTA, a legacy software product developed by Accellion, Inc used by BPPR's vendor. Plaintiff further alleges that, during the data breach, an unauthorized actor removed one or more documents that contained PII of the plaintiff and purported class members. Plaintiff demands injunctive relief requesting, among other things, BPPR to protect all data collected through the course of its business in accordance with all applicable regulations, industry standards and federal, state or local laws, as well as an award for damages, attorneys' fees, costs and litigation expenses. BPPR was served with process on May 27, 2022 and, on August 1, 2022, filed a Motion to Dismiss. On August 15, 2022, Plaintiff filed her opposition to the Motion to Dismiss and, on September 14, 2022, BPPR filed a reply in support of its Motion to Dismiss. BPPR's Motion to Dismiss is fully briefed and pending resolution.

#### POPULAR BANK *Employment-Related Litigation*

In July 2019, PB was served in a putative class complaint in which it was named as a defendant along with five (5) current PB employees (collectively, the "AB Defendants"), captioned Aileen Betances, et al. v. Popular Bank, et al., filed before the Supreme Court of the State of New York (the "AB Action"). The complaint, filed by five (5) current and former PB employees, seeks to recover damages for the AB Defendants' alleged violation of local and state sexual harassment, discrimination and retaliation laws. Additionally, in July 2019, PB was served in a putative class complaint in which it was named as a defendant along with six (6) current PB employees (collectively, the "DR Defendants"), captioned Damian Reyes, et al. v. Popular Bank, et al., filed before the Supreme Court of the State of New York (the "DR Action"). The DR Action, filed by three (3) current and former PB employees, seeks to recover damages for the DR Defendants' alleged violation of local and state discrimination and retaliation laws. Plaintiffs in both complaints are represented by the same legal counsel, and five of the six named individual defendants in the DR Action are the same named individual defendants in the AB Action. Both complaints are related, among other things, to allegations of purported sexual harassment and/or misconduct by a former PB employee as well as PB's actions in connection thereto and seek no less than \$100 million in damages each. In October 2019, PB and the other defendants filed several Motions to Dismiss. Plaintiffs opposed the motions in December 2019 and PB and the other defendants replied in January 2020. In July 2020, a hearing to discuss the motions to dismiss filed by PB in both actions was held, at which the Court dismissed one of the causes of action included by plaintiffs in the AB Action.

In June 2021, the Court in the AB Action entered a judgment dismissing all claims except those regarding the principal plaintiff Aileen Betances against PB for retaliation, and Betances' claim against three (3) other AB Defendants for aiding/abetting the alleged retaliation. Also, in July 2021, the Court in the DR action entered a partial judgment dismissing all claims against the individual DR Defendants, with all surviving claims being against PB and limited to local retaliation claims and local and state discrimination claims. Plaintiffs in both the AB Action and the DR Action filed notices of appeal of both judgments. On August 11, 2021, PB and the remaining AB Defendants in the AB Action, as well as PB in the DR Action, answered the respective complaints as to the surviving claims.

On March 25, 2022, Plaintiffs in both the AB Action and the DR Action perfected their appeals seeking to reverse both partial judgments. PB filed opposition briefs as to both appeals on August 10, 2022. However, on October 24, 2022, PB and all but the principal plaintiff in the AB Action, Aileen Betances, reached an agreement in principle subject to final documentation, to settle all their claims included in the AB Action. Also, on that same date, PB and all Plaintiffs in the DR Action reached an agreement in principle subject to final documentation, to settle all claims included in the DR Action.

In December 2022, after reaching a settlement agreement with the principal plaintiff in the AB Action, the parties in both the AB Action and the DR Action executed settlement agreements that disposed of both actions. On December 22, 2022, the parties filed a Stipulation of Dismissal with Prejudice with the court in both actions. These matters are now closed.

#### POPULAR SECURITIES

##### *Puerto Rico Bonds and Closed-End Investment Funds*

The volatility in prices and declines in value that Puerto Rico municipal bonds and closed-end investment companies that invest primarily in Puerto Rico municipal bonds experienced following August 2013 have led to regulatory inquiries, customer complaints and arbitrations for most broker-dealers in Puerto Rico, including Popular Securities. Popular Securities has received customer complaints and, as of December 31, 2022, was named as a respondent (among other broker-dealers) in 13 pending arbitration proceedings with initial claimed amounts of approximately \$13.4 million in the aggregate. While Popular Securities believes it has meritorious defenses to the claims asserted in these proceedings, it has often determined that it is in its best interest to settle certain claims rather than expend the money and resources required to see such cases to completion. The Puerto Rico Government's defaults and non-payment of its various debt obligations, as well as the Oversight Board decision to pursue restructurings under Title III and Title VI of PROMESA, have impacted the number of customer complaints (and claimed damages) filed against Popular Securities concerning Puerto Rico bonds and closed-end investment companies that invest primarily in Puerto Rico bonds. Adverse results in the arbitration proceedings described above, or a significant increase in customer complaints, could have a material adverse effect on Popular.

In October 2021, a panel in an arbitration proceeding with claimed damages arising from trading losses of approximately \$30 million ordered Popular Securities to pay claimants approximately \$ 6.9 million in compensatory damages and expenses. In November, 2021, the claimants in such arbitration proceeding filed a complaint captioned *Trinidad García v. Popular, Inc. et. al.* before the United States District Court for the District of Puerto Rico against Popular, Inc., BPPR and Popular Securities (the "Popular Defendants") alleging, inter alia, that they sustained monetary losses as a result of the Popular Defendants' anticompetitive, unfair, and predatory practices, including tying arrangements prohibited by the Bank Holding Company Act. Plaintiffs claim that the Popular Defendants caused them to enter a tying arrangement scheme whereby BPPR allegedly would extend secured credit lines to the Plaintiffs on the conditions that they transfer their portfolios to Popular Securities to be used as pledged collateral and obtain additional investment services and products solely from Popular Securities, not from any of its competitors. Plaintiffs also invoke federal court's supplemental jurisdiction to allege several state law claims against the Popular Defendants, including contractual fault, fault in causing losses in value of the pledge collateral, breach of contract, request for specific compliance thereof, fault in pre-contractual negotiations, emotional distress, and punitive damages. In January 2022, Plaintiffs filed an Amended Complaint, and the Popular Defendants were served with summons on that same date. Plaintiffs demand no less than \$390 million in damages, plus an award for costs and attorney's fees. The Popular Defendants filed a Motion to Dismiss on March 21, 2022, which Plaintiffs opposed on June 10, 2022. Popular filed its reply in support of the Motion to Dismiss on June 30, 2022, and Plaintiffs sur-replied on July 27, 2022.

On February 9, 2023, the Popular Defendants executed a global settlement agreement with Plaintiffs resolving all controversies between the parties, including those arising from the aforementioned case. After the parties filed a stipulation of dismissal, on February 15, 2023, the United States District Court for the District of Puerto Rico issued an order dismissing the case with prejudice and stating that a judgment shall be entered accordingly. This matter is now closed.

##### *PROMESA Title III Proceedings*

In 2017, the Oversight Board engaged the law firm of Kobre & Kim to carry out an independent investigation on behalf of the Oversight Board regarding, among other things, the causes of the Puerto Rico financial crisis. Popular, Inc., BPPR and Popular Securities (collectively, the "Popular Companies") were served by, and cooperated with, the Oversight Board in connection with

requests for the preservation and voluntary production of certain documents and witnesses with respect to Kobre & Kim's independent investigation.

In August 2018, Kobre & Kim issued its Final Report, which contained various references to the Popular Companies, including an allegation that Popular Securities participated as an underwriter in the Commonwealth's 2014 issuance of government obligation bonds notwithstanding having allegedly advised against it. The report noted that such allegation could give rise to an unjust enrichment claim against the Corporation and could also serve as a basis to equitably subordinate claims filed by the Corporation in the Title III proceeding to other third-party claims.

After the publication of the Final Report, the Oversight Board created a special claims committee ("SCC") and, before the end of the applicable two-year statute of limitations for the filing of such claims pursuant to the U.S. Bankruptcy Code, the SCC, along with the Commonwealth's Unsecured Creditors' Committee ("UCC"), filed various avoidance, fraudulent transfer and other claims against third parties, including government vendors and financial institutions and other professionals involved in bond issuances then being challenged as invalid by the SCC and the UCC. The Popular Companies, the SCC and the UCC entered into a tolling agreement with respect to potential claims the SCC and the UCC, on behalf of the Commonwealth or other Title III debtors, may assert against the Popular Companies for the avoidance and recovery of payments and/or transfers made to the Popular Companies or as a result of any role of the Popular Companies in the offering of the aforementioned challenged bond issuances. In January 2022, the SCC, the UCC and the Popular Companies executed a settlement agreement as to potential claims related to the avoidance and recovery of payments and/or transfers made to the Popular Companies. Potential claims being pursued by the SCC and the UCC, including claims tolled under existing tolling agreements, were transferred to a newly created Puerto Rico Avoidance Action Trust as part of the approval of the Commonwealth of Puerto Rico's Plan of Adjustment. The tolling agreement as to potential claims that may be asserted against the Popular Companies by the Puerto Rico Avoidance Action Trust as a result of any role of the Popular Companies in the offering of certain challenged bond issuances remains in effect.

**Note 25 – Non-consolidated variable interest entities**

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

Also, the Corporation is involved with various special purpose entities mainly in guaranteed mortgage securitization transactions, including GNMA and FNMA. The Corporation has also engaged in securitization transactions with FHLMC, but considers its exposure in the form of servicing fees and servicing advances not to be significant at December 31, 2022. These special purpose entities are deemed to be VIEs since they lack equity investments at risk. The Corporation’s continuing involvement in these guaranteed loan securitizations includes owning certain beneficial interests in the form of securities as well as the servicing rights retained. The Corporation is not required to provide additional financial support to any of the variable interest entities to which it has transferred the financial assets. The mortgage-backed securities, to the extent retained, are classified in the Corporation’s Consolidated Statements of Financial Condition as available-for-sale or trading securities. The Corporation concluded that, essentially, these entities (FNMA and GNMA) control the design of their respective VIEs, dictate the quality and nature of the collateral, require the underlying insurance, set the servicing standards via the servicing guides and can change them at will, and can remove a primary servicer with cause, and without cause in the case of FNMA. Moreover, through their guarantee obligations, agencies (FNMA and GNMA) have the obligation to absorb losses that could be potentially significant to the VIE.

The Corporation holds variable interests in these VIEs in the form of agency mortgage-backed securities and collateralized mortgage obligations, including those securities originated by the Corporation and those acquired from third parties. Additionally, the Corporation holds agency mortgage-backed securities and agency collateralized mortgage obligations issued by third party VIEs in which it has no other form of continuing involvement. Refer to Note 28 to the Consolidated Financial Statements for additional information on the debt securities outstanding at December 31, 2022 and 2021, which are classified as available-for-sale and trading securities in the Corporation’s Consolidated Statements of Financial Condition. In addition, the Corporation holds variable interests in the form of servicing fees, since it retains the right to service the transferred loans in those government-sponsored special purpose entities (“SPEs”) and may also purchase the right to service loans in other government-sponsored SPEs that were transferred to those SPEs by a third-party.

The following table presents the carrying amount and classification of the assets related to the Corporation’s variable interests in non-consolidated VIEs and the maximum exposure to loss as a result of the Corporation’s involvement as servicer of GNMA and FNMA loans at December 31, 2022 and 2021.

(In thousands)	December 31, 2022	December 31, 2021
<b>Assets</b>		
Servicing assets:		
Mortgage servicing rights	\$ 99,614	\$ 94,464
<b>Total servicing assets</b>	<b>\$ 99,614</b>	<b>\$ 94,464</b>
Other assets:		
Servicing advances	\$ 6,157	\$ 7,968
<b>Total other assets</b>	<b>\$ 6,157</b>	<b>\$ 7,968</b>
<b>Total assets</b>	<b>\$ 105,771</b>	<b>\$ 102,432</b>
<b>Maximum exposure to loss</b>	<b>\$ 105,771</b>	<b>\$ 102,432</b>

The size of the non-consolidated VIEs, in which the Corporation has a variable interest in the form of servicing fees, measured as the total unpaid principal balance of the loans, amounted to \$7.7 billion at December 31, 2022 (December 31, 2021 - \$8.3 billion).

The Corporation determined that the maximum exposure to loss includes the fair value of the MSR's and the assumption that the servicing advances at December 31, 2022 and 2021 will not be recovered. The agency debt securities are not included as part of the maximum exposure to loss since they are guaranteed by the related agencies.

ASU 2009-17 requires that an ongoing primary beneficiary assessment should be made to determine whether the Corporation is the primary beneficiary of any of the VIEs it is involved with. The conclusion on the assessment of these non-consolidated VIEs has not changed since their initial evaluation. The Corporation concluded that it is still not the primary beneficiary of these VIEs, and therefore, these VIEs are not required to be consolidated in the Corporation's financial statements at December 31, 2022.

#### **Note 26 – Derivative instruments and hedging activities**

The use of derivatives is incorporated as part of the Corporation's overall interest rate risk management strategy to minimize significant unplanned fluctuations in earnings and cash flows that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that the net interest income is not materially affected by movements in interest rates. The Corporation uses derivatives in its trading activities to facilitate customer transactions, and as a means of risk management. As a result of interest rate fluctuations, hedged fixed and variable interest rate assets and liabilities will appreciate or depreciate in fair value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by the Corporation's gains or losses on the derivative instruments that are linked to these hedged assets and liabilities. As a matter of policy, the Corporation does not use highly leveraged derivative instruments for interest rate risk management.

The credit risk attributed to the counterparty's nonperformance risk is incorporated in the fair value of the derivatives. Additionally, the fair value of the Corporation's own credit standing is considered in the fair value of the derivative liabilities. During the year ended December 31, 2022, inclusion of the credit risk in the fair value of the derivatives resulted in a loss of \$0.5 million from the Corporation's credit standing adjustment. During the years ended December 31, 2021 and 2020, the Corporation recognized a loss of \$0.3 million and a gain of \$0.7 million, respectively, from the Corporation's credit standing adjustment.

The Corporation's derivatives are subject to agreements which allow a right of set-off with each respective counterparty. In an event of default, each party has a right of set-off against the other party for amounts owed in the related agreement and any other amount or obligation owed in respect of any other agreement or transaction between them. Pursuant to the Corporation's accounting policy, the fair value of derivatives is not offset with the fair value of other derivatives held with the same counterparty even if these agreements allow a right of set-off. In addition, the fair value of derivatives is not offset with the amounts for the right to reclaim financial collateral or the obligation to return financial collateral.

Financial instruments designated as cash flow hedges or non-hedging derivatives outstanding at December 31, 2022 and 2021 were as follows:



(In thousands)	Notional amount		Derivative assets		Derivative liabilities	
	At December 31,		Statement of	Fair value at	Statement of	Fair value at
	2022	2021	condition classification	December 31, 2022 2021	condition classification	December 31, 2022 2021
<b>Derivatives designated as</b>						
hedging instruments:						
Forward contracts	\$ 15,100	\$ 87,900	Other assets	\$ 93	18	Other liabilities \$ 22 \$ 125
<b>Total derivatives designated</b>						
as hedging instruments	\$ 15,100	\$ 87,900		\$ 93	18	\$ 22 \$ 125
<b>Derivatives not designated</b>						
as hedging instruments:						
Interest rate caps	\$ 150,000	\$ 27,866	Other assets	\$ 1,045	-	Other liabilities \$ 1,045 \$ -
Indexed options on deposits	85,414	79,114	Other assets	18,091	26,075	- - -
Bifurcated embedded options	78,972	72,352	-	-	-	Interest bearing deposits 15,933 22,753
<b>Total derivatives not</b>						
designated as						
hedging instruments	\$ 314,386	\$ 179,332		\$ 19,136	\$ 26,075	\$ 16,978 \$ 22,753
<b>Total derivative assets</b>						
and liabilities	\$ 329,486	\$ 267,232		\$ 19,229	\$ 26,093	\$ 17,000 \$ 22,878

#### Cash Flow Hedges

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. Changes in the fair value of the derivatives are recorded in other comprehensive (loss) income. The amount included in accumulated other comprehensive (loss) income corresponding to these forward contracts is expected to be reclassified to earnings in the next twelve months. These contracts have a maximum remaining maturity of 72 days at December 31, 2022.

For cash flow hedges, net gains (losses) on derivative contracts that are reclassified from accumulated other comprehensive (loss) income to current period earnings are included in the line item in which the hedged item is recorded and during the period in which the forecasted transaction impacts earnings, as presented in the tables below.

Year ended December 31, 2022				
(In thousands)	Amount of net gain (loss) recognized in OCI on derivatives (effective portion)	Classification in the statement of operations of the net gain (loss) reclassified from AOCI into income (effective portion and ineffective portion)	Amount of net gain (loss) reclassified from AOCI into income (effective portion)	Amount of net gain (loss) recognized in income on derivatives (ineffective portion)
Forward contracts	\$ 1,636	Mortgage banking activities	\$ 1,458	\$ -
<b>Total</b>	<b>\$ 1,636</b>		<b>\$ 1,458</b>	<b>\$ -</b>

Year ended December 31, 2021

(In thousands)	Amount of net gain (loss) recognized in OCI on derivatives (effective portion)	Classification in the statement of operations of the net gain (loss) reclassified from AOCI into income (effective portion and ineffective portion)	Amount of net gain (loss) reclassified from AOCI into income (effective portion)	Amount of net gain (loss) recognized in income on derivatives (ineffective portion)
Forward contracts	\$ 456	Mortgage banking activities	\$ (704)	-
Total	\$ 456		\$ (704)	-

Year ended December 31, 2020

(In thousands)	Amount of net gain (loss) recognized in OCI on derivatives (effective portion)	Classification in the statement of operations of the net gain (loss) reclassified from AOCI into income (effective portion and ineffective portion)	Amount of net gain (loss) reclassified from AOCI into income (effective portion)	Amount of net gain (loss) recognized in income on derivatives (ineffective portion)
Forward contracts	\$ (6,594)	Mortgage banking activities	\$ (5,559)	-
Total	\$ (6,594)		\$ (5,559)	-

*Fair Value Hedges*

At December 31, 2022 and 2021, there were no derivatives designated as fair value hedges.

*Non-Hedging Activities*

For the year ended December 31, 2022, the Corporation recognized a gain of \$ 7.7 million (2021 –gain of \$ 2.3 million; 2020 – loss of \$ 3.0 million) related to its non-hedging derivatives, as detailed in the table below.

Amount of Net Gain (Loss) Recognized in Income on Derivatives

(In thousands)	Classification of Net Gain (Loss) Recognized in Income on Derivatives	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Forward contracts	Mortgage banking activities	\$ 8,094	\$ 2,027	\$ (5,027)
Indexed options on deposits	Interest expense	(5,290)	6,824	5,462
Bifurcated embedded options	Interest expense	4,942	(6,538)	(3,417)
Total		\$ 7,746	\$ 2,313	\$ (2,982)

*Forward Contracts*

The Corporation has forward contracts to sell mortgage-backed securities, which are accounted for as trading derivatives. Changes in their fair value are recognized in mortgage banking activities.

*Interest Rate Caps*

The Corporation enters into interest rate caps as an intermediary on behalf of its customers and simultaneously takes offsetting positions under the same terms and conditions, thus minimizing its market and credit risks.

*Indexed and Embedded Options*

The Corporation offers certain customers' deposits whose return are tied to the performance of the Standard and Poor's ("S&P 500") stock market indexes, and other deposits whose returns are tied to other stock market indexes or other equity securities performance. The Corporation bifurcated the related options embedded within these customers' deposits from the host contract in accordance with ASC Subtopic 815-15. In order to limit the Corporation's exposure to changes in these indexes, the Corporation purchases indexed options which returns are tied to the same indexes from major broker dealer companies in the over the counter market. Accordingly, the embedded options and the related indexed options are marked-to-market through earnings.

### Note 27 – Related party transactions

The Corporation grants loans to its directors, executive officers, including certain related individuals or organizations, and affiliates in the ordinary course of business. The activity and balance of these loans were as follows:

(In thousands)	
Balance at December 31, 2020	\$ 124,891
New loans	3,182
Payments	(28,208)
Other changes, including existing loans to new related parties	2,714
Balance at December 31, 2021	\$ 102,579
New loans	11,090
Payments	(15,402)
Other changes, including existing loans to new related parties	27,070
Balance at December 31, 2022	\$ 125,337

New loans and payments include disbursements and collections from existing lines of credit.

The Corporation has had loan transactions with the Corporation's directors, executive officers, including certain related individuals or organizations, and affiliates, and proposes to continue such transactions in the ordinary course of its business, on substantially the same terms, including interest rates and collateral, as those prevailing for comparable loan transactions with third parties. Except as discussed below, the extensions of credit have not involved and do not currently involve more than normal risks of collection or present other unfavorable features.

In 2010, as part of the Westernbank FDIC assisted transaction, BPPR acquired five commercial loans made to entities that were wholly owned by one brother-in-law of a director of the Corporation. The loans were secured by real estate and personally guaranteed by the director's brother-in-law. The loans were originated by Westernbank between 2001 and 2005 and had an aggregate outstanding principal balance of approximately \$33.5 million when they were acquired by BPPR in 2010. Between 2011 and 2014, the loans were restructured to consist of (i) five notes with an aggregate outstanding principal balance of \$19.8 million with a 6% annual interest rate ("Notes A") and (ii) five notes with an aggregate outstanding balance of \$13.5 million with a 1% annual interest rate, to be paid upon maturity ("Notes B"). The restructured notes had an original maturity of September 30, 2016 and, thereafter, various interim renewals were approved to allow for the re-negotiation of a longer-term extension. The last of these interim renewals, among other things, extended the maturity date until April 2022, decreased the interest rate applicable to the Notes A to 4.25% and maintained the Notes B at an interest rate of 1%. In March and July 2022, the Audit Committee authorized two separate 90-day interim maturity extensions to provide additional time for the Bank to analyze and negotiate the terms and conditions for a longer-term renewal of the credit facilities. In November 2022, BPPR and related parties of the Corporation's director entered into a three-year extension of the loans, until November 2025, which, among other things: (i) increased the interest rate applicable to Notes A to 5.25% and maintained the Notes B at an interest rate of 1% and (ii) established a principal repayment schedule for Notes A, including a \$0.7 million mandatory prepayment. The three-year extension of the loans was approved by the Audit Committee in accordance with the Related Party Policy. The aggregate outstanding balance on the loans as of December 31, 2022 was approximately \$29.3 million, of which approximately \$15.8 million corresponded to Notes A and \$13.5 million to Notes B. During 2022, the borrower paid approximately \$1.4 million and \$0.7 million in principal and interest, respectively.

In April 2010, in connection with the acquisition of the Westernbank assets from the FDIC, as receiver, BPPR acquired a term loan to a corporate borrower partially owned by an investment corporation in which the Corporation's Chairman, at that time the Chief Executive Officer, as well as certain of his family members, are the owners. In addition, the Chairman's sister and brother-in-law are owners of an entity that holds an ownership interest in the borrower. At the time the loan was acquired by BPPR, it had an unpaid principal balance of \$40.2 million. In May 2017, this loan was sold by BPPR to Popular, Inc., holding company ("PIHC"). At the time of sale, the loan had an unpaid principal balance of \$37.9 million. PIHC paid \$37.9 million to BPPR for the loan, of which \$6.0 million was recognized by BPPR as a capital contribution representing the difference between the fair value and the book value of the loan at the time of transfer. Immediately upon being acquired by PIHC, the loan's maturity was extended by 90 days (under the same terms as originally contracted) to provide the PIHC additional time to evaluate a refinancing or long-term extension of the loan. In August 2017, the credit facility was refinanced with a stated maturity in February 2019. During 2017, the facility was subject to the

loan payment moratorium offered as part of the hurricane relief efforts. As such, interest payments amounting to approximately \$0.5 million were deferred and capitalized as part of the loan balance. In February 2019, the Audit Committee approved, under the Related Party Policy, a 36-month renewal of the loan at an interest rate of 5.75% and a 30-year amortization schedule. In December 2021, the Corporation refinanced the then-current \$36.0 million principal balance of the loan at an interest rate of 4.50%, a maturity date of December 2026 and a 20-year amortization schedule. Payments of principal and interest of approximately \$1.2 million and \$1.5 million, respectively, were made during 2022. As of December 31, 2022, the outstanding balance of the loan was approximately \$33.6 million. The borrower is current on its payments.

At December 31, 2022, the Corporation's banking subsidiaries held deposits from related parties amounting to approximately \$ 628 million (2020 - \$700 million).

From time to time, the Corporation, in the ordinary course of business, obtains services from related parties that have some association with the Corporation. Management believes the terms of such arrangements are consistent with arrangements entered into with independent third parties.

For the year ended December 31, 2022, the Corporation made contributions of approximately \$4.8 million to Fundación Banco Popular and Popular Bank Foundation, which are not-for-profit corporations dedicated to philanthropic work (2021 - \$4.5 million). The Corporation also provided human and operational resources to support the activities of the Fundación Banco Popular which in 2022 amounted to approximately \$1.5 million (2021- \$1.3 million).

*Related party transactions with Evertec, as an affiliate*

Until August 15, 2022, the Corporation had an investment in Evertec, which provides various processing and information technology services to the Corporation and its subsidiaries and gave BPPR access to the ATH network owned and operated by Evertec. As of December 31, 2021, the Corporation held 11,654,803 shares of Evertec, representing an ownership stake of 16.19%. This investment was accounted for under the equity method. The Corporation recorded \$ 1.5 million in dividends from its investment in Evertec during the year ended December 31, 2022 (December 31, 2021 - \$2.3 million).

As discussed in Note 4, Business combination, on July 1, 2022, BPPR completed its previously announced acquisition of certain assets from Evertec Group to service certain BPPR channels. 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. As part of the transaction, BPPR and Evertec entered into a revenue sharing structure for BPPR in connection with its merchant acquiring relationship with Evertec. 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). As a result of the exchange of shares, the Corporation recognized a pre-tax gain of \$119.9 million.

Additionally, on August 15, 2022, the Corporation completed the sale of its remaining 7,065,634 shares of common stock of Evertec, Inc.. Following the Evertec Stock Sale, Popular no longer owns any Evertec common stock. As a result, the Corporation discontinued accounting for its proportionate share of Evertec's income (loss) and changes in stockholder's equity under the equity method of accounting in the third quarter of 2022. The Corporation recognized a pre-tax gain on the Evertec Stock Sale of \$137.8 million, including related accounting adjustments.

The following table presents the Corporation's proportionate share of Evertec's income (loss) and changes in stockholders' equity for the years ended December 31, 2022 and 2021, including the effects of the gains recognized related to the Evertec Transactions.

(In thousands)	Years ended December 31,		
	2022	2021	2020
Share of Evertec income and Gain from the Evertec Transactions and related accounting adjustments [1]	\$ 269,539	\$ 26,096	\$ 16,936
Share of other changes in Evertec's stockholders' equity	3,168	53	865
Share of Evertec's changes in equity recognized in income and Gain from the Evertec Transaction and related accounting adjustments	\$ 272,707	\$ 26,149	\$ 17,801

[1] The Gain from the Evertec Transactions and related accounting adjustments are reflected within other operating income in the accompanying consolidated financial statements. As discussed in Note 4, the Corporation recognized an additional \$17.3 million as an operating expense in connection with the Business Acquisition Transaction.

The following tables present the impact of transactions and service payments between the Corporation and Evertec (as an affiliate) and their impact on the results of operations for the years ended December 31, 2022, 2021 and 2020. Items that represent expenses to the Corporation are presented with parenthesis.

(In thousands)	Years ended December 31,			Category
	2022 [1]	2021	2020	
Interest expense on deposits	\$ (267)	\$ (388)	\$ (315)	Interest expense
ATH and credit cards interchange income from services to Evertec	13,955	27,384	22,406	Other service fees
Rental income charged to Evertec	3,258	6,593	7,305	Net occupancy
Fees on services provided by Evertec	(128,681)	(245,945)	(223,069)	Professional fees
Other services provided to Evertec	420	740	1,002	Other operating expenses
<b>Total</b>	<b>\$ (111,315)</b>	<b>\$ (211,616)</b>	<b>\$ (192,671)</b>	

[1] Includes activity through June 30, 2022.

The Corporation continues to obtain programming, processing, and other technology services from Evertec under the amended and restated Master Service Agreement ("MSA"). For the year ended December 31, 2022 the Corporation incurred expenses of \$242 million in connection with these services. In addition, the Corporation received \$6.7 million from Evertec, related to its merchant acquiring relationship. Under the terms of the 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.

#### **Centro Financiero BHD León**

At December 31, 2022, the Corporation had a 15.84% equity interest in Centro Financiero BHD León, S.A. ("BHD León"), one of the largest banking and financial services groups in the Dominican Republic. During the year ended December 31, 2022, the Corporation recorded \$31.2 million in earnings from its investment in BHD León (December 31, 2021 - \$27.7 million), which had a carrying amount of \$199.8 million at December 31, 2022 (December 31, 2021 - \$180.3 million). The Corporation received \$16.0 million in dividends distributions during the year ended December 31, 2022 from its investment in BHD León (December 31, 2021 - \$4.3 million).

#### **Investment Companies**

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

For the year ended December 31, 2022 administrative fees charged to these investment companies amounted to \$2.5 million (December 31, 2021 - 4.1 million) and waived fees amounted to \$0.9 million (December 31, 2021 - \$1.5 million), for a net fee of \$1.6 million (December 31, 2021 - \$2.6 million).

#### **Note 28 – Fair value measurement**

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

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

The Corporation maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Fair value is based upon quoted market prices when available. If listed prices or quotes are not available, the Corporation employs internally-developed models that primarily use market-based inputs including yield curves, interest rates, volatilities, and credit curves, among others. Valuation adjustments are limited to those necessary to ensure that the financial instrument’s fair value is adequately representative of the price that would be received or paid in the marketplace. These adjustments include amounts that reflect counterparty credit quality, the Corporation’s credit standing, constraints on liquidity and unobservable parameters that are applied consistently.

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

#### *Fair Value on a Recurring and Nonrecurring Basis*

The following fair value hierarchy tables present information about the Corporation’s assets and liabilities measured at fair value on a recurring basis at December 31, 2022 and 2021:

At December 31, 2022

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

At December 31, 2021

(In thousands)	Level 1	Level 2	Level 3	Measured at NAV	Total
<b>RECURRING FAIR VALUE MEASUREMENTS</b>					
<b>Assets</b>					
<b>Debt securities available-for-sale:</b>					
U.S. Treasury securities	\$ -	\$ 15,859,030	\$ -	\$ -	\$ 15,859,030
Obligations of U.S. Government sponsored entities	-	70	-	-	70
Collateralized mortgage obligations - federal agencies	-	221,265	-	-	221,265
Mortgage-backed securities	-	8,886,950	826	-	8,887,776
Other	-	128	-	-	128
<b>Total debt securities available-for-sale</b>	<b>\$ -</b>	<b>\$ 24,967,443</b>	<b>\$ 826</b>	<b>\$ -</b>	<b>\$ 24,968,269</b>
<b>Trading account debt securities, excluding derivatives:</b>					
U.S. Treasury securities	\$ 6,530	\$ -	\$ -	\$ -	\$ 6,530
Obligations of Puerto Rico, States and political subdivisions	-	85	-	-	85
Collateralized mortgage obligations	-	59	198	-	257
Mortgage-backed securities	-	22,559	-	-	22,559
Other	-	-	280	-	280
<b>Total trading account debt securities, excluding derivatives</b>	<b>\$ 6,530</b>	<b>\$ 22,703</b>	<b>\$ 478</b>	<b>\$ -</b>	<b>\$ 29,711</b>
Equity securities	\$ -	\$ 32,429	\$ -	\$ 77	\$ 32,506
Mortgage servicing rights	-	-	121,570	-	121,570
Derivatives	-	26,093	-	-	26,093
<b>Total assets measured at fair value on a recurring basis</b>	<b>\$ 6,530</b>	<b>\$ 25,048,668</b>	<b>\$ 122,874</b>	<b>\$ 77</b>	<b>\$ 25,178,149</b>
<b>Liabilities</b>					
Derivatives	\$ -	\$ (22,878)	\$ -	\$ -	\$ (22,878)
Contingent consideration	-	-	(9,241)	-	(9,241)
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>\$ -</b>	<b>\$ (22,878)</b>	<b>\$ (9,241)</b>	<b>\$ -</b>	<b>\$ (32,119)</b>

The fair value information included in the following tables is not as of period end, but as of the date that the fair value measurement was recorded during the years ended December 31, 2022, 2021 and 2020 and excludes nonrecurring fair value measurements of assets no longer outstanding as of the reporting date.



Year ended December 31, 2022

(In thousands)	Level 1	Level 2	Level 3	Total	
<b>NONRECURRING FAIR VALUE MEASUREMENTS</b>					
<b>Assets</b>					<b>Write-downs</b>
Loans <sup>[1]</sup>	\$ -	\$ -	\$ 11,215	\$ 11,215	\$ (2,067)
Other real estate owned <sup>[2]</sup>	-	-	3,992	3,992	(1,026)
Other foreclosed assets <sup>[2]</sup>	-	-	13	13	(1)
Long-lived assets held-for-sale <sup>[3]</sup>	-	-	1,178	1,178	(2,155)
<b>Total assets measured at fair value on a nonrecurring basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,398</b>	<b>\$ 16,398</b>	<b>\$ (5,249)</b>

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

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

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

Year ended December 31, 2021

(In thousands)	Level 1	Level 2	Level 3	Total	
<b>NONRECURRING FAIR VALUE MEASUREMENTS</b>					
<b>Assets</b>					<b>Write-downs</b>
Loans <sup>[1]</sup>	\$ -	\$ -	\$ 21,167	\$ 21,167	\$ (3,721)
Other real estate owned <sup>[2]</sup>	-	-	7,727	7,727	(1,579)
Other foreclosed assets <sup>[2]</sup>	-	-	68	68	(33)
Long-lived assets held-for-sale <sup>[3]</sup>	-	-	9,007	9,007	(5,320)
Trademark <sup>[4]</sup>	-	-	156	156	(5,404)
<b>Total assets measured at fair value on a nonrecurring basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 38,125</b>	<b>\$ 38,125</b>	<b>\$ (16,057)</b>

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

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

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

[4] Represents the fair value of a trademark due to a write-down on impairment.

Year ended December 31, 2020

(In thousands)	Level 1	Level 2	Level 3	Total	Write-downs
<b>NONRECURRING FAIR VALUE MEASUREMENTS</b>					
<b>Assets</b>					
Loans <sup>[1]</sup>	\$ -	\$ -	\$ 74,511	\$ 74,511	\$ (15,290)
Loans held-for-sale <sup>[2]</sup>	-	-	2,738	2,738	(1,311)
Other real estate owned <sup>[3]</sup>	-	-	20,123	20,123	(3,325)
Other foreclosed assets <sup>[3]</sup>	-	-	116	116	(148)
ROU assets <sup>[4]</sup>	-	-	446	446	(15,920)
Leasehold improvements <sup>[4]</sup>	-	-	126	126	(2,084)
<b>Total assets measured at fair value on a nonrecurring basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 98,060</b>	<b>\$ 98,060</b>	<b>\$ (38,078)</b>

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

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

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

[4] The impairment was measured based on the sublease rental value of the branches that were subject to the strategic realignment of PB's New Metro Branch network.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2022, 2021, and 2020.

Year ended December 31, 2022

(In thousands)	MBS classified as debt securities available- for-sale	Other classified as debt securities available- for-sale	CMOs classified as trading account debt securities	MBS classified as trading account debt securities	Other securities classified as trading account debt securities	Mortgage servicing rights	Total assets	Contingent Consideration	Total liabilities
Balance at January 1, 2022	\$ 826	\$ -	\$ 198	\$ -	\$ 280	\$ 121,570	\$ 122,874	\$ (9,241)	\$ (9,241)
Gains (losses) included in earnings	-	-	(2)	4	(73)	166	95	9,241	9,241
Gains (losses) included in OCI	(15)	-	-	-	-	-	(15)	-	-
Additions	-	1,000	5	211	-	6,614	7,830	-	-
Settlements	(100)	-	(88)	-	-	-	(188)	-	-
Balance at December 31, 2022	\$ 711	\$ 1,000	\$ 113	\$ 215	\$ 207	\$ 128,350	\$ 130,596	\$ -	\$ -
Changes in unrealized gains (losses) included in earnings relating to assets still held at December 31, 2022	\$ -	\$ -	\$ (2)	\$ 4	\$ (23)	\$ 11,964	\$ 11,943	\$ -	\$ -

Year ended December 31, 2021								
(In thousands)	MBS classified as debt securities available- for-sale	CMOs classified as trading debt securities	Other securities classified as trading account debt securities	Mortgage servicing rights	Total assets	Contingent Consideration	Total liabilities	
Balance at January 1, 2021	\$ 1,014	\$ 278	\$ 381	\$ 118,395	\$ 120,068	\$ -	\$ -	
Gains (losses) included in earnings	-	(1)	(101)	(10,216)	(10,318)	-	-	
Gains (losses) included in OCI	(13)	-	-	-	(13)	-	-	
Additions	-	29	-	13,391	13,419	(9,241)	(9,241)	
Settlements	(175)	(107)	-	-	(282)	-	-	
Balance at December 31, 2021	\$ 826	\$ 198	\$ 280	\$ 121,570	\$ 122,874	\$ (9,241)	\$ (9,241)	
Changes in unrealized gains (losses) included in earnings relating to assets still held at December 31, 2021	\$ -	\$ (1)	\$ (45)	\$ 6,410	\$ 6,364	\$ -	\$ -	

Year ended December 31, 2020								
(In thousands)	MBS classified as debt securities available- for-sale	CMOs classified as trading debt securities	Other securities classified as trading account debt securities	Mortgage servicing rights	Total assets	Contingent Consideration	Total liabilities	
Balance at January 1, 2020			\$ 1,182	\$ 530	\$ 440	\$ 150,906	\$ 153,058	
Gains (losses) included in earnings			-	(1)	(59)	(42,055)	(42,115)	
Gains (losses) included in OCI			(18)	-	-	-	(18)	
Additions			-	4	-	9,544	9,548	
Settlements			(150)	(255)	-	-	(405)	
Balance at December 31, 2020			\$ 1,014	\$ 278	\$ 381	\$ 118,395	\$ 120,068	
Changes in unrealized gains (losses) included in earnings relating to assets still held at December 31, 2020			\$ -	\$ -	\$ 27	\$ (19,327)	\$ (19,300)	

Gains and losses (realized and unrealized) included in earnings for the years ended December 31, 2022, 2021, and 2020 for Level 3 assets and liabilities included in the previous tables are reported in the consolidated statement of operations as follows:

	2022		2021		2020	
	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date
Mortgage banking activities	\$ 166	\$ 11,964	\$ (10,216)	\$ 6,410	\$ (42,055)	\$ (19,327)
Trading account (loss) profit	(71)	(21)	(102)	(46)	(60)	27
Other operating income	9,241	-	-	-	-	-
Total	\$ 9,336	\$ 11,943	\$ (10,318)	\$ 6,364	\$ (42,115)	\$ (19,300)

The following tables include quantitative information about significant unobservable inputs used to derive the fair value of Level 3 instruments, excluding those instruments for which the unobservable inputs were not developed by the Corporation such as prices of prior transactions and/or unadjusted third-party pricing sources at December 31, 2022 and 2021.

(In thousands)	Fair value at December 31, 2022	Valuation technique	Unobservable inputs	Weighted average (range) [1]
CMO's - trading	\$ 113	Discounted cash flow model	Weighted average life	0.4 years (0.1 - 0.6 years)
			Yield	4.9% (4.9% - 5.4%)
			Prepayment speed	10.2% (9.1% - 32%)
Other - trading	\$ 207	Discounted cash flow model	Weighted average life	2.5 years
			Yield	12.0%
			Prepayment speed	10.8%
Loans held-in-portfolio	\$ 5,087 <sup>[2]</sup>	External appraisal	Haircut applied on external appraisals	8.3% (5.0% - 10.4%)
Other real estate owned	\$ 528 <sup>[3]</sup>	External appraisal	Haircut applied on external appraisals	18.4% (5.0% - 35%)

[1] Weighted average of significant unobservable inputs used to develop Level 3 fair value measurements were calculated by relative fair value.

[2] Loans held-in-portfolio in which haircuts were not applied to external appraisals were excluded from this table.

[3] Other real estate owned in which haircuts were not applied to external appraisals were excluded from this table.

(In thousands)	Fair value at December 31, 2021	Valuation technique	Unobservable inputs	Weighted average (range) [1]
CMO's - trading	\$ 198	Discounted cash flow model	Weighted average life	0.8 years (0.4 - 1 years)
			Yield	3.6% (3.6% - 4.1%)
			Prepayment speed	11.4% (10.1% - 17.2%)
Other - trading	\$ 280	Discounted cash flow model	Weighted average life	2.9 years
			Yield	12.0%
			Prepayment speed	10.8%
Loans held-in-portfolio	\$ 20,041 <sup>[2]</sup>	External appraisal	Haircut applied on external appraisals	5.0%
Other real estate owned	\$ 3,631 <sup>[3]</sup>	External appraisal	Haircut applied on external appraisals	22.3% (5.0% - 35.0%)

[1] Weighted average of significant unobservable inputs used to develop Level 3 fair value measurements were calculated by relative fair value.

[2] Loans held-in-portfolio in which haircuts were not applied to external appraisals were excluded from this table.

[3] Other real estate owned in which haircuts were not applied to external appraisals were excluded from this table.

Effective the fourth quarter 2021, the mortgage servicing rights fair value was provided by a third-party valuation specialist. Refer to Note 11 to the Consolidated Financial Statements for additional information on MSRs.

The significant unobservable inputs used in the fair value measurement of the Corporation's collateralized mortgage obligations and interest-only collateralized mortgage obligation (reported as "other"), which are classified in the "trading" category, are yield, constant prepayment rate, and weighted average life. Significant increases (decreases) in any of those inputs in isolation would result in significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the constant prepayment rate will generate a directionally opposite change in the weighted average life. For example, as the average life is reduced by a higher constant prepayment rate, a lower yield will be realized, and when there is a reduction in the constant prepayment rate, the average life of these collateralized mortgage obligations will extend, thus resulting in a higher yield. The significant unobservable inputs used in the fair value measurement of the Corporation's mortgage servicing rights are constant prepayment rates and discount rates. Increases in interest rates may result in lower prepayments. Discount rates vary according to products and / or portfolios depending on the perceived risk. Increases in discount rates result in a lower fair value measurement

Following is a description of the Corporation's valuation methodologies used for assets and liabilities measured at fair value. The disclosure requirements exclude certain financial instruments and all non-financial instruments. Accordingly, the aggregate fair value amounts of the financial instruments disclosed do not represent management's estimate of the underlying value of the Corporation.

*Trading account debt securities and debt securities available-for-sale*

- U.S. Treasury securities: The fair value of U.S. Treasury notes is based on yields that are interpolated from the constant maturity treasury curve. These securities are classified as Level 2. U.S. Treasury bills are classified as Level 1 given the high volume of trades and pricing based on those trades.
- Obligations of U.S. Government sponsored entities: The Obligations of U.S. Government sponsored entities include U.S. agency securities, which fair value is based on an active exchange market and on quoted market prices for similar securities. The U.S. agency securities are classified as Level 2.
- Obligations of Puerto Rico, States and political subdivisions: Obligations of Puerto Rico, States and political subdivisions include municipal bonds. The bonds are segregated and the like characteristics divided into specific sectors. Market inputs used in the evaluation process include all or some of the following: trades, bid price or spread, two sided markets, quotes, benchmark curves including but not limited to Treasury benchmarks, LIBOR and swap curves, market data feeds such as those obtained from municipal market sources, discount and capital rates, and trustee reports. The municipal bonds are classified as Level 2.
- Mortgage-backed securities: Certain agency mortgage-backed securities (“MBS”) are priced based on a bond’s theoretical value derived from similar bonds defined by credit quality and market sector. Their fair value incorporates an option adjusted spread. The agency MBS are classified as Level 2. Other agency MBS such as GNMA Puerto Rico Serials are priced using an internally-prepared pricing matrix with quoted prices from local brokers dealers. These particular MBS are classified as Level 3.
- Collateralized mortgage obligations: Agency collateralized mortgage obligations (“CMOs”) are priced based on a bond’s theoretical value derived from similar bonds defined by credit quality and market sector and for which fair value incorporates an option adjusted spread. The option adjusted spread model includes prepayment and volatility assumptions, ratings (whole loans collateral) and spread adjustments. These CMOs are classified as Level 2. Other CMOs, due to their limited liquidity, are classified as Level 3 due to the insufficiency of inputs such as executed trades, credit information and cash flows.
- Corporate securities (included as “other” in the “available-for-sale” category): Given that the quoted prices are for similar instruments, these securities are classified as Level 2.
- Corporate securities and interest-only strips (included as “other” in the “trading account debt securities” category): For corporate securities, quoted prices for these security types are obtained from broker dealers. Given that the quoted prices are for similar instruments or do not trade in highly liquid markets, these securities are classified as Level 2. Given that the fair value was estimated based on a discounted cash flow model using unobservable inputs, interest-only strips are classified as Level 3.

#### *Equity securities*

Equity securities are comprised principally of shares in closed-ended and open-ended mutual funds and other equity securities. Closed-end funds are traded on the secondary market at the shares’ market value. Open-ended funds are considered to be liquid, as investors can sell their shares continually to the fund and are priced at NAV. Mutual funds are classified as Level 2. Other equity securities that do not trade in highly liquid markets are also classified as Level 2, except for one equity security that do not have readily determinable fair value and is under an investment company is measured at NAV.

#### *Mortgage servicing rights*

Mortgage servicing rights (“MSRs”) do not trade in an active market with readily observable prices. MSRs are priced using a discounted cash flow model valuation performed by a third party. The discounted cash flow model incorporates assumptions that market participants would use in estimating future net servicing income, including portfolio characteristics, prepayments assumptions, discount rates, delinquency and foreclosure rates, late charges, other ancillary revenues, cost to service and other economic factors. Prepayment speeds are adjusted for the loans’ characteristics and portfolio behavior. Due to the unobservable nature of certain valuation inputs, the MSRs are classified as Level 3.

#### *Derivatives*

Interest rate caps and indexed options are traded in over-the-counter active markets. These derivatives are indexed to an observable interest rate benchmark, such as LIBOR or equity indexes, and are priced using an income approach based on present value and option pricing models using observable inputs. Other derivatives are liquid and have quoted prices, such as forward contracts or “to be announced securities” (“TBAs”). All of these derivatives are classified as Level 2. The non-performance risk is determined using internally-developed models that consider the collateral held, the remaining term, and the creditworthiness of the entity that bears the risk, and uses available public data or internally-developed data related to current spreads that denote their probability of default.

*Contingent consideration liability*

The fair value of the contingent consideration, which relates to earnout payments that could be payable to K2 over a three-year period, was calculated based on a discounted cash flow technique using the probability-weighted average from likely scenarios. This contingent consideration is classified as Level 3.

*Loans held-in-portfolio that are collateral dependent*

The impairment is measured based on the fair value of the collateral, which is derived from appraisals that take into consideration prices in observed transactions involving similar assets in similar locations and which could be subject to internal adjustments. These collateral dependent loans are classified as Level 3.

*Loans measured at fair value pursuant to lower of cost or fair value adjustments*

Loans measured at fair value on a nonrecurring basis pursuant to lower of cost or fair value were priced based on secondary market prices and discounted cash flow models which incorporate internally-developed assumptions for prepayments and credit loss estimates. These loans are classified as Level 3.

*Other real estate owned and other foreclosed assets*

Other real estate owned includes real estate properties securing mortgage, consumer, and commercial loans. Other foreclosed assets include primarily automobiles securing auto loans. The fair value of foreclosed assets may be determined using an external appraisal, broker price opinion, or an internal valuation. These foreclosed assets are classified as Level 3 since they are subject to internal adjustments.

*ROU assets and leasehold improvements*

The impairment was measured based on the sublease rental value of the branches that were subject to the strategic realignment of PB's New York Metro Branch network. These ROU assets and leasehold improvements are classified as Level 3.

*Long-lived assets held-for-sale*

The Corporation evaluates for impairment its long-lived assets, 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 cost to sell. These long-lived assets held-for-sale are classified as Level 3.

*Trademark*

The write-down on impairment of a trademark was based on the discontinuance of origination thru e-loan platform. This trademark is classified as Level 3.

**Note 29 – Fair value of financial instruments**

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

The fair values reflected herein have been determined based on the prevailing rate environment at December 31, 2022 and December 31, 2021, as applicable. In different interest rate environments, fair value estimates can differ significantly, especially for certain fixed rate financial instruments. In addition, the fair values presented do not attempt to estimate the value of the Corporation's fee generating businesses and anticipated future business activities, that is, they do not represent the Corporation's value as a going concern. There have been no changes in the Corporation's valuation methodologies and inputs used to estimate the fair values for each class of financial assets and liabilities not measured at fair value.

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

December 31, 2022

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

December 31, 2022

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

[1] Refer to Note 28 to the Consolidated Financial Statements for the fair value by class of financial asset and its hierarchy level.

[2] Refer to Note 17 to the Consolidated Financial Statements for the composition of other short-term borrowings.



December 31, 2021

(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Measured at NAV	Fair value
<b>Financial Assets:</b>						
Cash and due from banks	\$ 428,433	\$ 428,433	\$ -	\$ -	\$ -	\$ 428,433
Money market investments	17,536,719	17,530,640	6,079	-	-	17,536,719
Trading account debt securities, excluding derivatives <sup>[1]</sup>	29,711	6,530	22,703	478	-	29,711
Debt securities available-for-sale <sup>[1]</sup>	24,968,269	-	24,967,443	826	-	24,968,269
<b>Debt securities held-to-maturity:</b>						
Obligations of Puerto Rico, States and political subdivisions	\$ 65,380	\$ -	\$ -	\$ 77,383	\$ -	\$ 77,383
Collateralized mortgage obligation-federal agency	25	-	-	25	-	25
Securities in wholly owned statutory business trusts	5,960	-	5,960	-	-	5,960
<b>Total debt securities held-to-maturity</b>	<b>\$ 71,365</b>	<b>\$ -</b>	<b>\$ 5,960</b>	<b>\$ 77,408</b>	<b>\$ -</b>	<b>\$ 83,368</b>
<b>Equity securities:</b>						
FHLB stock	\$ 59,918	\$ -	\$ 59,918	\$ -	\$ -	\$ 59,918
FRB stock	96,217	-	96,217	-	-	96,217
Other investments	33,842	-	32,429	3,704	77	36,210
<b>Total equity securities</b>	<b>\$ 189,977</b>	<b>\$ -</b>	<b>\$ 188,564</b>	<b>\$ 3,704</b>	<b>\$ 77</b>	<b>\$ 192,345</b>
Loans held-for-sale	\$ 59,168	\$ -	\$ -	\$ 59,885	\$ -	\$ 59,885
Loans held-in-portfolio	28,545,191	-	-	27,489,583	-	27,489,583
Mortgage servicing rights	121,570	-	-	121,570	-	121,570
Derivatives	26,093	-	26,093	-	-	26,093

December 31, 2021

(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Measured at NAV	Fair value
<b>Financial Liabilities:</b>						
<b>Deposits:</b>						
Demand deposits	\$ 60,292,939	\$ -	\$ 60,292,939	\$ -	\$ -	\$ 60,292,939
Time deposits	6,712,149	-	6,647,301	-	-	6,647,301
<b>Total deposits</b>	<b>\$ 67,005,088</b>	<b>\$ -</b>	<b>\$ 66,940,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 66,940,240</b>
Assets sold under agreements to repurchase	\$ 91,603	\$ -	\$ 91,602	\$ -	\$ -	\$ 91,602
Other short-term borrowings <sup>[2]</sup>	75,000	-	75,000	-	-	75,000
<b>Notes payable:</b>						
FHLB advances	\$ 492,429	\$ -	\$ 496,091	\$ -	\$ -	\$ 496,091
Unsecured senior debt securities	297,842	-	319,296	-	-	319,296
Junior subordinated deferrable interest debentures (related to trust preferred securities)	198,292	-	201,879	-	-	201,879
<b>Total notes payable</b>	<b>\$ 988,563</b>	<b>\$ -</b>	<b>\$ 1,017,266</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,017,266</b>
Derivatives	\$ 22,878	\$ -	\$ 22,878	\$ -	\$ -	\$ 22,878
Contingent consideration	\$ 9,241	\$ -	\$ -	\$ 9,241	\$ -	\$ 9,241

[1] Refer to Note 28 to the Consolidated Financial Statements for the fair value by class of financial asset and its hierarchy level.

[2] Refer to Note 17 to the Consolidated Financial Statements for the composition of other short-term borrowings.

The notional amount of commitments to extend credit at December 31, 2022 and December 31, 2021 is \$10.5 billion and \$9.5 billion, respectively, and represents the unused portion of credit facilities granted to customers. The notional amount of letters of credit at December 31, 2022 and December 31, 2021 is \$31 million and represents the contractual amount that is required to be paid in the event of nonperformance. The fair value of commitments to extend credit and letters of credit, which are based on the fees charged to enter into those agreements, are not material to Popular's financial statements.

### Note 30 – Employee benefits

Certain employees of BPPR are covered by three non-contributory defined benefit pension plans, the Banco Popular de Puerto Rico Retirement Plan and two Restoration Plans (the “Pension Plans”). Pension benefits are based on age, years of credited service, and final average compensation.

The Pension Plans are currently closed to new hires and the accrual of benefits are frozen to all participants. The Pension Plans’ benefit formula is based on a percentage of average final compensation and years of service as of the plan freeze date. Normal retirement age under the retirement plan is age 65 with 5 years of service. Pension costs are funded in accordance with minimum funding standards under the Employee Retirement Income Security Act of 1974 (“ERISA”). Benefits under the Pension Plans are subject to the U.S. and Puerto Rico Internal Revenue Code limits on compensation and benefits. Benefits under restoration plans restore benefits to selected employees that are limited under the Banco Popular de Puerto Rico Retirement Plan due to U.S. and Puerto Rico Internal Revenue Code limits and a compensation definition that excludes amounts deferred pursuant to nonqualified arrangements.

In addition to providing pension benefits, BPPR provides certain health care benefits for certain retired employees (the “OPEB Plan”). Regular employees of BPPR, hired before February 1, 2000, may become eligible for health care benefits, provided they reach retirement age while working for BPPR.

The Corporation’s funding policy is to make annual contributions to the plans, when necessary, in amounts which fully provide for all benefits as they become due under the plans.

The Corporation’s pension fund investment strategy is to invest in a prudent manner for the exclusive purpose of providing benefits to participants. A well defined internal structure has been established to develop and implement a risk-controlled investment strategy that is targeted to produce a total return that, when combined with BPPR contributions to the fund, will maintain the fund’s ability to meet all required benefit obligations. Risk is controlled through diversification of asset types, such as investments in domestic and international equities and fixed income.

Equity investments include various types of stock and index funds. Also, this category includes Popular, Inc.’s common stock. Fixed income investments include U.S. Government securities and other U.S. agencies’ obligations, corporate bonds, mortgage loans, mortgage-backed securities and index funds, among others. A designated committee periodically reviews the performance of the pension plans’ investments and assets allocation. The Trustee and the money managers are allowed to exercise investment discretion, subject to limitations established by the pension plans’ investment policies. The plans forbid money managers to enter into derivative transactions, unless approved by the Trustee.

The overall expected long-term rate-of-return-on-assets assumption reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the plan assets, with consideration given to the distribution of the investments by asset class and historical rates of return for each individual asset class. This process is reevaluated at least on an annual basis and if market, actuarial and economic conditions change, adjustments to the rate of return may come into place.

The Pension Plans weighted average asset allocation as of December 31, 2022 and 2021 and the approved asset allocation ranges, by asset category, are summarized in the table below.

	Minimum allotment	Maximum allotment	2022	2021
Equity	0%	70%	27%	30%
Debt securities	0%	100%	69%	67%
Popular related securities	0%	5%	2%	2%
Cash and cash equivalents	0%	100%	2%	1%

The following table sets forth by level, within the fair value hierarchy, the Pension Plans' assets at fair value at December 31, 2022 and 2021. Investments measured at net asset value per share ("NAV") as a practical expedient have not been classified in the fair value hierarchy, but are presented in order to permit reconciliation of the plans' assets. During the year ended December 31, 2022 investments in certain government obligations classified as Level 2 were substituted by proprietary funds of a money manager that invest in government obligations that are measured at NAV.

(In thousands)	2022					2021				
	Level 1	Level 2	Level 3	Measured at NAV	Total	Level 1	Level 2	Level 3	Measured at NAV	Total
Obligations of the U.S. Government, its agencies, states and political subdivisions	\$ -	\$ 8,113	\$ -	\$ 130,397	\$ 138,510	\$ -	\$ 9,259	\$ -	\$ 188,377	\$ 197,636
Corporate bonds and debentures	-	268,641	-	6,291	274,932	-	375,875	-	8,485	384,360
Equity securities - Common Stock	32,906	-	-	-	32,906	41,414	-	-	-	41,414
Equity securities - ETF's	51,836	20,276	-	-	72,112	111,365	25,446	-	-	136,811
Foreign commingled trust funds	-	-	-	64,630	64,630	-	-	-	82,912	82,912
Mutual fund	-	3,471	-	22,106	25,577	-	5,262	-	-	5,262
Private equity investments	-	-	-	-	-	-	-	56	-	56
Cash and cash equivalents	7,637	-	-	-	7,637	7,523	-	-	-	7,523
Accrued investment income	-	-	3,581	-	3,581	-	-	4,510	-	4,510
<b>Total assets</b>	<b>\$ 92,379</b>	<b>\$ 300,501</b>	<b>\$ 3,581</b>	<b>\$ 223,424</b>	<b>\$ 619,885</b>	<b>\$ 160,302</b>	<b>\$ 415,842</b>	<b>\$ 4,566</b>	<b>\$ 279,774</b>	<b>\$ 860,484</b>

The closing prices reported in the active markets in which the securities are traded are used to value the investments.

Following is a description of the valuation methodologies used for investments measured at fair value:

- Obligations of U.S. Government, its agencies, states and political subdivisions - The fair value of Obligations of U.S. Government and its agencies obligations are based on an active exchange market and on quoted market prices for similar securities. U.S. agency structured notes are priced based on a bond's theoretical value from similar bonds defined by credit quality and market sector and for which the fair value incorporates an option adjusted spread in deriving their fair value. The fair value of municipal bonds are based on trade data on these instruments reported on Municipal Securities Rulemaking Board ("MSRB") transaction reporting system or comparable bonds from the same issuer and credit quality. These securities are classified as Level 2, except for the governmental index funds that are measured at NAV.
- Corporate bonds and debentures - Corporate bonds and debentures are valued at fair value at the closing price reported in the active market in which the bond is traded. These securities are classified as Level 2, except for the corporate bond funds that are measured at NAV.
- Equity securities – common stock - Equity securities with quoted market prices obtained from an active exchange market and high liquidity are classified as Level 1.
- Equity securities – ETF's – Exchange Traded Funds shares with quoted market prices obtained from an active exchange market. Highly liquid ETF's are classified as Level 1 while less liquid ETF's are classified as Level 2.
- Foreign commingled trust fund- Collective investment funds are valued at the NAV of shares held by the plan at year end.
- Mutual funds – Mutual funds are valued at the NAV of shares held by the plan at year end. Mutual funds are classified as Level 2.
- Private equity investments - Private equity investments include an investment in a private equity fund. The fund value is recorded at its net realizable value which is affected by the changes in the fair market value of the investments held in the fund. This fund is classified as Level 3.
- Cash and cash equivalents - The carrying amount of cash and cash equivalents is a reasonable estimate of the fair value since it is available on demand or due to their short-term maturity. Cash and cash equivalents are classified as Level 1.
- Accrued investment income – Given the short-term nature of these assets, their carrying amount approximates fair value. Since there is a lack of observable inputs related to instrument specific attributes, these are reported as Level 3.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the change in Level 3 assets measured at fair value.

(In thousands)	2022		2021	
Balance at beginning of year	\$	4,566	\$	3,917
Purchases, sales, issuance and settlements (net)		(985)		649
Balance at end of year	\$	3,581	\$	4,566

There were no transfers in and/or out of Level 3 for financial instruments measured at fair value on a recurring basis during the years ended December 31, 2022 and 2021. There were no transfers in and/or out of Level 1 and Level 2 during the years ended December 31, 2022 and 2021.

Information on the shares of common stock held by the pension plans is provided in the table that follows.

(In thousands, except number of shares information)	2022		2021	
Shares of Popular, Inc. common stock		171,931		167,182
Fair value of shares of Popular, Inc. common stock	\$	11,402	\$	13,716
Dividends paid on shares of Popular, Inc. common stock held by the plan	\$	355	\$	280

The following table presents the components of net periodic benefit cost for the years ended December 31, 2022, 2021 and 2020.

(In thousands)	Pension Plans			OPEB Plan		
	2022	2021	2020	2022	2021	2020
(in thousands)						
Service cost	\$ -	\$ -	\$ -	\$ 485	\$ 642	\$ 713
Other operating expenses:						
Interest cost	19,199	15,993	23,389	3,931	3,573	4,913
Expected return on plan assets	(35,388)	(38,679)	(38,104)	-	-	-
Recognized net actuarial loss	15,644	18,876	20,880	-	1,873	567
Net periodic benefit cost	\$ (545)	\$ (3,810)	\$ 6,165	\$ 4,416	\$ 6,088	\$ 6,193
Other Adjustments	-	-	-	60	-	-
Total benefit cost	\$ (545)	\$ (3,810)	\$ 6,165	\$ 4,476	\$ 6,088	\$ 6,193

The following table sets forth the aggregate status of the plans and the amounts recognized in the consolidated financial statements at December 31, 2022 and 2021.

(In thousands)	Pension Plans		OPEB Plan	
	2022	2021	2022	2021
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year	\$ 851,471	\$ 914,353	\$ 159,958	\$ 179,210
Service cost	-	-	485	642
Interest cost	19,199	15,993	3,931	3,573
Actuarial (gain)/loss <sup>[1]</sup>	(194,473)	(34,297)	(39,479)	(17,286)
Benefits paid	(48,022)	(44,578)	(6,619)	(6,181)
Other adjustments	-	-	60	-
Benefit obligation at end of year	\$ 628,175	\$ 851,471	\$ 118,336	\$ 159,958
<b>Change in fair value of plan assets:</b>				
Fair value of plan assets at beginning of year	\$ 860,484	\$ 878,785	\$ -	\$ -
Actual return on plan assets	(192,807)	26,049	-	-
Employer contributions	230	228	6,619	6,181
Benefits paid	(48,022)	(44,578)	(6,619)	(6,181)
Fair value of plan assets at end of year	\$ 619,885	\$ 860,484	\$ -	\$ -
<b>Funded status of the plan:</b>				
Benefit obligation at end of year	\$ (628,175)	\$ (851,471)	\$ (118,336)	\$ (159,958)
Fair value of plan assets at end of year	619,885	860,484	-	-
Funded status at year end	\$ (8,290)	\$ 9,013	\$ (118,336)	\$ (159,958)
<b>Amounts recognized in accumulated other comprehensive loss:</b>				
Net loss/(gain)	243,434	225,356	(26,486)	12,993
Accumulated other comprehensive loss (AOCL)	\$ 243,434	\$ 225,356	\$ (26,486)	\$ 12,993
<b>Reconciliation of net (liabilities) assets:</b>				
Net liabilities at beginning of year	\$ 9,013	\$ (35,568)	\$ (159,958)	\$ (179,210)
Amount recognized in AOCL at beginning of year, pre-tax	225,356	265,899	12,993	32,152
Amount prepaid at beginning of year	234,369	230,331	(146,965)	(147,058)
Total benefit cost	545	3,810	(4,476)	(6,088)
Contributions	230	228	6,619	6,181
Amount prepaid at end of year	235,144	234,369	(144,822)	(146,965)
Amount recognized in AOCL	(243,434)	(225,356)	26,486	(12,993)
Net asset/(liabilities) at end of year	\$ (8,290)	\$ 9,013	\$ (118,336)	\$ (159,958)

[1] For 2022, significant components of the Pension Plans actuarial gain that changed the benefit obligation were mainly related to an increase in the single weighted-average discount rates partially offset by a lower return on the fair value of plan assets. For OPEB Plans significant components of the actuarial gain that change the benefit obligation were mainly related to an increase in discount rates and the per capita claim assumption at year-end which was lower than expected partially offset by the health care cost trend assumption which was updated to reflect inflationary pressures in the health care industry. For 2021, significant components of the Pension Plans actuarial gain that changed the benefit obligation were mainly related to an increase in the single weighted-average discount rates partially offset by a lower return on the fair value of plan assets. For OPEB Plans significant components of the actuarial gain that change the benefit obligation were mainly related to an increase in discount rates and the per capita claim assumption at year-end which was lower than expected. The per capita claim methodology for the fully insured Medicare Advantage plans changed from age-based per capita cost to cost that do not vary by age.

The following table presents the change in accumulated other comprehensive loss ("AOCL"), pre-tax, for the years ended December 31, 2022 and 2021.

(In thousands)	Pension Plans		OPEB Plan	
	2022	2021	2022	2021
Accumulated other comprehensive loss at beginning of year	\$ 225,356	\$ 265,899	\$ 12,993	\$ 32,152
Increase (decrease) in AOCL:				
Recognized during the year:				
Amortization of actuarial losses	(15,644)	(18,876)	-	(1,873)
Occurring during the year:				
Net actuarial (gains)/losses	33,722	(21,667)	(39,479)	(17,286)
Total (decrease) increase in AOCL	18,078	(40,543)	(39,479)	(19,159)
Accumulated other comprehensive loss at end of year	\$ 243,434	\$ 225,356	\$ (26,486)	\$ 12,993

The Corporation estimates the service and interest cost components utilizing a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows.

To determine benefit obligation at year end, the Corporation used a weighted average of annual spot rates applied to future expected cash flows for years ended December 31, 2022 and 2021.

The following table presents the discount rate and assumed health care cost trend rates used to determine the benefit obligation and net periodic benefit cost for the plans:

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:	Pension Plan			OPEB Plan		
	2022	2021	2020	2022	2021	2020
Discount rate for benefit obligation	2.79 - 2.83%	2.41 - 2.48%	3.22 - 3.27%	2.94%	2.65%	3.38%
Discount rate for service cost	N/A	N/A	N/A	3.21%	3.09%	3.72%
Discount rate for interest cost	2.30 - 2.33%	1.76 - 1.80%	2.81 - 2.83%	2.51%	2.03%	2.98%
Expected return on plan assets	4.30 - 5.40%	4.60 - 5.50%	5.00 - 5.80%	N/A	N/A	N/A
Initial health care cost trend rate	N/A	N/A	N/A	4.75%	5.00%	5.00%
Ultimate health care cost trend rate	N/A	N/A	N/A	4.50%	4.50%	5.00%
Year that the ultimate trend rate is reached	N/A	N/A	N/A	2023	2023	2020

Weighted average assumptions used to determine benefit obligation at December 31:	Pension Plans		OPEB Plan	
	2022	2021	2022	2021
Discount rate for benefit obligation	5.34-5.37%	2.79-2.83%	5.42%	2.94%
Initial health care cost trend rate	N/A	N/A	7.50%	4.75%
Ultimate health care cost trend rate	N/A	N/A	4.50%	4.50%
Year that the ultimate trend rate is reached	N/A	N/A	2035	2023

The following table presents information for plans with a projected benefit obligation and accumulated benefit obligation in excess of plan assets for the years ended December 31, 2022 and 2021.

(In thousands)	Pension Plans		OPEB Plan	
	2022	2021	2022	2021
Projected benefit obligation	\$ 628,175	\$ 851,471	\$ 118,336	\$ 159,958
Accumulated benefit obligation	628,175	851,471	118,336	159,958
Fair value of plan assets	619,885	860,484	-	-

The Corporation expects to pay the following contributions to the plans during the year ended December 31, 2023.

(In thousands)	2023
Pension Plans	\$ 228
OPEB Plan	\$ 5,924

Benefit payments projected to be made from the plans during the next ten years are presented in the table below.

(In thousands)	Pension Plans	OPEB Plan
2023	\$ 48,472	\$ 5,924
2024	45,590	6,149
2025	45,750	6,429
2026	45,847	6,754
2027	45,843	7,053
2028 - 2032	225,107	38,873



The table below presents a breakdown of the plans' assets and liabilities at December 31, 2022 and 2021.

(In thousands)	Pension Plans		OPEB Plan	
	2022	2021	2022	2021
Non-current assets	\$ -	\$ 17,792	\$ -	\$ -
Current liabilities	222	227	5,779	5,959
Non-current liabilities	8,068	8,552	112,557	153,999

*Savings plans*

The Corporation also provides defined contribution savings plans pursuant to Section 1081.01(d) of the Puerto Rico Internal Revenue Code and Section 401(k) of the U.S. Internal Revenue Code, as applicable, for substantially all the employees of the Corporation. Investments in the plans are participant-directed, and employer matching contributions are determined based on the specific provisions of each plan. Employees are fully vested in the employer's contribution after five years of service. The cost of providing these benefits in the year ended December 31, 2022 was \$18.7 million (2021 - \$13.3 million, 2020 - \$14.0 million).

The plans held 1,246,519 (2021 – 1,279,982) shares of common stock of the Corporation with a market value of approximately \$82.7 million at December 31, 2022 (2021 - \$105 million).

### Note 31 – Net income per common share

The following table sets forth the computation of net income per common share (“EPS”), basic and diluted, for the years ended December 31, 2022, 2021 and 2020:

(In thousands, except per share information)	2022		2021		2020	
Net income	\$	1,102,641	\$	934,889	\$	506,622
Preferred stock dividends		(1,412)		(1,412)		(1,758)
Net income applicable to common stock	\$	1,101,229	\$	933,477	\$	504,864
Average common shares outstanding		75,147,263		81,263,027		85,882,371
Average potential dilutive common shares		126,740		157,127		92,888
Average common shares outstanding - assuming dilution		75,274,003		81,420,154		85,975,259
Basic EPS	\$	14.65	\$	11.49	\$	5.88
Diluted EPS	\$	14.63	\$	11.46	\$	5.87

As disclosed in Note 20, as of September 30, 2022, the Corporation completed its \$400 million accelerated share repurchase transaction (“ASR”) and, in connection therewith, received an initial delivery of 3,483,942 shares of common stock during the first quarter of 2022 and 1,582,922 additional shares of common stock during the third quarter of 2022. The final number of shares delivered was based in the average daily volume weighted average price (“VWAP”) of the Corporation’s common stock, net of discount, during the term of the ASR, which amounted to \$78.94.

As of December 31, 2022, the Corporation completed its \$231 million accelerated share repurchase transaction entered on August 2022, (the “August ASR Agreement”) and, in connection therewith, received an initial delivery of 2,339,241 shares of common stock during the third quarter of 2022 and 840,024 additional shares of common stock during the fourth quarter of 2022. The final number of shares delivered was based in the average daily volume weighted average price (“VWAP”) of the Corporation’s common stock, net of discount, during the term of the ASR, which amounted to \$72.66.

Potential common shares consist of shares of common stock issuable under the assumed exercise of stock options, restricted stock and performance share awards using the treasury stock method. This method assumes that the potential common shares are issued and the proceeds from exercise, in addition to the amount of compensation cost attributed to future services, are used to purchase shares of common stock at the exercise date. The difference between the number of potential common shares issued and the shares of common stock purchased is added as incremental shares to the actual number of shares outstanding to compute diluted earnings per share. Warrants, stock options, restricted stock and performance share awards, if any, that result in lower potential common shares issued than shares of common stock purchased under the treasury stock method are not included in the computation of dilutive earnings per share since their inclusion would have an antidilutive effect in earnings per common share.

### Note 32 – Revenue from contracts with customers

The following table presents the Corporation's revenue streams from contracts with customers by reportable segment for the years ended December 31, 2022, 2021 and 2020 .

(In thousands)	Years ended December 31,					
	2022		2021		2020	
	BPPR	Popular U.S.	BPPR	Popular U.S.	BPPR	Popular U.S.
Service charges on deposit accounts	\$ 146,073	\$ 11,137	\$ 151,453	\$ 11,245	\$ 136,703	\$ 11,120
Other service fees:						
Debit card fees	49,297	876	47,681	956	38,685	967
Insurance fees, excluding reinsurance	40,545	5,018	40,929	3,798	35,799	2,484
Credit card fees, excluding late fees and membership fees	136,295	1,275	117,418	1,052	88,091	831
Sale and administration of investment products	23,553	-	23,634	-	21,755	-
Trust fees	23,614	-	24,855	-	21,700	-
Total revenue from contracts with customers <sup>[1]</sup>	\$ 419,377	\$ 18,306	\$ 405,970	\$ 17,051	\$ 342,733	\$ 15,402

[1] The amounts include intersegment transactions of \$ 5 million, \$4.1 million and \$4.3 million, respectively, for the years ended December 31, 2022, 2021 and 2020.

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

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

#### *Service charges on deposit accounts*

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

#### *Debit card fees*

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

#### *Insurance fees*

Insurance fees include, but are not limited to, commissions and contingent commissions. Commissions and fees are recognized when related policies are effective since the Corporation does not have an enforceable right to payment for services completed to date. An allowance is created for expected adjustments to commissions earned related to policy cancellations. Contingent

commissions are recorded on an accrual basis when the amount to be received is notified by the insurance company. The Corporation is acting as an agent since it arranges for the sale of the policies and receives commissions if, and when, it achieves the sale.

#### *Credit card fees*

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

#### *Sale and administration of investment products*

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

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

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

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

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

#### *Trust fees*

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

### Note 33 – Leases

The Corporation enters in the ordinary course of business into operating and finance leases for land, buildings and equipment. These contracts generally do not include purchase options or residual value guarantees. The remaining lease terms of 0.1 to 32.0 years considers options to extend the leases for up to 20.0 years. The Corporation identifies leases when it has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.

The Corporation recognizes right-of-use assets (“ROU assets”) and lease liabilities related to operating and finance leases in its Consolidated Statements of Financial Condition under the caption of other assets and other liabilities, respectively. Refer to Note 14 and Note 19 to the Consolidated Financial Statements, respectively, for information on the balances of these lease assets and liabilities.

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

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

December 31, 2022									
(In thousands)	2023	2024	2025	2026	2027	Later Years	Total Lease Payments	Less: Imputed Interest	Total
Operating Leases	\$ 29,836	\$ 28,220	\$ 25,301	\$ 16,779	\$ 11,633	\$ 44,208	\$ 155,977	\$ (18,687)	137,290
Finance Leases	4,328	4,426	4,537	4,197	2,263	8,185	27,936	(3,199)	24,737

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

(In thousands)	Years ended December 31,		
	2022	2021	2020
<b>Finance lease cost:</b>			
Amortization of ROU assets	\$ 2,938	\$ 2,006	\$ 2,215
Interest on lease liabilities	1,117	1,044	1,185
Operating lease cost	30,534	29,970	31,674
Short-term lease cost	505	647	214
Variable lease cost	124	93	51
Sublease income	(37)	(70)	(113)
Net gain recognized from sale and leaseback transaction <sup>[1]</sup>	-	(7,007)	(5,550)
Impairment of operating ROU assets <sup>[2]</sup>	-	-	14,805
Impairment of finance ROU assets <sup>[2]</sup>	-	-	1,115
<b>Total lease cost<sup>[3]</sup></b>	<b>\$ 35,181</b>	<b>\$ 26,683</b>	<b>\$ 45,596</b>

[1] During the quarter ended September 30, 2021, the Corporation recognized the transfer of two corporate office buildings as a sale. During the quarter ended June 30, 2020, the Corporation recognized the transfer of the Caparra Center as a sale. Since these sale and partial leaseback transactions were considered to be at fair value, no portion of the gain on sale was deferred.

[2] Impairment loss recognized during the fourth quarter of 2020 in connection with the closure of nine branches as a result of the strategic realignment of PB's New York Metro branch network.

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

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

(Dollars in thousands)	Years ended December 31,		
	2022	2021	2020
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>			
Operating cash flows from operating leases <sup>[1]</sup>	\$ 29,985	\$ 38,288	\$ 41,650
Operating cash flows from finance leases	1,117	1,044	1,185
Financing cash flows from finance leases <sup>[1]</sup>	3,346	2,852	3,145
<b>ROU assets obtained in exchange for new lease obligations:</b>			
Operating leases <sup>[2]</sup>	\$ 14,564	\$ 24,136	\$ 14,975
Finance leases	556	-	4,510
<b>Weighted-average remaining lease term:</b>			
Operating leases	7.5 years	7.9 years	8.0 years
Finance leases	8.2 years	8.3 years	8.9 years
<b>Weighted-average discount rate:</b>			
Operating leases	3.0%	2.7%	3.0%
Finance leases	4.2%	5.0%	5.0%

[1] During the quarter ended March 31, 2021, the Corporation made base lease termination payments amounting to \$7.8 million in connection with the closure of nine branches as a result of the strategic realignment of PB's New York Metro branch network.

[2] During the quarter ended September 30, 2021, the Corporation recognized a lease liability of \$16.8 million and a corresponding ROU asset for the same amount as a result of the partial leaseback of two corporate office buildings.

As of December 31, 2022, the Corporation has additional operating and finance leases contracts that have not yet commenced with an undiscounted contract amount of \$4.1 million and \$2.2 million, respectively, which will have lease terms ranging from 10 to 20 years.

#### **Note 34 - Stock-based compensation**

##### *Incentive Plan*

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 (the "2004 Incentive Plan" and, together with the 2020 Incentive Plan, the "Incentive Plan"). Participants under the Incentive Plan are designated by the Talent and Compensation Committee of the Board of Directors (or its delegate, as determined by the Board). Under the Incentive Plan, the Corporation has issued restricted stock and performance shares to its employees and restricted stock and restricted stock units ("RSUs") to its directors.

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

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

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

(Not in thousands)	Shares	Weighted-average grant date fair value
Non-vested at January 1, 2020	345,365	\$ 41.68
Granted	253,943	42.49
Performance Shares Quantity Adjustment	(7)	48.79
Vested	(234,421)	42.64
Forfeited	(6,368)	44.26
Non-vested at December 31, 2020	358,512	\$ 41.23
Granted	191,479	69.38
Performance Shares Quantity Adjustment	54,306	54.21
Vested	(273,974)	55.11
Forfeited	(8,440)	43.48
Non-vested at December 31, 2021	321,883	\$ 47.98
Granted	194,791	84.29
Performance Shares Quantity Adjustment	6,947	78.02
Vested	(240,033)	66.11
Forfeited	(1,625)	78.86
Non-vested at December 31, 2022	281,963	\$ 56.50

During the year ended December 31, 2022, 137,934 shares of restricted stock (2021 - 120,105; 2020 - 213,511) and 56,857 performance shares (2021 - 71,374; 2020 - 40,432) were awarded to management under the Incentive Plan.

During the year ended December 31, 2022, the Corporation recognized \$10.3 million of restricted stock expense related to management incentive awards, with a tax benefit of \$1.8 million (2021 - \$8.6 million, with a tax benefit of \$1.6 million; 2020 - \$7.6 million, with a tax benefit of \$1.3 million). During the year ended December 31, 2022, the fair market value of the restricted stock and performance shares vested was \$12.2 million at grant date and \$20.7 million at vesting date. This differential triggers a windfall of \$3.1 million that was recorded as a reduction in income tax expense. During the year ended December 31, 2022, the Corporation recognized \$4.8 million of performance shares expense, with a tax benefit of \$0.4 million (2021 - \$5.8 million, with a tax benefit of \$0.5 million; 2020 - \$2.3 million, with a tax benefit of \$0.2 million). The total unrecognized compensation cost related to non-vested restricted stock awards and performance shares to members of management at December 31, 2022 was \$0.1 million and is expected to be recognized over a weighted-average period of 1.86 years.

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

(Not in thousands)	RSU	Weighted-average grant date fair value
Non-vested at January 1, 2020	-	-
Granted	43,866	\$ 35.47
Vested	(43,866)	35.47
Forfeited	-	-
Non-vested at December 31, 2020	-	-
Granted	20,638	\$ 78.20
Vested	(20,638)	78.20
Forfeited	-	-
Non-vested at December 31, 2021	-	-
Granted	25,321	\$ 77.48
Vested	(25,321)	77.48
Forfeited	-	-
Non-vested at December 31, 2022	-	-



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

For 2022, 2021 and 2020, all Directors elected RSUs. For the year ended December 31, 2022, 25,321 RSUs were granted to the Directors (2021 - 20,638; 2020 - 43,866). For the year ended December 31, 2022, \$2.0 million of restricted stock expense related to these RSUs was recognized, with a tax benefit of \$0.4 million (2021 - \$1.9 million with a tax benefit of \$0.4 million; 2020 - \$1.6 million with a tax benefit of \$0.3 million). The fair value at vesting date of the RSUs vested during the year ended December 31, 2022 for the Directors was \$2.0 million.

### Note 35 – Income taxes

The components of income tax expense for the years ended December 31, are summarized in the following table.

(In thousands)	2022	2021	2020
Current income tax (benefit) expense:			
Puerto Rico	\$ 156,425	\$ 69,415	\$ 33,281
Federal and States	9,034	10,232	3,613
Subtotal	165,459	79,647	36,894
Deferred income tax expense (benefit):			
Puerto Rico	(4,373)	179,688	69,300
Federal and States	(28,756)	49,683	5,744
Subtotal	(33,129)	229,371	75,044
Total income tax expense	\$ 132,330	\$ 309,018	\$ 111,938

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

(In thousands)	2022		2021		2020	
	Amount	% of pre-tax income	Amount	% of pre-tax income	Amount	% of pre-tax income
Computed income tax at statutory rates	\$ 463,114	38 %	\$ 466,465	38 %	\$ 231,960	38 %
Benefit of net tax exempt interest income	(165,065)	(13)	(139,426)	(12)	(126,232)	(20)
Effect of income subject to preferential tax rate	(86,797)	(7)	(11,981)	(1)	(10,141)	(2)
Deferred tax asset valuation allowance	(21,469)	(2)	20,932	2	15,276	2
NOL Adjustments	(34,817)	(3)	-	-	-	-
Difference in tax rates due to multiple jurisdictions	(26,887)	(2)	(30,719)	(3)	(1,903)	-
Unrecognized tax benefits	(1,503)	-	(5,484)	-	(2,163)	-
State and local taxes	14,981	1	14,629	1	4,350	-
Others	(9,227)	(1)	(5,398)	-	791	-
Income tax expense	\$ 132,330	11 %	\$ 309,018	25 %	\$ 111,938	18 %

For the year ended December 31, 2022, the Corporation recorded income tax expense of \$132.3 million, compared to \$309.0 million for the same period of 2021. The decrease in income tax expense was mainly due to the reversal of a portion of the deferred tax asset ("DTA") valuation allowance of the U.S. operations amounting to \$68.2 million, to higher taxable income subject to preferential tax rates, primarily attributed to the gain from the sale of Evertec shares, and higher tax-exempt income recorded during this year.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Significant components of the Corporation's deferred tax assets and liabilities at December 31 were as follows:

	December 31, 2022		
(In thousands)	PR	US	Total
<b>Deferred tax assets:</b>			
Tax credits available for carryforward	\$ 261	\$ 2,781	\$ 3,042
Net operating loss and other carryforward available	121,742	661,144	782,886
Postretirement and pension benefits	47,122	-	47,122
Allowance for credit losses	250,615	32,688	283,303
Accelerated depreciation	5,972	6,309	12,281
FDIC-assisted transaction	152,665	-	152,665
Intercompany deferred gains	1,548	-	1,548
Lease liability	28,290	23,521	51,811
Unrealized net loss on investment securities	265,955	23,913	289,868
Difference in outside basis from pass-through entities	40,602	-	40,602
Other temporary differences	29,285	7,815	37,100
<b>Total gross deferred tax assets</b>	<b>944,057</b>	<b>758,171</b>	<b>1,702,228</b>
<b>Deferred tax liabilities:</b>			
Intangibles	81,174	54,623	135,797
Right of use assets	26,015	20,262	46,277
Deferred loan origination fees/cost	1,076	2,961	4,037
Other temporary differences	24,884	-	24,884
<b>Total gross deferred tax liabilities</b>	<b>133,149</b>	<b>77,846</b>	<b>210,995</b>
Valuation allowance	137,863	402,333	540,196
<b>Net deferred tax asset</b>	<b>\$ 673,045</b>	<b>\$ 277,992</b>	<b>\$ 951,037</b>

	December 31, 2021		
(In thousands)	PR	US	Total
<b>Deferred tax assets:</b>			
Tax credits available for carryforward	\$ 261	\$ 2,781	\$ 3,042
Net operating loss and other carryforward available	112,331	665,164	777,495
Postretirement and pension benefits	57,002	-	57,002
Deferred loan origination fees/cost	2,788	-	2,788
Allowance for credit losses	233,500	31,872	265,372
Deferred gains	1,642	-	1,642
Accelerated depreciation	5,246	7,422	12,668
FDIC-assisted transaction	152,665	-	152,665
Lease liability	31,211	23,894	55,105
Difference in outside basis from pass-through entities	54,781	-	54,781
Other temporary differences	38,512	8,418	46,930
<b>Total gross deferred tax assets</b>	<b>689,939</b>	<b>739,551</b>	<b>1,429,490</b>
<b>Deferred tax liabilities:</b>			
Intangibles	76,635	51,150	127,785
Unrealized net gain on investment securities	4,329	2,817	7,146
Right of use assets	29,025	20,282	49,307
Deferred loan origination fees/cost	-	3,567	3,567
Other temporary differences	43,856	1,530	45,386
<b>Total gross deferred tax liabilities</b>	<b>153,845</b>	<b>79,346</b>	<b>233,191</b>
Valuation allowance	128,557	410,970	539,527
<b>Net deferred tax asset</b>	<b>\$ 407,537</b>	<b>\$ 249,235</b>	<b>\$ 656,772</b>

The net deferred tax asset shown in the table above at December 31, 2022 is reflected in the consolidated statements of financial condition as \$1.0 billion in net deferred tax assets (in the "other assets" caption) (2021 - \$ 0.7 billion in deferred tax asset in the "other assets" caption) and \$2.6 million in deferred tax liabilities (in the "other liabilities" caption) (2021 - \$825 thousand in deferred tax liabilities in the "other liabilities" caption), reflecting the aggregate deferred tax assets or liabilities of individual tax-paying subsidiaries of the Corporation.

The deferred tax asset related to the NOLs and other carryforwards as of December 31, 2022, expires as follows:

(In thousands)	
2023	\$ 1,363
2024	9,310
2025	13,516
2026	13,367
2027	15,202
2028	260,622
2029	111,307
2030	121,017
2031	122,324
2032	55,335
2033	10,565
2034	5,666
2035	43,121
2036	171
	\$ 782,886

At December 31, 2022 the net deferred tax asset of the U.S. operations amounted to \$ 680.3 million with a valuation allowance of \$402.3 million, for a net DTA of \$278 million. The Corporation evaluates on a quarterly basis the realization of the deferred tax asset by taxing jurisdiction. The U. S. operations sustained profitability for the three years period ended December 31, 2022. Years 2020 and 2021 were impacted by the COVID-19 pandemic and other events. Year 2020 was unfavorably impacted by the ACL reserve build-ups and the impairment of expenses on the branch closures in the New York region. Year 2021 had been favorably impacted by a strong economic recovery that resulted in ACL reserve releases, reversing the year 2020 build-up. The financial results for the year ended December 31, 2022, demonstrate financial stability for the U. S. operations, despite the climate of uncertainty as a result of recent global geopolitical challenges. These historical financial results together with pre-tax earnings forecasts are objectively verifiable positive evidence, evaluated in addition to positive evidence of stable credit metrics, in combination with the length of the expiration of the NOLs. On the other hand, the Corporation evaluated the negative evidence accumulated over the years, including financial results lower than expectations in prior years, and challenges to the economy due to global geopolitical uncertainty. Accordingly, after weighting all positive and negative evidence, the Corporation recorded during the fourth quarter of year 2022 a partial release of its valuation allowance amounting to \$68.2 million and concluded that it is more likely than not that approximately \$278 million of the DTA from the U.S. Operations will be realized. The Corporation has approximately \$ 525 million in deferred tax asset related to federal NOLs with expiration dates between 2028 and 2033 and \$ 135 million in DTA related to state NOLs with expiration dates between 2030 and 2036. The Corporation based this determination on its estimated earnings available to realize the deferred tax asset for the remaining carryforward period, together with the historical level of book income adjusted by permanent differences. Management will continue to monitor and review the U. S. operation's results, the pre-tax earnings forecast, any new tax initiative, and other factors, including net income versus forecast, targeted loan growth, net interest income margin, allowance for credit losses, charge offs, NPLs inflows and NPA balances.

At December 31, 2022, the Corporation's net deferred tax assets related to its Puerto Rico operations amounted to \$673 million.

The Corporation's Puerto Rico Banking operation is not in a cumulative loss position and has sustained profitability for the three years period ended December 31, 2022. This is considered a strong piece of objectively verifiable positive evidence that outweigh any negative evidence considered by management in the evaluation of the realization of the deferred tax asset. Based on this

evidence and management's estimate of future taxable income, the Corporation has concluded that it is more likely than not that such net deferred tax asset of the Puerto Rico Banking operations will be realized.

The Holding Company operation is in a cumulative loss position, taking into account taxable income exclusive of reversing temporary differences, for the three years period ending December 31, 2022. Management expects these losses will be a trend in future years. This objectively verifiable negative evidence is considered by management strong negative evidence that will suggest that income in future years will be insufficient to support the realization of all deferred tax asset. After weighting of all positive and negative evidence management concluded, as of the reporting date, that it is more likely than not that the Holding Company will not be able to realize any portion of the deferred tax assets, considering the criteria of ASC Topic 740. Accordingly, the Corporation has maintained a full valuation allowance on the deferred tax asset of \$138 million as of December 2022.

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. However, certain subsidiaries that are organized as limited liability companies with a partnership election are treated as pass-through entities for Puerto Rico tax purposes. 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.

The Corporation's subsidiaries in the United States file a consolidated federal income tax return. The intercompany settlement of taxes paid is based on tax sharing agreements which generally allocate taxes to each entity based on a separate return basis.

The following table presents a reconciliation of unrecognized tax benefits.

(In millions)	
Balance at January 1, 2021	\$ 14.8
Reduction as a result of lapse of statute of limitations	(11.3)
Balance at December 31, 2021	\$ 3.5
Reduction as a result of lapse of statute of limitations	(1.0)
Balance at December 31, 2022	\$ 2.5

At December 31, 2022, the total amount of interest recognized in the statement of financial condition approximated \$2.6 million (2021 - \$2.8 million). The total interest expense recognized during 2022 was \$268 thousand net of a reduction of \$448 thousand due to the expiration of the statute of limitation (2021 - \$892 thousand net of a reduction of \$2.9 million). Management determined that, as of December 31, 2022 and 2021, there was no need to accrue for the payment of penalties. The Corporation's policy is to report interest related to unrecognized tax benefits in income tax expense, while the penalties, if any, are reported in other operating expenses in the consolidated statements of operations.

After consideration of the effect on U.S. federal tax of unrecognized U.S. state tax benefits, the total amount of unrecognized tax benefits, including U.S. and Puerto Rico that, if recognized through earnings, would affect the Corporation's effective tax rate, was approximately \$4.3 million at December 31, 2022 (2021 - \$5.5 million).

The amount of unrecognized tax benefits may increase or decrease in the future for various reasons including adding amounts for current tax year positions, expiration of open income tax returns due to the statute of limitations, changes in management's judgment about the level of uncertainty, status of examinations, litigation and legislative activity, and the addition or elimination of uncertain tax positions.

The Corporation and its subsidiaries file income tax returns in Puerto Rico, the U.S. federal jurisdiction, various U.S. states and political subdivisions, and foreign jurisdictions. As of December 31, 2022, the following years remain subject to examination in the U.S. Federal jurisdiction – 2019 and thereafter and in the Puerto Rico jurisdiction – 2018 and thereafter. The Corporation anticipates a reduction in the total amount of unrecognized tax benefits within the next 12 months, which could amount to approximately \$1.5 million, including interest.

**Note 36 – Supplemental disclosure on the consolidated statements of cash flows**

Additional disclosures on cash flow information and non-cash activities for the years ended December 31, 2022, 2021 and 2020 are listed in the following table:

(In thousands)	2022	2021	2020
Income taxes paid	\$ 178,808	\$ 64,997	\$ 13,045
Interest paid	292,491	170,442	240,342
<b>Non-cash activities:</b>			
Loans transferred to other real estate	64,953	57,638	14,464
Loans transferred to other property	51,642	45,144	48,614
Total loans transferred to foreclosed assets	116,595	102,782	63,078
Loans transferred to other assets	8,664	7,219	7,117
Financed sales of other real estate assets	8,535	13,014	15,606
Financed sales of other foreclosed assets	38,467	43,060	34,492
Total financed sales of foreclosed assets	47,002	56,074	50,098
Financed sale of premises and equipment	47,697	31,085	31,350
Transfers from premises and equipment to long-lived assets held-for-sale	1,739	32,103	-
Transfers from loans held-in-portfolio to loans held-for-sale	11,531	69,890	82,299
Transfers from loans held-for-sale to loans held-in-portfolio	26,425	9,762	20,153
Transfers from available-for-sale to held-to-maturity debt securities	6,531,092	-	-
Loans securitized into investment securities <sup>[1]</sup>	300,279	732,533	508,071
Trades receivables from brokers and counterparties	9,461	64,824	64,092
Trades payable to brokers and counterparties	9,461	13,789	720,212
Receivables from investments securities	125,000	-	-
Recognition of mortgage servicing rights on securitizations or asset transfers	6,614	13,391	9,544
Loans booked under the GNMA buy-back option	9,799	19,798	24,244
Capitalization of right of use assets	17,932	35,683	29,692
Acquisition of software intangible assets	28,650	-	-
Goodwill on acquisition	116,135	-	-
Total stock consideration related to Evertec transaction	144,785	-	-

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

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

(In thousands)	December 31, 2022	December 31, 2021	December 31, 2020
Cash and due from banks	\$ 423,233	\$ 411,346	\$ 484,859
Restricted cash and due from banks	46,268	17,087	6,206
Restricted cash in money market investments	6,658	6,079	6,029
Total cash and due from banks, and restricted cash <sup>[2]</sup>	\$ 476,159	\$ 434,512	\$ 497,094

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

### Note 37 – Segment reporting

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

#### *Banco Popular de Puerto Rico:*

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

#### *Popular U.S.:*

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

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

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

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

December 31, 2022			
(In thousands)	Banco Popular de Puerto Rico	Popular U.S.	Intersegment Eliminations
Net interest income	\$ 1,823,517	\$ 372,988	\$ 3
Provision for credit losses	70,304	12,452	-
Non-interest income	680,276	31,958	(547)
Amortization of intangibles	1,937	1,338	-
Goodwill impairment charge	-	9,000	-
Depreciation expense	47,003	6,919	-
Other operating expenses	1,454,187	230,136	(543)
Income tax expense	148,351	(25,205)	-
Net income	\$ 782,011	\$ 170,306	\$ (1)
Segment assets	\$ 56,190,260	\$ 11,558,280	\$ (421,781)

December 31, 2022				
(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	\$ 2,196,508	\$ (29,149)	\$ -	\$ 2,167,359
Provision for credit losses	82,756	274	-	83,030
Non-interest income	711,687	189,835	(4,460)	897,062
Amortization of intangibles	3,275	-	-	3,275
Goodwill impairment charge	9,000	-	-	9,000
Depreciation expense	53,922	1,185	-	55,107
Other operating expenses	1,683,780	80	(4,822)	1,679,038
Income tax expense	123,146	9,074	110	132,330
Net income	\$ 952,316	\$ 150,073	\$ 252	\$ 1,102,641
Segment assets	\$ 67,326,759	\$ 5,390,122	\$ (5,078,964)	\$ 67,637,917

December 31, 2021			
(In thousands)	Banco Popular de Puerto Rico	Popular U.S.	Intersegment Eliminations
Net interest income	\$ 1,674,589	\$ 321,154	\$ 6
Provision for credit losses (benefit)	(136,352)	(56,897)	-
Non-interest income	565,310	24,518	(548)
Amortization of intangibles	2,813	665	-
Depreciation expense	46,539	7,415	-
Other operating expenses	1,285,959	203,892	(544)
Income tax expense	253,479	56,538	-
Net income	\$ 787,461	\$ 134,059	\$ 2
Segment assets	\$ 64,336,681	\$ 10,399,066	\$ (31,528)

December 31, 2021				
(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	\$ 1,995,749	\$ (38,159)	\$ -	\$ 1,957,590
Provision for credit losses (benefit)	(193,249)	(215)	-	(193,464)
Non-interest income	589,280	56,535	(3,687)	642,128
Amortization of intangibles	3,478	5,656	-	9,134
Depreciation expense	53,954	1,150	-	55,104
Other operating expenses	1,489,307	(545)	(3,725)	1,485,037
Income tax expense (benefit)	310,017	(1,085)	86	309,018
Net income	\$ 921,522	\$ 13,415	\$ (48)	\$ 934,889
Segment assets	\$ 74,704,219	\$ 5,458,718	\$ (5,065,038)	\$ 75,097,899

December 31, 2020			
(In thousands)	Banco Popular de Puerto Rico	Popular U.S.	Intersegment Eliminations
Net interest income	\$ 1,593,599	\$ 302,517	\$ 11
Provision for credit losses	210,955	81,486	-
Non-interest income	445,893	24,285	(553)
Amortization of intangibles	5,634	665	-
Depreciation expense	47,890	9,558	-
Other operating expenses	1,169,816	228,406	(544)
Income tax expense	106,211	7,411	-
Net income (loss)	\$ 498,986	\$ (724)	\$ 2
Segment assets	\$ 55,353,626	\$ 10,255,954	\$ (33,935)

December 31, 2020				
(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	\$ 1,896,127	\$ (39,514)	\$ -	\$ 1,856,613
Provision for credit losses	292,441	95	-	292,536
Non-interest income	469,625	46,442	(3,755)	512,312
Amortization of intangibles	6,299	98	-	6,397
Depreciation expense	57,448	1,004	-	58,452
Other operating expenses	1,397,678	(1,212)	(3,486)	1,392,980
Income tax expense (benefit)	113,622	(1,560)	(124)	111,938
Net income	\$ 498,264	\$ 8,503	\$ (145)	\$ 506,622
Segment assets	\$ 65,575,645	\$ 5,214,439	\$ (4,864,084)	\$ 65,926,000



## Geographic Information

The following information presents selected financial information based on the geographic location where the Corporation conducts its business. The banking operations of BPPR are primarily based in Puerto Rico, where it has the largest retail banking franchise. BPPR also conducts banking operations in the U.S. Virgin Islands, the British Virgin Islands and New York. BPPR's banking operations in the United States include co-branded credit cards offerings and commercial lending activities. BPPR's commercial lending activities in the U.S., through its New York Branch, include periodic loan participations with PB. During the year ended December 31, 2022, BPPR participated in loans originated by PB totaling \$184 million (2021 - \$35 million). At December 31, 2022, total assets for the BPPR segment related to its operations in the United States amounted to \$1.2 billion (2021 - \$589 million). During the year ended December 31, 2022, the BPPR segment generated approximately \$67.8 million (2021 - \$50.6 million, 2020 - \$55.3 million) in revenues from its operations in the United States, including net interest income, service charges on deposit accounts and other service fees. In the Virgin Islands, the BPPR segment offers banking products, including loans and deposits. The BPPR segment generated \$46.6 million in revenues (2021 - \$45.4 million, 2020 - \$44.2 million) from its operations in the U.S. and British Virgin Islands.

(In thousands)	2022		2021		2020	
Revenues: <sup>[1]</sup>						
Puerto Rico	\$	2,505,988	\$	2,136,481	\$	1,921,207
United States		480,545		390,201		376,529
Other		77,888		73,036		71,189
Total consolidated revenues	\$	3,064,421	\$	2,599,718	\$	2,368,925

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

## Selected Balance Sheet Information

(In thousands)	2022		2021		2020	
Puerto Rico						
Total assets	\$	53,541,427	\$	63,221,282	\$	54,143,954
Loans		20,884,442		19,770,118		20,413,112
Deposits		51,138,790		57,211,608		47,586,880
United States						
Total assets	\$	12,718,775	\$	10,986,055	\$	10,878,030
Loans		10,643,964		8,903,493		8,396,983
Deposits		8,182,702		7,777,232		7,672,549
Other						
Total assets	\$	1,377,715	\$	890,562	\$	904,016
Loans		554,744		626,115		674,556
Deposits <sup>[1]</sup>		1,905,735		2,016,248		1,606,911

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

**Note 38 - Popular, Inc. (holding company only) financial information**

The following condensed financial information presents the financial position of Popular, Inc. Holding Company only at December 31, 2022 and 2021, and the results of its operations and cash flows for the years ended December 31, 2022, 2021 and 2020.

**Condensed Statements of Condition**

(In thousands)	December 31,	
	2022	2021
<b>ASSETS</b>		
Cash and due from banks (includes \$ 101,753 due from bank subsidiary (2021 - \$79,660))	\$ 101,753	\$ 79,660
Money market investments	77,180	205,646
Debt securities held-to-maturity, at amortized cost (includes \$3,125 in common securities from statutory trusts (2021 - \$3,125)) <sup>[1]</sup>	3,125	3,125
Equity securities, at lower of cost or realizable value	18,835	19,711
Investment in BPPR and subsidiaries, at equity	2,120,503	3,858,701
Investment in Popular North America and subsidiaries, at equity	1,879,123	1,834,931
Investment in other non-bank subsidiaries, at equity	335,552	288,736
Other loans	28,196	29,445
Less - Allowance for credit losses	370	96
Premises and equipment	6,411	5,684
Investment in equity method investees	5,350	114,955
Other assets (includes \$6,115 due from subsidiaries and affiliate (2021 - \$6,802))	34,841	32,810
<b>Total assets</b>	<b>\$ 4,610,499</b>	<b>\$ 6,473,308</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Notes payable	\$ 403,257	\$ 401,990
Other liabilities (includes \$2,764 due to subsidiaries and affiliate (2021 - \$6,591))	113,772	101,923
Stockholders' equity	4,093,470	5,969,395
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,610,499</b>	<b>\$ 6,473,308</b>

[1] Refer to Note 18 to the consolidated financial statements for information on the statutory trusts.

**Condensed Statements of Operations**

(In thousands)	Years ended December 31,		
	2022	2021	2020
<b>Income:</b>			
Dividends from subsidiaries	\$ 458,000	\$ 792,000	\$ 586,000
Interest income (includes \$680 due from subsidiaries and affiliates (2021 - \$828; 2020 - \$2,290))	2,846	4,303	4,949
Earnings from investments in equity method investees	15,688	29,387	17,841
Other operating income	139,191	-	1
Net (loss) gain, including impairment, on equity securities	(4,446)	(525)	1,494
<b>Total income</b>	<b>611,279</b>	<b>825,165</b>	<b>610,285</b>
<b>Expenses:</b>			
Interest expense	26,021	36,444	38,528
Provision for credit losses (benefit)	274	(215)	95
Operating expense (income) (includes expenses for services provided by subsidiaries and affiliate of \$18,414 (2021 - \$13,546 ; 2020 - \$13,140)), net of reimbursement by subsidiaries for services provided by parent of \$222,935 (2021 - \$162,019 ; 2020 - \$138,729)	223	5,432	(921)
<b>Total expenses</b>	<b>26,517</b>	<b>41,661</b>	<b>37,702</b>
Income before income taxes and equity in undistributed earnings (losses) of subsidiaries	584,762	783,504	572,583
Income tax expense	8,723	352	17
Income before equity in undistributed earnings (losses) of subsidiaries	576,038	783,152	572,566
Equity in undistributed earnings (losses) of subsidiaries	526,603	151,737	(65,944)
<b>Net income</b>	<b>\$ 1,102,641</b>	<b>\$ 934,889</b>	<b>\$ 506,622</b>
<b>Comprehensive (loss) income, net of tax</b>	<b>\$ (1,097,218)</b>	<b>\$ 419,829</b>	<b>\$ 866,551</b>

## Condensed Statements of Cash Flows

(In thousands)	Years ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income	\$ 1,102,641	\$ 934,889	\$ 506,622
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in (earnings) losses of subsidiaries, net of dividends or distributions	(526,603)	(151,737)	65,944
Provision for credit losses (benefit)	274	(215)	95
Amortization of intangibles	-	5,656	98
Net accretion of discounts and amortization of premiums and deferred fees	1,250	1,241	1,233
Share-based compensation	9,440	8,895	5,770
Earnings from investments under the equity method, net of dividends or distributions	(14,170)	(26,360)	(15,510)
(Gain) loss on:			
Disposition of stock as part of the Evertec Transactions	(137,813)	-	-
Sale of foreclosed assets, including write-downs	-	59	-
Net increase in:			
Equity securities	(339)	(3,662)	(5,305)
Other assets	(1,952)	(1,970)	(8,327)
Net (decrease) increase in:			
Interest payable	-	(1,042)	-
Other liabilities	8,257	19,095	2,470
<b>Total adjustments</b>	<b>(661,656)</b>	<b>(150,040)</b>	<b>46,468</b>
<b>Net cash provided by operating activities</b>	<b>440,985</b>	<b>784,849</b>	<b>553,090</b>
Cash flows from investing activities:			
Net decrease (increase) in money market investments	129,000	(94,000)	110,000
Proceeds from calls, paydowns, maturities and redemptions of investment securities held-to-maturity	-	5,601	-
Net repayments on other loans	1,267	1,879	587
Capital contribution to subsidiaries	(54,188)	(12,900)	(10,000)
Return of capital from wholly owned subsidiaries	72,000	-	12,500
Return of capital from equity method investments	-	-	131
Proceeds from Evertec Stock Sale	219,883	-	-
Acquisition of premises and equipment	(2,224)	(1,788)	(2,667)
Proceeds from sale of premises and equipment	1,678	83	285
Proceeds from sale of foreclosed assets	-	87	-
<b>Net cash provided by (used in) investing activities</b>	<b>367,416</b>	<b>(101,038)</b>	<b>110,836</b>
Cash flows from financing activities:			
Payments of notes payable	-	(186,664)	-
Proceeds from issuance of common stock	13,479	10,493	15,175
Payments for repurchase of redeemable preferred stock	-	-	(28,017)
Dividends paid	(161,516)	(141,466)	(133,645)
Net payments for repurchase of common stock	(631,965)	(350,656)	(500,705)
Payments related to tax withholding for share-based compensation	(5,771)	(5,107)	(3,394)
<b>Net cash used in financing activities</b>	<b>(785,773)</b>	<b>(673,400)</b>	<b>(650,586)</b>
<b>Net increase in cash and due from banks, and restricted cash</b>	<b>22,628</b>	<b>10,411</b>	<b>13,340</b>
Cash and due from banks, and restricted cash at beginning of period	80,305	-	69,894
<b>Cash and due from banks, and restricted cash at end of period</b>	<b>\$ 102,933</b>	<b>\$ 80,305</b>	<b>\$ 69,894</b>

Popular, Inc. (parent company only) received distributions from its direct equity method investees amounting to \$1.5 million for the year ended December 31, 2022 (2021 - \$3.0 million; 2020 - \$2.3 million), of which \$1.5 million are related to dividend distributions (2021 - \$2.3 million; 2020 - \$2.3 million). Also received dividend distributions from PNA amounting to \$53.5 million (2021 - \$0 million; 2020 - \$0 million) and from PIBI amounting to \$18.5 million (2021 - \$0 million; 2020 - \$12.5 million). PIBI main source of income is derived from its investment in BHD.

Notes payable include junior subordinated debentures issued by the Corporation that are associated to capital securities issued by the Popular Capital Trust II and medium-term notes. Refer to Note 18 for a description of significant provisions related to these junior subordinated debentures. The following table presents the aggregate amounts by contractual maturities of notes payable at December 31, 2022:

Year	(In thousands)
2023	\$ 299,109
2024	-
2025	-
2026	-
2027	-
Later years	104,148
<b>Total</b>	<b>\$ 403,257</b>

## SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 1, 2023.

POPULAR, INC.  
(Registrant)

By: /S/ IGNACIO ALVAREZ  
Ignacio Alvarez  
President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/S/ RICHARD L. CARRIÓN</u> Richard L. Carrión Chairman of the Board	Chairman of the Board	<u>3-1-2023</u>
<u>/S/ IGNACIO ALVAREZ</u> Ignacio Alvarez President and Chief Executive Officer	President, Chief Executive Officer and Director	<u>3-1-2023</u>
<u>/S/ CARLOS J. VÁZQUEZ</u> Carlos J. Vázquez Executive Vice President	Principal Financial Officer	<u>3-1-2023</u>
<u>/S/ JORGE J. GARCÍA</u> Jorge J. García Senior Vice President and Comptroller	Principal Accounting Officer	<u>3-1-2023</u>
<u>/S/ ALEJANDRO M. BALLESTER</u> Alejandro M. Ballester	Director	<u>3-1-2023</u>
<u>/S/ MARÍA LUISA FERRÉ</u> María Luisa Ferré	Director	<u>3-1-2023</u>
<u>/S/ C. KIM GOODWIN</u> C. Kim Goodwin	Director	<u>3-1-2023</u>
<u>/S/ JOAQUÍN E. BACARDÍ, III</u> Joaquín E. Bacardi, III	Director	<u>3-1-2023</u>
<u>/S/ CARLOS A. UNANUE</u> Carlos A. Unanue	Director	<u>3-1-2023</u>
<u>/S/ JOHN W. DIERCKSEN</u> John W. Diercksen	Director	<u>3-1-2023</u>
<u>/S/ MYRNA M. SOTO</u> Myrna M. Soto	Director	<u>3-1-2023</u>
<u>/S/ ROBERT CARRADY</u> Robert Carrady	Director	<u>3-1-2023</u>
<u>/S/ JOSÉ R. RODRÍGUEZ</u> José R. Rodríguez	Director	<u>3-1-2023</u>
<u>/S/ BETTY DEVITA</u> Betty Devita	Director	<u>3-1-2023</u>



**POPULAR, INC.****DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT  
TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934****AS OF DECEMBER 31, 2022**

The following is a summary description of the securities of Popular, Inc. (the "Company") that are registered under Section 12 of the Securities Exchange Act of 1934, as amended, consisting of (1) our Common Stock and (2) our 6.125% Cumulative Monthly Income Trust Preferred Securities.

In this summary, when we refer to the "Company," "we," "us" or "our" or when we otherwise refer to ourselves, we mean Popular, Inc., excluding the Company's subsidiaries, unless otherwise expressly stated or as the context requires; all references to "common stock" refer only to common stock issued by the Company and not to any common stock issued by any subsidiary.

**Description of Common Stock**

The following description of the Company's Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Company's Restated Certificate of Incorporation (the "Charter") and the Company's Amended and Restated By-laws (the "Bylaws"), each of which is filed as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read the Charter and Bylaws and the applicable provisions of the General Corporations Act of the Commonwealth of Puerto Rico for additional information.

**Authorized Capital Shares**

Pursuant to the Charter, the Company's authorized capital stock consists of 170,000,000 shares of common stock, \$0.01 par value per share ("Common Stock"), and 30,000,000 shares of preferred stock without par value ("Preferred Stock").

**Voting Rights**

The holders of the Company's Common Stock are entitled to one vote per share on all matters brought before the stockholders. The holders of the Common Stock do not have cumulative voting rights. The Charter provides that the approval of the Company's merger, reorganization, or consolidation or the sale, lease or hypothecation of substantially all of the Company's assets or the approval of the Company's voluntary dissolution requires the affirmative vote of the holders of a majority of the outstanding shares of the Common Stock (the minimum vote standard required by the Puerto Rico General Corporations Act). In addition, the affirmative vote of the holders of a majority of the outstanding shares of Common Stock are required to amend the Charter.

**Dividend Rights**

Subject to the rights of holders of any Preferred Stock outstanding, holders of the Common Stock are entitled to receive ratably such dividends, if any, as the Company's Board of Directors may in its discretion declare out of legally available funds.

**Liquidation Rights**

In the event of liquidation, holders of the Common Stock are entitled to receive pro rata any assets distributable to a stockholder with respect to the shares held by them, after payment of liabilities and such preferential

amounts as may be required to be paid to the holders of the Company's outstanding series of preferred stock and any preferred stock the Company may hereafter issue.

#### **Other Rights and Preferences**

The Company's Common Stock has no sinking fund or redemption provisions or preemptive, conversion, exchange or call rights.

#### **Classification of the Board of Directors**

Until our existing classified Board of Directors structure is fully phased out beginning with our 2023 annual meeting of stockholders, the Charter provides that the members of the Company's Board of Directors are divided into three classes. At the 2022 annual meeting of stockholders, two of the three classes of the Company's Board of Directors were elected for a term expiring at the 2023 annual meeting of stockholders, and thereafter directors will be elected annually.

The Charter provides that a director, or the entire Board of Directors, may be removed by the stockholders only for cause.

The Charter and the Bylaws also provide that the affirmative vote of the holders of at least two-thirds of the combined voting power of the outstanding capital stock entitled to vote generally for the election of directors is required to remove a director or the entire Board of Directors from office for cause.

#### **Advance Notice Requirements**

The Company's Bylaws establish advance notice procedures with respect to shareholder proposals relating to nominations or any other matter to be brought before any meetings of shareholders of the Company. These procedures provide that notice of such shareholder proposals must be timely given in writing to the Secretary of the Company prior to the meeting at which the action is to be taken. The required notice period varies depending on the timing of the proposal and the shareholders meeting to which it relates. The notice must contain certain information specified in the Bylaws and must otherwise comply with the amended and restated Bylaws.

#### **"Blank Check" Preferred Stock**

The Charter authorizes the issuance of "blank check" preferred stock, which may be issued by the Company's Board of Directors without shareholder approval and may contain voting, liquidation, dividend and other rights superior to the Common Stock.

#### **Listing**

The Common Stock is traded on The Nasdaq Stock Market LLC under the trading symbol "BPOP".



**Description of 6.125% Cumulative Monthly Income Trust Preferred Securities of Popular Capital Trust II**  
**(Fully and Unconditionally Guaranteed by Popular, Inc.).**

The following description of the Company's 6.125% Cumulative Monthly Income Trust Preferred Securities (the "Capital Securities") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to (i) the Amended and Restated Declaration of Trust and Trust Agreement, dated as of August 31, 2009 (the "Trust Agreement"), among the Company, as depositor, the Property Trustee, the Delaware Trustee, the Administrative Trustees and the several Holders (as defined therein), as amended, amended and restated or supplemented from time to time, and (ii) the Prospectus Supplement (to Prospectus dated November 18, 2004), dated as of November 24, 2004, relating to the Capital Securities (the "Prospectus Supplement"), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read the Trust Agreement, the Prospectus Supplement and the Delaware Statutory Trust Act and the Trust Indenture Act for more information.

The Capital Securities and the Common Securities (the "Common Securities", and together with the Capital Securities, the "Trust Securities") of Popular Capital Trust II (the "Trust"), a Delaware statutory trust, represent beneficial interests in the Trust. The Trust holds the Company's 6.125% junior subordinated debentures (the "Debentures").

Each holder of the Capital Securities has a beneficial interest in the Trust but does not own any specific Debentures held by the Trust. However, the Trust Agreement under which the Trust operates defines the financial entitlements of the Capital Securities in a manner that causes those financial entitlements to correspond to the financial entitlements of the Trust in the Debentures it holds.

**The Trust**

The Trust is a statutory trust formed under Delaware law pursuant to the Trust Agreement and the certificate of trust filed with the Delaware Secretary of State.

The Trust exists for the exclusive purposes of:

- issuing the Trust Securities;
- investing the gross proceeds of the Trust Securities in an equivalent amount of the Debentures and holding the Debentures; and
- engaging in only those activities convenient, necessary or incidental to the activities described above.

In addition to the Capital Securities, the Trust Agreement authorizes the Trust to issue Common Securities. All of the Common Securities are directly or indirectly owned by the Company. The Common Securities rank equally with the Capital Securities and the Trust makes payment on the Trust Securities pro rata, except that upon certain events of default under the Trust Agreement relating to payment defaults on the Debentures, the rights of the holders of the Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of the holders of the Capital Securities. The Company acquired Common Securities in an aggregate liquidation amount equal to at least three percent of the total capital of the Trust.

The Trust Agreement does not permit the Trust to issue any securities other than the Trust Securities or to incur any indebtedness.

The Trust's business and affairs are conducted by its respective trustees. The Property Trustee acts as sole trustee under the Trust Agreement for purposes of compliance with the Trust Indenture Act and also acts as trustee under the Guarantee (as defined below).

The Trust has a term of approximately 30 years, but may be terminated earlier as provided in the Trust Agreement.

The Company pays all fees and expenses related to the Trust.

## **DESCRIPTION OF THE CAPITAL SECURITIES**

### **General**

The terms of the Capital Securities include (i) those stated in the Trust Agreement, as amended, amended and restated, or supplemented from time to time, and (ii) those made part of the Trust Agreement by the Trust Indenture Act and the Delaware Statutory Trust Act.

The Property Trustee acts as indenture trustee for purposes of compliance with the provisions of the Trust Indenture Act with respect to the Trust. The Capital Securities have a liquidation amount of \$25.

The payment of distributions out of money held by the Trust, and payments upon redemption of the Capital Securities or liquidation of the Trust, are guaranteed by the Company to the extent described under "Description of the Guarantee". The Guarantee, when taken together with the Company's obligations under the Trust Agreement, including the Company's obligations to pay costs, expenses, debts and liabilities of the Trust, other than with respect to the Trust Securities, has the effect of providing a full and unconditional guarantee of amounts due on the Capital Securities. The Property Trustee, in its role as the guarantee trustee with respect to the Trust, holds the Guarantee for the benefit of the holders of the Capital Securities. The Guarantee does not cover payment of distributions or amounts payable on redemption or liquidation of the Capital Securities when the Trust does not have funds on hand available to make such payments.

The Capital Securities were issued in the form of one or more global securities deposited with The Depository Trust Company ("DTC").

The Capital Securities are securities of the Trust and are issued pursuant to the Trust Agreement. Under the Trust Agreement, the Trust holds the Debentures for the benefit of the holders of the Trust Securities. The Capital Securities are limited to \$130,000,000 aggregate liquidation amount. The Capital Securities are traded on The Nasdaq Stock Market LLC under the trading symbol "BPOPM".

### **Distributions**

Distributions on the Capital Securities are fixed at an annual rate of 6.125% of the stated liquidation amount of \$25 per Capital Security. Distributions under the Trust Agreement are cumulative.

Distributions under the currently effective Trust Agreement are payable monthly in arrears on the first day of each month, commencing on September 1, 2009. Distributions under the Amended and Restated Declaration of Trust and Trust Agreement dated as of November 30, 2004 (the "Initial Trust Agreement") were payable monthly in arrears on the first day of each month commencing on January 1, 2005. Funds available for distributions with respect to the Capital Securities are limited to payments received from the Company on the Debentures.

If the Trust is terminated and its assets distributed, for each Capital Security, each holder is entitled to receive a like amount of the Debentures held by the Trust or the liquidation amount of \$25 plus accumulated but unpaid distributions from the assets of the Trust available for distribution, after it has paid liabilities owed to its creditors, subject to the rights of the holders of the Common Securities to receive a pro rata distribution. Distributions to which holders of the Capital Securities are entitled and that are past due will accumulate additional distributions to the extent permitted by applicable law, at an annual rate of 6.125% of the unpaid distributions, compounded monthly. The term "distribution" includes any additional distributions payable unless otherwise stated.

The term "like amount" as used in this description means:

- with respect to a redemption of any Trust Securities, Capital Securities or Common Securities having a liquidation amount equal to that portion of the principal amount of the Debentures held by the Trust to

be contemporaneously redeemed in accordance with the Indenture, the proceeds of which are used to pay the redemption price of the Capital Securities or Common Securities; and

- with respect to a distribution of the Debentures held by the Trust to holders of any Capital Securities or Common Securities in exchange therefor in connection with a dissolution or liquidation of the Trust, Debentures held by the Trust having a principal amount equal to the liquidation amount of the Capital Securities or Common Securities of the holder to whom the Debentures would be distributed.

Under the Trust Agreement, the amount of distributions payable for any period less than a full distribution period is computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in a partial month in that period. Under the Trust Agreement, the amount of distributions payable for any full distribution period is computed by dividing the rate per annum by twelve.

#### **Payment of Distributions**

The Trust pays distributions on its Capital Securities to DTC, which credits the applicable accounts at DTC on the applicable payment dates, or if the securities certificate for the Capital Securities is no longer held by or on behalf of DTC, the Trust will make the payments by check mailed to the addresses of the holders as such addresses appear on the books and records of the Trust on the applicable record dates. However, a holder of \$1 million or more in aggregate liquidation amount of the Capital Securities may receive distribution payments, other than distributions payable at maturity, by wire transfer of immediately available funds upon written request to the Trust not later than 15 calendar days prior to the date on which the distribution is payable. The record date for distributions on the Capital Securities is the fifteenth day of the month preceding the distribution date, whether or not a business day.

The Trust pays distributions through the Property Trustee. The Property Trustee holds amounts received from the Debentures in the payment account for the benefit of the holders of the Trust Securities.

If a distribution is payable pursuant to the Trust Agreement on a day that is not a business day, then that distribution is to be paid on the next day that is a business day, and without any interest or other payment for any delay with the same force and effect as if made on the payment date.

The Trust Agreement defines a business day as a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York, San Juan, Puerto Rico or Wilmington, Delaware are authorized or required by law, regulation or executive order to remain closed or are customarily closed.

#### **Deferral of Distributions**

As long as there is no event of default under the Debentures, the Company has the right to defer payments of interest on the Debentures at any time and from time to time by extending the interest payment period for a period (an "Extension Period") of up to 60 consecutive months, but not beyond the maturity of the Debentures.

As a consequence, during an Extension Period, the Trust will defer payment of the monthly distributions on the Capital Securities. The accumulated but unpaid distributions will continue to accumulate additional distributions, as permitted by applicable law, at an annual rate of 6.125% compounded monthly.

While the Company defers interest payments on the Debentures, it will be restricted from:

- declaring or paying any dividends or distributions on, or redeeming, purchasing, acquiring or making a liquidation payment on, any shares of its capital stock; and
- making payments on or repaying, repurchasing or redeeming any of its debt securities that rank equal or junior to the Debentures.

If the Trust defers distributions, the deferred distributions, including accumulated additional distributions, are to be paid on the distribution payment date following the last day of the Extension Period to the holders on the record date for that distribution payment date. Upon termination of an Extension Period and payment of all amounts

due on the Capital Securities, the Company may elect to begin a new Extension Period with respect to the Debentures, subject to the above conditions.

## **Redemption**

### *Repayment or Redemption of the Debentures*

When the Company repays or redeems the Debentures, whether at stated maturity or upon earlier redemption, the Property Trustee will apply the proceeds from the repayment or redemption to redeem Capital Securities having an aggregate liquidation amount equal to that portion of the principal amount of Debentures being repaid or redeemed. The redemption price per security is the \$25 liquidation amount, plus accumulated but unpaid distributions to the redemption date.

If less than all of the Debentures are to be repaid or redeemed, then the aggregate liquidation amount of the Trust Securities to be redeemed will be allocated approximately 3% to the Common Securities and 97% to the Capital Securities, except in the case of an event of default as a result of any failure by the Company to make any principal or interest payments under the Debentures when due.

The Company has the right, subject to any required prior approval of the Federal Reserve, to redeem the Debentures at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of redemption:

- on or after December 1, 2009, in whole or in part, on one or more occasions, at any time; and
- in whole, but not in part, at any time within 90 days following the occurrence and continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, each as described below.

If less than all of the Debentures are to be repaid or redeemed on the date of redemption, then the proceeds from such repayment or redemption will be allocated to the redemption of Trust Securities proportionately.

A redemption of the Debentures will cause a mandatory redemption of the Trust Securities.

Tax Event; Investment Company Event; Capital Treatment Event

A "Tax Event", under the Trust Agreement, means the receipt by the Trust of an opinion of counsel experienced in such matters to the effect that as a result of:

- any amendment to, or change, including any announced prospective change, in the laws, or any regulations thereunder, of the United States or any political subdivision thereof or Puerto Rico, or a taxing authority of the United States or Puerto Rico, affecting taxation; or
- any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations;

there is more than an insubstantial risk that:

- (1) the Trust is, or will be within 90 days of the delivery of the opinion of counsel, subject to United States federal or Puerto Rico income tax with respect to income received or accrued on the Debentures held by the Trust;
- (2) interest payable by the Company to the Trust on the Debentures held by the Trust is not, or will not be within 90 days of the delivery of the opinion of counsel, deductible by the Company, in whole or in part, for Puerto Rico income tax purposes or for U.S. income tax purposes, to the extent applicable to the Company; or
- (3) the Trust is, or will be within 90 days of the delivery of the opinion of counsel, subject to more than an immaterial amount of taxes, duties or other governmental charges.

If a Tax Event has occurred and is continuing with respect to the Trust Agreement, and the Trust is the holder of all the Debentures, the Company will pay any additional sums required so that distributions on the Capital Securities will not be reduced by any additional taxes (other than withholding taxes), duties or other governmental charges payable by the Trust as a result of the Tax Event.

An “Investment Company Event”, under the Trust Agreement, means the receipt by the Trust of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change, including any announced prospective change, in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Trust is or will be considered an “investment company” that is required to be registered under the Investment Company Act.

A “Capital Treatment Event”, under the Trust Agreement, means the reasonable determination of the Company that, as a result of any amendment to, or change in, including any announced proposed change in, the laws or regulations of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, that there is more than an insubstantial risk that the Company will not be entitled to treat an amount equal to the liquidation amount of the Capital Securities as Tier 1 capital, or the then-equivalent thereof, for purposes of capital adequacy guidelines of the Federal Reserve, as then in effect and applicable to the Company.

### **Redemption Procedures**

The Trust may redeem the Capital Securities only in an amount equal to the funds it has on hand and legally available to pay the redemption price.

The Property Trustee will mail written notice of the redemption of the Capital Securities to the registered holders at least 30 but not more than 60 days before the date fixed for redemption. If the Trust gives a notice of redemption, then, by 12:00 noon, New York City time, on the date of redemption, if the funds are available for payment, the Property Trustee will, for Capital Securities held in book-entry form:

- irrevocably deposit with DTC funds sufficient to pay the redemption price; and
- give DTC irrevocable instructions and authority to pay the redemption price to the holders of the Capital Securities.

With respect to the Capital Securities not held in book-entry form, if funds are available for payment, the Property Trustee will:

- irrevocably deposit with the paying agent funds sufficient to pay the redemption price; and
- give the paying agent irrevocable instructions and authority to pay the redemption price to the holders of the Capital Securities upon surrender of the certificates evidencing the Capital Securities.

Notwithstanding the above, distributions payable on or prior to the date of redemption for Capital Securities called for redemption are payable to the holders of the Capital Securities on the applicable record dates.

Once notice of redemption pursuant to the Trust Agreement is given and funds are deposited, then all rights of the holders of the Capital Securities called for redemption terminate, except the right to receive the redemption price, but without any interest or other payment for any delay in receiving it. If such notice of redemption is given and funds deposited as required, the Capital Securities then will cease to be outstanding.

If payment of the redemption price for the Capital Securities called for redemption is improperly withheld or refused and not paid either by the Trust or by the Company under the Guarantee, then distributions on those Capital Securities will continue to accumulate at the then-applicable rate, from the date of redemption to the date of actual

payment. In this case, the actual payment date will be the date fixed for redemption for purposes of calculating the redemption price.

If less than all of the Trust Securities are redeemed, then the aggregate liquidation amount of the Trust Securities to be redeemed normally will be allocated approximately 3% to the Common Securities and 97% to the Capital Securities. However, if an event of default has occurred as a result of any failure by the Company to make any principal or interest payments under the Debentures when due, holders of the Capital Securities will be paid in full before any payments are made to holders of the Common Securities. The Property Trustee selects the particular Capital Securities to be redeemed on the pro rata basis described above not more than 60 days before the date of redemption by any method the Property Trustee deems fair and appropriate or, if the Capital Securities are then held in book-entry form, in accordance with DTC's customary procedures.

Under the Trust Agreement, if any date fixed for redemption is not a business day, then payment of the redemption price will be made on the next day that is a business day, without any interest or other payment for the delay.

Subject to the above and applicable law and regulations, including United States federal securities laws and banking laws and regulations, the Company or its affiliates may, under the Trust Agreement, at any time and from time to time purchase outstanding Capital Securities by tender, in the open market or by private agreement, and may resell the Capital Securities.

### **Ranking of Capital Securities**

Payment of distributions on, and the redemption price of and the liquidation distribution in respect of Capital Securities and Common Securities, as applicable, are made pro rata based on the relative liquidation amount of the Capital Securities and Common Securities, except that upon certain events of default under the Trust Agreement relating to payment defaults on Debentures, the rights of the holders of the Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of the holders of the Capital Securities.

In the case of any event of default under the Trust Agreement resulting from an event of default under the Indenture, the Company, as holder of the Common Securities, will be deemed to have waived any right to act with respect to any such event of default under the Trust Agreement until all such events of default have been cured, waived or otherwise eliminated. Until all events of default under the Trust Agreement have been so cured, waived or otherwise eliminated, the Property Trustee will act solely on behalf of the holders of the Capital Securities and not on the Company's behalf, and only the holders of the Capital Securities will have the right to direct the Property Trustee to act on their behalf.

### **Liquidation Distribution Upon Dissolution**

The amount payable on the Capital Securities in the event of any liquidation of the Trust is the liquidation amount of \$25 per Capital Security plus accumulated but unpaid distributions, subject to certain exceptions, which may be paid in the form of a distribution of Debentures.

The Company can at any time dissolve the Trust. If the Trust dissolves and it has paid the liabilities owed to its creditors, the Debentures will be distributed to the holders of the Trust Securities.

Any distributions of the Debentures may require approval of the Federal Reserve.

The Trust Agreement states that the Trust will dissolve automatically on December 1, 2035 or earlier upon:

- (1) the bankruptcy, dissolution or liquidation of the Company;
- (2) the distribution of Debentures having a principal amount equal to the liquidation amount of the Trust Securities of the holders to whom the Debentures are distributed, if the Company has given written direction to the Property Trustee to dissolve the Trust, which direction, subject to the foregoing restrictions, is optional and wholly within the discretion of the Company;

- (3) the redemption of all Capital Securities in connection with the redemption of all the Debentures or the stated maturity of the Debentures; or
- (4) the entry of an order for the dissolution of the Trust by a court of competent jurisdiction.

If the Trust dissolves as described in clauses (1), (2) or (4) in the preceding paragraph, after the Trust pays all amounts owed to creditors, holders of the Capital Securities and holders of its Common Securities will be entitled to receive Debentures having a principal amount equal to the liquidation amount of the Trust Securities of the holders.

If the Trust cannot pay the full amount due on the Trust Securities because it has insufficient assets for payment, then the amounts the Trust owes on the Capital Securities will be proportionately allocated. The holders of Common Securities are entitled to receive distributions upon any liquidation on a pro rata basis with the holders of the Capital Securities, except that if an event of default under the Debentures has occurred and is continuing as a result of any failure by the Company to make any principal or interest payments in respect of Debentures when due, the Trust will pay the total amounts due on the Capital Securities before making any distribution on the Common Securities.

After the liquidation date is fixed for any distribution of Debentures, upon dissolution the Trust:

- the Trust Securities will no longer be deemed to be outstanding;
- DTC or its nominee, as the registered holder of the Capital Securities, will receive a registered global certificate or certificates representing the Debentures to be delivered upon distribution with respect to the Capital Securities held by DTC or its nominee; and
- any certificates representing the Capital Securities will be deemed to represent the Debentures having an aggregate principal amount equal to the liquidation amount of the Capital Securities, and bearing accrued but unpaid interest equal to accumulated but unpaid distributions on Capital Securities, until the holder of those certificates presents them to the security registrar for Capital Securities for transfer or reissuance.

#### **Exchanges**

If at any time a Depositor Affiliated Owner is the owner of Capital Securities, such Depositor Affiliated Owner will have the right to deliver to the Property Trustee all or such portion of its Capital Securities as it elects and receive, in exchange therefore, a like amount of Debentures. After the exchange, the Capital Securities will be cancelled and will no longer be deemed to be outstanding and all rights of the Depositor Affiliated Owner with respect to the Capital Securities will cease.

In the case of an exchange described in the previous paragraph, the Trust will, on the date of such exchange, exchange Debentures having a principal amount equal to a proportional amount of the aggregate liquidation amount of its outstanding Common Securities, based on the ratio of the aggregate liquidation amount of its Capital Securities exchanged divided by the aggregate liquidation amount of its Capital Securities outstanding immediately prior to such exchange, for such proportional amount of its Common Securities held by the Company (which contemporaneously will be cancelled and no longer be deemed to be outstanding).

#### **Events of Default; Notice**

Any one of the following events constitutes an event of default of the Trust, regardless of the reason for such event of default and whether it will be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

- the occurrence of an event of default under the Indenture with respect to the Debentures held by the Trust; or

- the default by the Property Trustee in the payment of any distribution on the Capital Securities or Common Securities when such distribution becomes due and payable, and continuation of such default for a period of 30 days; or
- the default by the Property Trustee in the payment of any redemption price of Capital Securities or Common Securities when such redemption price becomes due and payable; or
- the failure to perform or the breach, in any material respect, of any other covenant or warranty of the trustees of the Trust in the Trust Agreement for 90 days after the defaulting trustee or trustees have received written notice of the failure to perform or breach of warranty in the manner specified in the Trust Agreement; or
- the occurrence of certain events of bankruptcy or insolvency with respect to the Property Trustee and the Company's failure to appoint a successor property trustee within 90 days.

Within ten days after any event of default of the Trust actually known to the Property Trustee occurs, the Property Trustee will transmit notice of such event of default to the holders of the Capital Securities or Common Securities and to the Administrative Trustees, unless such event of default shall have been cured or waived. The Company, as depositor, and the Administrative Trustees are required to file annually with the Property Trustee a certificate as to whether or not the Company or the Administrative Trustees are in compliance with all the conditions and covenants applicable to the Company and the Administrative Trustees under the Trust Agreement.

The existence of an event of default under the Trust Agreement, in and of itself, with respect to the Debentures does not entitle the holders of the Capital Securities to accelerate the maturity of the Debentures.

#### **Removal of Trustees**

Unless an event of default under the Indenture has occurred and is continuing, the Property Trustee and the Delaware Trustee may be removed at any time by the holder of the Common Securities. The Property Trustee and the Delaware Trustee may be removed by the holders of a majority in liquidation amount of the outstanding Capital Securities for cause or if an event of default under the Indenture has occurred and is continuing. In no event will the holders of the Capital Securities have the right to vote to appoint, remove or replace the Administrative Trustees, which voting rights are vested exclusively in the Company, as the holder of the Common Securities. No resignation or removal of a trustee and no appointment of a successor trustee will be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the Trust Agreement.

#### **Co-Trustees and Separate Property Trustee**

Unless an event of default under the Debentures has occurred and is continuing, at any time or from time to time, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the trust property may at the time be located, the Company, as the holder of the Common Securities, and the Administrative Trustees have the power to appoint one or more persons either to act as a co-trustee of the Trust, jointly with the Property Trustee, of all or any part of such trust property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in such capacity any property, title, right or power deemed necessary or desirable, subject to the provisions of the Trust Agreement. If an event of default under the Indenture has occurred and is continuing, the Property Trustee alone shall have power to make such appointment.

#### **Mergers or Consolidation of Trustees**

Any person into which the Property Trustee or the Delaware Trustee, if not a natural person, may be merged or converted or with which it may be consolidated, or any person resulting from any merger, conversion or consolidation to which such trustee is a party, or any person succeeding to all or substantially all the corporate trust business of such trustee, will be the successor of such trustee under the Trust Agreement, provided such person is otherwise qualified and eligible.



### **Mergers, Consolidations, Amalgamations or Replacements of the Trusts**

The Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to the Company or any other person, except as described below or as otherwise described in the Trust Agreement. The Trust may, at the Company's request, with the consent of the Administrative Trustees but without the consent of the holders of the Capital Securities, the Property Trustee or the Delaware Trustee, merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, a trust organized as such under the laws of any state, the District of Columbia or the Commonwealth of Puerto Rico if:

- such successor entity either:
  - expressly assumes all of the obligations of the Trust with respect to the Capital Securities, or
  - substitutes for the Capital Securities other securities having substantially the same terms as the Capital Securities, or the "Successor Securities", so long as the Successor Securities rank the same as the substituted Capital Securities in priority with respect to distributions and payments upon liquidation, redemption and otherwise;
- the Company expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Debentures;
- such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Capital Securities, including any Successor Securities, to be downgraded by any nationally recognized statistical rating organization;
- such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Capital Securities, including any Successor Securities, in any material respect;
- such successor entity has a purpose substantially identical to that of the Trust;
- prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Company has received an opinion from independent counsel to the Trust experienced in such matters to the effect that:
  - such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Capital Securities, including any Successor Securities, in any material respect, and
  - following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor such successor entity will be required to register as an investment company under the Investment Company Act; and
- the Company or any permitted successor or assignee owns all of the Common Securities of such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee.

Notwithstanding the foregoing, the Trust may not, except with the consent of holders of 100% in liquidation amount of the Capital Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity to be classified as other than a grantor trust for United States federal or Puerto Rico income tax purposes.

### **Voting Rights; Amendment of the Trust Agreement**

Except as otherwise provided below and as otherwise required by law and the Trust Agreement, the holders of the Capital Securities have no voting rights.

The Company and the Administrative Trustees may amend the Trust Agreement without the consent of the holders of the Capital Securities, unless such amendment will materially and adversely affect the interests of any holder of the Capital Securities, to:

- cure any ambiguity, correct or supplement any provisions in the Trust Agreement that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Trust Agreement, which may not be inconsistent with the other provisions of the Trust Agreement; or
- modify, eliminate or add to any provisions of the Trust Agreement to such extent as will be necessary to ensure that the Trust will be classified for United States federal or Puerto Rico income tax purposes as a grantor trust at all times that any Capital Securities and Common Securities are outstanding or to ensure that the Trust will not be required to register as an “investment company” under the Investment Company Act.

The Company, the Administrative Trustees and the Property Trustee may generally amend the Trust Agreement with:

- the consent of holders representing not less than a majority, based upon liquidation amounts, of the outstanding Capital Securities; and
- receipt by the trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the trustees in accordance with such amendment will not affect the Trust’s status as a grantor trust for United States federal or Puerto Rico income tax purposes or the Trust’s exemption from status as an “investment company” under the Investment Company Act.

However, without the consent of each holder of Trust Securities, the Trust Agreement may not be amended to:

- change the amount or timing of any distribution required to be made in respect of the Trust Securities as of a specified date; or
- restrict the right of a holder of Trust Securities to institute a suit for the enforcement of any such payment on or after such date.

So long as the Property Trustee holds any Debentures, the trustees of the Trust may not, without obtaining the prior approval of the holders of a majority in aggregate liquidation amount of all outstanding Capital Securities:

- direct the time, method and place of conducting any proceeding for any remedy available to the junior subordinated trustee, or executing any trust or power conferred on the junior subordinated trustee with respect to the Debentures;
- waive any past default that is waivable under the Indenture;
- exercise any right to rescind or annul a declaration that the principal of all the Debentures is due and payable; or
- consent to any amendment, modification or termination of the Indenture or the Debentures, where such consent will be required.

If a consent under the Indenture would require the consent of each holder of Debentures affected thereby, no such consent may be given by the Property Trustee without the prior consent of each holder of the Capital Securities. The Property Trustee may not revoke any action previously authorized or approved by a vote of the holders of the Capital Securities except by subsequent vote of the holders of the Capital Securities. The Property Trustee will notify each

holder of Capital Securities of any notice of default with respect to the Debentures. In addition to obtaining the foregoing approvals of the holders of the Capital Securities, before taking any of the foregoing actions, the trustees will obtain an opinion of counsel experienced in such matters to the effect that such action would not cause the Trust to be classified as other than a grantor trust for United States federal or Puerto Rico income tax purposes.

Any required approval of holders of Capital Securities may be given at a meeting of holders of Capital Securities convened for such purpose or pursuant to written consent. The Property Trustee will cause a notice of any meeting at which holders of Capital Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be given to each holder of record of Capital Securities in the manner set forth in the Trust Agreement.

Notwithstanding that holders of Capital Securities are entitled to vote or consent under any of the circumstances described above, any of the Capital Securities that are owned by the Company or its affiliates or the trustees or any of their affiliates, will, for purposes of such vote or consent, be treated as if they were not outstanding.

#### **Payment and Paying Agent**

Payments on the Capital Securities are made to DTC, which credits the applicable accounts at DTC on the applicable distribution dates. If any Capital Securities are not held by DTC, such payments are made by check mailed to the address of the holder as such address appears on the register.

The paying agent for the Trust is Banco Popular de Puerto Rico. The paying agent is permitted to resign as paying agent of the Trust upon 30 days' written notice to the Administrative Trustees and to the Property Trustee. In the event that Banco Popular de Puerto Rico is no longer be the paying agent, the Property Trustee will appoint a successor to act as paying agent, which will be a bank or trust company acceptable to the Administrative Trustees and to the Company.

#### **Registrar and Transfer Agent**

Banco Popular de Puerto Rico Trust Division acts as registrar and transfer agent for the Capital Securities.

Registrations of transfers of Capital Securities are effected without charge by or on behalf of the Trust, but upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. The Trust is not required to register or cause to be registered the transfer of the Capital Securities after the Capital Securities have been called for redemption.

#### **Information Concerning the Property Trustee**

Other than during the occurrence and continuance of an event of default under the Trust Agreement, the Property Trustee undertakes to perform only the duties that are specifically set forth in the Trust Agreement. After an event of default under the Trust Agreement, the Property Trustee must exercise the same degree of care and skill as a prudent individual would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of the Capital Securities unless it is offered indemnity satisfactory to it by such holder against the costs, expenses and liabilities that might be incurred. If no event of default under the Trust Agreement has occurred and is continuing and the Property Trustee is required to decide between alternative courses of action, construe ambiguous provisions the Trust Agreement or is unsure of the application of any provision of the Trust Agreement, and the matter is not one upon which holders of the Capital Securities are entitled under the Trust Agreement to vote, then the Property Trustee will take any action that the Company directs. If the Company does not provide direction, the Property Trustee may take any action that it deems advisable and in the best interests of the holders of the Trust Securities and will have no liability except for its own bad faith, negligence or willful misconduct.

The Company and its affiliates maintain certain accounts and other banking relationships with the Property Trustee and its affiliates in the ordinary course of business.

#### **Trust Expenses**

Pursuant to the Trust Agreement, the Company, as depositor, has agreed to pay:

- all debts and other obligations of the Trust (other than with respect the Capital Securities);
- all costs and expenses of the Trust, including costs and expenses relating to the organization of the Trust, the fees and expenses of the trustees of the Trust and the cost and expenses relating to the operation of the Trust; and
- any and all taxes and costs and expenses with respect thereto, other than withholding taxes, to which the Trust might become subject.

### **Governing Law**

The Trust Agreement is governed by and construed in accordance with the laws of Delaware.

### **Miscellaneous**

The Administrative Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that it will not be required to register as an “investment company” under the Investment Company Act or characterized as other than a grantor trust for United States federal or Puerto Rico income tax purposes. The Administrative Trustees are authorized and directed to conduct their affairs so that the Debentures will be treated as indebtedness of the Company for Puerto Rico income tax purposes.

In this regard, the Company and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust of the Trust or the Trust Agreement, that the Company and the Administrative Trustees determine to be necessary or desirable to achieve such end, as long as such action does not materially and adversely affect the interests of the holders of the Capital Securities.

Holders of the Capital Securities have no preemptive or similar rights.

The Trust may not borrow money or issue debt or mortgage or pledge any of its assets.

### **DESCRIPTION OF THE GUARANTEE**

The following description of the terms of the guarantee (the “Guarantee”) is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to (i) the Guarantee Agreement, dated as of August 31, 2009 (the “Guarantee Agreements”) and (ii) the Prospectus Supplement, each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read the Guarantee Agreement and Prospectus Supplement for more information.

#### **General**

The Company’s obligation to make a Guarantee Payment (as defined below) to the Trust may be satisfied by direct payment of the required amounts to the holders of the Capital Securities or by causing the Trust to pay such amounts to such holders.

The Guarantee does not apply to any payment of distributions by the Trust except to the extent the Trust has funds available for such payments. If the Company does not make interest payments on the Debentures held by the Trust, the Trust will not pay distributions on the Capital Securities and will not have funds available for such payments. See “— Status of the Guarantee”. Because the Company is a holding company, the Company’s rights to participate in the assets of any of the Company’s subsidiaries upon the subsidiary’s liquidation or reorganization is subject to the prior claims of the subsidiary’s creditors except to the extent that the Company may itself be a creditor with recognized claims against the subsidiary. Except as otherwise described in this exhibit, the Guarantee does not limit the incurrence or issuance by the Company of other secured or unsecured debt.

The Guarantee, when taken together with the Company’s obligations under the Debentures, the Indenture and the Trust Agreement, including the Company’s obligations to pay costs, expenses, debts and liabilities of the

Trust, other than those relating to Capital Securities or Common Securities, provides a full and unconditional guarantee on a subordinated basis of payments due on the Capital Securities issued by the Trust.

Under the Guarantee Agreement, the Company irrevocably and unconditionally agrees to pay in full to the holders of the Trust Securities, except to the extent paid by the Trust, as and when due, regardless of any defense, right of set-off or counterclaim which the Trust may have or assert, the Guarantee Payments without duplication:

- any accrued and unpaid distributions that are required to be paid on the Capital Securities, to the extent the Trust has funds available for distributions;
- the redemption price, plus all accrued and unpaid distributions relating to any Capital Securities called for redemption by the Trust, to the extent the Trust has funds available for redemptions; and
- upon a voluntary or involuntary dissolution, winding-up or termination of the Trust, other than in connection with the distribution of Debentures to the holders of Capital Securities or the redemption of all of its Capital Securities, the lesser of:
  - the aggregate of the liquidation amount and all accrued and unpaid distributions on the Capital Securities to the date of payment to the extent the Trust has funds available; and
  - the amount of assets of the Trust remaining for distribution to holders of Capital Securities in liquidation of the Trust.

#### **Status of the Guarantee**

The Guarantee is unsecured and ranks:

- subordinate and junior in right of payment to all the Company's other liabilities in the same manner as the Debentures as set forth in the Indenture; and
- equally with all other Guarantees that the Company 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 Guarantee without suing any other person or entity. The Guarantee is held by the guarantee trustee for the benefit of the holders of the Trust Securities. The Guarantee will be discharged only by payment of the Guarantee Payments in full to the extent not paid by the Trust or upon the distribution of Debentures.

#### **Amendments and Assignment**

The Guarantee may be amended only with the prior approval of the holders of not less than a majority in aggregate liquidation amount of the outstanding Capital Securities. No vote is required, however, for any changes that do not adversely affect the rights of holders of the Capital Securities in any material respect. All guarantees and agreements contained in the Guarantee bind the Company's successors, assignees, receivers, trustees and representatives and will be for the benefit of the holders of the Capital Securities then outstanding.

#### **Termination of the Guarantee**

The Guarantee will terminate (1) upon full payment of the redemption price of all Capital Securities, (2) upon distribution of the Debentures to the holders of the Trust Securities or (3) upon full payment of the amounts payable in accordance with the Trust Agreement upon liquidation of the Trust. The Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of Capital Securities must restore payment of any sums paid under the Capital Securities or the Guarantee.

#### **Events of Default**

Under the Guarantee, an event of default will occur if the Company fails to perform any payment obligation or other obligation under the Guarantee.

With respect to the Guarantee, the holders of a majority in liquidation amount of the Capital Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the Guarantee. Holders of the Capital Securities may institute a legal proceeding directly against the Company to enforce the guarantee trustee's rights and the Company's obligations under the Guarantee, without first instituting a legal proceeding against the Trust, the guarantee trustee or any other person or entity.

As guarantor under the Guarantee, the Company is required to file annually with the guarantee a trustee certificate pursuant to the Guarantee, as to whether or not the Company is in compliance with all applicable conditions and covenants under the Guarantee.

#### **Information Concerning the Guarantee Trustee**

With respect to the Guarantee, prior to the occurrence of an event of default relating to the Guarantee, the guarantee trustee is required to perform only the duties that are specifically set forth in the Guarantee. Following the occurrence of an event of default, the guarantee trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Provided that the foregoing requirements have been met, the guarantee trustee is under no obligation to exercise any of the powers vested in it by the Guarantee at the request of any holder of Capital Securities unless offered indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred thereby.

The Company and its affiliates maintain certain accounts and other banking relationships with the guarantee trustee and its affiliates in the ordinary course of business.

#### **Governing Law**

The Guarantee is governed by and construed in accordance with the internal laws of the Commonwealth of Puerto Rico.

#### **DESCRIPTION OF THE DEBENTURES**

The following is a brief description of the terms of the Debentures held by the Trust. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to the Junior Subordinated Indenture (the "Base Indenture"), dated as of October 31, 2003, as supplemented by the Second Supplemental Indenture (the "Second Supplemental Indenture", and together with the Base Indenture, the "Indenture"), as supplemented by the Supplement to Second Supplemental Indenture, dated as of August 31, 2009; and (ii) the Prospectus Supplement, each of which is incorporated by reference to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read the Indenture and the Prospectus Supplement for more information.

#### **General**

The Debentures are unsecured, junior subordinated obligations of the Company. The Debentures are limited in aggregate principal amount to \$134,021,000. The aggregate principal amount of the Debentures is limited to the sum of:

- the aggregate stated liquidation amount of the Capital Securities; and
- the amount of capital contributed by the Company in exchange for the Common Securities.

The Debentures ranks junior to the Company's senior debt, including the subordinated debt of the Company. For information on the subordination of the Debentures, see "Description of the Debentures — Subordination".

The entire principal amount of the Debentures will become due and payable, with any accrued and unpaid interest thereon, on December 1, 2034. There is no sinking fund for the Debentures.

The Company does not pay any additional amounts on the Debentures to compensate any holder or beneficial owner for any Puerto Rico tax withheld from payments of principal or interest on the Debentures.

The Debentures are registered in the name of the Trust. The Property Trustee holds the Debentures in trust for the benefit of the holders of the Trust Securities.

### **Interest**

The Debentures bear interest at an annual rate of 6.125%, from and including their date of issuance until the principal becomes due and payable. Interest is payable monthly in arrears on the first day of each month, beginning January 1, 2005. Interest payments not paid when due accrue, to the extent permitted by applicable law, additional interest, compounded monthly, at the annual rate of 6.125%, computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in a partial month in such period.

The Company pays interest on the Debentures to the holders of record on the applicable record date. The record date for interest payments on the Debentures is the fifteenth day of the month preceding the payment date, whether or not a business day.

The amount of interest payable for any period less than a full interest period is computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in that period. The amount of interest payable for any full interest period is computed by dividing the annual rate by twelve.

If any date on which interest is payable on the Debentures is not a business day, then payment of the interest payable on that date will be made on the next succeeding day that is a business day, without any interest or other payment in respect of the delay, with the same force and effect as if made on the date that payment was originally payable.

The amount of additional interest payable for any full interest period is computed by dividing the annual rate by twelve. The term “interest” as used in this description includes monthly interest payments, interest on monthly interest payments not paid when due, compounded interest and additional sums, as applicable. The interest payment provisions for the Debentures correspond to the distribution provisions for the Capital Securities. See “Description of the Capital Securities — Payment of Distributions” in this description.

### **Option to Extend Interest Payment Period**

As long as the Company is not in default under the Debentures, the Company has the right, at any time and from time to time, to defer payments of interest during an Extension Period, of up to 60 consecutive months, but not beyond the maturity date of the Debentures. During an Extension Period, interest continues to accrue and holders of the Debentures, or holders of Capital Securities using the accrual method of accounting to determine their taxable income, are required to accrue interest income for Puerto Rico income tax purposes.

On the interest payment date following the last day of any Extension Period, the Company pays all interest then accrued and unpaid, together with additional interest on the accrued and unpaid interest to the extent as permitted by law, compounded monthly, at the annual rate of 6.125%, plus any additional sums, as described below.

Before termination of an Extension Period for the Debentures, the Company may further extend the payments of interest. However, no Extension Period, including all previous and further extensions, may exceed 60 consecutive months or extend beyond the maturity of the Debentures. If any Debentures are called for redemption before the end of an Extension Period relating to the Debentures, such Extension Period will end on that redemption date or an earlier date as determined by the Company. After the termination of an Extension Period for the Debentures and the payment of all amounts due, the Company may begin a new Extension Period, as described above. There is no limitation on the number of times the Company may elect to begin an Extension Period for the Debentures. Interest is not payable during an Extension Period for the Debentures, only at the end of the Extension Period for the Debentures. The Company may, however, prepay, on any interest payment date, at any time all or any portion of the interest accrued during an Extension Period for the Debentures.

If the Property Trustee is the sole holder of the Debentures, the Company will give the Property Trustee and the Delaware Trustee written notice of its election of an Extension Period for the Debentures at least one business day before the earlier of:

- the next succeeding date on which the distributions on the Capital Securities are payable; and
- the date the Property Trustee is required to give notice to holders of the Capital Securities of the record or payment date for the applicable distribution.

The Property Trustee will give notice of the Company's election of an Extension Period for the Debentures to the holders of the Capital Securities.

With respect to either Trust, if the Property Trustee is not the sole holder, or is not itself the holder, of the Debentures, the Company will give the holders of the Debentures and the indenture trustee written notice of its election of an Extension Period for the Debentures at least one business day before the next interest payment date for the Debentures.

#### **Additional Sums**

If, at any time while the Property Trustee is the holder of the Debentures, the Trust is required to pay any additional taxes (other than withholding taxes), duties or other governmental charges as a result of a Tax Event with respect to the Trust, the Company will pay as additional interest on the Debentures any additional amounts that are required so that the distributions paid by the Trust will not be reduced as a result of any of those taxes, duties or governmental charges.

#### **Redemption**

The Company has the right, subject to any required prior approval of the Federal Reserve, to redeem the Debentures at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of redemption:

- on or after December 1, 2009, in whole or in part, on one or more occasions, at any time; and
- in whole, but not in part, at any time within 90 days following the occurrence and continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, each as described above.

Notice of any redemption will be mailed at least 45 days but not more than 75 days before the redemption date. Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Debentures or portions thereof called for redemption. The Debentures are not subject to any sinking fund and are not redeemable at the option of the holder.

#### **Restrictions on Certain Payments; Certain Covenants of the Company**

Any money that the Company pays to a paying agent for the purpose of making payments on the Debentures and that remains unclaimed two years after the payments were due under the Debentures, will, at the Company's request, be returned to the Company and after that time any holder of the Debentures can only look to the Company for the payments on the Debentures.

With respect to the Debentures, the Company may not:

- declare or pay any dividends or distributions, or redeem, purchase, acquire, or make a liquidation payment on any of its capital stock; or
- make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem debt securities of the Company that rank equal or junior to the Debentures,

if at such time:



- there has occurred any event of default under the Debentures resulting from a failure to make principal or interest payments on the Debentures or from certain events in bankruptcy, insolvency or reorganization of the Company;
- the Debentures are held by the Trust and the Company is in default with respect to its payment of any obligations under the Guarantee; or
- the Company has given notice of its election of an Extension Period with respect to the Debentures and has not rescinded that notice, and such Extension Period, or any extension thereof, is continuing.

The restrictions listed above do not apply to:

- repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with (1) any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors, (2) a dividend reinvestment or stockholder stock purchase plan, or (3) the issuance of capital stock of the Company, or securities convertible into or exercisable for such capital stock, as consideration in an acquisition transaction entered into prior to the Extension Period for the Debentures;
- an exchange, redemption or conversion of any class or series of the Company's capital stock, or any capital stock of a subsidiary of the Company, for any other class or series of the Company's capital stock, or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock;
- the purchase of fractional interests in shares of the Company's capital stock under the conversion or exchange provisions of the capital stock or the security being converted or exchanged;
- any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant to the plan;
- payments by the Company under the Guarantee; or
- any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equal or junior to that stock.

In addition, as long as the Trust holds the Debentures, the Company agrees, with respect to the Debentures:

- to continue to hold, directly or indirectly, 100% of the Common Securities, provided that certain successors that are permitted under the Indenture may succeed to the Company's ownership of such Common Securities;
- as holder of the Common Securities, not to voluntarily dissolve, wind up or liquidate the Trust, other than (a) as part of the distribution of the Debentures to the holders of the Capital Securities in accordance with the terms of the Capital Securities or (b) as part of a merger, consolidation or amalgamation which is permitted under the Trust Agreement; and
- to use its reasonable efforts, consistent with the terms and provisions of the Trust Agreement, to cause the Trust to continue not to be taxable as a corporation for United States federal or Puerto Rico income tax purposes.

#### **Registration, Denomination and Transfer**

The Company registered the Debentures in the name of the Property Trustee on behalf of the Trust. The Property Trustee holds the Debentures in trust for the benefit of the holders of the Trust Securities. The Debentures are issued in denominations of \$1,000 and integral multiples of \$1,000.

DTC acts as securities depository for the Debentures.

With respect to the Debentures, if the Debentures are in certificated form, payments of principal and interest will be payable, the transfer of the Debentures will be registrable, and the Debentures will be exchangeable for the Debentures of other authorized denominations of a like aggregate principal amount. In such case, payment of interest may also be made at the option of the Company by check mailed to the address of the holder entitled to the payment. Upon written request to the paying agent not less than 15 calendar days prior to the date on which interest is payable, a holder of \$1,000,000 or more in aggregate principal amount of the Debentures may receive payment of interest, other than payments of interest payable at maturity, by wire transfer of immediately available funds.

The Debentures may be presented for registration of transfer or exchange with an endorsed form of transfer, or a duly executed and satisfactory written instrument of transfer, at the security registrar's office in San Juan, Puerto Rico or the office of any transfer agent selected by the Company without service charge and upon payment of any taxes and other governmental charges as described in the Indenture. The Company has appointed Banco Popular de Puerto Rico as transfer agent and security registrar under the Indenture. The Company may at any time designate additional transfer agents with respect to the Debentures.

With respect to the Debentures, in the event of any redemption, the Company and the indenture trustee for the Debentures will not be required to:

- issue, register the transfer of or exchange the Debentures during a period beginning 15 calendar days before the first mailing of the notice of redemption; or
- register the transfer of or exchange the Debentures selected for redemption, except, in the case of any the Debentures being redeemed in part, any portion not to be redeemed.

At the request of the Company, funds deposited with the indenture trustee or any paying agent held for the Company for the payment of principal, interest, and premium, if any, on any Debenture which remain unclaimed for two years after the principal, interest, and premium, if any, has become payable will be repaid to the Company and the holder of the Debentures will, as a general unsecured creditor, look only to the Company for payment thereof.

#### **Limitation on Mergers and Sales of Assets**

The Indenture generally permit a consolidation or merger between the Company and another entity. The Indenture also permits the sale or transfer by the Company of all or substantially all of its property and assets. Such transactions are permitted if:

- the resulting or acquiring entity, if other than the Company, is organized and existing under the laws of the United States or any state, the District of Columbia or the Commonwealth of Puerto Rico and assumes all of the Company's responsibilities and liabilities under the Indenture, including the payment of all amounts due on the Debentures and performance of the covenants in the Indenture; and
- immediately after the transaction, and giving effect to the transaction, no event of default under the Indenture exists.

If the Company consolidates or merges with or into any other entity or sells or leases all or substantially all of its assets according to the terms and conditions of the Indenture, the resulting or acquiring entity will be substituted for the Company in the Indenture with the same effect as if it had been an original party to the Indenture. As a result, such successor entity may exercise the Company's rights and powers under the Indenture, in the Company's name and, except in the case of a lease of all or substantially all of the Company's properties, the Company will be released from all the Company's liabilities and obligations under the Indenture and under the Debentures.

### **Modification of Indenture**

With respect to the Capital Securities, if any of the Capital Securities are outstanding:

- no modification may be made to the Indenture that materially adversely affects the holders of the Capital Securities;
- no termination of the Indenture may occur; and
- no waiver of any event of default under the Debentures or compliance with any covenant under the Indenture may be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation amount of such outstanding Capital Securities unless and until the principal of and premium, if any, on the Debentures and all accrued and unpaid interest thereon have been paid in full and certain other conditions are satisfied.

In addition, with respect to the Capital Securities, if any of the Capital Securities are outstanding, all holders of the Capital Securities must consent if the Company wants to amend the Indenture to:

- remove the rights of holders of the Capital Securities to institute a Direct Action (as defined below); or
- modify a provision of the Indenture that requires the consent of all the holders of the outstanding Debentures.

### **Events of Default and the Rights of Capital Securities Holders to Take Action Against the Company**

An event of default under the Indenture means any of the following, with respect to the Debentures:

- failure to pay interest on the Debentures for 30 days after the payment is due (subject to the deferral of any due date in the case of an Extension Period with respect to the Debentures);
- failure to pay the principal of or any premium on any the Debentures when due;
- failure to perform any other covenant in the Indenture for 90 days after the Company has received written notice of the failure to perform in the manner specified in the Indenture;
- certain events relating to a bankruptcy, insolvency or reorganization of the Company; or
- any other event of default that may be specified for the Debentures in the Indenture.

With respect to the Trust, so long as the Trust holds Debentures, the Property Trustee and the holders of the Capital Securities will have the following rights under the Indenture upon the occurrence of an event of default:

- the Property Trustee and the holders of not less than 25% in aggregate liquidation amount of the Capital Securities may declare the principal of and interest accrued on the Debentures due and payable immediately;
- if all defaults have been cured, the consent of the holders of more than 50% in aggregate liquidation amount of the Capital Securities is required to annul a declaration by the indenture trustee, the Trust or the holders of Capital Securities that the principal of the Debentures is due and payable immediately;
- unless the default is cured, the consent of each holder of Capital Securities is required to waive a default in the payment of principal, premium or interest with respect to the Debentures or a default in respect of a covenant or provision that cannot be modified or amended without the consent of the holder of each outstanding Debenture; and
- unless the default is cured, the consent of the holders of more than 50% in aggregate liquidation amount of the Capital Securities is required to waive any other default.

If the event of default under the Debentures is the failure of the Company to make payments of principal or interest on the Debentures when due, then a registered holder of Capital Securities may bring a legal action against the Company directly for enforcement of payment to such registered holder of amounts owed on the Debentures with a principal amount equal to the aggregate liquidation amount of such registered holder's Capital Securities (a "Direct Action"). The Company may not amend the Debentures to remove this right to bring a Direct Action without the prior written consent of the registered holders of all the Capital Securities. The Company can offset against payments then due under the Debentures any corresponding payments made to holders of Capital Securities by the Company in connection with a Direct Action.

The holders of the Capital Securities are not able to exercise directly any remedies available to the holders of the Debentures except under the circumstance described in the preceding paragraph.

The Indenture Does Not Restrict the Company's Ability to Take Certain Actions that may Affect the Debentures

The Indenture does not contain restrictions on the Company's ability to:

- incur, assume or become liable for any type of debt or other obligation;
- create liens on the Company's property for any purpose; or
- pay dividends or make distributions on the Company's capital stock or repurchase or redeem the Company's capital stock, except as set forth under "— Restrictions on Certain Payments" above.

The Indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity. In addition, the Indenture does contain any provisions which would require the Company to repurchase or redeem or modify the terms of any of the Debentures upon a change of control or other event involving the Company which may adversely affect the creditworthiness of such debt securities.

#### **Subordination**

The Debentures are subordinated to all of the Company's existing and future Senior Debt, as defined below. The Company's "Senior Debt" includes its senior debt securities and its subordinated debt securities and means:

- any of the Company's indebtedness for borrowed or purchased money, whether or not evidenced by bonds, debt securities, notes or other written instruments,
- the Company's obligations under letters of credit,
- any of the Company's indebtedness or other obligations with respect to commodity contracts, interest rate and currency swap agreements, cap, floor and collar agreements, currency spot and forward contracts, and other similar agreements or arrangements designed to protect against fluctuations in currency exchange or interest rates, and
- any guarantees, endorsements (other than by endorsement of negotiable instruments for collection in the ordinary course of business) or other similar contingent obligations in respect of obligations of others of a type described above, whether or not such obligation is classified as a liability on a balance sheet prepared in accordance with generally accepted accounting principles,

whether outstanding on the date of execution of the Indenture or thereafter incurred, other than obligations expressly on a parity with or junior to the Debentures. The Debentures rank on a parity with obligations evidenced by any debt securities, and guarantees in respect of those debt securities, initially issued to any trust, partnership or other entity affiliated with the Company, that is, directly or indirectly, the Company's financing vehicle in connection with the issuance by such entity of capital securities or other similar securities.

If certain events relating to a bankruptcy, insolvency or reorganization of the Company occur, the Company will first pay all Senior Debt, including any interest accrued after the events occur, in full before the Company makes any payment or distribution, whether in cash, securities or other property, on account of the principal of or interest on the Debentures. In such an event, the Company will pay or deliver directly to the holders of Senior Debt any payment or distribution otherwise payable or deliverable to holders of the Debentures. The Company makes the payments to the holders of Senior Debt according to priorities existing among those holders until the Company has paid all Senior Debt, including accrued interest, in full. Notwithstanding the subordination provisions discussed in this paragraph, the Company may make payments or distributions on the Debentures so long as:

- the payments or distributions consist of securities issued by the Company or another company in connection with a plan of reorganization or readjustment; and
- payment on those securities is subordinate to outstanding Senior Debt and any securities issued with respect to Senior Debt under such plan of reorganization or readjustment at least to the same extent provided in the subordination provisions of the Debentures.

If such events relating to a bankruptcy, insolvency or reorganization of the Company occur, after it has paid in full all amounts owed on Senior Debt, the holders of the Debentures, together with the holders of any of the Company's other obligations ranking equal with the Debentures, will be entitled to receive from the Company's remaining assets any principal, premium or interest due at that time on the Debentures and such other obligations before the Company makes any payment or other distribution on account of any of the Company's capital stock or obligations ranking junior to the Debentures.

If the Company violates the Indenture by making a payment or distribution to holders of the Debentures before it has paid all the Senior Debt in full, then the holders of the Debentures will be deemed to have received the payments or distributions in trust for the benefit of, and will have to pay or transfer the payments or distributions to, the holders of the Senior Debt outstanding at the time. The payment or transfer to the holders of the Senior Debt will be made according to the priorities existing among those holders. Notwithstanding the subordination provisions discussed in this paragraph, holders of the Debentures are not required to pay, or transfer payments or distributions to, holders of Senior Debt so long as:

- the payments or distributions consist of securities issued by the Company or another company in connection with a plan of reorganization or readjustment; and
- payment on those securities is subordinate to outstanding Senior Debt and any securities issued with respect to Senior Debt under such plan of reorganization or readjustment at least to the same extent provided in the subordination provisions of those Debentures.

Because of the subordination, if the Company becomes insolvent, holders of Senior Debt may receive more, ratably, and holders of the Debentures may receive less, ratably, than the Company's other creditors. This type of subordination will not prevent an event of default from occurring under the Indenture in connection with the Debentures.

Any modification or amendment of the Indenture may not, without the consent of the holders of all Senior Debt outstanding, modify any of the provisions of the Debentures relating to the subordination of the Debentures in a manner that would adversely affect the holders of Senior Debt.

The Indenture does not place a limitation on the amount of Senior Debt that the Company may incur.

#### **Concerning the Indenture Trustee**

The indenture trustee has all the duties and responsibilities specified under the Trust Indenture Act. Other than its duties in case of a default, the indenture trustee is under no obligation to exercise any of the powers under the Indenture at the request, order or direction of any holders of Debentures unless offered reasonable indemnification.

From time to time, the Company and certain of its subsidiaries maintain deposit accounts and conduct other banking transactions, including lending transactions, with the indenture trustee in the ordinary course of business.

**Governing Law**

The Indenture and the Debentures are governed by, and construed in accordance with, the internal laws of the Commonwealth of Puerto Rico.



## Popular, Inc.

## Subsidiaries of the Registrant

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
Banco Popular de Puerto Rico	Puerto Rico
Popular Auto LLC	Puerto Rico
PR Rent-to-Own LLC	Delaware
Popular Community Capital, LLC	Delaware
Popular Mezzanine Fund LLC	Puerto Rico
Popular Center Holdings LLC	Delaware
Popular Insurance LLC	Puerto Rico
Popular Securities LLC	Puerto Rico
Popular Risk Services LLC	Puerto Rico
Popular Life RE, Inc.	Puerto Rico
Popular RE, Inc.	Puerto Rico
Popular Impact Fund LLC	Delaware
Popular Asset Management LLC	Puerto Rico
Popular Capital Trust II	Delaware
Popular International Bank, Inc.	Puerto Rico
Popular Global Solutions LLC	Puerto Rico
Popular GS Colombia SAS	Colombia
Popular GS Costa Rica, SRL	Costa Rica
Popular North America, Inc.	Delaware
Popular Bank	New York
Popular Equipment Finance, LLC	Delaware
Popular Insurance Agency USA, Inc.	Delaware
E-LOAN, Inc.	Delaware
Equity One, Inc.	Delaware
Popular ABS, Inc.	Delaware
Popular North America Capital Trust I	Delaware





**ISSUERS OF GUARANTEED SECURITIES**

Popular North America, Inc. (“PNA”) is 100% owned by Popular, Inc. Holding Company (“PIHC”) and has outstanding debt securities registered under the Securities Act of 1933, as amended, that are guaranteed by PIHC. There are no subsidiary guarantors of such securities.



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-257218 and 333-257217) and Form S-8 (Nos. 333-238205, 333-153044, 333-128909 and 333-229711) of Popular, Inc. of our report dated March 1, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP

San Juan, Puerto Rico

March 1, 2023





**CERTIFICATION**

**EXHIBIT 31.1**

I, Ignacio Alvarez, certify that:

1. I have reviewed this annual report on Form 10-K of Popular, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 1, 2023

By: /s/ Ignacio Alvarez  
Ignacio Alvarez  
Chief Executive Officer





**CERTIFICATION**

**EXHIBIT 31.2**

I, Carlos J. Vázquez, certify that:

1. I have reviewed this annual report on Form 10-K of Popular, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 1, 2023

By: /s/ Carlos J. Vázquez

Carlos J. Vázquez  
Chief Financial Officer







**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Popular, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2023

By: /s/ Ignacio Alvarez  
Name: Ignacio Alvarez  
Title: Chief Executive Officer

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.





**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Popular, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2023

By: /s/ Carlos Vázquez  
Name: Carlos J. Vázquez  
Title: Chief Financial Officer

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

