



Popular, Inc.

Basel III Regulatory Capital Disclosures Report
June 30, 2024

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BACKGROUND AND OVERVIEW

Organization

Popular Inc. (the "Corporation," "Popular," "we," "us," "our") is a diversified, publicly owned financial holding company, registered under the Bank Holding Company Act of 1956, as amended, and subject to supervision and regulation by the Board of Governors of the Federal Reserve System. We operate in two principal markets, Puerto Rico and the United States, through our banking subsidiaries Banco Popular de Puerto Rico ("Banco Popular" or "BPPR") and Popular Bank ("PB" or "Popular U.S."). BPPR also conducts banking operations in the U.S. Virgin Islands, the British Virgin Islands and New York. Through these subsidiaries, we provide retail, mortgage, and commercial banking services. For additional details on the Bank Holding company, subsidiaries, and principal markets of operations, refer to "Business" section under Part 1, Item 1 of Popular's 2023 Form 10-K.

Report Overview

Popular, BPPR and PB are each required to comply with applicable capital adequacy standards established by the federal banking agencies, which implement the Basel III framework set forth by the Basel Committee on Banking Supervision. This report and certain of the Corporation's public filings contain disclosures required under Pillar 3 of the Basel III regulatory capital framework. This report should be read in conjunction with the Corporation's Forms 10-K for the year ended December 31, 2023, our Form 10-Q for the quarter ended June 30, 2024, and FR-Y-9C consolidated financial statements for the quarter ended June 30, 2024. A disclosure index is provided in Appendix 1 of this report.

Forward-looking Statements

This report contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including without limitation those regarding Popular's 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 (including on our cost of deposits), our ability to attract deposits and grow our loan portfolio, capital market conditions, capital adequacy and liquidity, the effect of legal and regulatory proceedings, new regulatory requirements or accounting standards on the Corporation's financial condition and results of operations, the occurrence of unforeseen or catastrophic events, including extreme weather events, pandemics, man-made disasters or acts of violence or war, as well as actions taken by governmental authorities in response thereto, and the direct and indirect impact of such events on Popular, our customers, service providers and third parties. Other potential factors include Popular's ability to successfully execute its transformation initiative, including, but not limited to, achieving projected earnings, efficiencies and return on tangible common equity and accurately anticipating costs and expenses associated therewith, imposition of additional or special Federal Deposit Insurance Corporation ("FDIC") assessments, such as the special assessment implemented by the FDIC to recover the losses to the deposit insurance fund resulting from the receiverships of Silicon Valley Bank and Signature Bank, changes to regulatory capital, liquidity and resolution-related requirements applicable to financial institutions in response to recent developments affecting the banking sector and the impact of bank failures or adverse developments at other banks and related negative media coverage of the banking industry in general on investor and depositor sentiment regarding the stability and liquidity of banks. 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.

More information on the risks and important factors that could affect the Corporation's future results and financial condition is included in our Form 10-K for the year ended December 31, 2023 and in our Form 10-Q for the quarter ended June 30, 2024, filed with the Securities and Exchange Commission. Our filings are available on the Corporation's website (www.popular.com) and on the Securities and Exchange Commission website (www.sec.gov). The Corporation assumes no obligation to update or revise any forward-looking statements or information which speak as of their respective dates.

I. SCOPE OF APPLICATION

Basis of Consolidation

The consolidated financial statements include the accounts of Popular and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. In accordance with the consolidation guidance for variable interest entities ("VIEs"), Popular also consolidates any 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. 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. Popular uses the same basis of consolidation for accounting and regulatory purposes. For more information on Statutory trusts established by Popular, refer to "Note 18 – Trust Preferred Securities" under "Notes to Consolidated Financial Statements" of Popular's 2023 Form 10-K.

Restrictions on the Transfer of Funds or Total Capital

The principal sources of funding for Popular include dividends received from its 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. Member banks 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 six months ended June 30, 2024, BPPR declared cash dividends of \$300 million. At June 30, 2024, BPPR could declare a dividend, without prior approval of the Federal Reserve Board, of approximately \$409 million due to its retained income, its declared dividend activity, and transfers to statutory reserves. 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 New York State Department of Financial Services ("NYSDFS"). For additional information refer to "Restrictions on Dividends and Repurchases" under Part 1, Item 1 of Popular's 2023 Form 10-K and to the "Liquidity" section under "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Popular's Form 10-Q for the quarter ended June 30, 2024.

Capital of Insurance Subsidiaries

At June 30, 2024, the total capital of Popular included \$25.4 million of surplus capital of insurance subsidiaries.

Capital Requirements

Popular, BPPR and PB are subject to the U.S. Basel III capital requirements, including minimum and well capitalized regulatory capital ratios and compliance with the standardized approach for determining risk-weighted assets. Management has determined that in June 30, 2024, the Corporation exceeded all capital adequacy requirements to which it is subject and thus it is considered well capitalized. For additional information on Popular's capital requirements, refer to "Note 21 - Regulatory Capital Requirements" under "Notes to Consolidated Financial Statements" of Popular's 2023 Form 10-K and to "Regulatory Capital" section under "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Popular's Form 10-Q for the quarter ended June 30, 2024.



II. CAPITAL STRUCTURE

Summary of Capital

Popular, BPPR and PB are each required to comply with applicable capital adequacy standards established by the federal banking agencies as codified in the Federal Register under 12 CFR Part 217 (the "Capital Rules" or "U.S. Basel 3 Requirements"), which implement the Basel III framework set forth by Basel Committee on Banking Supervision (the "Basel Committee" or "BCBS") 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 Tier1 capital" instruments meeting certain 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, Popular's CET1 capital is comprised of common stock and Additional Tier 1 capital is comprised of 6.375% coupon non-cumulative perpetual monthly income 2003 Series A preferred stock.

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 June 30, 2024, 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. Additionally, Popular's Tier 2 capital includes a portion of the allowance for credit losses, subject to the Capital Rules' specific requirements. For additional information on Popular's capital structure, refer to "Capital Adequacy" under Part 1, item 1; "Note 20 - Stockholders' Equity"; "Note 21 - Regulatory Capital Requirements" under "Notes to Consolidated Financial Statements"; and "Regulatory Capital" section under "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Popular's 2023 Form 10-K; and to "Regulatory Capital" section under Management's Discuss and Analysis of Popular's Form 10-Q for the quarter ended June 30, 2024. For additional information on statutory trusts established by the Corporation, refer to "Note 18 - Trust Preferred Securities" under "Notes to Consolidated Financial Statements" of Popular's 2023 Form 10-K.

The following table provides information on Popular's components of capital used in calculating CET1, Tier 1 capital and total capital at June 30, 2024.

Regulatory Capital Components	At June 30, 2024	
(Dollars in thousands)		
Common Equity Tier 1 capital:		
Common stockholder's equity	\$	5,350,535
Current expected credit losses ("CECL") transitional amount [1]		42,376
AOCI opt-out election related adjustments		1,809,899
Goodwill, net of associated deferred tax liability (DTL)		(663,058)
Intangibles, net of associated DTLs		(8,235)
Deferred tax assets and other deductions		(303,259)
Total Common Equity Tier 1 capital		6,228,258
Additional Tier 1 Capital:		
Preferred Stock		22,143
Total Additional Tier 1 Capital		22,143
Total Tier 1 capital	\$	6,250,401
Tier 2 capital:		
Trust preferred securities		192,674
Allowance for credit losses		474,675
Total Tier 2 capital		667,349
Total capital	\$	6,917,750

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



III. CAPITAL ADEQUACY

Internal Capital Adequacy Process

Popular's Asset / Liability Committee ("ALCO"), comprising senior management representatives from the business lines and corporate functions, and the Corporate Finance Group, reviews the Corporation's capital policy and the attainment of the Corporation's capital management objectives. 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.

The Corporation, like most financial institutions, faces risks inherent to its business, financial condition, liquidity, results of operations and capital position. Popular's Enterprise Risk Management Committee (the "ERM Committee") monitors these principal risks as defined in the Risk Appetite Statement ("RAS") of the Risk Management Policy, including the monitoring of capital adequacy. For more information on risk management, refer to "Enterprise Risk Management" under Risk Management of Popular's 2023 Form 10-K.

Although Popular is not subject to the U.S. Dodd-Frank Act's supervisory stress testing, it has established an annual capital planning stress testing process. The key objective of the capital planning and stress test process is to determine the level of capital that Popular needs in order to absorb the impact of a hypothetical highly stressed business scenario while continuing to provide credit in the markets it serves. The amount of capital that Popular and its banking subsidiaries require to operate is a function of the risk profile of Popular, its strategic focus, its operating environment and other factors that could materially affect capital adequacy.

Our Board of Directors and our management believe that our operating capital targets are appropriate and prudent after undergoing a thorough assessment of Popular's overall risk profile and capital position. Factors considered in our analysis include the results of our stress test and the factors listed in the Federal Reserve Board of Governors' Supervisory Letter 09-4 ("SR 09-4").

The following table provides information on Popular's capital at June 30, 2024.

Regulatory Capital Ratios	At June 30, 2024		
	BPPR	PB	Popular
Common Equity Tier 1 capital	16.37%	13.38%	16.48%
Tier 1 capital	16.37%	13.38%	16.54%
Total capital	17.64%	14.09%	18.30%

The following table provides information on Popular's standardized approach risk-weighted assets at June 30, 2024.

Standardized Approach Risk-Weighted Assets (Dollar in thousands)	At June 30, 2024
Exposures to depository institutions, foreign banks, and credit unions	17,638
Exposures to Public Sector Entities ("PSEs")	1,462,164
Corporate exposures	19,843,746
Residential mortgage exposures	3,949,342
Statutory multifamily mortgages and pre-sold construction loans	1,515,527
High Volatility Commercial Real Estate ("HVCRE") loans	164,824
Past due loans	278,948
Other assets	10,267,665
Equity exposures	293,731
Total Standardized Approach Risk-Weighted Assets	\$ 37,793,585

Other Assets includes \$175 thousand of securitization RWA calculated using the gross-up approach; see section VIII for more details.

IV. CAPITAL CONSERVATION BUFFER

The Capital Rules also require an additional 2.5% “capital conservation buffer” in addition to the minimum risk-based capital ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. 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%. Banking institutions with a CET1 capital ratio above the minimum requirement but below the capital conservation buffer will face graduated constraints on dividends, equity repurchases and discretionary bonus payments based on the amount of the shortfall and “eligible retained income” (that is, the greater of net income for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income, and the average of net income for the four calendar quarters preceding the current calendar quarter). For more details on Popular’s risk-based capital including the capital conservation buffer refer to “Note 21 – Regulatory Capital Requirements” of the “Notes to Consolidated Financial Statements”; “Regulatory Capital” section under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Popular’s 2023 Form 10-K and “Regulatory Capital Section” under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Popular’s Form 10-Q for the quarter ended June 30, 2024. As of June 30, 2024, Popular’s eligible retained income was \$285 million. There were no limitations on distributions and discretionary bonus payments resulting from the capital conservation buffer framework.

The following table provides information the Corporation’s capital conservation buffer at June 30, 2024, under the Capital Rules.

	Actual Ratio	Minimum Requirement	Capital Conservation Buffer	Required Capital Conservation Buffer
Common Equity Tier 1 Capital	16.48%	4.50%	11.98%	2.50%
Tier 1 Risk-Based Capital	16.54%	6.00%	10.54%	2.50%
Total Risk-Based Capital	18.30%	8.00%	10.30%	2.50%

The total risk-based capital above the minimum required at June 30, 2024, was 10.30% which exceeds the minimum required capital conservation buffer of 2.50%.

V. CREDIT RISK: GENERAL DISCLOSURES

Interest from loan portfolios is Popular's principal source of revenue. Making these loans exposes the Corporation 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 active asset quality administration. Business activities that expose the corporation 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. For further information on Popular's policy for determining past due or delinquency status, placing loans on non-accrual, identifying impaired loans, charging off uncollectible amounts and methodology used to estimate allowance for credit losses, refer to "Note 2 - Summary of Significant Accounting Policies" under "Notes to Consolidated Financial Statements" of Popular's 2023 Form 10-K.

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 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. For further information on credit risks, including geographic and government risks, non-performing loans, loan delinquencies and allowance for credit losses, refer to the "Credit Risk" section under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 9 - Allowance for credit losses – loans held-in-portfolio" under "Notes to Consolidated Financial Statements" of Popular's 2023 Form 10-K and June 30, 2024 Form 10-Q.

Additionally, 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. For more information on Popular's risk rating system refer to "Credit Quality" under "Note 9 - Allowance for credit losses – loans held-in-portfolio" under "Notes to Consolidated Financial Statements" of Popular's 2023 Form 10-K.

The following table provides information on credit risk exposures including on balance sheet, off balance sheet, investments in debt securities and over-the-counter derivatives for Popular in Puerto Rico and the United States, the two principal markets of operations for Popular, at June 30, 2024.



Credit Exposures

At June 30, 2024

(Dollars in thousands)

	Puerto Rico	U.S.	Popular
Commercial multi-family	\$ 304,911 \$	2,079,569 \$	2,384,480
Commercial real estate non-owner occupied	2,979,627	2,024,845	5,004,472
Commercial real estate owner occupied	1,417,112	1,726,705	3,143,817
Commercial and industrial	5,002,784	2,192,573	7,195,357
Construction	183,939	921,820	1,105,759
Mortgage	6,598,745	1,293,206	7,891,951
Leasing	1,828,048	-	1,828,048
Consumer			
Credit cards	1,162,539	18	1,162,557
Home equity lines of credit	2,216	66,776	68,992
Personal	1,744,873	134,746	1,879,619
Auto	3,773,292	-	3,773,292
Other	153,533	7,968	161,501
On-Balance Sheet Total	25,151,619	10,448,226	35,599,845
Commitments to extend credit	9,056,296	1,904,102	10,960,398
Serviced portfolio subject to credit recourse guarantee	527,192	-	527,192
Other commitments	68,635	64,894	133,529
Off-Balance Sheet Total	9,652,123	1,968,996	11,621,119
Investments in Debt Securities	25,653,255	858,797	26,512,052
Over the counter derivatives	25,226	2	25,228
Total Credit Risk Exposures	\$ 60,482,223 \$	13,276,021 \$	73,758,244



Commercial real estate comprises non-owner occupied and owner-occupied real estate. Consumer loans comprise credit cards, home equity lines of credit, personal, and auto loans. For more information on loans, refer to “Note 7 – Loans” under “Notes to Consolidated Financial Statements” of Popular’s Form 10-Q for June 30, 2024.

Investments in debt securities are comprised mainly of U.S. Treasuries and mortgage-backed securities. 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. For more information on debt securities, refer to “Note 5 – Debt securities available-for-sale” and “Note 6 – Debt securities held-to-maturity” under “Notes to Consolidated Financial Statements” of Popular’s Form 10-Q for June 30, 2024.

The off-balance sheet exposures include commitments to extend credit, commercial letters of credit, standby letters of credit, commitments to originate or fund mortgage loans and service portfolio subject to credit recourse guarantee.

For information on average credit exposures for on-balance sheet and investments in debt securities, refer to Table 3 – “Analysis of Levels & Yields on a Taxable Equivalent Basis from Continuing Operations (Non-GAAP)” under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Popular’s Form 10-Q for June 30, 2024.

The following table provides information on Industry distribution for on-balance sheet exposures at June 30, 2024.

On-Balance Sheet Exposures

(Dollars in thousands)

At June 30, 2024

Loans secured by real estate	\$	19,774,648
Loans to depository institutions and acceptances of other banks		-
Loans to finance agricultural production and other loans to farmers		4,435
Commercial and industrial loans:		
To U.S. addressees (domicile)		3,896,455
To non-U.S. addressees (domestic)		18,117
Total Commercial and industrial loans		3,914,572
Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans)		
Credit cards		1,162,557
Other revolving credit plans		75,298
Automobile loans		3,773,324
Other consumer loans (includes single payment, installment, and all student loans)		1,901,763
Total Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans)		6,912,942
Loans to non-depository financial institutions and other loans [1] [2]		3,029,866
Lease financing receivables (net of unearned income)		1,963,382
On-Balance Sheet Total	\$	35,599,845

[1] Includes \$161.5 million of loans to Municipalities of Puerto Rico that are classified as Held-to-Maturity Securities issued by states and political subdivision of the U.S. in Schedule HC-C of the Corporation’s FR Y-9C for the quarter ended June 30, 2024.

[2] Excludes \$16.1 million in escrow advances that are classified as Other loans in Schedule HC-C of the Corporation’s FR Y-9C for the quarter ended June 30, 2024.

The following table provides information on industry distribution for investments in debt securities at June 30, 2024.

Investments in Debt Securities

(Dollar in thousands)

At June 30, 2024

U.S. Treasury securities	\$	20,914,062
Collateralized mortgage obligations - federal agencies		133,380
Mortgage-backed securities		5,401,540
Other		2,000
Obligations of Puerto Rico, States and political subdivisions		55,110
Securities in wholly owned statutory business trusts		5,960
Investments in Debt Securities Total	\$	26,512,052



The following table provides information on impaired loans and amount of loans past due 90 days or more for Puerto Rico and the United States, the two principal markets of operations for Popular, at June 30, 2024.

(Dollars in thousands)	Puerto Rico		Popular U.S.		Popular, Inc.		Past Due 90 or More					
	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	Puerto Rico		Popular U.S.		Popular, Inc.	
							Non-Accrual	Non-Accruing	Non-Accrual	Non-Accruing	Non-Accrual	Non-Accruing
Commercial multi-family	\$ -	\$ 443	\$ 8,700	\$ -	\$ 8,700	\$ 443	\$ 443	\$ -	\$ 8,700	\$ -	\$ 9,143	\$ -
Commercial real estate non-owner occupied	3,574	3,910	-	1,025	3,574	4,935	7,484	-	1,025	-	8,509	-
Commercial real estate owner occupied	16,822	8,463	22,256	-	39,078	8,463	25,285	-	22,256	-	47,541	-
Commercial and industrial	13,512	9,446	-	5,782	13,512	15,228	22,958	3,602	5,782	210	28,740	3,812
Mortgage	72,290	91,500	468	11,086	72,758	102,586	163,790	209,516	11,554	-	175,344	209,516
Leasing	590	6,469	-	-	590	6,469	7,059	-	-	-	7,059	-
Consumer:												
Credit Card	-	-	-	-	-	-	-	23,931	-	-	-	23,931
HELOCs	-	-	-	3,780	-	3,780	-	-	3,780	-	3,780	-
Personal	3,715	15,935	-	1,851	3,715	17,786	19,650	-	1,851	-	21,501	-
Auto	1,898	37,435	-	-	1,898	37,435	39,333	-	-	-	39,333	-
Other	-	885	-	-	-	885	885	322	-	-	885	322
Total Credit Risk Exposures	\$ 112,401	\$ 174,486	\$ 31,424	\$ 23,524	\$ 143,825	\$ 198,010	\$ 286,887	\$ 237,371	\$ 54,948	\$ 210	\$ 341,835	\$ 237,581

The following table provides information on changes in the ACL of loans held-in-portfolio and unfunded commitments at June 30, 2024.

Allowance for Credit Losses

(Dollars in thousands)

At June 30, 2024

Allowance for credit losses - loans:	
Beginning balance at March 31, 2024	\$ 739,544
Provision for credit losses (benefit)	44,157
Initial allowance for credit losses - PCD Loans	6
Charge-offs	(74,875)
Recoveries	21,245
Ending balance - loans	730,077
Allowance for credit losses - unfunded commitments:	
Beginning balance at March 31, 2024	16,767
Provision for credit losses (benefit)	2,117
Ending balance - unfunded commitments [1]	\$ 18,884

[1] Allowance for credit losses of unfunded commitments is presented as part of Other Liabilities in the Consolidated Statements of Financial Condition of Popular's Form 10-Q for June 30, 2024.



The following tables provides information on remaining contractual maturity delineation of Popular's whole loan portfolio, categorized by credit exposure, at June 30, 2024.

Credit Exposures (Dollars in thousands)	As of June 30, 2024				Total
	Maturities				
	<1 year	1-5 years	>5 years		
Commercial	\$ 5,423,614	\$ 10,241,859	\$ 2,062,653		17,728,126
Construction	647,467	422,477	35,815		1,105,759
Mortgage	637,168	2,374,659	4,880,124		7,891,951
Leasing	539,751	1,277,673	10,624		1,828,048
Consumer	1,875,845	4,167,077	1,003,039		7,045,961
On-Balance Sheet Total	\$ 9,123,845	\$ 18,483,745	\$ 7,992,255		35,599,845
Commitments to extend credit	8,105,975	2,441,524	412,899		10,960,398
Serviced portfolio subject to credit recourse guarantee	528	13,339	513,325		527,192
Other Commitments	105,902	27,627	-		133,529
Off-Balance Sheet Total	\$ 8,212,405	\$ 2,482,490	\$ 926,224		11,621,119
Investments in Debt Securities	11,370,931	9,563,533	5,577,588		26,512,052
Over the counter derivatives	6,065	19,163	-		25,228
Total Credit Risk Exposures	\$ 28,713,246	\$ 30,548,931	\$ 14,496,067		73,758,244

VI. GENERAL DISCLOSURE FOR COUNTERPARTY CREDIT RISK-RELATED EXPOSURES

Popular is exposed to counterparty credit risk when the probability that one of the parties it transacts with may default on the underlying contractual obligation. 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. The Corporation mitigates this risk through appropriate credit administration and maintaining credit policies and procedures that establish requirements for each loan and related collateral type, when applicable, during the underwriting, closing, and monitoring phases.

Popular uses derivatives in its trading activities to facilitate customer transactions, and as a means of risk management. Derivative instruments that the Corporation may use include, among others, interest rate caps, indexed options, and forward contracts. Credit risk embedded in these transactions is reduced by requiring appropriate collateral from counterparties and entering into netting agreements whenever possible. Additionally, the credit risk attributed to a counterparty's nonperformance is incorporated in the fair value of the derivatives. The fair value of the Corporation's own credit standing is also considered in the fair value of the derivative liabilities. For the year ended June 30, 2024, inclusion of the credit risk in the fair value of the derivatives resulted in a gain of \$0.2 million from the Corporation's credit standing adjustment. For further information on Popular's derivatives instruments, see "Note 26 - Derivative Instruments and Hedging Activities" under "Notes to Consolidated Financial Statements" of Popular's 2023 Form 10-K.

Deposits from the public sector represent an important source of funds for the Corporation. 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. The Corporation mainly utilizes fixed-rate U.S. Treasury debt securities as collateral. For further information on risks related to the Corporation's credit rating and capital levels, refer to "Liquidity Risks" under Item 1A "Risk Factors" and "Liquidity" section under "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Popular's 2023 Form 10-K.

The following table provides information on financial instruments designated as non-hedging derivatives outstanding at June 30, 2024.

(Dollars in thousands)	At June 30, 2024		
	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives not designated as hedging instruments:			
Forward Contracts	\$ 14,980	\$ 33	\$ 14
Interest rate caps	526,875	2,383	2,392
Indexed options on deposits	92,410	22,812	-
Bifurcated embedded options	88,892	-	20,792
Total derivative assets and liabilities	\$ 723,157	\$ 25,228	\$ 23,198

VII. CREDIT RISK MITIGATION

Popular maintains comprehensive credit policies for all lines of business to mitigate credit risk. The Corporation's 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. Popular's 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. Additionally, Popular's credit policies and procedures establish documentation requirements for each loan and related collateral type, when applicable, during the underwriting, closing, and monitoring phases. Although the Corporation originates most of its loans internally in both the Puerto Rico and mainland United States markets, it occasionally purchases or participates in loans originated by other financial institutions, in which case it conducts the same underwriting analysis of the borrowers and applies the same criteria as it does for internally originated loans. For more information on Popular's credit administration refer to "Credit Administration and Credit Policies" under Item 1 "Business" of Popular's 2023 Form 10-K.

The Corporation's loan portfolio consists of commercial, construction, leasing, mortgage, and consumer loans. When making a loan or 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. Because Popular's business activities are currently concentrated primarily in Puerto Rico, its results of operations and financial condition are dependent upon the general trends of the Puerto Rican economy and, in particular, the residential and commercial real estate markets. As of June 30, 2024, approximately 55% of the Corporation's loan portfolio consisted of loans secured by real estate collateral (comprising 30% in commercial loans, 22% in residential mortgage loans and 3% in construction loans). The Corporation's commercial loan portfolio secured by real estate ("CRE") amounted to \$10.5 billion, including multifamily loans, at June 30, 2024, of which \$3.1 billion was secured with owner occupied properties. In addition, approximately 11% of the loan portfolio is comprised of auto loans, which are secured by automobiles, at June 30, 2024. The Corporation had approximately \$2.0 billion in residential mortgage loans and \$83 million in commercial loans that carried a U.S. government guarantee, which are assigned a risk weight of 20% for regulatory capital purposes. The Corporation does not recognize the benefit of collateral for the purposes of reducing its capital requirements. For more information on Popular's loan portfolio, deposits portfolio and exposure to the Government of Puerto Rico, refer to "Financial Condition – Loans", "Financial Condition – Deposits" and "Credit Risk – Geographical and Government Risk" sections under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and to "Note 20 - Commitment and Contingencies" under "Notes to Consolidated Financial Statements" of Popular's Form 10-Q for the quarter ended June 30, 2024.



VIII. SECURITIZATION

No material securitization exposures were held at June 30, 2024, but there were \$245 thousand of private collateralized mortgage obligations (“CMOs”) backed by GNMA collateral held in the investment portfolio. These senior exposures were risk-weighted using the gross-up approach and received a weighted-average risk weight of 72% based on the risk weight floors of 100% for the interest-only tranche and 20% for the remainder of the exposure.

IX. EQUITIES NOT SUBJECT TO MARKET RISK RULES

The market risk rule applies to any banking organization with aggregate trading assets and trading liabilities equal to (1) 10 percent or more of quarter-end total assets or (2) \$1 billion or more. Because Popular’s trading assets and liabilities are below these thresholds, Popular is not subject to the market risk rule.

The Corporation’s equity exposure principally comprises shares in closed-ended and open-ended mutual funds to meet the needs of clients of the Corporation’s retail brokerage business, other equity securities related to employee deferred compensation plans, and equity in Centro Financiero BHD S.A., a Dominican Republic-based financial institution. Additionally, the Corporation’s pension fund investment strategy under the employee benefit program includes equity investments comprising various types of stock and index funds. For more information on equities and pension funds, refer to the “Market / Interest Rate Risk” section of “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Note 28 - Fair Value Measurement” and “Note 30 - Employee Benefits” under “Notes to Consolidated Financial Statements” of Popular’s 2023 Form 10-K. Additionally, for more information on the Centro Financiero BHD exposures, refer to “Centro Financiero BHD, S.A.” section under “Note 22 – Related party transactions” of the “Notes to Consolidated Financial Statements” of Popular’s Form 10-Q for June 30, 2024.

The following table presents Popular’s equity investment exposures by risk weight category at June 30, 2024.

Equity Investment Exposures (Dollars in thousands)	At June 30, 2024		
	Risk Weight Category	Exposure Amount	Risk-Weighted Asset Amount
Centro Financiero BHD in the Dominican Republic	100%	223,945 \$	223,945
Federal Home Loan Bank Stock	20%	47,729	9,546
Federal Reserve Bank Stock	0%	98,389	-
Non-Public Investment Funds	100%	9,697	9,697
Other Investments	100%	50,543	50,543
Total	\$	430,303 \$	293,731

X. INTEREST RATE RISK FOR NON-TRADING ACTIVITIES

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.

Net interest income (“NII”) 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 Corporation’s 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 interest rate risk 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 include instantaneous parallel changes of -100, -200, +100, and +200 basis points during the succeeding twelve-month period. Simulation analyses are based on many assumptions, including that the balance sheet remains flat, the relative levels of market interest rates across all yield curve points and 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. For further information regarding interest Rate Risk for non-trading activities, refer to the “Risk Management” section under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Popular’s 2023 Form 10-K and June 30, 2024 Form 10-Q.

The following table presents the results of the simulations at June 30, 2024, assuming a static balance sheet and parallel changes over flat spot rates over a one-year time horizon:

(Dollars in thousands)	Net Interest Income Sensitivity	
	At June 30, 2024	
Change in interest rate	Amount Change	Percent Change
+200 basis points	54,953	2.32
+100 basis points	29,332	1.24
-100 basis points	1,442	0.06
-200 basis points	(17,583)	(0.74)

APPENDIX 1: Basel III Regulatory Capital Disclosure Matrix

The following table presents a summary of references to Popular's Annual Report Form 10-K, Form 10-Q, and FR Y-9C consolidated financial statements.

Disclosure Mapping Table

Disclosure Requirement	2023 Form 10-K	Q2-2024 Form 10-Q	Q2-2024 FR Y-9C
Table I: Scope of Application	<ul style="list-style-type: none"> ▪ Part I, Item 1.(Business, Restrictions on Dividends and Repurchases) ▪ Trust Preferred Securities (Note 18) ▪ Regulatory and Capital Requirements (Note 21) 	<ul style="list-style-type: none"> ▪ Regulatory Capital (Management's Discussion and Analysis of Financial Condition and Results of Operations) 	-
Table II: Capital Structure	<ul style="list-style-type: none"> ▪ Part I, Item 1 (Capital Adequacy) ▪ Trust Preferred Securities (Note 18) ▪ Stockholders' Equity (Note 20) ▪ Regulatory capital requirements (Note 21) ▪ Regulatory Capital (Management's Discussion and Analysis of Financial Condition and Results of Operations) 	<ul style="list-style-type: none"> ▪ Stockholders' Equity (Note 18) ▪ Regulatory Capital (Management's Discussion and Analysis of Financial Condition and Results of Operations) 	-
Table III: Capital Adequacy	<ul style="list-style-type: none"> ▪ Enterprise Risk Management (Risk Management) 	-	<ul style="list-style-type: none"> ▪ Schedule HC-R
Table IV: Capital Conservation Buffer	<ul style="list-style-type: none"> ▪ Regulatory and Capital Requirements (Note 21) ▪ Regulatory Capital (Management's Discussion and Analysis of Financial Condition and Results of Operations) 	<ul style="list-style-type: none"> ▪ Regulatory Capital (Management's Discussion and Analysis of Financial Condition and Results of Operations) 	-
Table V: Credit Risk – General Disclosure	<ul style="list-style-type: none"> ▪ Summary of Significant Accounting Policies (Note 2) ▪ Allowance for credit losses – loans held-in-portfolio (Note 9) ▪ Credit Risk (Management's Discussion and Analysis of Financial Condition and Results of Operations) ▪ Table 3 – Analysis of Levels & Yields on a Taxable Equivalent Basis from Continuing Operations Non-GAAP (Management's Discussion and Analysis of Financial Condition and Results of Operations) 	<ul style="list-style-type: none"> ▪ Summary of Significant Accounting Policies (Note 4) ▪ Allowance for credit losses – loans held-in-portfolio (Note 9) ▪ Credit Risk (Management's Discussion and Analysis of Financial Condition and Results of Operations) ▪ Table 2 – Analysis of Levels & Yields on a Taxable Equivalent Basis from Continuing Operations Non-GAAP (Management's Discussion and Analysis of Financial Condition and Results of Operations) 	<ul style="list-style-type: none"> ▪ Schedule HC-C, HC-R
Table VI: General Disclosures for Counterparty Credit Risk Related Exposures	<ul style="list-style-type: none"> ▪ Part I, Item 1A, Risk Factors (Liquidity Risks) ▪ Liquidity (Management's Discussion and Analysis of Financial Condition and Results of Operations") ▪ Derivative instruments and hedging activities (Note 26) 	<ul style="list-style-type: none"> ▪ Liquidity (Management's Discussion and Analysis of Financial Condition and Results of Operations") 	-
Table VII: Credit Risk Mitigation	<ul style="list-style-type: none"> ▪ Part I, Item 1 Business (Credit Administration and Credit Policies) ▪ Financial Condition – Loans, Financial Condition – Deposits, and Credit Risk – Geographical and Government Risk (Management's Discussion and Analysis of Financial Condition and Results of Operations) ▪ Commitments and contingencies (Note 24) 	<ul style="list-style-type: none"> ▪ Financial Condition – Loans, Financial Condition – Deposits, and Credit Risk – Geographical and Government Risk (Management's Discussion and Analysis of Financial Condition and Results of Operations) ▪ Commitments and contingencies (Note 21) 	-

Table VIII: Securitization	▪ -	-	-
Table IX: Equities Not Subject to Market Risk Rule	<ul style="list-style-type: none"> ▪ Market / Interest Rate Risk (Management's Discussion and Analysis of Financial Condition and Results of Operations) ▪ Fair Value Measurement of Assets and Liabilities (Note 28) ▪ Employee Benefits (Note 30) ▪ Related party transactions (Note 27) 	<ul style="list-style-type: none"> ▪ Market / Interest Rate Risk (Management's Discussion and Analysis of Financial Condition and Results of Operations) ▪ Fair Value Measurement of Assets and Liabilities (Note 24) ▪ Related party transactions (Note 23) 	-
Table X: Interest Rate Risk for Non- Trading Activities	▪ Risk Management (Management's Discussion and Analysis of Financial Condition and Results of Operations)	▪ Risk Management (Management's Discussion and Analysis of Financial Condition and Results of Operations)	-

APPENDIX 2: Abbreviations and Defined Terms

ACL	Allowance for Credit Losses
ALCO	Asset / Liability Committee
AOCI	Accumulated Other Comprehensive Income
BCBS	Basel Committee on Banking Supervision
BPPR	Banco Popular de Puerto Rico
DTL	Deferred Tax Liability
CET1	Common Equity Tier 1
CMO	Collateralized Mortgage Obligation
CRE	Commercial Real Estate
ERM	Enterprise Risk Management
EVTC	Evertec, Inc.
GAAP	Generally Accepted Accounting Principles
GNMA	Government National Mortgage Association
HVCRE	High Volatility Commercial Real Estate
MD&A	Management Discussion and Analysis
MDB	Multilateral Development Bank
NYSDFS	New York State Department of Financial Services
NII	Net Interest Income
PB	Popular Bank
PCD	Purchased Credit Deteriorated
PSE	Public Sector Entity
RAS	Risk Appetite Statement
RWA	Risk-Weighted Assets
The Corporation	Popular
VIE	Variable Interest Entity