POPULAR INC
Form 10-Q
November 09, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2016

Commission File Number: 001-34084

POPULAR, INC.

(Exact name of registrant as specified in its charter)

Puerto Rico	**66-0667416**
(State or other jurisdiction of	**(IRS Employer**
Incorporation or organization)	**Identification Number)**

Popular Center Building
209 Muñoz Rivera Avenue
Hato Rey, Puerto Rico **00918**
(Address of principal executive offices) **(Zip code)**

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

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: Common Stock, $0.01 par value, 103,779,136 shares outstanding as of November 4, 2016.

Table of Contents

POPULAR, INC.

INDEX

Table of Contents

Forward-Looking Information

The information included in this Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to Popular, Inc. s (the Corporation , Popular , we , us , our) financial condition, results of operations, plans, objectives, future performanc business, including, but not limited to, statements with respect to 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 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 and future or conditional verbs such as will , would , should , could , might , can , may or similar expressions generally intended to identify forward-looking statements.

These statements are not guarantees of future performance and involve certain risks, uncertainties, estimates and assumptions by management that are difficult to predict.

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 in the economy and employment levels, as well as general business and economic conditions in the geographic areas we serve;

- changes in interest rates, as well as the magnitude of such changes;

- 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;

- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (The Dodd-Frank Act) on our businesses, business practices and cost of operations;

- 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 borrowers are located;

- the impact of the Commonwealth of Puerto Rico s fiscal crisis, and the measures taken and to be taken by the Puerto Rico Government, on the economy and our business, and the ability of the Government to manage this crisis in an orderly manner;

- the performance of the stock and bond markets;

- competition in the financial services industry;

- additional Federal Deposit Insurance Corporation (FDIC) assessments;

- possible legislative, tax or regulatory changes; and

- risks related to the Doral Transaction, including (a) our ability to maintain customer relationships and (b) risks associated with the limited amount of diligence able to be conducted by a buyer in an FDIC transaction.

Other possible events or factors that could cause results or performance to differ materially from those expressed in these forward-looking statements include the following:

- negative economic conditions that adversely affect housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the level of non-performing assets, charge-offs and provision expense;

- risks associated with maintaining customer relationships from our acquisition of certain assets and deposits (other than certain brokered deposits) of Doral Bank from the FDIC as receiver;

- changes in interest rates and market liquidity which may reduce interest margins, impact funding sources and affect our ability to originate and distribute financial products in the primary and secondary markets;

changes in market rates and prices which may adversely impact the value of financial assets and liabilities;

liabilities resulting from litigation and regulatory investigations;

changes in accounting standards, rules and interpretations;

our ability to grow our core businesses;

decisions to downsize, sell or close units or otherwise change our business mix; and

management s ability to identify and manage these and other risks.

Moreover, the outcome of legal proceedings, as discussed in Part II, Item I. Legal Proceedings, is inherently uncertain and depends on judicial interpretations of law and the findings of regulators, judges and juries. Investors should refer to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2015 as well as Part II, Item 1A of this Form 10-Q for a discussion of such factors and certain risks and uncertainties to which the Corporation is subject.

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

Table of Contents

POPULAR, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(UNAUDITED)

(In thousands, except share information)	September 30, 2016	December 31, 2015
Assets:		
Cash and due from banks	$ 350,545	$ 363,674
Money market investments:		
Securities purchased under agreements to resell	22,380	96,338
Time deposits with other banks	3,941,115	2,083,754
Total money market investments	3,963,495	2,180,092
Trading account securities, at fair value:		
Pledged securities with creditors right to repledge	22,848	19,506
Other trading securities	49,736	52,153
Investment securities available-for-sale, at fair value:		
Pledged securities with creditors right to repledge	785,124	739,045
Other investment securities available-for-sale	6,843,532	5,323,947
Investment securities held-to-maturity, at amortized cost (fair value 2016 - $79,410; 2015 - $82,889)	97,973	100,903
Other investment securities, at lower of cost or realizable value (realizable value 2016 - $172,077; 2015 - $175,291)	168,791	172,248
Loans held-for-sale, at lower of cost or fair value	72,076	137,000
Loans held-in-portfolio:		
Loans not covered under loss-sharing agreements with the FDIC	22,714,358	22,453,813
Loans covered under loss-sharing agreements with the FDIC	588,211	646,115
Less Unearned income	118,386	107,698
Allowance for loan losses	555,855	537,111
Total loans held-in-portfolio, net	22,628,328	22,455,119
FDIC loss-share asset	152,467	310,221
Premises and equipment, net	537,975	502,611
Other real estate not covered under loss-sharing agreements with the FDIC	184,828	155,231
Other real estate covered under loss-sharing agreements with the FDIC	37,414	36,685
Accrued income receivable	119,691	124,234
Mortgage servicing assets, at fair value	200,354	211,405
Other assets	2,163,939	2,193,162
Goodwill	627,294	626,388

Other intangible assets	47,886	58,109
Total assets	$ 39,054,296	$ 35,761,733
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 6,950,287	$ 6,401,515
Interest bearing	23,376,758	20,808,208
Total deposits	30,327,045	27,209,723
Federal funds purchased and assets sold under agreements to repurchase	765,251	762,145
Other short-term borrowings	1,200	1,200
Notes payable	1,598,533	1,662,508
Other liabilities	980,057	1,019,018
Liabilities from discontinued operations (Refer to Note 4)	1,815	1,815
Total liabilities	33,673,901	30,656,409
Commitments and contingencies (Refer to Note 23)		
Stockholders equity:		
Preferred stock, 30,000,000 shares authorized; 2,006,391shares issued and outstanding	50,160	50,160
Common stock, $0.01 par value; 170,000,000 shares authorized; 104,014,381 shares issued (2015 - 103,816,185) and 103,762,596 shares outstanding (2015 - 103,618,976)	1,040	1,038
Surplus	4,234,842	4,229,156
Retained earnings	1,259,295	1,087,957
Treasury stock - at cost, 251,785 shares (2015 - 197,209)	(7,647)	(6,101)
Accumulated other comprehensive loss, net of tax	(157,295)	(256,886)
Total stockholders equity	5,380,395	5,105,324
Total liabilities and stockholders equity	$ 39,054,296	$ 35,761,733

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

Table of Contents

POPULAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share information)	Quarters ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Interest income:				
Loans	$ 363,550	$ 364,458	$ 1,096,468	$ 1,094,222
Money market investments	4,568	2,003	11,320	5,294
Investment securities	37,732	31,671	110,728	93,269
Trading account securities	1,449	3,150	5,013	8,872
Total interest income	407,299	401,282	1,223,529	1,201,657
Interest expense:				
Deposits	32,362	28,357	92,835	80,479
Short-term borrowings	2,132	2,222	6,051	5,819
Long-term debt	19,118	19,968	57,993	58,876
Total interest expense	53,612	50,547	156,879	145,174
Net interest income	353,687	350,735	1,066,650	1,056,483
Provision for loan losses - non-covered loans	42,594	69,568	130,202	159,747
Provision (reversal) for loan losses - covered loans	750	(2,890)	(1,551)	23,200
Net interest income after provision for loan losses	310,343	284,057	937,999	873,536
Service charges on deposit accounts	40,776	40,960	120,934	120,115
Other service fees (Refer to Note 29)	59,169	56,115	169,496	169,162
Mortgage banking activities (Refer to Note 12)	15,272	24,195	42,050	58,372
Net gain on sale of investment securities	349	136	1,932	141
Other-than-temporary impairment losses on investment securities			(209)	(14,445)
Trading account (loss) profit	(113)	(398)	842	(3,092)
Net gain on sale of loans, including valuation adjustments on loans held-for-sale	8,549		8,245	602
Adjustments (expense) to indemnity reserves on loans sold	(4,390)	(5,874)	(14,234)	(9,981)
FDIC loss-share (expense) income (Refer to Note 30)	(61,723)	1,207	(77,445)	24,421
Other operating income	18,089	14,768	46,500	41,808
Total non-interest income	75,978	131,109	298,111	387,103
Operating expenses:				
Personnel costs	121,224	120,863	365,023	358,298
Net occupancy expenses	21,626	21,277	63,770	66,272

Equipment expenses	15,922	14,739	45,731	44,075
Other taxes	11,324	9,951	31,689	29,638
Professional fees	81,266	77,154	237,350	231,131
Communications	5,785	6,058	18,117	18,387
Business promotion	12,726	12,325	37,541	36,914
FDIC deposit insurance	5,854	7,300	18,586	22,240
Other real estate owned (OREO) expenses	11,295	7,686	33,416	75,571
Other operating expenses	29,752	25,551	70,432	73,981
Amortization of intangibles	3,097	3,512	9,308	8,497
Goodwill impairment charge	3,801		3,801	
Restructuring costs (Refer to Note 4)		481		17,408
Total operating expenses	323,672	306,897	934,764	982,412
Income from continuing operations before income tax	62,649	108,269	301,346	278,227
Income tax expense (benefit)	15,839	22,620	80,550	(478,344)
Income from continuing operations	46,810	85,649	220,796	756,571
(Loss) income from discontinued operations, net of tax (Refer to Note 4)		(9)		1,347
Net Income	$ 46,810	$ 85,640	$ 220,796	$ 757,918

Table of Contents

Net Income Applicable to Common Stock	$ 45,880	$ 84,709	$ 218,004	$ 755,126
Net Income per Common Share Basic				
Net income from continuing operations	$ 0.44	$ 0.82	$ 2.11	$ 7.33
Net income from discontinued operations				0.01
Net Income per Common Share Basic	$ 0.44	$ 0.82	$ 2.11	$ 7.34
Net Income per Common Share Diluted				
Net income from continuing operations	$ 0.44	$ 0.82	$ 2.11	$ 7.31
Net income from discontinued operations				0.01
Net Income per Common Share Diluted	$ 0.44	$ 0.82	$ 2.11	$ 7.32
Dividends Declared per Common Share	$ 0.15	$ 0.15	$ 0.45	$ 0.15

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

Table of Contents

POPULAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(In thousands)	Quarters ended, September 30, 2016	Quarters ended, September 30, 2015	Nine months ended, September 30, 2016	Nine months ended, September 30, 2015
Net income	$ 46,810	$ 85,640	$ 220,796	$ 757,918
Other comprehensive (loss) income before tax:				
Foreign currency translation adjustment	(325)	(31)	(2,465)	(1,704)
Amortization of net losses of pension and postretirement benefit plans	5,488	5,025	16,461	15,075
Amortization of prior service cost of pension and postretirement benefit plans	(950)	(950)	(2,850)	(2,850)
Unrealized holding (losses) gains on investments arising during the period	(15,428)	28,669	98,900	22,820
Other-than-temporary impairment included in net income			209	14,445
Reclassification adjustment for gains included in net income	(349)	(136)	(349)	(141)
Unrealized net losses on cash flow hedges	(1,123)	(2,575)	(4,662)	(4,106)
Reclassification adjustment for net losses included in net income	1,650	1,664	4,466	3,973
Other comprehensive (loss) income before tax	(11,037)	31,666	109,710	47,512
Income tax expense	(646)	(2,441)	(10,119)	(7,446)
Total other comprehensive (loss) income, net of tax	(11,683)	29,225	99,591	40,066
Comprehensive income, net of tax	$ 35,127	$ 114,865	$ 320,387	$ 797,984

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

(In thousands)	Quarters ended September 30, 2016	Quarters ended September 30, 2015	Nine months ended, September 30, 2016	Nine months ended, September 30, 2015
Amortization of net losses of pension and postretirement benefit plans	$ (2,140)	$ (1,961)	$ (6,420)	$ (5,880)
Amortization of prior service cost of pension and postretirement benefit plans	370	371	1,110	1,112
Unrealized holding (losses) gains on investments arising during the period	1,297	(1,234)	(4,877)	(272)
Other-than-temporary impairment included in net income			(42)	(2,486)
Reclassification adjustment for gains included in net income	33	27	33	28
Unrealized net losses on cash flow hedges	438	1,004	1,819	1,601

Reclassification adjustment for net losses included in net income	(644)	(648)	(1,742)	(1,549)
Income tax expense	$ (646)	$ (2,441)	$ (10,119)	$ (7,446)

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

8

Table of Contents

POPULAR, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(UNAUDITED)

n thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
lance at December 31, 2014	$ 1,036	$ 50,160	$ 4,196,458	$ 253,717	$ (4,117)	$ (229,872)	$ 4,267,38
et income				757,918			757,91
uance of stock	1		4,176				4,17
x windfall benefit on vesting of restricted ock			171				17
vidends declared:							
ommon stock				(15,534)			(15,53
eferred stock				(2,792)			(2,79
ommon stock purchases					(1,798)		(1,79
ommon stock reissuance					46		4
her comprehensive income, net of tax						40,066	40,06
lance at September 30, 2015	$ 1,037	$ 50,160	$ 4,200,805	$ 993,309	$ (5,869)	$ (189,806)	$ 5,049,63
lance at December 31, 2015	$ 1,038	$ 50,160	$ 4,229,156	$ 1,087,957	$ (6,101)	$ (256,886)	$ 5,105,32
et income				220,796			220,79
uance of stock	2		5,716				5,71
x windfall shortfall on vesting of restricted ock			(30)				(3
vidends declared:							
ommon stock				(46,666)			(46,66
eferred stock				(2,792)			(2,79
ommon stock purchases					(1,563)		(1,56
ommon stock reissuance					17		1
her comprehensive income, net of tax						99,591	99,59
lance at September 30, 2016	$ 1,040	$ 50,160	$ 4,234,842	$ 1,259,295	$ (7,647)	$ (157,295)	$ 5,380,39

sclosure of changes in number of shares:	September 30, 2016	September 30 2015
eferred Stock:		
lance at beginning and end of period	2,006,391	2,006,39
ommon Stock Issued:		
lance at beginning of period	103,816,185	103,614,55

uance of stock	198,196	131,40
lance at end of the period	104,014,381	103,745,95
easury stock	(251,785)	(189,67
ommon Stock Outstanding	103,762,596	103,556,28

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

9

Table of Contents

POPULAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Nine months ended September 30, 2016	2015
Cash flows from operating activities:		
Net income	$ 220,796	$ 757,918
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	128,651	182,947
Goodwill impairment losses	3,801	
Amortization of intangibles	9,308	8,497
Depreciation and amortization of premises and equipment	34,725	35,459
Net accretion of discounts and amortization of premiums and deferred fees	(36,753)	(58,637)
Other-than-temporary impairment on investment securities	209	14,445
Fair value adjustments on mortgage servicing rights	18,879	5,808
FDIC loss share expense (income)	77,445	(24,421)
Adjustments (expense) to indemnity reserves on loans sold	14,234	9,981
Earnings from investments under the equity method	(23,812)	(17,085)
Deferred income tax expense (benefit)	61,918	(496,279)
Loss (gain) on:		
Disposition of premises and equipment and other productive assets	3,603	(2,939)
Sale and valuation adjustments of investment securities	(1,932)	(141)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	(32,982)	(24,657)
Sale of foreclosed assets, including write-downs	13,160	56,391
Acquisitions of loans held-for-sale	(223,189)	(331,860)
Proceeds from sale of loans held-for-sale	58,003	71,296
Net originations on loans held-for-sale	(365,353)	(574,942)
Net decrease (increase) in:		
Trading securities	578,133	783,304
Accrued income receivable	4,543	11,582
Other assets	(28,201)	61,179
Net (decrease) increase in:		
Interest payable	(11,553)	(10,612)
Pension and other postretirement benefits obligation	(56,537)	2,567
Other liabilities	(5,292)	(39,053)
Total adjustments	221,008	(337,170)
Net cash provided by operating activities	441,804	420,748

Cash flows from investing activities:		
Net increase in money market investments	(1,783,402)	(586,185)
Purchases of investment securities:		
Available-for-sale	(2,408,514)	(1,239,962)
Held-to-maturity		(250)
Other	(14,017)	(39,391)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	951,447	1,152,074
Held-to-maturity	4,182	4,428
Other	11,051	45,497
Proceeds from sale of investment securities:		
Available-for-sale	1,556	96,760
Other	8,006	12,928
Net (disbursements) repayments on loans	(93,354)	318,919
Proceeds from sale of loans	134,114	27,780
Acquisition of loan portfolios	(355,507)	(173,505)
Acquisition of trademark		(50)
Net payments from FDIC under loss sharing agreements	95,407	245,416
Net cash received and acquired from business combination		731,279
Acquisition of servicing advances		(61,304)
Cash paid related to business acquisition		(17,250)
Return of capital from equity method investments	324	
Mortgage servicing rights purchased		(2,400)
Acquisition of premises and equipment	(78,297)	(41,109)
Proceeds from sale of:		
Premises and equipment and other productive assets	5,519	10,166
Foreclosed assets	54,600	115,078
Net cash (used in) provided by investing activities	(3,466,885)	598,919

Table of Contents

Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	3,119,674	(289,444)
Federal funds purchased and assets sold under agreements to repurchase	3,106	(185,892)
Other short-term borrowings		(148,215)
Payments of notes payable	(230,608)	(719,575)
Proceeds from issuance of notes payable	165,047	263,286
Proceeds from issuance of common stock	5,718	4,177
Dividends paid	(49,438)	(2,792)
Net payments for repurchase of common stock	(1,547)	(1,752)
Net cash provided by (used in) financing activities	3,011,952	(1,080,207)
Net decrease in cash and due from banks	(13,129)	(60,540)
Cash and due from banks at beginning of period	363,674	381,095
Cash and due from banks at the end of the period	$ 350,545	$ 320,555

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

During the nine months ended September 30, 2016 there have not been any cash flows associated with discontinued operations. The Consolidated Statement of Cash Flows for the nine months ended September 30, 2015 includes the cash flows from operating, investing and financing activities associated with discontinued operations.

Table of Contents

Notes to Consolidated Financial

Statements (Unaudited)

Table of Contents

Note 1 Nature of Operations

Popular, Inc. (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 and the Caribbean. 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 operates Banco Popular North America (BPNA). BPNA focuses efforts and resources on the core community banking business. BPNA operates branches in New York, New Jersey and South Florida under the name of Popular Community Bank. Refer to Note 4 for discussion of the sales of the California, Illinois and Central Florida regional operations during 2014. Note 35 to the consolidated financial statements presents information about the Corporation s business segments.

On February 27, 2015, BPPR, in an alliance with other bidders, including BPNA, acquired certain assets and all deposits (other than certain brokered deposits) of former Doral Bank (Doral) from the Federal Deposit Insurance Corporation (FDIC), as receiver (the Doral Bank Transaction). Under the FDIC s bidding format, BPPR was the lead bidder and party to the purchase and assumption agreement with the FDIC covering all assets and deposits acquired by it and its alliance co-bidders. BPPR entered into back to back purchase and assumption agreements with the alliance co-bidders for the transfer of certain assets and deposits. BPPR entered into transition service agreements with each of the alliance co-bidders. Refer to Note 5 for further details on the Doral Bank Transaction.

Table of Contents

Note 2 Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated interim financial statements have been prepared without audit. The consolidated statement of financial condition data at December 31, 2015 was derived from audited financial statements. The unaudited interim financial statements are, in the opinion of management, a fair statement of the results for the periods reported and include all necessary adjustments, all of a normal recurring nature, for a fair statement of such results.

Certain reclassifications have been made to the 2015 consolidated financial statements and notes to the financial statements to conform with the 2016 presentation.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from the unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2015, included in the Corporation s 2015 Form 10-K. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

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.

Table of Contents

Note 3 New accounting pronouncements

Recently Issued Accounting Standards Updates

FASB Accounting Standards Update (ASU) 2016-17, Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control

The FASB issued ASU 2016-17 in October 2016, which changes how a reporting entity that is a single decision maker of a VIE treats indirect interests in the entity held through related parties that are under common control. Under the new guidance, if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted, including adoption in an interim period.

The Corporation is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

FASB Accounting Standards Update (ASU) 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory

The FASB issued ASU 2016-16 in October 2016, which eliminates the exception for all intra-entity sales of assets other than inventory that requires deferral of the tax effects until the transferred asset is sold to a third party or otherwise recovered through use. The new guidance requires a reporting entity to recognize the tax expense from the sale of the asset in the seller s tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer s jurisdiction would also be recognized at the time of the transfer.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, but the guidance can only be adopted in the first interim period of a fiscal year. The modified retrospective approach will be required for transition to the new guidance, with a cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption.

The Corporation is currently evaluating the impact that the adoption of this guidance will have on its consolidated statements of financial condition, results of operations, and presentation and disclosures.

FASB Accounting Standards Update (ASU) 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments

The FASB issued ASU 2016-15 in August 2016, which addresses specific cash flow issues with the objective of reducing existing diversity in practice, which may lead to a difference in the classification of transactions between operating, financing or investing activities. Among other things, the guidance provides an accounting policy election for classifying distributions received from equity method investees and clarifies the application of the predominance principle.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. Entities will be required to apply the guidance retrospectively to all periods presented, unless it is impracticable to do so.

The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect on its consolidated statements of cash flows.

FASB Accounting Standards Update (ASU) 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

The FASB issued ASU 2016-13 in June 2016, which replaces the incurred loss model with a current expected credit loss (CECL) model. The CECL model applies to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet exposures. Under current U.S. GAAP, an entity reflects credit losses on financial assets measured on an amortized cost basis

Table of Contents

only when losses are probable or have been incurred, generally considering only past events and current conditions in making these determinations. ASU 2016-13 prospectively replaces this approach with a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first acquired. Under the revised methodology, credit losses will be measured based on past events, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets. ASU 2016-13 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, ASU 2016-13 provides that the initial allowance for credit losses on purchased credit impaired financial assets will be recorded as an increase to the purchase price, with subsequent changes to the allowance recorded as a credit loss expense.

ASU 2016-13 also expands disclosure requirements regarding an entity s assumptions, models and methods for estimating the allowance for credit losses.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted as of January 1, 2019.

The Corporation is currently evaluating the impact that the adoption of this guidance will have on its consolidated statements of financial condition, results of operations, and presentation and disclosures.

FASB Accounting Standards Update (ASU) 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients

The FASB issued ASU 2016-12 in May 2016. The amendments in this update, among other things, clarify the objective of the collectability criterion, provide guidance on noncash and variable consideration, provide a practical expedient for contract modifications at transition, and clarify the meaning of a completed contract for purposes of transition.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017.

The Corporation is currently evaluating the impact that the adoption of this guidance will have on its results of operations and presentation and disclosures in its consolidated financial statements.

FASB Accounting Standards Update (ASU) 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing

The FASB issued ASU 2016-10 in April 2016 which clarifies two aspects of Topic 606, in particular, the identification of performance obligations. Among other things, an entity is not required to assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract with the customer. In addition, in determining whether promises to transfer goods or services are separately identifiable, an entity should determine whether the nature of its promise in the contract is to transfer each of the goods or services or whether the promise is to transfer a combined item (or items) to which the promised goods and/or services are inputs.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017.

The Corporation is currently evaluating the impact that the adoption of this guidance will have on its results of operations and presentation and disclosures in its consolidated financial statements.

Table of Contents

FASB Accounting Standards Update (ASU) 2016-09, Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting

The FASB issued ASU 2016-09 in March 2016 which simplifies multiple aspects of the accounting for share-based payment transactions, including the recognition of excess tax benefits and deficiencies as an income tax benefit or expense in the income statement and classification in the statement of cash flows as an operating activity, allowing entities to elect as an accounting policy to account for forfeitures when they occur, permitting entities to withhold up to the maximum individual statutory rate without classifying the awards as a liability, and requiring that the cash paid to satisfy the statutory income tax withholding obligation be classified as a financing activity.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted.

The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect on its consolidated statements of financial condition, results of operations, cash flows or presentation and disclosures.

FASB Accounting Standards Update (ASU) 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)

The FASB issued ASU 2016-08 in March 2016, which amends the implementation guidance in ASU 2014-09 by clarifying, among other things, that an entity should determine the nature of the goods or services provided to the customer and whether it controls each specified good or service before it is transferred to the customer, that an entity can be a principal for some goods or services and an agent for others with the same contract, and that an entity is a principal if it controls the goods or services before transferring them to the customer.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017.

The Corporation is currently evaluating the impact that the adoption of this guidance will have on its consolidated statements of financial condition or results of operations.

FASB Accounting Standards Update (ASU) 2016-07, Investments Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting

The FASB issued ASU 2016-07 in March 2016, which eliminates the requirement to retroactively adopt the equity method of accounting. Therefore, as of the date the investment becomes qualified for equity method accounting, an entity should add the cost of acquiring the additional interest in the investee to the current basis of its previously held interest. For available-for-sale securities, an entity should recognize through earnings the unrealized holding gains/losses in accumulated other comprehensive income/loss as of that date.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted.

The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect on its consolidated statements of financial condition or results of operations.

FASB Accounting Standards Update (ASU) 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments

The FASB issued ASU 2016-06 in March 2016, which clarifies that in assessing whether an embedded contingent put or call option is not clearly and closely related to the debt instrument, which is part of the assessment made to determine whether an embedded derivative must be bifurcated from the host contract, an entity is required to perform only the four step decision sequence. The four-step decision sequence requires an entity to consider whether (1) the payoff is adjusted based on changes in an index, (2) the payoff is indexed to an underlying other than interest rates or credit risk, (3) the debt involves a substantial premium or discount and (4) the put or call option is contingently exercisable. It does not have to separately assess whether the event that triggers its ability to exercise the contingent option itself is indexed only to interest rates and credit risk.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted.

Table of Contents

The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect on its consolidated statements of financial condition or results of operations.

FASB Accounting Standards Update (ASU) 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships

The FASB issued ASU 2016-05 in March 2016, which clarifies that a novation, or a change in the counterparty to the derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require de-designation of that hedging relationship, and therefore discontinuance of the application of hedge accounting, provided that all other hedge accounting criteria continue to be met.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted.

The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect on its consolidated statements of financial condition or results of operations.

For recently issued Accounting Standards Updates not yet effective, refer to Note 3 to the consolidated financial statements included in the 2015 Form 10-K.

Table of Contents

Note 4 Discontinued operations and restructuring plan

During the year ended December 31, 2014, the Corporation completed the sale of its California, Illinois and Central Florida regional operations and relocated certain back office operations to Puerto Rico and New York.

As defined in ASC 805-10-55, the regional operations sold constituted a business, and for financial reporting purposes, the results of the discontinued operations are presented as Assets / Liabilities from discontinued operations in the consolidated statement of condition and (Loss) income from discontinued operations, net of tax in the consolidated statement of operations.

As of September 30, 2016 and December 31, 2015, there were no assets held within the discontinued operations and liabilities within discontinued operations amounted to approximately $1.8 million, mainly comprised of the indemnity reserve related to the California regional sale.

There were no activities from the discontinued operations during the nine month period ended September 30, 2016. Net income from the discontinued operations amounted to $1.3 million for the nine months ended September 30, 2015.

Also, in connection with the sale, the Corporation has undertaken a restructuring plan (the PCB Restructuring Plan) which has been completed by December 31, 2015, for which the Corporation incurred restructuring charges of $45.1 million. During the nine month period ended September 30, 2015, the Corporation incurred $17.4 million in restructuring costs, mostly comprised of $12.7 million in personnel costs.

The following table presents the activity in the reserve for the restructuring costs associated with the PCB Restructuring Plan:

	Nine months ended September 30,	
(In thousands)	2016	2015
Beginning balance	$ 620	$ 13,536
Charges expensed during the period		7,725
Payments made during the period	(430)	(20,469)
Ending balance	$ 190	$ 792

Table of Contents

Note 5 Business combination

On February 27, 2015, BPPR, in an alliance with co-bidders, including BPNA, acquired certain assets and all deposits (other than certain brokered deposits) of former Doral Bank from the FDIC, as receiver. Under the FDIC s bidding format, BPPR was the lead bidder and party to the purchase and assumption agreement with the FDIC covering all assets and deposits acquired by it and its alliance co-bidders. BPPR entered into back to back purchase and assumption agreements with the alliance co-bidders for the transfer of certain assets and deposits. BPPR entered into transition service agreements with each of the alliance co-bidders. There is no loss-sharing arrangement with the FDIC on the acquired assets.

The following table presents the fair values of major classes of identifiable assets acquired and liabilities assumed by the Corporation as of February 27, 2015.

(In thousands)	Book value prior to purchase accounting adjustments	Fair value adjustments	Additional consideration[1]	As recorded by Popular, Inc.
Assets:				
Cash and due from banks	$ 339,633	$	$	$ 339,633
Investment in available-for-sale securities	172,706			172,706
Investments in FHLB stock	30,785			30,785
Loans	1,679,792	(165,925)		1,513,867
Accrued income receivable	7,808			7,808
Receivable from the FDIC			480,137	480,137
Core deposit intangible	23,572	(10,762)		12,810
Other assets	67,676	7,569		75,245
Total assets	$ 2,321,972	$ (169,118)	$ 480,137	$ 2,632,991
Liabilities:				
Deposits	$ 2,193,404	$ 9,987	$	$ 2,203,391
Advances from the Federal Home Loan Bank	542,000	5,187		547,187
Other liabilities	50,728	(511)		50,217
Total liabilities	$ 2,786,132	$ 14,663	$	$ 2,800,795
Excess of liabilities assumed over assets acquired	$ 464,160			
Aggregate fair value adjustments		$ (183,781)		
Additional consideration			$ 480,137	
Goodwill on acquisition				$ 167,804

[1] The additional consideration represents the cash to be received from the FDIC for the difference between the net liabilities assumed and the net premium paid on the transaction.

In accordance with ASC Topic 805, the fair values assigned to the assets acquired and liabilities assumed are subject to refinement up to one year after the closing date of the acquisition as new information relative to closing date fair values become available, and thus the recognized goodwill may increase or decrease. During the second and third quarters of 2015, retrospective adjustments were made to the estimated fair values of certain assets acquired and liabilities assumed as part of the Doral Bank Transaction to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The retrospective adjustments resulted in a decrease of $2.1 million to the initial fair value estimate of the mortgage servicing rights, a decrease in other liabilities assumed of $0.5 million and, an increase of $2.6 million in the receivable from the FDIC related to the acquisition cost of deposits, all of which were adjusted against goodwill.

During the fourth quarter of 2015 the Corporation early adopted ASU 2015-16 Business Combination . Accordingly, adjustments to the initial fair value estimates identified during the measurement period were recognized in the reporting period in which the adjustment amounts were determined. Pursuant to ASU 2015-16, adjustments were made effective in the fourth quarter of 2015 to the estimated fair values of assets and liabilities assumed with the Doral Bank Transaction to reflect new information obtained during the measurement period about facts and circumstances that existed as of the acquisition date that, if known, would have affected the acquisition-date fair value measurements.

Table of Contents

During the quarter ended March 31, 2016, the Corporation recorded adjustments to its initial fair value estimates in connection with the Doral Bank Transaction. As a result, the discount on the loans increased by $4.7 million with a corresponding increase to goodwill.

The following table presents the principal changes in fair value and the revised amounts recorded during the measurement period.

(In thousands)	February 27, 2015 As recasted[a]	February 27, 2015 As previously reported[b]	Change
Assets:			
Loans	$ 1,513,867	$ 1,665,756	$ (151,889)
Goodwill	167,804	41,633	126,171
Core deposit intangible	12,810	23,572	(10,762)
Receivable from the FDIC	480,137	441,721	38,416
Other assets	626,177	626,177	
Total assets	$ 2,800,795	$ 2,798,859	$ 1,936
Liabilities:			
Deposits	$ 2,203,391	$ 2,201,455	$ 1,936
Advances from the Federal Home Loan Bank	547,187	547,187	
Other liabilities	50,217	50,217	
Total liabilities	$ 2,800,795	$ 2,798,859	$ 1,936

[a] Amounts reported include retrospective adjustments during the measurement period, in accordance with U.S. GAAP, related to the Doral Bank Transaction.

[b] Amounts are presented as previously reported as of September 30, 2015.

The impact in the results of operations for the quarter and the nine months ended September 30, 2015 as a result of the recasting was an increase in net income of approximately $0.1 million and $3.4 million, respectively, as detailed in the following table:

	Quarter ended September 30, 2015			Nine months ended September 30, 2015		
(In thousands)	As recasted	As reported	Difference	As recasted	As reported	Difference
Net Interest Income	$ 23,927	$ 24,978	$ (1,051)	$ 63,863	$ 61,910	$ 1,953
Non-Interest Income	6,745	5,912	833	18,217	17,384	833
Operating Expenses	18,809	19,078	(269)	59,714	60,341	(627)
Income Before Taxes	$ 11,863	$ 11,812	$ 51	$ 22,366	$ 18,953	$ 3,413

21

Table of Contents

Note 6 - Restrictions on cash and due from banks and certain securities

The Corporation s banking subsidiaries, BPPR and BPNA, are required by federal and state 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 $ 1.2 billion at September 30, 2016 (December 31, 2015 - $ 1.1 billion). Cash and due from banks, as well as other highly liquid securities, are used to cover the required average reserve balances.

At September 30, 2016, the Corporation held $24 million in restricted assets in the form of funds deposited in money market accounts, trading account securities and investment securities available for sale (December 31, 2015 - $44 million). The amounts held in trading account securities and investment securities available for sale consist primarily of restricted assets held for the Corporation s non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

Table of Contents

Note 7 Investment 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 investment securities available-for-sale at September 30, 2016 and December 31, 2015.

	At September 30, 2016				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 689,259	$ 2,033	$	$ 691,292	0.99%
After 1 to 5 years	913,013	4,782		917,795	1.09
After 5 to 10 years	9,944	385		10,329	1.99
Total U.S. Treasury securities	1,612,216	7,200		1,619,416	1.05
Obligations of U.S. Government sponsored entities					
Within 1 year	100,062	298		100,360	0.98
After 1 to 5 years	593,257	4,616	125	597,748	1.39
After 5 to 10 years	200	1		201	5.64
Total obligations of U.S. Government sponsored entities	693,519	4,915	125	698,309	1.33
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	7,210		34	7,176	4.19
After 5 to 10 years	5,915	6	1,287	4,634	4.02
After 10 years	18,634	8	3,476	15,166	6.99
Total obligations of Puerto Rico, States and political subdivisions	31,759	14	4,797	26,976	5.80
Collateralized mortgage obligations - federal agencies					
Within 1 year	69			69	1.03
After 1 to 5 years	19,151	754		19,905	2.88
After 5 to 10 years	33,067	642		33,709	2.86
After 10 years	1,279,354	13,663	7,449	1,285,568	1.97
Total collateralized mortgage obligations - federal agencies	1,331,641	15,059	7,449	1,339,251	2.01
Mortgage-backed securities					

Within 1 year	11			11	4.18
After 1 to 5 years	21,926	816	7	22,735	3.92
After 5 to 10 years	261,441	6,876	25	268,292	2.39
After 10 years	3,576,704	66,941	1,954	3,641,691	2.53
Total mortgage-backed securities	3,860,082	74,633	1,986	3,932,729	2.53
Equity securities (without contractual maturity)	1,245	960		2,205	8.21
Other					
Within 1 year	8,633	20		8,653	1.75
After 5 to 10 years	1,080	37		1,117	3.62
Total other	9,713	57		9,770	1.96
Total investment securities available-for-sale[1]	$ 7,540,175	$ 102,838	$ 14,357	$ 7,628,656	2.03%

[1] Includes $4.2 billion pledged to secure public 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 $3.3 billion serve as collateral for public funds.

Table of Contents

(In thousands)	At December 31, 2015 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 24,861	$ 335	$	$ 25,196	4.31%
After 1 to 5 years	1,149,807	365	1,999	1,148,173	1.03
After 5 to 10 years	9,937	22		9,959	1.99
Total U.S. Treasury securities	1,184,605	722	1,999	1,183,328	1.11
Obligations of U.S. Government sponsored entities					
After 1 to 5 years	919,819	1,337	4,808	916,348	1.33
After 5 to 10 years	250	1		251	5.64
After 10 years	23,000	42		23,042	3.22
Total obligations of U.S. Government sponsored entities	943,069	1,380	4,808	939,641	1.38
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	7,227		199	7,028	3.94
After 5 to 10 years	5,925		2,200	3,725	4.02
After 10 years	18,585		6,979	11,606	6.99
Total obligations of Puerto Rico, States and political subdivisions	31,737		9,378	22,359	5.74
Collateralized mortgage obligations - federal agencies					
After 1 to 5 years	21,446	594	37	22,003	2.81
After 5 to 10 years	44,585	733		45,318	2.85
After 10 years	1,518,662	8,137	33,283	1,493,516	1.99
Total collateralized mortgage obligations - federal agencies	1,584,693	9,464	33,320	1,560,837	2.02
Mortgage-backed securities					
After 1 to 5 years	22,015	987	8	22,994	4.65
After 5 to 10 years	256,097	4,866	1,197	259,766	2.51
After 10 years	2,039,217	34,839	12,620	2,061,436	2.83
Total mortgage-backed securities	2,317,329	40,692	13,825	2,344,196	2.81
Equity securities (without contractual maturity)	1,350	1,053	5	2,398	7.92

Other					
After 1 to 5 years	8,911		28	8,883	1.71
After 5 to 10 years	1,311	39		1,350	3.62
Total other	10,222	39	28	10,233	1.95
Total investment securities available-for-sale[1]	$ 6,073,005	$ 53,350	$ 63,363	$ 6,062,992	2.07%

[1] Includes $2.4 billion pledged to secure public 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 $1.5 billion serve as collateral for public funds.
The weighted average yield on investment 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.

During the nine months ended September 30, 2016, the Corporation sold mortgage backed securities and equity securities available for sale. The proceeds from these sales were $ 1.6 million. During the nine months ended September 30, 2015, the Corporation sold U.S. agency securities and obligations from the Puerto Rico government and its political subdivisions. The proceeds from these sales were $ 96.8 million.

The following table present the Corporation s gross realized gains and losses on the sale of investment securities available-for-sale for the quarters and nine months ended September 30, 2016 and 2015.

Table of Contents

(In thousands)	For the quarter ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Gross realized gains	$ 348	$ 221	$ 348	$ 226
Gross realized losses		(85)		(85)
Net realized gains on sale of investment securities available-for-sale	$ 348	$ 136	$ 348	$ 141

The following tables present the Corporation s fair value and gross unrealized losses of investment securities available-for-sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2016 and December 31, 2015.

	At September 30, 2016					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	$ 24,011	$ 107	$ 1,180	$ 18	$ 25,191	$ 125
Obligations of Puerto Rico, States and political subdivisions	7,176	34	17,821	4,763	24,997	4,797
Collateralized mortgage obligations - federal agencies	112,432	241	367,488	7,208	479,920	7,449
Mortgage-backed securities	478,854	1,977	589	9	479,443	1,986
Total investment securities available-for-sale in an unrealized loss position	$ 622,473	$ 2,359	$ 387,078	$ 11,998	$ 1,009,551	$ 14,357

	At December 31, 2015					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. Treasury securities	$ 589,689	$ 1,999	$	$	$ 589,689	$ 1,999
Obligations of U.S. Government sponsored entities	390,319	2,128	181,744	2,680	572,063	4,808
Obligations of Puerto Rico, States and political subdivisions	884	164	19,490	9,214	20,374	9,378
Collateralized mortgage obligations - federal agencies	331,501	4,446	814,195	28,874	1,145,696	33,320
Mortgage-backed securities	1,641,663	12,992	22,362	833	1,664,025	13,825
Equity securities	45	5			45	5
Other	8,883	28			8,883	28

Total investment securities available-for-sale in an unrealized loss position	$ 2,962,984	$ 21,762	$ 1,037,791	$ 41,601	$ 4,000,775	$ 63,363

As of September 30, 2016, the available-for-sale investment portfolio reflects gross unrealized losses of approximately $14 million, driven by U.S. Agency collateralized mortgage obligations and Obligations of the Puerto Rico Government and its political subdivisions. As part of its analysis for all U.S. Agencies securities, management considers the U.S. Agency guarantee. The portfolio of obligations of the Puerto Rico Government is mostly comprised of securities with specific sources of income or revenues identified for repayments. The Corporation performs periodic credit quality reviews on these issuers.

Management evaluates investment securities for other-than-temporary (OTTI) declines in fair value on a quarterly basis. Once a decline in value is determined to be other-than-temporary, the value of a debt security is reduced and a corresponding charge to earnings is recognized for anticipated credit losses. Also, for equity securities that are considered other-than-temporarily impaired, the excess of the security s carrying value over its fair value at the evaluation date is accounted for as a loss in the results of operations. The OTTI analysis requires management to consider various factors, which include, but are not limited to: (1) the length of time and the extent to which fair value has been less than the amortized cost basis, (2) the financial condition of the issuer or issuers, (3) actual collateral attributes, (4) the payment structure of the debt security and the likelihood of the issuer being able to

Table of Contents

make payments, (5) any rating changes by a rating agency, (6) adverse conditions specifically related to the security, industry, or a geographic area, and (7) management s intent to sell the debt security or whether it is more likely than not that the Corporation would be required to sell the debt security before a forecasted recovery occurs.

At September 30, 2016, management performed its quarterly analysis of all debt securities in an unrealized loss position. Based on the analyses performed, management concluded that no individual debt security was other-than-temporarily impaired as of such date. During the quarter ended June 30, 2016 the Corporation recognized an other-than-temporary impairment charge of $209 thousand on an investment security available-for-sale classified as obligations from the Puerto Rico government and its political subdivisions, which at June 30, 2016 was rated Caa2 and CC by Moody s and S&P, respectively. Puerto Rico s fiscal and economic situation, together with, among other factors, the recent moratorium declared on the payment of principal and interest on obligations for certain Puerto Rico government securities, including those issued or guaranteed by the Commonwealth, led management to conclude that the unrealized losses on this security was other-than-temporary. The Corporation determined that the entire balance of the unrealized loss carried by this security was attributed to estimated credit losses. Accordingly, during the quarter ended June 30, 2016 the other-than-temporary impairment was recognized in its entirety in the accompanying consolidated statement of operations and no amount remained recognized in the accompanying statement of other comprehensive income related to this specific security.

In the second quarter of 2015, the Corporation recognized an other-than-temporary impairment charge of $14.4 million on its portfolio of investment securities available-for-sale classified as obligations from the Puerto Rico government and its political subdivisions. At June 30, 2015 these securities were rated Caa2 and CCC- by Moody s and S&P, respectively.

The following table states the name of issuers, and the aggregate amortized cost and fair value of the securities of such issuer (includes available-for-sale and held-to-maturity securities), in which the aggregate amortized cost of such securities exceeds 10% of stockholders equity. This information excludes securities backed by the full faith and credit of the U.S. Government. Investments in obligations issued by a state of the U.S. and its political subdivisions and agencies, which are payable and secured by the same source of revenue or taxing authority, other than the U.S. Government, are considered securities of a single issuer.

	September 30, 2016		December 31, 2015	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	$ 3,080,757	$ 3,118,968	$ 2,649,860	$ 2,633,899
Freddie Mac	1,324,336	1,335,953	1,088,691	1,079,956

Table of Contents

Note 8 Investment securities held-to-maturity

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of investment securities held-to-maturity at September 30, 2016 and December 31, 2015.

	At September 30, 2016				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 3,105	$	$ 1,218	$ 1,887	5.92%
After 1 to 5 years	14,540		5,865	8,675	6.02
After 5 to 10 years	18,635		7,642	10,993	6.20
After 10 years	59,615	3,723	7,527	55,811	1.92
Total obligations of Puerto Rico, States and political subdivisions	95,895	3,723	22,252	77,366	3.50
Collateralized mortgage obligations - federal agencies					
After 5 to 10 years	78	5		83	5.45
Total collateralized mortgage obligations - federal agencies	78	5		83	5.45
Other					
Within 1 year	1,000		4	996	1.34
After 1 to 5 years	1,000		35	965	2.28
Total other	2,000		39	1,961	3.62
Total investment securities held-to-maturity[1]	$ 97,973	$ 3,728	$ 22,291	$ 79,410	3.47%

[1] Includes $96.2 million pledged to secure public and trust deposits that the secured parties are not permitted to sell or repledge the collateral.

	At December 31, 2015				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					

Within 1 year	$ 2,920	$	$ 291	$ 2,629	5.90%
After 1 to 5 years	13,655		5,015	8,640	5.98
After 5 to 10 years	20,020		8,020	12,000	6.14
After 10 years	62,222	3,604	8,280	57,546	2.08
Total obligations of Puerto Rico, States and political subdivisions	98,817	3,604	21,606	80,815	3.55
Collateralized mortgage obligations - federal agencies					
After 5 to 10 years	86	5		91	5.45
Total collateralized mortgage obligations - federal agencies	86	5		91	5.45
Other					
After 1 to 5 years	2,000		17	1,983	1.81
Total other	2,000		17	1,983	1.81
Total investment securities held-to-maturity[1]	$ 100,903	$ 3,609	$ 21,623	$ 82,889	3.52%

[1] Includes $57.2 million pledged to secure public and trust deposits that the secured parties are not permitted to sell or repledge the collateral.

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 tables present the Corporation s fair value and gross unrealized losses of investment securities held-to-maturity, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2016 and December 31, 2015.

Table of Contents

	At September 30, 2016					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	$	$	$ 30,848	$ 22,252	$ 30,848	$ 22,252
Other			1,211	39	1,211	39
Total investment securities held-to-maturity in an unrealized loss position	$	$	$ 32,059	$ 22,291	$ 32,059	$ 22,291

	At December 31, 2015					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	$	$	$ 33,334	$ 21,606	$ 33,334	$ 21,606
Other	1,483	17			1,483	17
Total investment securities held-to-maturity in an unrealized loss position	$ 1,483	$ 17	$ 33,334	$ 21,606	$ 34,817	$ 21,623

As indicated in Note 7 to these consolidated financial statements, management evaluates investment securities for OTTI declines in fair value on a quarterly basis.

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at September 30, 2016 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. This includes $53 million of securities issued by three municipalities of Puerto Rico that are payable from the real and personal property taxes collected within such municipalities. These bonds have seniority to the payment of operating cost and expenses of the municipality. The portfolio also includes approximately $43 million in securities for which the underlying source of payment is not the central government, but in which it provides a guarantee in the event of default.

The Corporation performs periodic credit quality reviews on these issuers. Based on the quarterly analysis performed, management concluded that no individual debt security was other-than-temporarily impaired at September 30, 2016. Further deterioration of the fiscal crisis of the Government of Puerto Rico could further affect the value of these securities, resulting in losses to the Corporation. The Corporation does not have the intent to sell securities held-to-maturity and it is more likely than not that the Corporation will not have to sell these investment securities prior to recovery of their amortized cost basis.

Table of Contents

Note 9 Loans

Loans acquired in the Westernbank FDIC-assisted transaction, except for lines of credit with revolving privileges, are accounted for by the Corporation in accordance with ASC Subtopic 310-30. Under ASC Subtopic 310-30, the acquired loans were aggregated into pools based on similar characteristics. Each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. The loans which are accounted for under ASC Subtopic 310-30 by the Corporation are not considered non-performing and will continue to have an accretable yield as long as there is a reasonable expectation about the timing and amount of cash flows expected to be collected. The Corporation measures additional losses for this portfolio when it is probable the Corporation will be unable to collect all cash flows expected at acquisition plus additional cash flows expected to be collected arising from changes in estimates after acquisition. Lines of credit with revolving privileges that were acquired as part of the Westernbank FDIC-assisted transaction are accounted for under the guidance of ASC Subtopic 310-20, which requires that any differences between the contractually required loan payment receivable in excess of the Corporation s initial investment in the loans be accreted into interest income. Loans accounted for under ASC Subtopic 310-20 are placed in non-accrual status when past due in accordance with the Corporation s non-accruing policy and any accretion of discount is discontinued.

The risks on loans acquired in the FDIC-assisted transaction are significantly different from the risks on loans not covered under the FDIC loss sharing agreements because of the loss protection provided by the FDIC. Accordingly, the Corporation presents loans subject to the loss sharing agreements as covered loans in the information below and loans that are not subject to the FDIC loss sharing agreements as non-covered loans . The FDIC loss sharing agreements expired on June 30, 2015 for commercial (including construction) and consumer loans, and expires on June 30, 2020 for single-family residential mortgage loans, as explained in Note 11.

For a summary of the accounting policies related to loans, interest recognition and allowance for loan losses refer to Note 2 Summary of significant accounting policies, of the 2015 Form 10-K.

During the quarter and nine months ended September 30, 2016, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $118 million and $358 million, respectively; consumer loans of $164 million and commercial loans amounting to $51 million during the nine months ended September 30, 2016. Excluding the impact of the Doral Bank Transaction, during the quarter and nine months ended September 30, 2015, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $91 million and $495 million, respectively.

Excluding the bulk sale of Westernbank loans with a carrying value of approximately $100 million, the Corporation sold commercial and construction loans with a carrying value of approximately $38 million and $39 million during the quarter and nine months ended September 30, 2016, respectively, (during the quarter and nine months ended September 30, 2015 - $9 million). The Corporation sold approximately $13 million and $53 million of residential mortgage loans (on a whole loan basis) during the quarter and nine months ended September 30, 2016, respectively (September 30, 2015 - $19 million and $82 million, respectively). Also, the Corporation securitized approximately $ 161 million and $ 465 million of mortgage loans into Government National Mortgage Association (GNMA) mortgage-backed securities during the quarter and nine months ended September 30, 2016, respectively (September 30, 2015 $ 251 million and $ 651 million, respectively). Furthermore, the Corporation securitized approximately $ 50 million and $ 129 million of mortgage loans into Federal National Mortgage Association (FNMA) mortgage-backed securities during the quarter and nine months ended September 30, 2016, respectively (September 30, 2015 - $ 57 million and $ 174 million, respectively).

Non-covered loans

The following table presents the composition of non-covered loans held-in-portfolio (HIP   ), net of unearned income, by past due status at September 30, 2016 and December 31, 2015, including loans previously covered by the commercial FDIC loss sharing agreements.

29

Table of Contents

	September 30, 2016					
	Puerto Rico					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$ 229	$	$ 932	$ 1,161	$ 175,340	$ 176,501
Commercial real estate non-owner occupied	6,544	81,988	53,722	142,254	2,456,197	2,598,451
Commercial real estate owner occupied	10,643	5,896	126,449	142,988	1,699,209	1,842,197
Commercial and industrial	18,841	2,809	33,778	55,428	2,581,592	2,637,020
Construction			1,720	1,720	79,334	81,054
Mortgage	286,097	154,588	813,015	1,253,700	4,711,138	5,964,838
Leasing	6,257	2,017	2,878	11,152	671,658	682,810
Consumer:						
Credit cards	11,806	8,379	18,186	38,371	1,067,386	1,105,757
Home equity lines of credit	238	102	102	442	8,178	8,620
Personal	12,997	7,799	21,034	41,830	1,130,726	1,172,556
Auto	33,586	7,450	12,209	53,245	775,579	828,824
Other	554	281	17,453	18,288	159,785	178,073
Total	$ 387,792	$ 271,309	$ 1,101,478	$ 1,760,579	$ 15,516,122	$ 17,276,701

	September 30, 2016					
	U.S. mainland					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$	$	$ 207	$ 207	$ 945,991	$ 946,198
Commercial real estate non-owner occupied			807	807	1,225,191	1,225,998
Commercial real estate owner occupied		1,676	1,081	2,757	234,724	237,481
Commercial and industrial	167	1,117	87,860	89,144	784,201	873,345
Construction		22,275		22,275	628,023	650,298
Mortgage	1,475	4,890	14,430	20,795	788,864	809,659
Legacy	96	509	3,450	4,055	43,859	47,914
Consumer:						
Credit cards	28	14	82	124	149	273
Home equity lines of credit	3,016	962	4,629	8,607	254,606	263,213
Personal	2,004	1,668	1,972	5,644	258,970	264,614
Auto					12	12
Other	8			8	258	266
Total	$ 6,794	$ 33,111	$ 114,518	$ 154,423	$ 5,164,848	$ 5,319,271

30

Table of Contents

September 30, 2016						
Popular, Inc.						
	Past due					Non-covered loans HIP Popular, Inc.[1] [2]
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	
Commercial multi-family	$ 229	$	$ 1,139	$ 1,368	$ 1,121,331	$ 1,122,699
Commercial real estate non-owner occupied	6,544	81,988	54,529	143,061	3,681,388	3,824,449
Commercial real estate owner occupied	10,643	7,572	127,530	145,745	1,933,933	2,079,678
Commercial and industrial	19,008	3,926	121,638	144,572	3,365,793	3,510,365
Construction		22,275	1,720	23,995	707,357	731,352
Mortgage	287,572	159,478	827,445	1,274,495	5,500,002	6,774,497
Leasing	6,257	2,017	2,878	11,152	671,658	682,810
Legacy[3]	96	509	3,450	4,055	43,859	47,914
Consumer:						
Credit cards	11,834	8,393	18,268	38,495	1,067,535	1,106,030
Home equity lines of credit	3,254	1,064	4,731	9,049	262,784	271,833
Personal	15,001	9,467	23,006	47,474	1,389,696	1,437,170
Auto	33,586	7,450	12,209	53,245	775,591	828,836
Other	562	281	17,453	18,296	160,043	178,339
Total	$ 394,586	$ 304,420	$ 1,215,996	$ 1,915,002	$ 20,680,970	$ 22,595,972

[1] Non-covered loans held-in-portfolio are net of $118 million in unearned income and exclude $72 million in loans held-for-sale.

[2] 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 $4.6 billion were pledged at the FHLB as collateral for borrowings, $2.3 billion at the FRB for discount window borrowings and $0.5 billion serve as collateral for public funds.

[3] The legacy portfolio is comprised of commercial loans, construction loans and lease financings related to certain lending products exited by the Corporation as part of restructuring efforts carried out in prior years at the BPNA segment.

December 31, 2015						
Puerto Rico						
	Past due					Non-covered loans HIP Puerto Rico
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	
Commercial multi-family	$ 459	$ 217	$ 1,316	$ 1,992	$ 130,154	$ 132,146
Commercial real estate non-owner occupied	166,732	12,520	84,982	264,234	2,404,858	2,669,092
Commercial real estate owner occupied	14,245	5,624	138,778	158,647	1,750,597	1,909,244
Commercial and industrial	6,010	6,059	38,464	50,533	2,607,204	2,657,737

Construction	238	253	13,738	14,229	86,719	100,948
Mortgage	344,858	162,341	863,869	1,371,068	4,756,423	6,127,491
Leasing	7,844	1,630	3,009	12,483	615,167	627,650
Consumer:						
Credit cards	11,078	9,414	19,098	39,590	1,088,755	1,128,345
Home equity lines of credit	186	292	394	872	9,816	10,688
Personal	13,756	7,889	22,625	44,270	1,158,565	1,202,835
Auto	33,554	7,500	11,640	52,694	763,256	815,950
Other	1,069	298	19,232	20,599	167,885	188,484
Total	$ 600,029	$ 214,037	$ 1,217,145	$ 2,031,211	$ 15,539,399	$ 17,570,610

Table of Contents

(In thousands)	December 31, 2015 U.S. mainland Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 33	$ 253	$	$ 286	$ 693,647	$ 693,933
Commercial real estate non-owner occupied	160		253	413	962,610	963,023
Commercial real estate owner occupied	1,490	429	221	2,140	200,204	202,344
Commercial and industrial	13,647	1,526	75,575	90,748	780,896	871,644
Construction					580,158	580,158
Mortgage	18,957	3,424	13,538	35,919	872,671	908,590
Legacy	1,160	662	3,649	5,471	58,965	64,436
Consumer:						
Credit cards	327	134	437	898	13,037	13,935
Home equity lines of credit	3,149	1,114	4,176	8,439	296,045	304,484
Personal	1,836	690	1,240	3,766	168,860	172,626
Auto			6	6	22	28
Other		10	5	15	289	304
Total	$ 40,759	$ 8,242	$ 99,100	$ 148,101	$ 4,627,404	$ 4,775,505

(In thousands)	December 31, 2015 Popular, Inc. Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.[1] [2]
Commercial multi-family	$ 492	$ 470	$ 1,316	$ 2,278	$ 823,801	$ 826,079
Commercial real estate non-owner occupied	166,892	12,520	85,235	264,647	3,367,468	3,632,115
Commercial real estate owner occupied	15,735	6,053	138,999	160,787	1,950,801	2,111,588
Commercial and industrial	19,657	7,585	114,039	141,281	3,388,100	3,529,381
Construction	238	253	13,738	14,229	666,877	681,106
Mortgage	363,815	165,765	877,407	1,406,987	5,629,094	7,036,081
Leasing	7,844	1,630	3,009	12,483	615,167	627,650
Legacy[3]	1,160	662	3,649	5,471	58,965	64,436
Consumer:						
Credit cards	11,405	9,548	19,535	40,488	1,101,792	1,142,280
Home equity lines of credit	3,335	1,406	4,570	9,311	305,861	315,172
Personal	15,592	8,579	23,865	48,036	1,327,425	1,375,461
Auto	33,554	7,500	11,646	52,700	763,278	815,978
Other	1,069	308	19,237	20,614	168,174	188,788
Total	$ 640,788	$ 222,279	$ 1,316,245	$ 2,179,312	$ 20,166,803	$ 22,346,115

[1] Non-covered loans held-in-portfolio are net of $108 million in unearned income and exclude $137 million in loans held-for-sale.

[2] Includes $7.3 billion pledged to secure credit facilities and public funds that the secured parties are not permitted to sell or repledge the collateral, of which $4.3 billion were pledged at the FHLB as collateral for borrowings, $2.5 billion at the FRB for discount window borrowings and $0.5 billion serve as collateral for public funds.

[3] The legacy portfolio is comprised of commercial loans, construction loans and lease financings related to certain lending products exited by the Corporation as part of restructuring efforts carried out in prior years at the BPNA segment.

The following tables present non-covered loans held-in-portfolio by loan class that are in non-performing status or are accruing interest but are past due 90 days or more at September 30, 2016 and December 31, 2015. Accruing loans past due 90 days or more consist primarily of credit cards, FHA / VA and other insured mortgage loans, and delinquent mortgage loans which are included in the Corporation s financial statements pursuant to GNMA s buy-back option program. Servicers of loans underlying GNMA mortgage-backed securities must report as their own assets the defaulted loans that they have the option (but not the obligation) to repurchase, even when they elect not to exercise that option.

Table of Contents

	At September 30, 2016					
	Puerto Rico		U.S. mainland		Popular, Inc.	
(In thousands)	Non-accrual loans	Accruing loans past-due 90 days or more [1]	Non-accrual loans	Accruing loans past-due 90 days or more [1]	Non-accrual loans	Accruing loans past-due 90 days or more [1]
Commercial multi-family	$ 932	$	$ 207	$	$ 1,139	$
Commercial real estate non-owner occupied	24,684		807		25,491	
Commercial real estate owner occupied	108,132		1,081		109,213	
Commercial and industrial	33,299	479	1,429		34,728	479
Mortgage[3]	331,346	399,218	14,430		345,776	399,218
Leasing	2,878				2,878	
Legacy			3,450		3,450	
Consumer:						
Credit cards		18,186	82		82	18,186
Home equity lines of credit		102	4,629		4,629	102
Personal	20,947	25	1,972		22,919	25
Auto	12,209				12,209	
Other	16,811	642			16,811	642
Total[2]	$ 551,238	$ 418,652	$ 28,087	$	$ 579,325	$ 418,652

[1] Non-covered loans of $218 million accounted for under ASC Subtopic 310-30 are excluded from the above table as they are considered to be performing due to the application of the accretion method, in which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analysis.

[2] For purposes of this table non-performing loans exclude non-performing loans held-for-sale.

[3] It is the Corporation s policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances include $174 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of September 30, 2016. Furthermore, the Corporation has approximately $72 million in reverse mortgage loans in Puerto Rico 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.

	At December 31, 2015					
	Puerto Rico		U.S. mainland		Popular, Inc.	
(In thousands)	Non-accrual loans	Accruing loans past-due 90 days or more [1]	Non-accrual loans	Accruing loans past-due 90 days or more [1]	Non-accrual loans	Accruing loans past-due 90 days or more [1]
Commercial multi-family	$ 1,062	$	$	$	$ 1,062	$
Commercial real estate non-owner occupied	33,720		253		33,973	

Commercial real estate owner occupied	106,449		221		106,670	
Commercial and industrial	36,671	555	3,440		40,111	555
Construction	3,550				3,550	
Mortgage[3]	337,933	426,094	13,538		351,471	426,094
Leasing	3,009				3,009	
Legacy			3,649		3,649	
Consumer:						
Credit cards		19,098	437		437	19,098
Home equity lines of credit		394	4,176		4,176	394
Personal	22,102	523	1,240		23,342	523
Auto	11,640		6		11,646	
Other	18,698	61	5		18,703	61
Total[2]	$ 574,834	$ 446,725	$ 26,965	$	$ 601,799	$ 446,725

[1] Non-covered loans by $268 million accounted for under ASC Subtopic 310-30 are excluded from the above table as they are considered to be performing due to the application of the accretion method, in which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analysis.

[2] For purposes of this table non-performing loans exclude $ 45 million in non-performing loans held-for-sale.

[3] It is the Corporation s policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances include $164 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of December 31, 2015. Furthermore, the Corporation has approximately $70 million in reverse mortgage loans in Puerto Rico 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.

Table of Contents

The following table provides a breakdown of loans held-for-sale (LHFS) at September 30, 2016 and December 31, 2015 by main categories.

(In thousands)	September 30, 2016	December 31, 2015
Commercial	$	$ 45,074
Construction		95
Mortgage	72,076	91,831
Total loans held-for-sale	$ 72,076	$ 137,000

The following table provides a breakdown of loans held-for-sale (LHFS) in non-performing status at September 30, 2016 and December 31, 2015 by main categories.

(In thousands)	September 30, 2016	December 31, 2015
Commercial	$	$ 45,074
Construction		95
Total	$	$ 45,169

The following table presents loans acquired as part of the Doral Bank Transaction accounted for under ASC subtopic 310-20 as of the February 27, 2015 acquisition date:

(In thousands)	
Fair value of loans accounted under ASC Subtopic 310-20	$ 1,178,543
Gross contractual amounts receivable (principal and interest)	$ 1,666,695
Estimate of contractual cash flows not expected to be collected	$ 34,646

Covered loans

The following tables present the composition of loans by past due status at September 30, 2016 and December 31, 2015 for covered loans held-in-portfolio. The information considers covered loans accounted for under ASC Subtopic 310-20 and ASC Subtopic 310-30.

	September 30, 2016		
	Past due		
(In thousands)		Current	Covered loans HIP [1]

	30-59 days	60-89 days	90 days or more	Total past due		
Mortgage	$ 29,769	$ 13,433	$ 73,193	$ 116,395	$ 454,954	$ 571,349
Consumer	958	372	1,126	2,456	14,406	16,862
Total covered loans	$ 30,727	$ 13,805	$ 74,319	$ 118,851	$ 469,360	$ 588,211

[1] Includes $349 million pledged to secure credit facilities at the FHLB which are not permitted to sell or repledge the collateral.

	December 31, 2015					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP [1]
Mortgage	$ 31,413	$ 16,593	$ 83,132	$ 131,138	$ 495,964	$ 627,102
Consumer	1,246	444	1,283	2,973	16,040	19,013
Total covered loans	$ 32,659	$ 17,037	$ 84,415	$ 134,111	$ 512,004	$ 646,115

[1] Includes $386 million pledged to secure credit facilities at the FHLB which are not permitted to sell or repledge the collateral.

Table of Contents

The following table presents covered loans in non-performing status and accruing loans past-due 90 days or more by loan class at September 30, 2016 and December 31, 2015.

	September 30, 2016		December 31, 2015	
(In thousands)	Non-accrual loans	Accruing loans past due 90 days or more	Non-accrual loans	Accruing loans past due 90 days or more
Mortgage	$ 3,659	$	$ 3,790	$
Consumer	138		97	
Total[1]	$ 3,797	$	$ 3,887	$

[1] Covered loans accounted for under ASC Subtopic 310-30 are excluded from the above table as they are considered to be performing due to the application of the accretion method, in which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analyses.

The Corporation accounts for lines of credit with revolving privileges under the accounting guidance of ASC Subtopic 310-20, which requires that any differences between the contractually required loans payment receivable in excess of the initial investment in the loans be accreted into interest income over the life of the loans, if the loan is accruing interest. Covered loans accounted for under ASC Subtopic 310-20 amounted to $10 million at September 30, 2016 (December 31, 2015 $10 million).

Loans acquired with deteriorated credit quality accounted for under ASC 310-30

The following provides information of loans acquired with evidence of credit deterioration as of the acquisition date, accounted for under the guidance of ASC 310-30.

Loans acquired from Westernbank as part of an FDIC-assisted transaction

The carrying amount of the Westernbank loans consisted of loans determined to be impaired at the time of acquisition, which are accounted for in accordance with ASC Subtopic 310-30 (credit impaired loans), and loans that were considered to be performing at the acquisition date, accounted for by analogy to ASC Subtopic 310-30 (non-credit impaired loans), as detailed in the following table.

	September 30, 2016			December 31, 2015		
	Carrying amount			Carrying amount		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Commercial real estate	$ 1,023,047	$ 14,587	$ 1,037,634	$ 1,114,368	$ 35,393	$ 1,149,761
Commercial and industrial	78,983		78,983	84,765	519	85,284
Construction		1,720	1,720	8,943	6,027	14,970
Mortgage	602,697	25,953	628,650	667,023	33,090	700,113
Consumer	19,453	1,099	20,552	23,047	1,326	24,373

Carrying amount [1]	1,724,180	43,359	1,767,539	1,898,146	76,355	1,974,501
Allowance for loan losses	(62,114)	(7,457)	(69,571)	(59,753)	(3,810)	(63,563)
Carrying amount, net of allowance	$ 1,662,066	$ 35,902	$ 1,697,968	$ 1,838,393	$ 72,545	$ 1,910,938

[1] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remains subject to the loss sharing agreement with the FDIC amounted to approximately $578 million as of September 30, 2016 and $636 million as of December 31, 2015.

The outstanding principal balance of Westernbank loans accounted pursuant to ASC Subtopic 310-30, amounted to $2.2 billion at September 30, 2016 (December 31, 2015 $2.4 billion). At September 30, 2016, none of the acquired loans from the Westernbank FDIC-assisted transaction accounted for under ASC Subtopic 310-30 were considered non-performing loans. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, was recognized on all acquired loans.

Table of Contents

Changes in the carrying amount and the accretable yield for the Westernbank loans accounted pursuant to the ASC Subtopic 310-30, for the quarters and nine months ended September 30, 2016 and 2015, were as follows:

	Activity in the accretable yield Westernbank loans ASC 310-30 For the quarters ended					
	September 30, 2016			September 30, 2015		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,061,971	$ 9,709	$ 1,071,680	$ 1,239,776	$ 6,148	$ 1,245,924
Accretion	(38,597)	(993)	(39,590)	(44,568)	(2,125)	(46,693)
Change in expected cash flows	6,992	(390)	6,602	(56,526)	2,744	(53,782)
Ending balance	$ 1,030,366	$ 8,326	$ 1,038,692	$ 1,138,682	$ 6,767	$ 1,145,449

	Activity in the accretable yield Westernbank loans ASC 310-30 For the nine months ended					
	September 30, 2016			September 30, 2015		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,105,732	$ 6,726	$ 1,112,458	$ 1,265,752	$ 5,585	$ 1,271,337
Accretion	(125,734)	(5,865)	(131,599)	(148,572)	(7,812)	(156,384)
Change in expected cash flows	50,368	7,465	57,833	21,502	8,994	30,496
Ending balance	$ 1,030,366	$ 8,326	$ 1,038,692	$ 1,138,682	$ 6,767	$ 1,145,449

	Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30 For the quarters ended					
	September 30, 2016			September 30, 2015		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,754,613	$ 45,330	$ 1,799,943	$ 2,022,493	$ 114,585	$ 2,137,078
Accretion	38,597	993	39,590	44,568	2,125	46,693
Collections / loan sales / charge-offs	(69,030)	(2,964)	(71,994)	(94,320)	(13,439)	(107,759)
Ending balance[1]	$ 1,724,180	$ 43,359	$ 1,767,539	$ 1,972,741	$ 103,271	$ 2,076,012
Allowance for loan losses ASC 310-30 Westernbank	(62,114)	(7,457)	(69,571)	(54,027)	(10,556)	(64,583)

loans						
Ending balance, net of ALLL	$ 1,662,066	$ 35,902	$ 1,697,968	$ 1,918,714	$ 92,715	$ 2,011,429

[1] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remain subject to the loss sharing agreement with the FDIC amounted to approximately $ 578 million as of September 30, 2016 (September 30, 2015- $655 million).

Table of Contents

Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30
For the nine months ended

	September 30, 2016			September 30, 2015		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,898,146	$ 76,355	$ 1,974,501	$ 2,272,142	$ 172,030	$ 2,444,172
Accretion	125,734	5,865	131,599	148,572	7,812	156,384
Collections / loan sales / charge-offs[1]	(299,700)	(38,861)	(338,561)	(447,973)	(76,571)	(524,544)
Ending balance[2]	$ 1,724,180	$ 43,359	$ 1,767,539	$ 1,972,741	$ 103,271	$ 2,076,012
Allowance for loan losses ASC 310-30 Westernbank loans	(62,114)	(7,457)	(69,571)	(54,027)	(10,556)	(64,583)
Ending balance, net of ALLL	$ 1,662,066	$ 35,902	$ 1,697,968	$ 1,918,714	$ 92,715	$ 2,011,429

[1] For the nine months ended September 30, 2016, includes the impact of the bulk sale of loans with a carrying value of approximately $99 million.

[2] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remain subject to the loss sharing agreement with the FDIC amounted to approximately $578 million as of September 30, 2016 (September 30, 2015- $655 million).

Other loans acquired with deteriorated credit quality

The outstanding principal balance of other acquired loans accounted pursuant to ASC Subtopic 310-30, amounted to $707 million at September 30, 2016 (December 31, 2015 $710 million). At September 30, 2016, none of the other acquired loans accounted under ASC Subtopic 310-30 were considered non-performing loans. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, was recognized on all acquired loans.

Changes in the carrying amount and the accretable yield for the other acquired loans accounted pursuant to the ASC Subtopic 310-30, for the quarters and nine months ended September 30, 2016 and 2015 were as follows:

Activity in the accretable yield - other acquired loans ASC 310-30

(In thousands)	For the quarter ended September 30, 2016	For the quarter ended September 30, 2015
Beginning balance	$ 272,609	$ 162,159
Additions	3,809	25,978
Accretion	(8,689)	(4,543)
Change in expected cash flows	8,672	1,402
Ending balance	$ 276,401	$ 184,996

Activity in the accretable yield - other acquired loans ASC 310-30

(In thousands)	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Beginning balance	$ 221,128	$ 116,304
Additions	12,320	82,046
Accretion	(25,974)	(12,399)
Change in expected cash flows	68,927	(955)
Ending balance	$ 276,401	$ 184,996

Table of Contents

Carrying amount of other acquired loans accounted for pursuant to ASC 310-30

(In thousands)	For the quarter ended September 30, 2016	For the quarter ended September 30, 2015
Beginning balance	$ 562,745	368,287
Additions	8,349	281,911
Accretion	8,689	4,543
Collections and charge-offs	(17,861)	(13,655)
Ending balance	$ 561,922	$ 641,086
Allowance for loan losses ASC 310-30 other acquired loans	(18,550)	(18,561)
Ending balance, net of ALLL	$ 543,372	$ 622,525

Carrying amount of other acquired loans accounted for pursuant to ASC 310-30

(In thousands)	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Beginning balance	$ 564,050	$ 212,763
Purchase accounting adjustments related to the Doral Bank Transaction (Refer to Note 5)	(4,707)	
Additions	26,754	456,091
Accretion	25,974	12,399
Collections and charge-offs	(50,149)	(40,167)
Ending balance	$ 561,922	$ 641,086
Allowance for loan losses ASC 310-30 other acquired loans	(18,550)	(18,561)
Ending balance, net of ALLL	$ 543,372	$ 622,525

The following table presents loans acquired as part of the Doral Bank Transaction accounted for pursuant to ASC Subtopic 310-30 at the February 27, 2015 acquisition date.

(In thousands)	
Contractually-required principal and interest	$ 560,833
Non-accretable difference	112,153
Cash flows expected to be collected	448,680
Accretable yield	113,977
Fair value of loans accounted for under ASC Subtopic 310-30	$ 334,703

38

Table of Contents

Note 10 Allowance for loan losses

The Corporation follows a systematic methodology to establish and evaluate the adequacy of the allowance for loan losses to provide for inherent losses in the loan portfolio. This methodology includes the consideration of factors such as current economic conditions, portfolio risk characteristics, prior loss experience and results of periodic credit reviews of individual loans. The provision for loan losses charged to current operations is based on this methodology. Loan losses are charged and recoveries are credited to the allowance for loan losses.

The Corporation s assessment of the allowance for loan losses is determined in accordance with the guidance of loss contingencies in ASC Subtopic 450-20 and loan impairment guidance in ASC Section 310-10-35. Also, the Corporation determines the allowance for loan losses on purchased impaired loans and purchased loans accounted for under ASC Subtopic 310-30, by evaluating decreases in expected cash flows after the acquisition date.

The accounting guidance provides for the recognition of a loss allowance for groups of homogeneous loans. The determination for general reserves of the allowance for loan losses includes the following principal factors:

Base net loss rates, which are based on the moving average of annualized net loss rates computed over a 5-year historical loss period for the commercial and construction loan portfolios, and an 18-month period for the consumer and mortgage loan portfolios. The base net loss rates are applied by loan type and by legal entity.

Recent loss trend adjustment, which replaces the base loss rate with a 12-month average loss rate, when these trends are higher than the respective base loss rates. The objective of this adjustment is to allow for a more recent loss trend to be captured and reflected in the ALLL estimation process.

For the period ended September 30, 2016, 49% (September 30, 2015 18%) of the ALLL for non-covered BPPR segment loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was mainly concentrated in the leasing, auto, revolving and mortgage loan portfolios for 2016, and in the commercial multi-family, commercial and industrial, personal and auto loan portfolios for 2015.

For the period ended September 30, 2016, 4% (September 30, 2015 17%) of the ALLL for BPNA segment loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was concentrated in the consumer loan portfolio for 2016 and in the commercial and industrial loan portfolios for 2015.

Environmental factors, which include credit and macroeconomic indicators such as unemployment rate, economic activity index and delinquency rates, adopted to account for current market conditions that are likely to cause estimated credit losses to differ from historical losses. The Corporation reflects the effect of these environmental factors on each loan group as an adjustment that, as appropriate, increases the historical loss rate applied to each group. Environmental factors provide updated perspective on credit and economic conditions. Regression analysis is used to select these indicators and quantify the effect on the general reserve of the allowance for loan losses.

During the third quarter of 2016, management completed the annual review of the components of the ALLL models. As part of this review management updated core metrics related to the estimation process for evaluating the adequacy of the general reserve of the allowance for loan losses. These updates to the ALLL models, which are described in the paragraph below, were implemented as of September 30, 2016 and resulted in a net increase to the allowance for loan losses of $ 9.4 million for the non-covered portfolio. The effect of the aforementioned updates was immaterial for the covered loans portfolio.

Management made the following revisions to the ALLL models during the third quarter of 2016:

- Annual review and recalibration of the environmental factors adjustment. The environmental factor adjustments are developed by performing regression analyses on selected credit and economic indicators for each applicable loan segment. During the third quarter of 2016, the environmental factor models used to account for changes in current credit and macroeconomic conditions were reviewed and recalibrated based on the latest applicable trends.

The effect of the recalibration to the environmental factors adjustment resulted in an increase to the allowance for loan losses of $9.4 million at September 30, 2016, related to the non-covered BPPR segment. The effect of the recalibration was immaterial for the BPNA segment.

Table of Contents

The following tables present the changes in the allowance for loan losses, loan ending balances and whether such loans and the allowance pertain to loans individually or collectively evaluated for impairment for the quarters and nine months ended September 30, 2016 and 2015.

For the quarter ended September 30, 2016 Puerto Rico - Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 199,827	$ 3,605	$ 136,724	$ 10,094	$ 130,471	$ 480,721
Provision (reversal of provision)	13,746	(605)	13,841	(1,363)	10,662	36,281
Charge-offs	(13,799)	(951)	(16,002)	(1,429)	(25,470)	(57,651)
Recoveries	10,600	65	765	613	12,649	24,692
Ending balance	$ 210,374	$ 2,114	$ 135,328	$ 7,915	$ 128,312	$ 484,043
Specific ALLL	$ 58,527	$	$ 43,567	$ 540	$ 23,708	$ 126,342
General ALLL	$ 151,847	$ 2,114	$ 91,761	$ 7,375	$ 104,604	$ 357,701
Loans held-in-portfolio:						
Impaired non-covered loans	$ 328,868	$	$ 487,972	$ 1,899	$ 108,341	$ 927,080
Non-covered loans held-in-portfolio excluding impaired loans	6,925,290	81,054	5,476,876	680,911	3,185,490	16,349,621
Total non-covered loans held-in-portfolio	$ 7,254,158	$ 81,054	$ 5,964,848	$ 682,810	$ 3,293,831	$ 17,276,701

For the quarter ended September 30, 2016 Puerto Rico - Covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 29,951	$	$ 630	$ 30,581
Provision (reversal of provision)			845		(95)	750
Charge-offs			(973)		(411)	(1,384)
Recoveries			312		3	315
Ending balance	$	$	$ 30,135	$	$ 127	$ 30,262
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 30,135	$	$ 127	$ 30,262

Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			571,349		16,862	588,211
Total covered loans held-in-portfolio	$	$	$ 571,349	$	$ 16,862	$ 588,211

For the quarter ended September 30, 2016

U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 9,854	$ 7,460	$ 4,762	$ 1,852	$ 13,490	$ 37,418
Provision (reversal of provision)	2,765	368	1,380	(690)	2,490	6,313
Charge-offs	(155)		(2,022)	(145)	(2,884)	(5,206)
Recoveries	1,328		80	665	952	3,025
Ending balance	$ 13,792	$ 7,828	$ 4,200	$ 1,682	$ 14,048	$ 41,550
Specific ALLL	$	$	$ 1,990	$	$ 725	$ 2,715
General ALLL	$ 13,792	$ 7,828	$ 2,210	$ 1,682	$ 13,323	$ 38,835
Loans held-in-portfolio:						
Impaired loans	$	$	$ 8,896	$	$ 2,588	$ 11,484
Loans held-in-portfolio excluding impaired loans	3,283,022	650,298	800,763	47,914	525,790	5,307,787
Total loans held-in-portfolio	$ 3,283,022	$ 650,298	$ 809,659	$ 47,914	$ 528,378	$ 5,319,271

Table of Contents

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
	For the quarter ended September 30, 2016 Popular, Inc.						
Allowance for credit losses:							
Beginning balance	$ 209,681	$ 11,065	$ 171,437	$ 1,852	$ 10,094	$ 144,591	$ 548,720
Provision (reversal of provision)	16,511	(237)	16,066	(690)	(1,363)	13,057	43,344
Charge-offs	(13,954)	(951)	(18,997)	(145)	(1,429)	(28,765)	(64,241)
Recoveries	11,928	65	1,157	665	613	13,604	28,032
Ending balance	$ 224,166	$ 9,942	$ 169,663	$ 1,682	$ 7,915	$ 142,487	$ 555,855
Specific ALLL	$ 58,527	$	$ 45,557	$	$ 540	$ 24,433	$ 129,057
General ALLL	$ 165,639	$ 9,942	$ 124,106	$ 1,682	$ 7,375	$ 118,054	$ 426,798
Loans held-in-portfolio:							
Impaired loans	$ 328,868	$	$ 496,868	$	$ 1,899	$ 110,929	$ 938,564
Loans held-in-portfolio excluding impaired loans	10,208,312	731,352	6,848,988	47,914	680,911	3,728,142	22,245,619
Total loans held-in-portfolio	$ 10,537,180	$ 731,352	$ 7,345,856	$ 47,914	$ 682,810	$ 3,839,071	$ 23,184,183

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
	For the nine months ended September 30, 2016 Puerto Rico - Non-covered loans					
Allowance for credit losses:						
Beginning balance	$ 186,925	$ 4,957	$ 128,327	$ 10,993	$ 138,721	$ 469,923
Provision (reversal of provision)	30,630	(5,786)	50,398	(190)	43,451	118,503
Charge-offs	(47,256)	(3,026)	(45,924)	(4,435)	(78,860)	(179,501)
Recoveries	35,706	5,055	2,527	1,547	24,838	69,673
Net recoveries	4,369	914			162	5,445
Ending balance	$ 210,374	$ 2,114	$ 135,328	$ 7,915	$ 128,312	$ 484,043
Specific ALLL	$ 58,527	$	$ 43,567	$ 540	$ 23,708	$ 126,342
General ALLL	$ 151,847	$ 2,114	$ 91,761	$ 7,375	$ 104,604	$ 357,701
Loans held-in-portfolio:						

	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Impaired non-covered loans	$ 328,868	$	$ 487,972	$ 1,899	$ 108,341	$ 927,080
Non-covered loans held-in-portfolio excluding impaired loans	6,925,290	81,054	5,476,876	680,911	3,185,490	16,349,621
Total non-covered loans held-in-portfolio	$ 7,254,158	$ 81,054	$ 5,964,848	$ 682,810	$ 3,293,831	$ 17,276,701

For the nine months ended September 30, 2016

Puerto Rico - Covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 33,967	$	$ 209	$ 34,176
Provision (reversal of provision)			(1,476)		(75)	(1,551)
Charge-offs			(3,078)		(17)	(3,095)
Recoveries			722		10	732
Ending balance	$	$	$ 30,135	$	$ 127	$ 30,262
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 30,135	$	$ 127	$ 30,262
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			571,349		16,862	588,211
Total covered loans held-in-portfolio	$	$	$ 571,349	$	$ 16,862	$ 588,211

Table of Contents

For the nine months ended September 30, 2016						
	U.S. Mainland - Continuing Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 9,908	$ 3,912	$ 4,985	$ 2,687	$ 11,520	$ 33,012
Provision (reversal of provision)	1,651	3,916	1,403	(2,665)	7,394	11,699
Charge-offs	(1,040)		(2,595)	(388)	(8,194)	(12,217)
Recoveries	3,273		407	2,048	3,328	9,056
Ending balance	$ 13,792	$ 7,828	$ 4,200	$ 1,682	$ 14,048	$ 41,550
Specific ALLL	$	$	$ 1,990	$	$ 725	$ 2,715
General ALLL	$ 13,792	$ 7,828	$ 2,210	$ 1,682	$ 13,323	$ 38,835
Loans held-in-portfolio:						
Impaired loans	$	$	$ 8,896	$	$ 2,588	$ 11,484
Loans held-in-portfolio excluding impaired loans	3,283,022	650,298	800,763	47,914	525,790	5,307,787
Total loans held-in-portfolio	$ 3,283,022	$ 650,298	$ 809,659	$ 47,914	$ 528,378	$ 5,319,271

For the nine months ended September 30, 2016							
	Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 196,833	$ 8,869	$ 167,279	$ 2,687	$ 10,993	$ 150,450	$ 537,111
Provision (reversal of provision)	32,281	(1,870)	50,325	(2,665)	(190)	50,770	128,651
Charge-offs	(48,296)	(3,026)	(51,597)	(388)	(4,435)	(87,071)	(194,813)
Recoveries	38,979	5,055	3,656	2,048	1,547	28,176	79,461
Net recoveries	4,369	914				162	5,445
Ending balance	$ 224,166	$ 9,942	$ 169,663	$ 1,682	$ 7,915	$ 142,487	$ 555,855
Specific ALLL	$ 58,527	$	$ 45,557	$	$ 540	$ 24,433	$ 129,057
General ALLL	$ 165,639	$ 9,942	$ 124,106	$ 1,682	$ 7,375	$ 118,054	$ 426,798
Loans held-in-portfolio:							
Impaired loans	$ 328,868	$	$ 496,868	$	$ 1,899	$ 110,929	$ 938,564
Loans held-in-portfolio excluding impaired	10,208,312	731,352	6,848,988	47,914	680,911	3,728,142	22,245,619

loans

Total loans held-in-portfolio	$ 10,537,180	$ 731,352	$ 7,345,856	$ 47,914	$ 682,810	$ 3,839,071	$ 23,184,183

	For the quarter ended September 30, 2015					
	Puerto Rico - Non-covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 207,095	$ 6,558	$ 126,177	$ 9,160	$ 133,710	$ 482,700
Provision (reversal of provision)	23,044	2,375	19,412	825	23,099	68,755
Charge-offs	(16,845)	(451)	(16,263)	(1,485)	(29,625)	(64,669)
Recoveries	7,673	3,099	739	591	5,322	17,424
Ending balance	$ 220,967	$ 11,581	$ 130,065	$ 9,091	$ 132,506	$ 504,210
Specific ALLL	$ 83,615	$ 358	$ 46,956	$ 634	$ 24,221	$ 155,784
General ALLL	$ 137,352	$ 11,223	$ 83,109	$ 8,457	$ 108,285	$ 348,426
Loans held-in-portfolio:						
Impaired non-covered loans	$ 391,066	$ 2,536	$ 457,631	$ 2,645	$ 111,683	$ 965,561
Non-covered loans held-in-portfolio excluding impaired loans	7,130,678	106,142	5,762,764	604,282	3,249,213	16,853,079
Total non-covered loans held-in-portfolio	$ 7,521,744	$ 108,678	$ 6,220,395	$ 606,927	$ 3,360,896	$ 17,818,640

Table of Contents

	For the quarter ended September 30, 2015					
	Puerto Rico - Covered Loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 37,815	$	$ 259	$ 38,074
Provision (reversal of provision)			(2,880)		(10)	(2,890)
Charge-offs			(790)		(76)	(866)
Recoveries			189		2	191
Ending balance	$	$	$ 34,334	$	$ 175	$ 34,509
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 34,334	$	$ 175	$ 34,509
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			645,663		19,765	665,428
Total covered loans held-in-portfolio	$	$	$ 645,663	$	$ 19,765	$ 665,428

	For the quarter ended September 30, 2015					
	U.S. Mainland - Continuing Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 8,625	$ 2,429	$ 3,770	$ 3,315	$ 11,900	$ 30,039
Provision (reversal of provision)	(1,090)	741	1,452	(1,113)	823	813
Charge-offs	(308)		(768)	(804)	(1,826)	(3,706)
Recoveries	2,267		(19)	1,407	994	4,649
Ending balance	$ 9,494	$ 3,170	$ 4,435	$ 2,805	$ 11,891	$ 31,795
Specific ALLL	$	$	$ 589	$	$ 475	$ 1,064
General ALLL	$ 9,494	$ 3,170	$ 3,846	$ 2,805	$ 11,416	$ 30,731
Loans held-in-portfolio:						
Impaired loans	$	$	$ 5,175	$ 1,188	$ 2,182	$ 8,545
Loans held-in-portfolio excluding impaired loans	2,608,680	583,814	939,909	66,786	471,692	4,670,881
Total loans held-in-portfolio	$ 2,608,680	$ 583,814	$ 945,084	$ 67,974	$ 473,874	$ 4,679,426

For the quarter ended September 30, 2015
Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 215,720	$ 8,987	$ 167,762	$ 3,315	$ 9,160	$ 145,869	$ 550,813
Provision (reversal of provision)	21,954	3,116	17,984	(1,113)	825	23,912	66,678
Charge-offs	(17,153)	(451)	(17,821)	(804)	(1,485)	(31,527)	(69,241)
Recoveries	9,940	3,099	909	1,407	591	6,318	22,264
Ending balance	$ 230,461	$ 14,751	$ 168,834	$ 2,805	$ 9,091	$ 144,572	$ 570,514
Specific ALLL	$ 83,615	$ 358	$ 47,545	$	$ 634	$ 24,696	$ 156,848
General ALLL	$ 146,846	$ 14,393	$ 121,289	$ 2,805	$ 8,457	$ 119,876	$ 413,666
Loans held-in-portfolio:							
Impaired loans	$ 391,066	$ 2,536	$ 462,806	$ 1,188	$ 2,645	$ 113,865	$ 974,106
Loans held-in-portfolio excluding impaired loans	9,739,358	689,956	7,348,336	66,786	604,282	3,740,670	22,189,388
Total loans held-in-portfolio	$ 10,130,424	$ 692,492	$ 7,811,142	$ 67,974	$ 606,927	$ 3,854,535	$ 23,163,494

Table of Contents

For the nine months ended September 30, 2015
Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 201,589	$ 5,483	$ 120,860	$ 7,131	$ 154,072	$ 489,135
Provision (reversal of provision)	71,954	822	45,359	4,596	38,466	161,197
Charge-offs	(49,740)	(2,645)	(38,597)	(4,415)	(83,507)	(178,904)
Recoveries	18,707	6,497	1,861	1,779	20,897	49,741
Net write-downs related to transferred to held-for-sale	(29,996)					(29,996)
Allowance transferred from covered loans	8,453	1,424	582		2,578	13,037
Ending balance	$ 220,967	$ 11,581	$ 130,065	$ 9,091	$ 132,506	$ 504,210
Specific ALLL	$ 83,615	$ 358	$ 46,956	$ 634	$ 24,221	$ 155,784
General ALLL	$ 137,352	$ 11,223	$ 83,109	$ 8,457	$ 108,285	$ 348,426
Loans held-in-portfolio:						
Impaired non-covered loans	$ 391,066	$ 2,536	$ 457,631	$ 2,645	$ 111,683	$ 965,561
Non-covered loans held-in-portfolio excluding impaired loans	7,130,678	106,142	5,762,764	604,282	3,249,213	16,853,079
Total non-covered loans held-in-portfolio	$ 7,521,744	$ 108,678	$ 6,220,395	$ 606,927	$ 3,360,896	$ 17,818,640

For the nine months ended September 30, 2015
Puerto Rico - Covered Loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 30,871	$ 7,202	$ 40,948	$	$ 3,052	$ 82,073
Provision (reversal of provision)	10,115	15,150	(1,812)		(253)	23,200
Charge-offs	(37,936)	(25,086)	(4,695)		(843)	(68,560)
Recoveries	6,504	4,700	635		817	12,656
Net write-down related to loans transferred to held-for-sale	(1,101)	(542)	(160)		(20)	(1,823)
Allowance transferred to non-covered loans	(8,453)	(1,424)	(582)		(2,578)	(13,037)
Ending balance	$	$	$ 34,334	$	$ 175	$ 34,509
Specific ALLL	$	$	$	$	$	$

General ALLL	$	$	$ 34,334	$	$ 175	$ 34,509
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			645,663		19,765	665,428
Total covered loans held-in-portfolio	$	$	$ 645,663	$	$ 19,765	$ 665,428

44

For the nine months ended September 30, 2015						
U.S. Mainland - Continuing Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 9,648	$ 1,187	$ 2,462	$ 2,944	$ 14,343	$ 30,584
Provision (reversal of provision)	(3,471)	1,983	(2,439)	(2,540)	5,017	(1,450)
Charge-offs	(1,190)		(1,329)	(1,758)	(7,318)	(11,595)
Recoveries	4,507		212	4,159	3,250	12,128
Net (write-down) recovery related to loans transferred to held-for-sale			5,529		(3,401)	2,128
Ending balance	$ 9,494	$ 3,170	$ 4,435	$ 2,805	$ 11,891	$ 31,795
Specific ALLL	$	$	$ 589	$	$ 475	$ 1,064
General ALLL	$ 9,494	$ 3,170	$ 3,846	$ 2,805	$ 11,416	$ 30,731
Loans held-in-portfolio:						
Impaired loans	$	$	$ 5,175	$ 1,188	$ 2,182	$ 8,545
Loans held-in-portfolio excluding impaired loans	2,608,680	583,814	939,909	66,786	471,692	4,670,881
Total loans held-in-portfolio	$ 2,608,680	$ 583,814	$ 945,084	$ 67,974	$ 473,874	$ 4,679,426

For the nine months ended September 30, 2015							
Popular, Inc.							
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 242,108	$ 13,872	$ 164,270	$ 2,944	$ 7,131	$ 171,467	$ 601,792
Provision (reversal of provision)	78,598	17,955	41,108	(2,540)	4,596	43,230	182,947
Charge-offs	(88,866)	(27,731)	(44,621)	(1,758)	(4,415)	(91,668)	(259,059)
Recoveries	29,718	11,197	2,708	4,159	1,779	24,964	74,525
Net write-down related to loans transferred to held-for-sale	(31,097)	(542)	5,369			(3,421)	(29,691)
Ending balance	$ 230,461	$ 14,751	$ 168,834	$ 2,805	$ 9,091	$ 144,572	$ 570,514
Specific ALLL	$ 83,615	$ 358	$ 47,545	$	$ 634	$ 24,696	$ 156,848
General ALLL	$ 146,846	$ 14,393	$ 121,289	$ 2,805	$ 8,457	$ 119,876	$ 413,666

Loans held-in-portfolio:							
Impaired loans	$ 391,066	$ 2,536	$ 462,806	$ 1,188	$ 2,645	$ 113,865	$ 974,106
Loans held-in-portfolio excluding impaired loans	9,739,358	689,956	7,348,336	66,786	604,282	3,740,670	22,189,388
Total loans held-in-portfolio	$ 10,130,424	$ 692,492	$ 7,811,142	$ 67,974	$ 606,927	$ 3,854,535	$ 23,163,494

The following table provides the activity in the allowance for loan losses related to Westernbank loans accounted for pursuant to ASC Subtopic 310-30.

	ASC 310-30			
	For the quarters ended		For the nine months ended	
(In thousands)	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Balance at beginning of period	$ 66,995	$ 47,049	$ 63,563	$ 78,846
Provision (reversal of provision)	6,710	17,201	2,640	38,071
Net recoveries (charge-offs)	(4,134)	333	3,368	(52,334)
Balance at end of period	$ 69,571	$ 64,583	$ 69,571	$ 64,583

Table of Contents

Impaired loans

The following tables present loans individually evaluated for impairment at September 30, 2016 and December 31, 2015.

	September 30, 2016 Puerto Rico							
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$ 85	$ 85	$ 46	$	$	$ 85	$ 85	$ 46
Commercial real estate non-owner occupied	110,625	115,037	36,192	11,063	20,294	121,688	135,331	36,192
Commercial real estate owner occupied	134,733	171,882	16,239	17,837	27,259	152,570	199,141	16,239
Commercial and industrial	46,710	47,996	6,050	7,815	11,466	54,525	59,462	6,050
Mortgage	431,074	473,535	43,567	56,898	67,478	487,972	541,013	43,567
Leasing	1,899	1,899	540			1,899	1,899	540
Consumer:								
Credit cards	38,485	38,485	5,862			38,485	38,485	5,862
Personal	66,704	66,704	17,201			66,704	66,704	17,201
Auto	2,122	2,122	356			2,122	2,122	356
Other	1,030	1,030	289			1,030	1,030	289
Total Puerto Rico	$ 833,467	$ 918,775	$ 126,342	$ 93,613	$ 126,497	$ 927,080	$ 1,045,272	$ 126,342

	September 30, 2016 U.S. mainland							
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Mortgage	$ 6,361	$ 7,309	$ 1,990	$ 2,535	$ 2,535	$ 8,896	$ 9,844	$ 1,990
Consumer:								

HELOCs	1,879	1,879	464			1,879	1,879	464
Personal	709	709	261			709	709	261
Total U.S. mainland	$ 8,949	$ 9,897	$ 2,715	$ 2,535	$ 2,535	$ 11,484	$ 12,432	$ 2,715

September 30, 2016
Popular, Inc.

(In thousands)	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$ 85	$ 85	$ 46	$	$	$ 85	$ 85	$ 46
Commercial real estate non-owner occupied	110,625	115,037	36,192	11,063	20,294	121,688	135,331	36,192
Commercial real estate owner occupied	134,733	171,882	16,239	17,837	27,259	152,570	199,141	16,239
Commercial and industrial	46,710	47,996	6,050	7,815	11,466	54,525	59,462	6,050
Mortgage	437,435	480,844	45,557	59,433	70,013	496,868	550,857	45,557
Leasing	1,899	1,899	540			1,899	1,899	540
Consumer:								
Credit Cards	38,485	38,485	5,862			38,485	38,485	5,862
HELOCs	1,879	1,879	464			1,879	1,879	464
Personal	67,413	67,413	17,462			67,413	67,413	17,462
Auto	2,122	2,122	356			2,122	2,122	356
Other	1,030	1,030	289			1,030	1,030	289
Total Popular, Inc.	$ 842,416	$ 928,672	$ 129,057	$ 96,148	$ 129,032	$ 938,564	$ 1,057,704	$ 129,057

Table of Contents

December 31, 2015 Puerto Rico								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 102,199	$ 106,466	$ 30,980	$ 13,779	$ 23,896	$ 115,978	$ 130,362	$ 30,980
Commercial real estate owner occupied	118,253	137,193	12,564	38,955	63,383	157,208	200,576	12,564
Commercial and industrial	42,043	43,629	5,699	21,904	32,922	63,947	76,551	5,699
Construction	2,481	7,878	264			2,481	7,878	264
Mortgage	424,885	468,240	42,965	40,232	45,881	465,117	514,121	42,965
Leasing	2,404	2,404	573			2,404	2,404	573
Consumer:								
Credit cards	38,734	38,734	6,675			38,734	38,734	6,675
Personal	68,509	68,509	16,365			68,509	68,509	16,365
Auto	1,893	1,893	338			1,893	1,893	338
Other	524	525	100			524	525	100
Total Puerto Rico	$ 801,925	$ 875,471	$ 116,523	$ 114,870	$ 166,082	$ 916,795	$ 1,041,553	$ 116,523

December 31, 2015 U.S. mainland								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Mortgage	$ 4,143	$ 5,018	$ 1,064	$ 2,672	$ 3,574	$ 6,815	$ 8,592	$ 1,064
Consumer:								
HELOCs	778	796	259	783	783	1,561	1,579	259
Personal	534	534	226	81	81	615	615	226
Total U.S. mainland	$ 5,455	$ 6,348	$ 1,549	$ 3,536	$ 4,438	$ 8,991	$ 10,786	$ 1,549

	December 31, 2015							
	Popular, Inc.							
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 102,199	$ 106,466	$ 30,980	$ 13,779	$ 23,896	$ 115,978	$ 130,362	$ 30,980
Commercial real estate owner occupied	118,253	137,193	12,564	38,955	63,383	157,208	200,576	12,564
Commercial and industrial	42,043	43,629	5,699	21,904	32,922	63,947	76,551	5,699
Construction	2,481	7,878	264			2,481	7,878	264
Mortgage	429,028	473,258	44,029	42,904	49,455	471,932	522,713	44,029
Leasing	2,404	2,404	573			2,404	2,404	573
Consumer:								
Credit Cards	38,734	38,734	6,675			38,734	38,734	6,675
HELOCs	778	796	259	783	783	1,561	1,579	259
Personal	69,043	69,043	16,591	81	81	69,124	69,124	16,591
Auto	1,893	1,893	338			1,893	1,893	338
Other	524	525	100			524	525	100
Total Popular, Inc.	$ 807,380	$ 881,819	$ 118,072	$ 118,406	$ 170,520	$ 925,786	$ 1,052,339	$ 118,072

The following tables present the average recorded investment and interest income recognized on impaired loans for the quarter and nine months ended September 30, 2016 and 2015.

Table of Contents

For the quarter ended September 30, 2016

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 43	$ 1	$	$	$ 43	$ 1
Commercial real estate non-owner occupied	140,083	1,345			140,083	1,345
Commercial real estate owner occupied	136,565	1,408			136,565	1,408
Commercial and industrial	55,685	483			55,685	483
Construction	518				518	
Mortgage	482,067	3,538	8,730	68	490,797	3,606
Leasing	2,005				2,005	
Consumer:						
Credit cards	38,431				38,431	
Helocs			1,883		1,883	
Personal	67,077		651		67,728	
Auto	2,501				2,501	
Other	728				728	
Total Popular, Inc.	$ 925,703	$ 6,775	$ 11,264	$ 68	$ 936,967	$ 6,843

For the quarter ended September 30, 2015

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 1,239	$ 23	$	$	$ 1,239	$ 23
Commercial real estate non-owner occupied	121,842	1,191			121,842	1,191
Commercial real estate owner occupied	140,054	1,094			140,054	1,094
Commercial and industrial	101,187	978			101,187	978
Construction	3,082				3,082	
Mortgage	454,210	3,446	5,110	34	459,320	3,480
Legacy			1,273		1,273	
Leasing	2,600				2,600	
Consumer:						
Credit cards	39,893				39,893	
Helocs			1,608		1,608	
Personal	69,619		555		70,174	
Auto	2,083				2,083	
Other	614				614	
Total Popular, Inc.	$ 936,423	$ 6,732	$ 8,546	$ 34	$ 944,969	$ 6,766

For the nine months ended September 30, 2016

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 21	$ 4	$	$	$ 21	$ 4
Commercial real estate non-owner occupied	129,372	3,971			129,372	3,971
Commercial real estate owner occupied	147,305	4,349			147,305	4,349
Commercial and industrial	58,518	1,466			58,518	1,466
Construction	1,384				1,384	
Mortgage	475,108	10,311	8,046	133	483,154	10,444
Leasing	2,201				2,201	
Consumer:						
Credit cards	38,344				38,344	
HELOCs			1,741		1,741	
Personal	67,624		632		68,256	
Auto	2,689				2,689	
Other	606				606	
Total Popular, Inc.	$ 923,172	$ 20,101	$ 10,419	$ 133	$ 933,591	$ 20,234

Table of Contents

For the nine months ended September 30, 2015						
	Puerto Rico		U.S. Mainland		Popular, Inc.	
(In thousands)	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	$ 757	$ 23	$	$	$ 757	$ 23
Commercial real estate non-owner occupied	105,308	3,339			105,308	3,339
Commercial real estate owner occupied	134,011	3,591			134,011	3,591
Commercial and industrial	135,657	3,155	63		135,720	3,155
Construction	7,317				7,317	
Mortgage	446,374	12,010	4,895	63	451,269	12,073
Legacy			636		636	
Leasing	2,787				2,787	
Consumer:						
Credit cards	40,615				40,615	
HELOCs			1,685		1,685	
Personal	70,430		380		70,810	
Auto	2,033				2,033	
Other	570		22		592	
Covered loans	4,409	253			4,409	253
Total Popular, Inc.	$ 950,268	$ 22,371	$ 7,681	$ 63	$ 957,949	$ 22,434

Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to $ 1.2 billion at September 30, 2016 (December 31, 2015 $ 1.2 billion). The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings amounted $8 million related to the commercial loan portfolio at September 30, 2016 (December 31, 2015 $11 million).

At September 30, 2016, the mortgage loan TDRs include $395 million guaranteed by U.S. sponsored entities at BPPR, this compares with $359 million at December 31, 2015.

A modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession. For a summary of the accounting policy related to TDRs, refer to the summary of significant accounting policies included in Note 2 of the 2015 Form 10-K.

The following tables present the non-covered and covered loans classified as TDRs according to their accruing status and the related allowance at September 30, 2016 and December 31, 2015.

Popular, Inc. Non-Covered Loans						
	September 30, 2016			December 31, 2015		
(In thousands)	Accruing	Non-Accruing	Total	Accruing	Non-Accruing	Total

				Related Allowance				Related Allowance
Commercial	$ 163,381	$ 84,872	$ 248,253	$ 56,444	$ 166,415	$ 88,117	$ 254,532	$ 37,355
Construction					221	2,259	2,480	264
Mortgage	722,450	122,225	844,675	45,557	644,013	130,483	774,496	44,029
Leases	1,296	603	1,899	540	1,791	609	2,400	573
Consumer	101,476	12,818	114,294	24,433	104,630	12,805	117,435	23,963
Total	$ 988,603	$ 220,518	$ 1,209,121	$ 126,974	$ 917,070	$ 234,273	$ 1,151,343	$ 106,184

Table of Contents

	Popular, Inc. Covered Loans							
	September 30, 2016				December 31, 2015			
(In thousands)	Accruing	Non-Accruing	Total	Related Allowance	Accruing	Non-Accruing	Total	Related Allowance
Mortgage	$ 3,033	$ 2,336	$ 5,369	$	$ 3,328	$ 3,268	$ 6,596	$
Total	$ 3,033	$ 2,336	$ 5,369	$	$ 3,328	$ 3,268	$ 6,596	$

The following tables present the loan count by type of modification for those loans modified in a TDR during the quarters and nine months ended September 30, 2016 and 2015.

	Puerto Rico							
	For the quarter ended September 30, 2016				For the nine months ended September 30, 2016			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	3				5	1		
Commercial real estate owner occupied	9				38	5		
Commercial and industrial	8				22	1		
Mortgage	17	22	129	43	55	56	353	132
Leasing		1				1		
Consumer:								
Credit cards	218		1	158	603		1	531
Personal	241	4			761	14		1
Auto		4	4	2		11	8	2
Other	6				27			
Total	502	31	134	203	1,511	89	362	666

	U.S. Mainland							
	For the quarter ended September 30, 2016				For the nine months ended September 30, 2016			
	Reduction in interest rate	Extension of maturity date	Combination of reduction	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction	Other

		in interest rate and extension of maturity date		in interest rate and extension of maturity date	
Mortgage	2	5	2	23	1
Consumer:					
HELOCs				2	1
Personal	2	1	2	1	
Total	4	6	4	26	2

50

Table of Contents

	Popular, Inc.							
	For the quarter ended September 30, 2016				For the nine months ended September 30, 2016			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	3				5	1		
Commercial real estate owner occupied	9				38	5		
Commercial and industrial	8				22	1		
Mortgage	17	24	134	43	55	58	376	133
Leasing		1				1		
Consumer:								
Credit cards	218		1	158	603		1	531
HELOCs							2	1
Personal	241	6	1		761	16	1	1
Auto		4	4	2		11	8	2
Other	6				27			
Total	502	35	140	203	1,511	93	388	668

	Puerto Rico							
	For the quarter ended September 30, 2015				For the nine months ended September 30, 2015			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family						2		
Commercial real estate non-owner occupied	1	2			6	10		
Commercial real estate owner occupied	12	5			22	14		
Commercial and industrial	7	4			18	15		

Construction		1			1	1		
Mortgage	12	9	96	38	41	39	277	76
Leasing		5	1			7	15	
Consumer:								
Credit cards	235			187	657			538
Personal	267	6		1	769	24		1
Auto		3				8	3	
Other	13				35			
Total	547	35	97	226	1,549	120	295	615

	U.S. Mainland							
	For the quarter ended September 30, 2015				For the nine months ended September 30, 2015			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Mortgage			4	1		1	14	1
Consumer:								
HELOCs			1			1	1	2
Personal						2		
Total			5	1		4	15	3

Table of Contents

Popular, Inc.	For the quarter ended September 30, 2015				For the nine months ended September 30, 2015			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family						2		
Commercial real estate non-owner occupied	1	2			6	10		
Commercial real estate owner occupied	12	5			22	14		
Commercial and industrial	7	4			18	15		
Construction		1			1	1		
Mortgage	12	9	100	39	41	40	291	77
Leasing		5	1			7	15	
Consumer:								
Credit cards	235			187	657			538
HELOCs			1			1	1	2
Personal	267	6		1	769	26		1
Auto		3				8	3	
Other	13				35			
Total	547	35	102	227	1,549	124	310	618

The following tables present by class, quantitative information related to loans modified as TDRs during the quarters and nine months ended September 30, 2016 and 2015.

Puerto Rico For the quarter ended September 30, 2016 (Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 469	$ 3,085	$ 860
Commercial real estate owner occupied	9	773	1,874	136
Commercial and industrial	8	246	301	21
Mortgage	211	24,718	24,054	1,646
Leasing	1	15	15	3

Consumer:							
Credit cards	377		3,321		3,715		450
Personal	245		4,367		4,428		832
Auto	10		123		134		27
Other	6		23		23		4
Total	870	$	34,055	$	37,629	$	3,979

U.S. Mainland
For the quarter ended September 30, 2016

(Dollars in thousands)	Loan count		Pre-modification outstanding recorded investment		Post-modification outstanding recorded investment		Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	7	$	537	$	627	$	134
Consumer:							
Personal	3		114		119		21
Total	10	$	651	$	746	$	155

52

Table of Contents

Popular, Inc.
For the quarter ended September 30, 2016

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 469	$ 3,085	$ 860
Commercial real estate owner occupied	9	773	1,874	136
Commercial and industrial	8	246	301	21
Mortgage	218	25,255	24,681	1,780
Leasing	1	15	15	3
Consumer:				
Credit cards	377	3,321	3,715	450
Personal	248	4,481	4,547	853
Auto	10	123	134	27
Other	6	23	23	4
Total	880	$ 34,706	$ 38,375	$ 4,134

Puerto Rico
For the quarter ended September 30, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 775	$ 769	$ 33
Commercial real estate owner occupied	17	2,830	2,654	(3)
Commercial and industrial	11	7,970	8,386	10
Construction	1	40	39	(4)
Mortgage	155	18,089	18,286	1,490
Leasing	6	135	132	30
Consumer:				
Credit cards	422	3,485	3,994	583
Personal	274	4,393	4,440	992
Auto	3	41	45	12
Other	13	30	30	5

Total	905	$	37,788	$	38,775	$	3,148

U.S. Mainland
For the quarter ended September 30, 2015

(Dollars in thousands)	Loan count		Pre-modification outstanding recorded investment		Post-modification outstanding recorded investment		Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	5	$	426	$	454	$	186
Consumer:							
HELOCs	1		123		128		54
Total	6	$	549	$	582	$	240

Table of Contents

Popular, Inc.
For the quarter ended September 30, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 775	$ 769	$ 33
Commercial real estate owner occupied	17	2,830	2,654	(3)
Commercial and industrial	11	7,970	8,386	10
Construction	1	40	39	(4)
Mortgage	160	18,515	18,740	1,676
Leasing	6	135	132	30
Consumer:				
Credit cards	422	3,485	3,994	583
HELOCs	1	123	128	54
Personal	274	4,393	4,440	992
Auto	3	41	45	12
Other	13	30	30	5
Total	911	$ 38,337	$ 39,357	$ 3,388

Puerto Rico
For the nine months ended September 30, 2016

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	6	$ 6,989	$ 9,589	$ 5,029
Commercial real estate owner occupied	43	11,623	11,648	473
Commercial and industrial	23	3,832	3,884	1
Mortgage	596	67,093	65,012	4,640
Leasing	1	15	15	3
Consumer:				
Credit cards	1,135	10,352	11,768	1,677
Personal	776	12,975	13,076	2,763
Auto	21	256	274	52
Other	27	78	80	14

Total	2,628	$	113,213	$	115,346	$	14,652

U.S. mainland
For the nine months ended September 30, 2016

(Dollars in thousands)	Loan count		Pre-modification outstanding recorded investment		Post-modification outstanding recorded investment		Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	26	$	2,498	$	2,690	$	767
Consumer:							
HELOCs	3		355		398		216
Personal	3		114		119		21
Total	32	$	2,967	$	3,207	$	1,004

Table of Contents

Popular, Inc.
For the nine months ended September 30, 2016

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	6	$ 6,989	$ 9,589	$ 5,029
Commercial real estate owner occupied	43	11,623	11,648	473
Commercial and industrial	23	3,832	3,884	1
Mortgage	622	69,591	67,702	5,407
Leasing	1	15	15	3
Consumer:				
Credit cards	1,135	10,352	11,768	1,677
HELOCs	3	355	398	216
Personal	779	13,089	13,195	2,784
Auto	21	256	274	52
Other	27	78	80	14
Total	2,660	$ 116,180	$ 118,553	$ 15,656

Puerto Rico
For the nine months ended September 30, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial multi-family	2	$ 551	$ 551	$ 2
Commercial real estate non-owner occupied	16	67,494	67,635	13,701
Commercial real estate owner occupied	36	12,620	11,690	330
Commercial and industrial	33	20,337	21,272	672
Construction	2	308	298	(170)
Mortgage	433	42,275	48,197	3,786
Leasing	22	557	556	126
Consumer:				
Credit cards	1,195	10,367	11,747	1,780
Personal	794	13,646	13,689	2,968
Auto	11	101	158	29

Other	35		86		97		14
Total	2,579	$	168,342	$	175,890	$	23,238

U.S. mainland
For the nine months ended September 30, 2015

(Dollars in thousands)	Loan count		Pre-modification outstanding recorded investment		Post-modification outstanding recorded investment		Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	16	$	1,081	$	2,112	$	365
Consumer:							
HELOCs	4		197		295		79
Personal	2		30		30		3
Total	22	$	1,308	$	2,437	$	447

Table of Contents

Popular, Inc.
For the nine months ended September 30, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial multi-family	2	$ 551	$ 551	$ 2
Commercial real estate non-owner occupied	16	67,494	67,635	13,701
Commercial real estate owner occupied	36	12,620	11,690	330
Commercial and industrial	33	20,337	21,272	672
Construction	2	308	298	(170)
Mortgage	449	43,356	50,309	4,151
Leasing	22	557	556	126
Consumer:				
Credit cards	1,195	10,367	11,747	1,780
HELOCs	4	197	295	79
Personal	796	13,676	13,719	2,971
Auto	11	101	158	29
Other	35	86	97	14
Total	2,601	$ 169,650	$ 178,327	$ 23,685

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 at September 30, 2016 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.

Puerto Rico

	Defaulted during the quarter ended September 30, 2016		Defaulted during the nine months ended September 30, 2016	
(Dollars in thousands)	Loan count	Recorded investment as of first default date	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied		$	2	$ 327
Commercial real estate owner occupied	3	773	10	3,276
Commercial and industrial	3	758	5	785
Mortgage	52	5,409	132	14,132
Leasing			4	29

Consumer:						
Credit cards	109		1,084	221		2,259
Personal	34		623	93		2,375
Auto	3		63	6		111
Other	5		10	5		10
Total	209	$	8,720	478	$	23,304

During the quarter and nine months ended September 30, 2016, there were no U.S. mainland TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date.

Table of Contents

Popular, Inc.

(Dollars in thousands)	Defaulted during the quarter ended September 30, 2016 Loan count	Recorded investment as of first default date	Defaulted during the nine months ended September 30, 2016 Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied		$	2	$ 327
Commercial real estate owner occupied	3	773	10	3,276
Commercial and industrial	3	758	5	785
Mortgage	52	5,409	132	14,132
Leasing			4	29
Consumer:				
Credit cards	109	1,084	221	2,259
Personal	34	623	93	2,375
Auto	3	63	6	111
Other	5	10	5	10
Total	209	$ 8,720	478	$ 23,304

Puerto Rico

(Dollars in thousands)	Defaulted during the quarter ended September 30, 2015 Loan count	Recorded investment as of first default date	Defaulted during the nine months ended September 30, 2015 Loan count	Recorded investment as of first default date
Commercial real estate owner occupied		$	1	$ 291
Commercial and industrial	3	521	5	675
Construction			2	1,192
Mortgage	51	4,208	85	11,633
Leasing	1	68	7	170
Consumer:				
Credit cards	124	1,444	314	3,238
Personal	29	669	42	990
Auto	2	33	9	128
Total	210	$ 6,943	465	$ 18,317

U.S. Mainland

	Defaulted during the quarter ended September 30, 2015			Defaulted during the nine months ended September 30, 2015		
(Dollars in thousands)	Loan count	Recorded investment as of first default date		Loan count	Recorded investment as of first default date	
Mortgage	1	$	94	1	$	94
Total	1	$	94	1	$	94

57

Table of Contents

	Popular, Inc.			
	Defaulted during the quarter ended September 30, 2015		Defaulted during the nine months ended September 30, 2015	
(Dollars in thousands)	Loan count	Recorded investment as of first default date	Loan count	Recorded investment as of first default date
Commercial real estate owner occupied		$	1	$ 291
Commercial and industrial	3	521	5	675
Construction			2	1,192
Mortgage	52	4,302	86	11,727
Leasing	1	68	7	170
Consumer:				
Credit cards	124	1,444	314	3,238
Personal	29	669	42	990
Auto	2	33	9	128
Total	211	$ 7,037	466	$ 18,411

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 Corporation evaluates the loan for possible further impairment. The allowance for loan losses may be increased or partial charge-offs may be taken to further write-down the carrying value of the loan.

Credit Quality

The following table presents the outstanding balance, net of unearned income, of non-covered loans held-in-portfolio based on the Corporation s assignment of obligor risk ratings as defined at September 30, 2016 and December 31, 2015.

Table of Contents

	September 30, 2016							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 2,751	$ 992	$ 6,445	$	$	$ 10,188	$ 166,313	$ 176,501
Commercial real estate non-owner occupied	317,867	392,113	369,350	210		1,079,540	1,518,911	2,598,451
Commercial real estate owner occupied	315,009	138,969	379,828	1,600		835,406	1,006,791	1,842,197
Commercial and industrial	148,672	121,248	239,447	794	14	510,175	2,126,845	2,637,020
Total Commercial	784,299	653,322	995,070	2,604	14	2,435,309	4,818,860	7,254,169
Construction	25	1,229	2,208			3,462	77,592	81,054
Mortgage	3,769	2,923	212,834			219,526	5,745,312	5,964,838
Leasing			2,878			2,878	679,932	682,810
Consumer:								
Credit cards			18,186			18,186	1,087,571	1,105,757
HELOCs			102			102	8,518	8,620
Personal	1,106	889	21,957			23,952	1,148,604	1,172,556
Auto			12,073		136	12,209	816,615	828,824
Other			17,239		152	17,391	160,682	178,073
Total Consumer	1,106	889	69,557		288	71,840	3,221,990	3,293,830
Total Puerto Rico	$ 789,199	$ 658,363	$ 1,282,547	$ 2,604	$ 302	$ 2,733,015	$ 14,543,686	$ 17,276,701
U.S. mainland								
Commercial multi-family	$ 3,990	$ 6,553	$ 695	$	$	$ 11,238	$ 934,960	$ 946,198
Commercial real estate non-owner occupied	59,157	197	4,887			64,241	1,161,757	1,225,998
Commercial real estate owner occupied	6,784		9,803			16,587	220,894	237,481
	4,035	560	152,385			156,980	716,365	873,345

Commercial and industrial								
Total Commercial	73,966	7,310	167,770			249,046	3,033,976	3,283,022
Construction		8,038	43,962			52,000	598,298	650,298
Mortgage			14,429			14,429	795,230	809,659
Legacy	981	837	4,768			6,586	41,328	47,914
Consumer:								
Credit cards			82			82	191	273
HELOCs			1,831		2,798	4,629	258,584	263,213
Personal			1,398		569	1,967	262,647	264,614
Auto							12	12
Other							266	266
Total Consumer			3,311		3,367	6,678	521,700	528,378
Total U.S. mainland	$ 74,947	$ 16,185	$ 234,240	$	$ 3,367	$ 328,739	$ 4,990,532	$ 5,319,271
Popular, Inc.								
Commercial multi-family	$ 6,741	$ 7,545	$ 7,140	$	$	$ 21,426	$ 1,101,273	$ 1,122,699
Commercial real estate non-owner occupied	377,024	392,310	374,237	210		1,143,781	2,680,668	3,824,449
Commercial real estate owner occupied	321,793	138,969	389,631	1,600		851,993	1,227,685	2,079,678
Commercial and industrial	152,707	121,808	391,832	794	14	667,155	2,843,210	3,510,365
Total Commercial	858,265	660,632	1,162,840	2,604	14	2,684,355	7,852,836	10,537,191
Construction	25	9,267	46,170			55,462	675,890	731,352
Mortgage	3,769	2,923	227,263			233,955	6,540,542	6,774,497
Legacy	981	837	4,768			6,586	41,328	47,914
Leasing			2,878			2,878	679,932	682,810
Consumer:								
Credit cards			18,268			18,268	1,087,762	1,106,030
HELOCs			1,933		2,798	4,731	267,102	271,833
Personal	1,106	889	23,355		569	25,919	1,411,251	1,437,170
Auto			12,073		136	12,209	816,627	828,836
Other			17,239		152	17,391	160,948	178,339
Total Consumer	1,106	889	72,868		3,655	78,518	3,743,690	3,822,208

Total Popular, Inc.	$ 864,146	$ 674,548	$ 1,516,787	$ 2,604	$ 3,669	$ 3,061,754	$ 19,534,218	$ 22,595,972

Table of Contents

The following table presents the weighted average obligor risk rating at September 30, 2016 for those classifications that consider a range of rating scales.

Weighted average obligor risk rating

	(Scales 11 and 12)	(Scales 1 through 8)
Puerto Rico:[1]	Substandard	Pass
Commercial multi-family	11.14	5.91
Commercial real estate non-owner occupied	11.07	6.89
Commercial real estate owner occupied	11.27	7.13
Commercial and industrial	11.14	7.16
Total Commercial	11.16	7.05
Construction	11.00	7.71
U.S. mainland:	Substandard	Pass
Commercial multi-family	11.30	7.26
Commercial real estate non-owner occupied	11.17	6.72
Commercial real estate owner occupied	11.11	7.32
Commercial and industrial	11.57	6.09
Total Commercial	11.53	6.78
Construction	11.00	7.71
Legacy	11.11	7.87

[1] Excludes covered loans acquired in the Westernbank FDIC-assisted transaction.

Table of Contents

	December 31, 2015							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 1,750	$ 1,280	$ 8,103	$	$	$ 11,133	$ 121,013	$ 132,146
Commercial real estate non-owner occupied	319,564	423,095	399,076			1,141,735	1,527,357	2,669,092
Commercial real estate owner occupied	316,079	162,395	436,442	1,915		916,831	992,413	1,909,244
Commercial and industrial	187,620	146,216	256,821	690	29	591,376	2,066,361	2,657,737
Total Commercial	825,013	732,986	1,100,442	2,605	29	2,661,075	4,707,144	7,368,219
Construction	7,269	5,522	19,806			32,597	68,351	100,948
Mortgage	4,810	2,794	238,002			245,606	5,881,885	6,127,491
Leasing			3,009			3,009	624,641	627,650
Consumer:								
Credit cards			19,098			19,098	1,109,247	1,128,345
HELOCs			394			394	10,294	10,688
Personal	1,606	1,448	23,116			26,170	1,176,665	1,202,835
Auto			11,609		30	11,639	804,311	815,950
Other			18,656		575	19,231	169,253	188,484
Total Consumer	1,606	1,448	72,873		605	76,532	3,269,770	3,346,302
Total Puerto Rico	$ 838,698	$ 742,750	$ 1,434,132	$ 2,605	$ 634	$ 3,018,819	$ 14,551,791	$ 17,570,610
U.S. mainland								
Commercial multi-family	$ 14,129	$ 7,189	$ 427	$	$	$ 21,745	$ 672,188	$ 693,933
Commercial real estate non-owner occupied	57,450	6,741	16,646			80,837	882,186	963,023
Commercial real estate owner occupied	11,978	1,074	2,967			16,019	186,325	202,344
	10,827	5,344	131,933			148,104	723,540	871,644

Commercial and industrial								
Total Commercial	94,384	20,348	151,973			266,705	2,464,239	2,730,944
Construction	15,091	16,948	18,856			50,895	529,263	580,158
Mortgage			13,537			13,537	895,053	908,590
Legacy	1,823	1,973	6,134			9,930	54,506	64,436
Consumer:								
Credit cards							13,935	13,935
HELOCs			1,550		2,626	4,176	300,308	304,484
Personal			637		603	1,240	171,386	172,626
Auto							28	28
Other					5	5	299	304
Total Consumer			2,187		3,234	5,421	485,956	491,377
Total U.S. mainland	$ 111,298	$ 39,269	$ 192,687	$	$ 3,234	$ 346,488	$ 4,429,017	$ 4,775,505
Popular, Inc.								
Commercial multi-family	$ 15,879	$ 8,469	$ 8,530	$	$	$ 32,878	$ 793,201	$ 826,079
Commercial real estate non-owner occupied	377,014	429,836	415,722			1,222,572	2,409,543	3,632,115
Commercial real estate owner occupied	328,057	163,469	439,409	1,915		932,850	1,178,738	2,111,588
Commercial and industrial	198,447	151,560	388,754	690	29	739,480	2,789,901	3,529,381
Total Commercial	919,397	753,334	1,252,415	2,605	29	2,927,780	7,171,383	10,099,163
Construction	22,360	22,470	38,662			83,492	597,614	681,106
Mortgage	4,810	2,794	251,539			259,143	6,776,938	7,036,081
Legacy	1,823	1,973	6,134			9,930	54,506	64,436
Leasing			3,009			3,009	624,641	627,650
Consumer:								
Credit cards			19,098			19,098	1,123,182	1,142,280
HELOCs			1,944		2,626	4,570	310,602	315,172
Personal	1,606	1,448	23,753		603	27,410	1,348,051	1,375,461
Auto			11,609		30	11,639	804,339	815,978
Other			18,656		580	19,236	169,552	188,788
Total Consumer	1,606	1,448	75,060		3,839	81,953	3,755,726	3,837,679

Total Popular, Inc.	$ 949,996	$ 782,019	$ 1,626,819	$ 2,605	$ 3,868	$ 3,365,307	$ 18,980,808	$ 22,346,115

61

Table of Contents

The following table presents the weighted average obligor risk rating at December 31, 2015 for those classifications that consider a range of rating scales.

Weighted average obligor risk rating	(Scales 11 and 12)	(Scales 1 through 8)
Puerto Rico:[1]	Substandard	Pass
Commercial multi-family	11.13	6.04
Commercial real estate non-owner occupied	11.09	6.67
Commercial real estate owner occupied	11.23	7.08
Commercial and industrial	11.15	7.13
Total Commercial	11.16	6.95
Construction	11.18	7.56
U.S. mainland:	Substandard	Pass
Commercial multi-family	11.00	7.15
Commercial real estate non-owner occupied	11.02	6.92
Commercial real estate owner occupied	11.07	7.23
Commercial and industrial	11.57	6.24
Total Commercial	11.50	6.81
Construction	11.00	7.79
Legacy	11.11	7.78

[1] Excludes covered loans acquired in the Westernbank FDIC-assisted transaction.

Table of Contents

Note 11 FDIC loss-share asset and true-up payment obligation

In connection with the Westernbank FDIC-assisted transaction, BPPR entered into loss-share arrangements with the FDIC with respect to the covered loans and other real estate owned. Pursuant to the terms of the loss-share arrangements, the FDIC s obligation to reimburse BPPR for losses with respect to covered assets begins with the first dollar of loss incurred. The FDIC reimburses BPPR for 80% of losses with respect to covered assets, and BPPR reimburses the FDIC for 80% of recoveries with respect to losses for which the FDIC paid reimbursement under loss-share arrangements. The loss-share agreement applicable to single-family residential mortgage loans provides for FDIC loss and recoveries sharing for ten years expiring at the end of the quarter ending June 30, 2020.

The following table sets forth the activity in the FDIC loss-share asset for the periods presented.

(In thousands)	Quarters ended September 30, 2016	Quarters ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Balance at beginning of period	$ 214,029	$ 392,947	$ 310,221	$ 542,454
Amortization of loss-share indemnification asset	(1,259)	(3,931)	(9,337)	(62,312)
Credit impairment losses (reversal) to be covered under loss-sharing agreements	659	(183)	(959)	15,710
Reimbursable expenses	853	6,276	7,038	70,551
Recoveries reimbursable to the FDIC			(4,093)	
Net payments from FDIC under loss-sharing agreements	(6,819)	(80,993)	(95,407)	(245,416)
Arbitration award expense	(54,924)		(54,924)	
Other adjustments attributable to FDIC loss-sharing agreements	(72)	(2,170)	(72)	(9,041)
Balance at end of period	$ 152,467	$ 311,946	$ 152,467	$ 311,946

The loss-share component of the arrangements applicable to commercial (including construction) loans expired during the quarter ended June 30, 2015. The agreement provides for reimbursement to the FDIC to continue through the quarter ending June 30, 2018, and for the single family mortgage loss-share component of such agreement to expire on April 30, 2020.

As of September 30, 2016, BPPR had unreimbursed loss claims related to the commercial loss-sharing arrangement amounting to $87 million, reflected in the FDIC indemnification asset as a receivable from the FDIC. The $87 million in unreimbursed loss claims, are the subject of certain arbitration proceedings described on Note 23, Commitments and Contingencies, and take into consideration the arbitration award issued by a review board on October 3, 2016, denying BPPR s request for reimbursement of approximately $55 million in shared loss claims under the commercial loss share agreement. As a result of this award, the Corporation also recognized a pre-tax charge of $54.9 million and a corresponding reduction to its FDIC indemnification asset for the quarter ended September 30, 2016.

The weighted average life of the single family loan portfolio accounted for under ASC 310-30 subject to the FDIC loss-sharing agreement at September 30, 2016 is 7.07 years.

As part of the loss-share agreements, BPPR has agreed to make a true-up payment to the FDIC on the date that is 45 days following the last day (such day, the true-up measurement date) of the final shared-loss month, or upon the final disposition of all covered assets under the loss-share agreements, in the event losses on the loss-share agreements fail to reach expected levels. The estimated fair value of such true-up payment obligation is recorded as contingent consideration, which is included in the caption of other liabilities in the consolidated statements of financial condition. Under the loss sharing agreements, BPPR will pay to the FDIC 50% of the excess, if any, of: (i) 20% of the intrinsic loss estimate of $4.6 billion (or $925 million) (as determined by the FDIC) less (ii) the sum of: (A) 25% of the asset discount (per bid) (or ($1.1 billion)); plus (B) 25% of the cumulative shared-loss payments (defined as the aggregate of all of the payments made or payable to BPPR minus the aggregate of all of the payments made or payable to the FDIC); plus (C) the sum of the period servicing amounts for every consecutive twelve-month period prior to and ending on the true-up measurement date in respect of each of the loss-sharing agreements during which the loss-sharing provisions of the applicable loss-sharing agreement is in effect (defined as the product of the simple average of the principal amount of shared- loss loans and shared-loss assets at the beginning and end of such period times 1%).

Table of Contents

Of the four components used to estimate the true-up payment obligation (intrinsic loss estimate, asset discount, cumulative shared-loss payments, and period servicing amounts) only the cumulative shared-loss payments and the period servicing amounts will change on a quarterly basis. These two variables are the main drivers of changes in the undiscounted true-up payment obligation. In order to estimate the true-up obligation, actual and expected portfolio performance for loans under both the commercial and residential loss sharing agreement are contemplated. The cumulative shared loss payments and cumulative servicing amounts are derived from our quarterly loss reassessment process for covered loans accounted for under ASC 310-30.

Once the undiscounted true-up payment obligation is determined, the fair value is estimated based on the contractual remaining term to settle the obligation and a discount rate that is composed of the sum of the interpolated U.S. Treasury Note (T Note), defined by the remaining term of the true-up payment obligation, and a risk premium determined by the spread of the Corporation s outstanding senior unsecured debt over the equivalent T Note.

The following table provides the fair value and the undiscounted amount of the true-up payment obligation at September 30, 2016 and December 31, 2015.

(In thousands)	September 30, 2016	December 31, 2015
Carrying amount (fair value)	$ 134,487	$ 119,745
Undiscounted amount	$ 166,453	$ 168,692

The increase in the fair value of the true-up payment obligation was principally driven by a decrease in the discount rate, from 7.64% in 2015 to 5.70% in 2016. A lower risk premium was the driver of the decrease in the discount rate.

As described above, the estimate of the true up payment obligation is determined by applying the provisions of the loss sharing agreements and will change on a quarterly basis. The amount of the estimate of the true up payment obligation is expected to change in future periods and may be subject to the interpretation of provision of the loss sharing agreements.

The loss-share agreements contain specific terms and conditions regarding the management of the covered assets that BPPR must follow in order to receive reimbursement on losses from the FDIC. Under the loss-share agreements, BPPR must:

- manage and administer the covered assets and collect and effect charge-offs and recoveries with respect to such covered assets in a manner consistent with its usual and prudent business and banking practices and, with respect to single family shared-loss loans, the procedures (including collection procedures) customarily employed by BPPR in servicing and administering mortgage loans for its own account and the servicing procedures established by FNMA or the Federal Home Loan Mortgage Corporation (FHLMC), as in effect from time to time, and in accordance with accepted mortgage servicing practices of prudent lending institutions;

- exercise its best judgment in managing, administering and collecting amounts on covered assets and effecting charge-offs with respect to the covered assets;

use commercially reasonable efforts to maximize recoveries with respect to losses on single family shared-loss assets and best efforts to maximize collections with respect to commercial shared-loss assets;

retain sufficient staff to perform the duties under the loss-share agreements;

adopt and implement accounting, reporting, record-keeping and similar systems with respect to the commercial shared-loss assets;

comply with the terms of the modification guidelines approved by the FDIC or another federal agency for any single-family shared-loss loan;

provide notice with respect to proposed transactions pursuant to which a third party or affiliate will manage, administer or collect any commercial shared-loss assets;

file monthly and quarterly certificates with the FDIC specifying the amount of losses, charge-offs and recoveries; and

maintain books and records sufficient to ensure and document compliance with the terms of the loss-share agreements.

Table of Contents

Note 12 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 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:

	Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	2016	2015	2016	2015
Mortgage servicing fees, net of fair value adjustments:				
Mortgage servicing fees	$ 14,520	$ 17,020	$ 43,997	$ 43,957
Mortgage servicing rights fair value adjustments	(6,062)	1,038	(18,879)	(5,808)
Total mortgage servicing fees, net of fair value adjustments	8,458	18,058	25,118	38,149
Net gain on sale of loans, including valuation on loans held-for-sale	8,857	9,698	24,441	24,999
Trading account (loss) profit:				
Unrealized (losses) gains on outstanding derivative positions	95	(69)	(44)	(10)
Realized (losses) gains on closed derivative positions	(2,138)	(3,492)	(7,465)	(4,766)
Total trading account (loss) profit	(2,043)	(3,561)	(7,509)	(4,776)
Total mortgage banking activities	$ 15,272	$ 24,195	$ 42,050	$ 58,372

Table of Contents

Note 13 Transfers of financial assets and mortgage servicing assets

The Corporation typically transfers conforming residential mortgage loans in conjunction with GNMA and FNMA 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 22 to the consolidated financial statements for a description of such arrangements.

No liabilities were incurred as a result of these securitizations during the quarters and nine months ended September 30, 2016 and 2015 because they did not contain any credit recourse arrangements. During the quarter ended September 30, 2016, the Corporation recorded a net gain of $8.4 million (September 30, 2015 $9.1 million) related to the residential mortgage loans securitized. During the nine months ended September 30, 2016, the Corporation recorded a net gain of $22.6 million (September 30, 2015 $22.8 million) 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 quarters and nine months ended September 30, 2016 and 2015:

	Proceeds Obtained During the Quarter Ended September 30, 2016			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Investments securities available for sale:				
Mortgage-backed securities - GNMA	$	$ 20,686	$	$ 20,686
Mortgage-backed securities - FNMA		5,138		5,138
Total investment securities available-for-sale	$	$ 25,824	$	$ 25,824
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 140,255	$	$ 140,255
Mortgage-backed securities - FNMA		44,574		44,574
Total trading account securities	$	$ 184,829	$	$ 184,829
Mortgage servicing rights	$	$	$ 2,695	$ 2,695
Total	$	$ 210,653	$ 2,695	$ 213,348

	Proceeds Obtained During the Nine Months Ended September 30, 2016			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Investments securities available for sale:				
Mortgage-backed securities - GNMA	$	$ 20,686	$	$ 20,686
Mortgage-backed securities - FNMA		5,138		5,138

Total investment securities available-for-sale	$	$ 25,824	$	$ 25,824
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 444,382	$	$ 444,382
Mortgage-backed securities - FNMA		123,888		123,888
Total trading account securities	$	$ 568,270	$	$ 568,270
Mortgage servicing rights	$	$	$ 7,235	$ 7,235
Total	$	$ 594,094	$ 7,235	$ 601,329

Table of Contents

	Proceeds Obtained During the Quarter Ended September 30, 2015			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 251,061	$	$ 251,061
Mortgage-backed securities - FNMA		56,800		56,800
Total trading account securities	$	$ 307,861	$	$ 307,861
Mortgage servicing rights	$	$	$ 3,309	$ 3,309
Total	$	$ 307,861	$ 3,309	$ 311,170

	Proceeds Obtained During the Nine Months Ended September 30, 2015			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities GNMA	$	$ 650,891	$	$ 650,891
Mortgage-backed securities FNMA		174,235		174,235
Total trading account securities	$	$ 825,126	$	$ 825,126
Mortgage servicing rights	$	$	$ 10,078	$ 10,078
Total	$	$ 825,126	$ 10,078	$ 835,204

During the nine months ended September 30, 2016, the Corporation retained servicing rights on whole loan sales involving approximately $46 million in principal balance outstanding (September 30, 2015 - $56 million), with realized gains of approximately $1.9 million (September 30, 2015 - gains of $2.2 million). All loan sales performed during the nine months ended September 30, 2016 and 2015 were without credit recourse agreements.

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

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

The following table presents the changes in MSRs measured using the fair value method for the nine months ended September 30, 2016 and 2015.

Residential MSRs		
(In thousands)	September 30, 2016	September 30, 2015
Fair value at beginning of period	$ 211,405	$ 148,694
Additions	7,843	73,411
Changes due to payments on loans[1]	(13,381)	(12,891)
Reduction due to loan repurchases	(1,183)	(1,576)
Changes in fair value due to changes in valuation model inputs or assumptions	(4,315)	3,213
Other disposals	(15)	
Fair value at end of period	$ 200,354	$ 210,851

[1] Represents the change due to collection / realization of expected cash flow over time.

Table of Contents

Additions to mortgage servicing rights for the nine months ended September 30, 2015 include those acquired as part of the Doral Bank Transaction and those assumed for a portfolio previously serviced by Doral Bank in connection with a pre-existing backup servicing agreement.

Residential mortgage loans serviced for others were $18.4 billion at September 30, 2016 (December 31, 2015 $20.6 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. At September 30, 2016, those weighted average mortgage servicing fees were 0.29% (September 30, 2015 0.28%). Under these servicing agreements, the banking subsidiaries do not generally earn significant prepayment penalty fees on the underlying loans serviced.

The section below includes information on assumptions used in the valuation model of the MSRs, originated and purchased.

Key economic assumptions used in measuring the servicing rights derived from loans securitized or sold by the Corporation during the quarters and nine months ended September 30, 2016 and 2015 were as follows:

	Quarters ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Prepayment speed	4.6%	7.0%	5.2%	7.0%
Weighted average life	10.6 years	8.8 years	10.1 years	7.1 years
Discount rate (annual rate)	11.0%	11.1%	11.0%	11.0%

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

	Originated MSRs		Purchased MSRs	
(In thousands)	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Fair value of servicing rights	$ 91,628	$ 98,648	$ 108,726	$ 112,757
Weighted average life (in years)	7.4	7.3	6.5	6.2
Weighted average prepayment speed (annual rate)	5.5%	6.0%	5.9%	6.9%
Impact on fair value of 10% adverse change	$ (2,074)	$ (2,488)	$ (2,475)	$ (2,871)
Impact on fair value of 20% adverse change	$ (4,307)	$ (5,241)	$ (5,118)	$ (6,034)
Weighted average discount rate (annual rate)	11.5%	11.5%	11.0%	11.0%
	$ (3,741)	$ (4,083)	$ (4,085)	$ (4,211)

Impact on fair value of 10% adverse change				
Impact on fair value of 20% adverse change	$ (7,431)	$ (8,206)	$ (8,134)	$ (8,525)

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

At September 30, 2016, the Corporation serviced $1.7 billion (December 31, 2015 - $1.9 billion) in residential mortgage loans with credit recourse to the Corporation.

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

Table of Contents

September 30, 2016, the Corporation had recorded $160 million in mortgage loans on its consolidated statements of financial condition related to this buy-back option program (December 31, 2015 - $140 million). As long as the Corporation continues to service the loans that continue to be collateral in a GNMA guaranteed mortgage-backed security, the MSR is recognized by the Corporation. During the nine months ended September 30, 2016, the Corporation repurchased approximately $ 67 million (September 30, 2015 - $68 million) of mortgage loans under the GNMA buy-back option program. 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. Furthermore, due to their guaranteed nature, the risk associated with the loans is minimal. The Corporation places these loans under its loss mitigation programs and once brought back to current status, these may be either retained in portfolio or re-sold in the secondary market.

Table of Contents

Note 14 Other real estate owned

The following tables present the activity related to Other Real Estate Owned (OREO), for the quarters and nine months ended September 30, 2016 and 2015. During the second quarter of 2015, the corporation completed a bulk sale of $37 million of covered OREOs.

	For the quarter ended September 30, 2016			
(In thousands)	Non-covered OREO Commercial/Construction	Non-covered OREO Mortgage	Covered OREO Mortgage	Total
Balance at beginning of period	$ 24,110	$ 152,915	$ 37,984	$ 215,009
Write-downs in value	(255)	(2,859)	(667)	(3,781)
Additions	2,388	27,355	4,212	33,955
Sales	(5,052)	(13,866)	(3,803)	(22,721)
Other adjustments		92	(312)	(220)
Ending balance	$ 21,191	$ 163,637	$ 37,414	$ 222,242

	For the nine months ended September 30, 2016			
(In thousands)	Non-covered OREO Commercial/Construction	Non-covered OREO Mortgage	Covered OREO Mortgage	Total
Balance at beginning of period	$ 32,471	$ 122,760	$ 36,685	$ 191,916
Write-downs in value	(2,533)	(6,489)	(1,533)	(10,555)
Additions	5,500	83,255	13,935	102,690
Sales	(13,632)	(34,769)	(10,759)	(59,160)
Other adjustments	(615)	(1,120)	(914)	(2,649)
Ending balance	$ 21,191	$ 163,637	$ 37,414	$ 222,242

	For the quarter ended September 30, 2015			
(In thousands)	Non-covered OREO Commercial/Construction	Non-covered OREO Mortgage	Covered OREO Mortgage	Total
Balance at beginning of period	$ 34,725	$ 107,530	$ 33,504	$ 175,759
Write-downs in value	(668)	(1,843)	(640)	(3,151)
Additions	7,959	24,318	5,759	38,036
Sales	(3,190)	(12,402)	(2,922)	(18,514)
Other adjustments	(510)	(93)		(603)
Ending balance	$ 38,316	$ 117,510	$ 35,701	$ 191,527

	For the nine months ended September 30, 2015				
(In thousands)	Non-covered OREO Commercial/Construction	Non-covered OREO Mortgage	Covered OREO Commercial/Construction	Covered OREO Mortgage	Total
Balance at beginning of period	$ 38,983	$ 96,517	$ 85,394	$ 44,872	$ 265,766
Write-downs in value	(10,717)	(5,678)	(20,350)	(3,315)	(40,060)
Additions	12,787	63,925	9,661	20,019	106,392
Sales	(17,485)	(39,731)	(59,749)	(22,550)	(139,515)
Other adjustments	244	(615)	(452)	(233)	(1,056)
Transfer to non-covered status[1]	14,504	3,092	(14,504)	(3,092)	
Ending balance	$ 38,316	$ 117,510	$	$ 35,701	$ 191,527

[1] Represents the reclassification of OREOs to the non-covered category, pursuant to the expiration of the commercial and consumer shared-loss arrangement with the FDIC related to loans acquired from Westernbank, on June 30, 2015.

Table of Contents

Note 15 Other assets

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

(In thousands)	September 30, 2016	December 31, 2015
Net deferred tax assets (net of valuation allowance)	$ 1,231,356	$ 1,302,452
Investments under the equity method	214,797	212,838
Prepaid taxes	175,400	180,969
Other prepaid expenses	88,071	79,215
Derivative assets	13,427	16,959
Trades receivable from brokers and counterparties	80,125	78,759
Principal, interest and escrow servicing advances	74,475	79,862
Guaranteed mortgage loan claims receivable	151,478	101,628
Others	134,810	140,480
Total other assets	$ 2,163,939	$ 2,193,162

Table of Contents

Note 16 Goodwill and other intangible assets

Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2016 and 2015, allocated by reportable segments, were as follows (refer to Note 35 for the definition of the Corporation s reportable segments):

2016					
(In thousands)	Balance at January 1, 2016	Goodwill on acquisition	Purchase accounting adjustments	Goodwill impairment	Balance at September 30, 2016
Banco Popular de Puerto Rico	$ 280,221	$	$	$ (3,801)	$ 276,420
Banco Popular North America	346,167		4,707		350,874
Total Popular, Inc.	$ 626,388	$	$ 4,707	$ (3,801)	$ 627,294

2015					
(In thousands)	Balance at January 1, 2015	Goodwill on acquisition	Purchase accounting adjustments	Goodwill impairment	Balance at September 30, 2015
Banco Popular de Puerto Rico	$ 250,109	$ 3,899	$ (3,385)	$	$ 250,623
Banco Popular North America	215,567	38,735			254,302
Total Popular, Inc.	$ 465,676	$ 42,634	$ (3,385)	$	$ 504,925

During the third quarter of 2016, the Corporation recorded a goodwill impairment charge of $3.8 million at the securities subsidiary as part of its annual goodwill impairment test.

During the first quarter of 2016, the Corporation recorded adjustments to its initial fair value estimates in connection with the Doral Bank Transaction. As a result, the discount on the loans increased by $4.7 million with a corresponding increase to goodwill.

The goodwill recorded during 2015 was related to the Doral Bank Transaction. The Corporation recorded purchase accounting adjustments during 2015 of $1.0 million related to the Doral Bank Transaction and of $2.4 million related to the acquisition of an insurance benefits business during 2014.

Other Intangible Assets

At September 30, 2016 and December 31, 2015, the Corporation had $ 6.1 million of identifiable intangible assets, with indefinite useful lives, mostly associated with E-LOAN s trademark.

Table of Contents

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

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
September 30, 2016			
Core deposits	$ 63,539	$ 43,467	$ 20,072
Other customer relationships	36,449	14,748	21,701
Total other intangible assets	$ 99,988	$ 58,215	$ 41,773
December 31, 2015			
Core deposits	$ 63,539	$ 38,464	$ 25,075
Other customer relationships	37,665	10,745	26,920
Total other intangible assets	$ 101,204	$ 49,209	$ 51,995

During the quarter ended September 30, 2016, the Corporation recognized $ 3.1 million in amortization expense related to other intangible assets with definite useful lives (September 30, 2015 - $ 3.5 million). During the nine months ended September 30, 2016, the Corporation recognized $ 9.3 million in amortization related to other intangible assets with definite useful lives (September 30, 2015 - $ 8.5 million).

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

(In thousands)	
Remaining 2016	$ 2,836
Year 2017	9,378
Year 2018	9,286
Year 2019	9,042
Year 2020	4,967
Year 2021	2,157

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.

Under applicable accounting standards, goodwill impairment analysis is a two-step test. The first step of the goodwill impairment test involves comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step must be performed. The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the individual assets, liabilities and identifiable intangibles (including any unrecognized intangible assets, such as unrecognized core deposits and trademark) as if the reporting unit was being acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The Corporation estimates the fair values of the assets and liabilities of a reporting unit, consistent with the requirements of the fair value measurements accounting standard, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of the assets and liabilities reflects market conditions, thus volatility in prices could have a material impact on the determination of the implied fair value of the reporting unit goodwill at the impairment test date. The adjustments to measure the assets, liabilities and intangibles at fair value are for the purpose of measuring the implied fair value of goodwill and such adjustments are not reflected in the consolidated statement of condition. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted under applicable accounting standards.

The Corporation performed the annual goodwill impairment evaluation for the entire organization during the third quarter of 2016 using July 31, 2016 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 a 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. 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 acquisition and capital raising transactions;
- 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 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. Multiples used are minority based multiples and thus, no control premium adjustment is made to the comparable companies market multiples. While the market price multiple is not an assumption, a presumption that it provides an indicator of the value of the reporting unit is inherent in the valuation. The determination of the market comparables also involves a degree of judgment.

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 9.47% to 13.72% for the 2016 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 and industry risk premium. The resulting discount rates were analyzed in terms of reasonability given the current market conditions and adjustments were made when necessary.

Popular Securities failed Step 1 of the annual goodwill impairment evaluation as of July 31, 2016 requiring the completion of Step 2. To complete Step 2, the Corporation subtracted from Popular Securities Step 1 fair value the determined fair value of the net assets to arrive at the implied fair value of goodwill. The results of the Step 2 indicated that the implied fair value of goodwill was below the carrying value resulting in an impairment charge of $3.8 million at July 31, 2016.

BPPR passed Step 1 in the annual test as of July 31, 2016. The results indicated that the average estimated fair value calculated in Step 1 using all valuation methodologies exceeded BPPR s equity value by approximately $549 million or 16%. Accordingly, there was no indication of impairment on the goodwill recorded in BPPR at July 31, 2016 and there was no need for a Step 2 analysis.

BPNA failed Step 1 in the annual test as of July 31, 2016 requiring the completion of Step 2. To complete Step 2, the Corporation subtracted from BPNA s Step 1 fair value the determined fair value of the net assets to arrive at the implied fair value of goodwill. The results of the Step 2 indicated that the implied fair value of goodwill exceeded the goodwill carrying value by $166 million at July

Table of Contents

31, 2016 resulting in no goodwill impairment. If the fair value of BPNA, which is principally impacted by its expected level of profitability, declines further in the future without a corresponding decrease in the fair value of its net assets or if loan discounts improve without a corresponding increase in fair value of the BPNA reporting unit, the Corporation may be required to record a goodwill impairment charge.

The goodwill balance of BPPR and BPNA, as legal entities, represented approximately 98% of the Corporation s total goodwill balance as of the July 31, 2016 valuation date.

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 Popular, Inc. concluding that the fair value results determined for the reporting units in the July 31, 2016 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 could increase the risk of goodwill impairment in the future.

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 a reporting unit below its carrying amount.

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

	September 30, 2016					
(In thousands)	Balance at January 1, 2016 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2016 (net amounts)	Balance at September 30, 2016 (gross amounts)	Accumulated impairment losses	Balance at September 30, 2016 (net amounts)
Banco Popular de Puerto Rico	$ 280,221	$	$ 280,221	$ 280,221	$ 3,801	$ 276,420
Banco Popular North America	510,578	164,411	346,167	515,285	164,411	350,874
Total Popular, Inc.	$ 790,799	$ 164,411	$ 626,388	$ 795,506	$ 168,212	$ 627,294

	December 31, 2015					
(In thousands)	Balance at January 1, 2015 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2015 (net amounts)	Balance at December 31, 2015 (gross amounts)	Accumulated impairment losses	Balance at December 31, 2015 (net amounts)
Banco Popular de Puerto Rico	$ 250,109	$	$ 250,109	$ 280,221	$	$ 280,221
	379,978	164,411	215,567	510,578	164,411	346,167

Banco Popular North America						
Total Popular, Inc.	$ 630,087	$ 164,411	$ 465,676	$ 790,799	$ 164,411	$ 626,388

Table of Contents

Note 17 Deposits

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

(In thousands)	September 30, 2016	December 31, 2015
Savings accounts	$ 7,467,000	$ 7,010,391
NOW, money market and other interest bearing demand deposits	8,007,752	5,632,449
Total savings, NOW, money market and other interest bearing demand deposits	15,474,752	12,642,840
Certificates of deposit:		
Under $100,000	3,668,667	4,014,359
$100,000 and over	4,233,339	4,151,009
Total certificates of deposit	7,902,006	8,165,368
Total interest bearing deposits	$ 23,376,758	$ 20,808,208

A summary of certificates of deposit by maturity at September 30, 2016 follows:

(In thousands)	
2016	$ 2,153,326
2017	2,331,194
2018	1,122,454
2019	641,676
2020	924,486
2021 and thereafter	728,870
Total certificates of deposit	$ 7,902,006

At September 30, 2016, the Corporation had brokered deposits amounting to $ 0.7 billion (December 31, 2015 - $ 1.3 billion).

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans was $20 million at September 30, 2016 (December 31, 2015 - $11 million).

Table of Contents

Note 18 Borrowings

The following table presents the composition of fed funds purchased and assets sold under agreements to repurchase at September 30, 2016 and December 31, 2015.

(In thousands)	September 30, 2016		December 31, 2015	
Federal funds purchased	$		$	50,000
Assets sold under agreements to repurchase		765,251		712,145
Total federal funds purchased and assets sold under agreements to repurchase	$	765,251	$	762,145

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

Repurchase agreements accounted for as secured borrowings

(In thousands)	September 30, 2016 Repurchase liability		December 31, 2015 Repurchase liability	
U.S. Treasury Securities				
Within 30 days	$	19,260	$	
After 30 to 90 days		34,793		
After 90 days		32,700		
Total U.S. Treasury Securities		86,753		
Obligations of U.S. government sponsored entities				
Within 30 days		81,832		243,708
After 30 to 90 days		72,900		
After 90 days		149,409		23,366
Total obligations of U.S. government sponsored entities		304,141		267,074
Mortgage-backed securities				
Within 30 days		51,456		124,878
After 30 to 90 days		149,665		154,582
After 90 days		147,330		142,441

Total mortgage-backed securities		348,451		421,901
Collateralized mortgage obligations				
Within 30 days		25,906		10,298
After 30 to 90 days				12,872
Total collateralized mortgage obligations		25,906		23,170
Total	$	765,251	$	712,145

Repurchase agreements in portfolio are generally short-term, often overnight and Popular acts as borrowers transferring assets to the counterparty. 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.

The following table presents the composition of other short-term borrowings at September 30, 2016 and December 31, 2015.

77

Table of Contents

(In thousands)	September 30, 2016		December 31, 2015	
Others	$	1,200	$	1,200
Total other short-term borrowings	$	1,200	$	1,200

Note: Refer to the Corporation s 2015 Form 10-K for rates information at December 31, 2015.

The following table presents the composition of notes payable at September 30, 2016 and December 31, 2015.

(In thousands)	September 30, 2016		December 31, 2015	
Advances with the FHLB with maturities ranging from 2016 through 2029 paying interest at monthly fixed rates ranging from 0.71% to 4.19 %	$	632,151	$	747,072
Advances with the FHLB with maturities ranging from 2018 through 2019 paying interest monthly at a floating rates ranging from 0.22% to 0.34% over the 1 month LIBOR		34,164		
Advances with the FHLB with maturities ranging from 2017 through 2019 paying interest quarterly at a floating rate from (0.01)% to 0.24% over the 3 month LIBOR		30,313		14,429
Unsecured senior debt securities maturing on 2019 paying interest semiannually at a fixed rate of 7.00%, net of debt issuance costs of $5,733 (2015 - $7,296)		444,268		442,704
Junior subordinated deferrable interest debentures (related to trust preferred securities) with maturities ranging from 2027 to 2034 with fixed interest rates ranging from 6.125% to 8.327%, net of debt issuance costs of $483 (2015 - $505)		439,316		439,295
Others		18,321		19,008
Total notes payable	$	1,598,533	$	1,662,508

Note: Refer to the Corporation s 2015 Form 10-K for rates information at December 31, 2015.

At September 30, 2016, the Corporation s banking subsidiaries had credit facilities authorized with the FHLB and the Federal Reserve discount window aggregating to $3.9 billion and $1.2 billion (December 31, 2015 - $3.9 billion and $1.3 billion, respectively), which were collateralized by loans held-in-portfolio. At September 30, 2016, the Corporation used $897 million of the available credit facility with the FHLB (December 31, 2015 - $762 million), which includes $200 million used for a municipal letter of credit to secure deposits, while the borrowing capacity at the discount window remains unused.

A breakdown of borrowings by contractual maturities at September 30, 2016 is included in the table below.

(In thousands)	Fed funds purchased and assets sold under agreements to repurchase	Short-term borrowings	Notes payable	Total
Year				
2016	$ 484,812	$ 1,200	$ 23,886	$ 509,898
2017	280,439		95,939	376,378
2018			210,475	210,475
2019			597,055	597,055
2020			112,383	112,383
Later years			558,795	558,795
Total borrowings	$ 765,251	$ 1,200	$ 1,598,533	$ 2,364,984

Table of Contents

Note 19 Offsetting of financial assets and liabilities

The following tables present the potential effect of rights of setoff associated with the Corporation s recognized financial assets and liabilities at September 30, 2016 and December 31, 2015.

As of September 30, 2016

(In thousands)	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Securities Collateral Received	Cash Collateral Received	Net Amount
Derivatives	$ 13,427	$	$ 13,427	$ 336	$	$	$ 13,091
Reverse repurchase agreements	22,380		22,380		22,380		
Total	$ 35,807	$	$ 35,807	$ 336	$ 22,380	$	$ 13,091

As of September 30, 2016

(In thousands)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Securities Collateral Pledged	Cash Collateral Pledged	Net Amount
Derivatives	$ 11,214	$	$ 11,214	$ 336	$ 1,546	$	$ 9,332
Repurchase agreements	765,251		765,251		765,251		
Total	$ 776,465	$	$ 776,465	$ 336	$ 766,797	$	$ 9,332

As of December 31, 2015

(In thousands)	Gross Amount	Gross Amounts Offset	Net Amounts of Assets	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Securities Collateral	Cash Collateral	Net Amount

	of Recognized Assets	in the Statement of Financial Position	Presented in the Statement of Financial Position		Received	Received	
Derivatives	$ 16,959	$	$ 16,959	$ 114	$	$	$ 16,845
Reverse repurchase agreements	96,338		96,338		96,338		
Total	$ 113,297	$	$ 113,297	$ 114	$ 96,338	$	$ 16,845

Table of Contents

As of December 31, 2015							
				Gross Amounts Not Offset in the Statement of Financial Position			
(In thousands)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Financial Instruments	Securities Collateral Pledged	Cash Collateral Received	Net Amount
Derivatives	$ 14,343	$	$ 14,343	$ 114	$ 4,050	$	$ 10,179
Repurchase agreements	712,145		712,145		712,145		
Total	$ 726,488	$	$ 726,488	$ 114	$ 716,195	$	$ 10,179

The Corporation s derivatives are subject to agreements which allow a right of set-off with each respective counterparty. In addition, the Corporation s Repurchase Agreements and Reverse 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.

Table of Contents

Note 20 Stockholders equity

During the nine months ended September 30, 2016, the Corporation declared quarterly dividends on its common stock of $0.15 per share, for a total of $ 46.7 million. The quarterly dividend declared to shareholders of record as of the close of business on September 9, 2016, which amounted to $15.6 million, was paid on October 3, 2016.

BPPR 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 $495 million at September 30, 2016 (December 31, 2015 $495 million). There were no transfers between the statutory reserve account and the retained earnings account during the quarters and nine months ended September 30, 2016 and September 30, 2015.

Table of Contents

Note 21 Other comprehensive loss

The following table presents changes in accumulated other comprehensive loss by component for the quarters and nine months ended September 30, 2016 and 2015.

Changes in Accumulated Other Comprehensive Loss by Component [1]

(In thousands)		Quarters ended September 30, 2016	Quarters ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Foreign currency translation	Beginning Balance	$ (38,070)	$ (34,505)	$ (35,930)	$ (32,832)
	Other comprehensive loss	(325)	(31)	(2,465)	(1,704)
	Net change	(325)	(31)	(2,465)	(1,704)
	Ending balance	$ (38,395)	$ (34,536)	$ (38,395)	$ (34,536)
Adjustment of pension and postretirement benefit plans	Beginning Balance	$ (205,743)	$ (200,215)	$ (211,276)	$ (205,187)
	Amounts reclassified from accumulated other comprehensive loss for amortization of net losses	3,348	3,064	10,041	9,195
	Amounts reclassified from accumulated other comprehensive loss for amortization of prior service cost	(580)	(579)	(1,740)	(1,738)
	Net change	2,768	2,485	8,301	7,457
	Ending balance	$ (202,975)	$ (197,730)	$ (202,975)	$ (197,730)
Unrealized holding (losses) gains on investments	Beginning Balance	$ 98,761	$ 15,533	$ (9,560)	$ 8,465
	Other comprehensive (loss) income before reclassifications	(14,131)	27,435	94,023	22,548
	Other-than-temporary impairment amount reclassified from accumulated other comprehensive income			167	11,959
	Amounts reclassified from accumulated other comprehensive income for gains on securities	(316)	(109)	(316)	(113)

	Net change	(14,447)	27,326	93,874	34,394
	Ending balance	$ 84,314	$ 42,859	$ 84,314	$ 42,859
Unrealized net losses on cash flow hedges	Beginning Balance	$ (560)	$ 156	$ (120)	$ (318)
	Other comprehensive loss before reclassifications	(685)	(1,571)	(2,843)	(2,505)
	Amounts reclassified from accumulated other comprehensive loss	1,006	1,016	2,724	2,424
	Net change	321	(555)	(119)	(81)
	Ending balance	$ (239)	$ (399)	$ (239)	$ (399)
	Total	$ (157,295)	$ (189,806)	$ (157,295)	$ (189,806)

[1] All amounts presented are net of tax.

Table of Contents

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss during the quarters and nine months ended September 30, 2016 and 2015.

	Reclassifications Out of Accumulated Other Comprehensive Loss				
		Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	Affected Line Item in the Consolidated Statements of Operations	2016	2015	2016	2015
Adjustment of pension and postretirement benefit plans					
Amortization of net losses	Personnel costs	$ (5,488)	$ (5,025)	$ (16,461)	$ (15,075)
Amortization of prior service cost	Personnel costs	950	950	2,850	2,850
	Total before tax	(4,538)	(4,075)	(13,611)	(12,225)
	Income tax benefit	1,770	1,590	5,310	4,768
	Total net of tax	$ (2,768)	$ (2,485)	$ (8,301)	$ (7,457)
Unrealized holding (losses) gains on investments					
Other-than-temporary impairment	Other-than-temporary impairment losses on available-for-sale debt securities	$	$	$ (209)	$ (14,445)
Realized gains on sale of securities	Net gain on sale of investment securities	349	136	349	141
	Total before tax	349	136	140	(14,304)
	Income tax (expense) benefit	(33)	(27)	9	2,458
	Total net of tax	$ 316	$ 109	$ 149	$ (11,846)
Unrealized net losses on cash flow hedges					
Forward contracts	Mortgage banking activities	$ (1,650)	$ (1,664)	$ (4,466)	$ (3,973)
	Total before tax	(1,650)	(1,664)	(4,466)	(3,973)
	Income tax benefit	644	648	1,742	1,549
	Total net of tax	$ (1,006)	$ (1,016)	$ (2,724)	$ (2,424)
	Total reclassification adjustments, net of tax	$ (3,458)	$ (3,392)	$ (10,876)	$ (21,727)

Table of Contents

Note 22 Guarantees

At September 30, 2016, the Corporation recorded a liability of $0.4 million (December 31, 2015 $0.5 million), which represents the unamortized balance of the obligations undertaken in issuing the guarantees under the standby letters of credit. Management does not anticipate any material losses related to these instruments.

From time to time, the Corporation securitized mortgage loans into guaranteed mortgage-backed securities subject to limited, and in certain instances, lifetime credit recourse on the loans that serve as collateral for the mortgage-backed securities. The Corporation has not sold any mortgage loans subject to credit recourse since 2009. At September 30, 2016, the Corporation serviced $ 1.7 billion (December 31, 2015 - $ 1.9 billion) in residential mortgage loans subject to credit recourse provisions, principally loans associated with FNMA and FHLMC residential mortgage loan securitization programs. In the event of any customer default, pursuant to the credit recourse provided, the Corporation is required to repurchase the loan or reimburse the third party investor for the incurred loss. The maximum potential amount of future payments that the Corporation would be required to make under the recourse arrangements in the event of nonperformance by the borrowers is equivalent to the total outstanding balance of the residential mortgage loans serviced with recourse and interest, if applicable. During the quarter and nine months ended September 30, 2016, the Corporation repurchased approximately $ 11 million and $ 34 million, respectively, of unpaid principal balance in mortgage loans subject to the credit recourse provisions (September 30, 2015 **-** $ 14 million and $ 44 million, respectively). In the event of nonperformance by the borrower, the Corporation has rights to the underlying collateral securing the mortgage loan. The Corporation suffers ultimate losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing the related property. At September 30, 2016, the Corporation s liability established to cover the estimated credit loss exposure related to loans sold or serviced with credit recourse amounted to $ 56 million (December 31, 2015 - $ 59 million).

The following table shows the changes in the Corporation s liability of estimated losses related to loans serviced with credit recourse provisions during the quarters and nine month periods ended September 30, 2016 and 2015.

	Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	2016	2015	2016	2015
Balance as of beginning of period	$ 56,931	$ 57,589	$ 58,663	$ 59,438
Provision for recourse liability	4,086	4,394	11,613	15,262
Net charge-offs	(4,737)	(4,927)	(13,996)	(17,644)
Balance as of end of period	$ 56,280	$ 57,056	$ 56,280	$ 57,056

When the Corporation sells or securitizes mortgage loans, it generally makes customary representations and warranties regarding the characteristics of the loans sold. To the extend 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 nine months period ended September 30, 2016, BPPR did not repurchase loans under representation and warranty arrangements. Repurchases during the nine months ended September 30, 2015 were minimal. 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. The following table presents the changes in the Corporation s liability for estimated losses associated with indemnifications and representations and warranties related to loans sold by BPPR for the quarters and nine months ended September 30, 2016 and 2015.

Table of Contents

(In thousands)	Quarters ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Balance as of beginning of period	$ 10,702	$ 6,062	$ 8,087	$ 15,959
Provision (reversal) for representation and warranties	(34)	1,409	2,767	(6,199)
Net charge-offs	(27)	(14)	(213)	(53)
Settlements paid				(2,250)
Balance as of end of period	$ 10,641	$ 7,457	$ 10,641	$ 7,457

In addition, the Corporation has reserves for customary representations and warranties related to loans sold by its U.S. subsidiary E-LOAN prior to 2009, which amounted to $ 2 million at September 30, 2016 (December 31, 2015 - $ 4 million). E-LOAN is no longer originating and selling loans.

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 September 30, 2016, the Corporation serviced $18.4 billion in mortgage loans for third-parties, including the loans serviced with credit recourse (December 31, 2015 - $20.6 billion). The Corporation generally recovers funds advanced pursuant to these arrangements from the mortgage owner, from liquidation proceeds when the mortgage loan is foreclosed or, in the case of FHA/VA loans, under the applicable FHA and VA insurance and guarantees programs. However, in the meantime, the Corporation must absorb the cost of the funds it advances during the time the advance is outstanding. The Corporation must also bear the costs of attempting to collect on delinquent and defaulted mortgage loans. In addition, if a defaulted loan is not cured, the mortgage loan would be canceled as part of the foreclosure proceedings and the Corporation would not receive any future servicing income with respect to that loan. At September 30, 2016, the outstanding balance of funds advanced by the Corporation under such mortgage loan servicing agreements was approximately $74 million, including advances on the portfolio acquired from Doral Bank (December 31, 2015 - $80 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 wholly-owned consolidated subsidiaries amounting to $ 149 million at September 30, 2016 and December 31, 2015. In addition, at September 30, 2016 and December 31, 2015, PIHC fully and unconditionally guaranteed on a subordinated basis $ 427 million of capital securities (trust preferred securities) issued by wholly-owned issuing trust entities to the extent set forth in the applicable guarantee agreement.

Table of Contents

Note 23 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 written is represented by the contractual notional amounts of those instruments. The Corporation uses the same credit policies in making these commitments and conditional obligations as it does for those reflected on the consolidated statements of financial condition.

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

(In thousands)	September 30, 2016	December 31, 2015
Commitments to extend credit:		
Credit card lines	$ 4,542,246	$ 4,552,331
Commercial and construction lines of credit	2,813,109	2,619,092
Other consumer unused credit commitments	266,780	262,685
Commercial letters of credit	5,723	2,040
Standby letters of credit	37,097	49,670
Commitments to originate or fund mortgage loans	29,195	21,311

At September 30, 2016 and December 31, 2015, the Corporation maintained a reserve of approximately $9 million and $10 million, respectively, for potential losses associated with unfunded loan commitments related to commercial and consumer lines of credit.

Other commitments

At September 30, 2016 and December 31, 2015, the Corporation also maintained other non-credit commitments for approximately $372 thousand and $9 million, respectively, primarily for the acquisition of other investments.

Business concentration

Since the Corporation 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 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 35 to the consolidated financial statements.

Since February 2014, the three principal rating agencies (Moody s, S&P and Fitch) have lowered their ratings on the General Obligation bonds of the Commonwealth and the bonds of several other Commonwealth instrumentalities to non-investment grade ratings. In connection with their rating actions, the rating agencies noted various factors, including high levels of public debt, the lack of a clear economic growth catalyst, recurring fiscal budget deficits, the financial condition of the public sector employee pension plans and, more recently, liquidity concerns regarding the Commonwealth and the GDB and their ability to access the capital markets. Currently, the Commonwealth s general obligation ratings are as follows: S&P, CC , Moody s, Caa3 , and Fitch, CC .

PROMESA and the Commonwealth s Fiscal Plan

On June 30, 2016, President Obama signed the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) into law. PROMESA established a seven-member oversight board with broad powers over the finances of the Commonwealth and its instrumentalities (the Oversight Board).

Among other things, PROMESA provides for: (i) a stay on litigation to enforce remedies or rights related to outstanding liabilities of the Commonwealth, its political subdivisions, including municipalities, instrumentalities and public corporations and (ii) two separate processes for the restructuring of the debt obligations of such entities. PROMESA also includes other miscellaneous provisions, including relief from certain wage and hour laws and regulations and provisions for identification and expedited permitting of critical infrastructure projects.

During the first meeting of the Oversight Board, held on September 30, 2016, the Oversight Board announced the designation of a number of entities as covered entities under PROMESA, including the Commonwealth, all of its public corporations and retirement systems, UPR, and all affiliates and subsidiaries of the foregoing. While the Oversight Board has the power to designate any of the Commonwealth s municipalities as covered entities under PROMESA, it has not done so as of the date hereof.

The designation of an entity as a covered entity has various implications under PROMESA. First, it means that the Governor will have to submit such entity s annual budgets and, if the Oversight Board so requests, its fiscal plans, to the Oversight Board for its review and approval. Second, covered territorial instrumentalities may not issue debt or guarantee, exchange, modify, repurchase, redeem, or enter into similar transactions with respect to their debts without the prior approval of the Oversight Board. Third, pursuant to certain contracting guidelines approved by the Oversight Board, prior Oversight Board approval is required in connection with any transaction undertaken by a covered entity that (i) is outside the ordinary course of business or (ii) has a material financial impact. Finally, covered entities could also potentially be eligible to use the restructuring procedures provided by PROMESA. The first, Title VI, is a largely out-of-court process through which a government entity and its financial creditors can agree on terms to restructure such entity s debt. If a supermajority of creditors of a certain category agree, that agreement can bind all other creditors in such category. The second, Title III, draws on the federal bankruptcy code and provides a court-supervised process for a comprehensive restructuring led by the Oversight Board.

At September 30, 2016, the Corporation s direct exposure to the Puerto Rico government and its instrumentalities and municipalities amounted to $ 557 million, of which approximately $ 524 million is outstanding ($669 million and $ 578 million, respectively, at December 31, 2015). Of the amount outstanding, $ 448 million consists of loans and $ 76 million are securities ($ 502 million and $ 76 million at December 31, 2015). Also, of the amount outstanding, $ 23 million represents obligations from the Government of Puerto Rico and public corporations that have a specific source of income or revenues identified for their repayment ($ 76 million at December 31, 2015). Some of these obligations consist of senior and subordinated loans to public corporations that obtain revenues from rates charged for services or products, such as public utilities. Public corporations have varying degrees of

Table of Contents

independence from the central Government and many receive appropriations or other payments from it. During the quarter ended September 30, 2016, BPPR sold its $40 million credit facility to the Puerto Rico Electric Power Authority (PREPA). The remaining $ 501 million outstanding represents obligations from various municipalities in Puerto Rico for which, in most cases, the good faith, credit and unlimited taxing power of the applicable municipality has been pledged to their repayment ($ 502 million at December 31, 2015). These municipalities are required by law to levy special property taxes in such amounts as shall be required for the payment of all of its general obligation bonds and loans. These loans have seniority to the payment of operating cost and expenses of the municipality. Further deterioration of the fiscal crisis of the Government of Puerto Rico could further affect the value of these loans and securities, resulting in losses to us. The following table details the loans and investments representing the Corporation s direct exposure to the Puerto Rico government according to their maturities:

(In thousands)	Investment Portfolio	Loans	Total Outstanding	Total Exposure
Central Government				
After 1 to 5 years	$ 851	$	$ 851	$ 851
After 5 to 10 years	3,748		3,748	3,748
After 10 years	16,435		16,435	16,435
Total Central Government	21,034		21,034	21,034
Government Development Bank (GDB)				
Within 1 year	2		2	2
After 1 to 5 years	1,352		1,352	1,352
After 5 to 10 years	39		39	39
Total Government Development Bank (GDB)	1,393		1,393	1,393
Public Corporations:				
Puerto Rico Aqueduct and Sewer Authority				
Within 1 year				27,186
After 10 years	503		503	503
Total Puerto Rico Aqueduct and Sewer Authority	503		503	27,689
Puerto Rico Electric Power Authority				
After 10 years	23		23	23
Total Puerto Rico Electric Power Authority	23		23	23
Puerto Rico Highways and Transportation Authority				

After 5 to 10 years	4		4	4
Total Puerto Rico Highways and Transportation Authority	4		4	4
Municipalities				
Within 1 year	3,105	26,631	29,736	31,798
After 1 to 5 years	14,540	128,039	142,579	146,278
After 5 to 10 years	18,635	145,005	163,640	163,640
After 10 years	16,820	148,160	164,980	164,980
Total Municipalities	53,100	447,835	500,935	506,696
Total Direct Government Exposure	$ 76,057	$ 447,835	$ 523,892	$ 556,839

In addition, at September 30, 2016, the Corporation had $413 million in indirect exposure to loans or securities that are payable by non-governmental entities, but which carry a government guarantee to cover any shortfall in collateral in the event of borrower default ($394 million at December 31, 2015). These included $330 million in residential mortgage loans that are guaranteed by the Puerto Rico Housing Finance Authority (December 31, 2015 $316 million). These mortgage loans are secured by the underlying properties and the guarantees serve to cover shortfalls in collateral in the event of a borrower default. Under recently enacted legislation, the Governor is authorized to impose a temporary moratorium on the financial obligations of Puerto Housing Finance Authority. Also, the Corporation had $51 million in Puerto Rico pass-through housing bonds backed by FNMA, GNMA or residential loans CMO s, and $32 million of commercial real estate notes ($50 million and $28 million at December 31, 2015, respectively).

Other contingencies

As indicated in Note 11 to the consolidated financial statements, as part of the loss sharing agreements related to the Westernbank FDIC-assisted transaction, the Corporation agreed to make a true-up payment to the FDIC on the date that is 45 days following the

Table of Contents

last day of the final shared loss month, or upon the final disposition of all covered assets under the loss sharing agreements in the event losses on the loss sharing agreements fail to reach expected levels. The fair value of the true-up payment obligation was estimated at $ 134 million at September 30, 2016 (December 31, 2015 $ 120 million). For additional information refer to Note 11.

Legal Proceedings

The nature of Popular s business ordinarily results in a certain number of claims, litigation, investigations, and legal and administrative cases and 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 both the Corporation and its shareholders to do so.

On at least a quarterly basis, Popular assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest 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 as appropriate to reflect any relevant developments. For matters where a material loss is not probable or the amount of the loss cannot be 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 aggregate 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 ranges from $0 to approximately $27.25 million as of September 30, 2016. For certain other cases, management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the proceedings, and the inherent uncertainty of the various potential outcomes of such 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 final 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 Corporation s legal proceedings will not have a material adverse effect on the Corporation s consolidated financial position as a whole. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Corporation s consolidated financial position in a particular period.

Set forth below are descriptions of the Corporation s material legal proceedings.

PCB has been named a defendant in a putative class action complaint captioned *Josefina Valle, et al. v. Popular Community Bank,* filed in November 2012 in the New York State Supreme Court (New York County). Plaintiffs, PCB customers, allege among other things that PCB has engaged in unfair and deceptive acts and trade practices in connection with the assessment of overdraft fees and payment processing on consumer deposit accounts. The complaint further alleges that PCB improperly disclosed its consumer overdraft policies and that the overdraft rates and fees assessed by PCB violate New York s usury laws. Plaintiffs seek unspecified damages, including punitive damages, interest, disbursements, and attorneys fees and costs.

A motion to dismiss was filed on September 9, 2013. On October 25, 2013, plaintiffs filed an amended complaint seeking to limit the putative class to New York account holders. A motion to dismiss the amended complaint was filed in February 2014. In August 2014, the Court entered an order granting in part PCB s motion to dismiss. The sole surviving claim relates to PCB s item processing policy. On September 10, 2014, plaintiffs filed a motion for leave to file a second amended complaint to correct certain deficiencies noted in the court s decision and order. PCB subsequently filed a motion in opposition to plaintiff s motion for leave to amend and further sought to compel arbitration. In June 2015, this matter was reassigned to a new judge and on July 22, 2015, such Court denied PCB s motion to compel arbitration and granted plaintiffs motion for leave to amend the complaint to replead certain claims based on item processing reordering, misstatement of balance information and failure to notify customers in advance of potential overdrafts. The Court did not, however, allow plaintiffs to replead their claim for the alleged breach of the implied covenant of good faith and fair dealing. On August 12, 2015, the Plaintiffs filed a second amended complaint. On August 24, 2015, PCB filed a Notice of Appeal as to the order granting leave to file the second amended complaint and on September 17, 2015, it filed a motion to dismiss the second amended complaint. On February 18, 2016, the Court granted in part and denied in part PCB s pending motion to dismiss. The Court dismissed plaintiffs unfair and deceptive acts and trade practices claim to the extent it sought to recover overdraft fees incurred prior to September 2011. On March 28, 2016, PCB filed an answer to second amended complaint and on April 7, 2016, it filed a notice of appeal on the partial denial of PCB s motion to dismiss. A mediation session held on September 21, 2016 proved unsuccessful. Discovery is ongoing.

PCB has also been named a defendant in a complaint for breach of contract regarding certain alleged repurchase obligations in connection with the origination and sale of residential mortgage loans sold by E-LOAN to plaintiff. In January 2015, the court consolidated this action with the matter of *In re: RFC and RESCAP Liquidating Trust Litigation*, which is composed of approximately 70 other matters involving repurchase obligation claims filed by RFC, for pretrial purposes. A joint mediation hearing was held on September 21, 2016 but did not result in the settlement of this matter. The case is currently in discovery.

BPPR has been named a defendant in a putative class action complaint captioned *Neysha Quiles et al. v. Banco Popular de Puerto Rico et al.*, filed in December 2013 in the United States District Court for the District of Puerto Rico (USDC-PR). Plaintiffs essentially allege that they and others, who have been employed by the Defendants as bank tellers and other similarly titled positions, have been paid only for scheduled work time, rather than time actually worked. The complaint seeks to maintain a collective action under the Fair Labor Standards Act (FLSA) on behalf of all individuals formerly or currently employed by BPPR in Puerto Rico and the Virgin Islands as hourly paid, non-exempt, bank tellers or other similarly titled positions at any time during the past three years. Specifically, the complaint alleges that BPPR violated FLSA by willfully failing to pay overtime premiums. Similar claims were brought under Puerto Rico law. On January 31, 2014, the Popular defendants filed an answer to the complaint. On January 9, 2015, plaintiffs submitted a motion for conditional class certification, which BPPR opposed. On February 18, 2015, the Court entered an order whereby it granted plaintiffs request for conditional certification of the FLSA action. Following the Court s order, plaintiffs sent out notices to all purported class members with instructions for opting into the class. Approximately sixty potential class members opted into the class prior to the expiration of the opt-in period. On June 25, 2015, the Court denied with prejudice plaintiffs motion for class certification under Rule 23 of the Federal Rules of Civil Procedure. On October 20, 2015, the parties reached an agreement in principle to resolve the referenced action for an immaterial amount, subject to their reaching an agreement on the payment of reasonable attorneys fees. The parties submitted briefing to the Court on this issue and on September 20, 2016, the Court dismissed plaintiffs request without prejudice.

BPPR and Popular Securities have also been named defendants in a putative class action complaint captioned *Nora Fernandez, et al. v. UBS, et al.*, filed in the United States District Court for the Southern District of New York (SDNY) on May 5, 2014 on behalf of investors in 23 Puerto Rico closed-end investment companies. UBS Financial Services Incorporated of Puerto Rico, another named defendant, is the sponsor and co-sponsor of all 23 funds, while BPPR was co-sponsor, together with UBS, of nine (9) of those funds. Plaintiffs allege breach of fiduciary duty and breach of contract against Popular Securities, aiding and abetting breach of fiduciary duty against BPPR, and similar claims against the UBS entities. The complaint seeks unspecified damages, including disgorgement of fees and attorneys fees. On May 30, 2014, plaintiffs voluntarily dismissed their class action in the SDNY and on that same date, they filed a virtually identical complaint in the USDC-PR and requested that the case be consolidated with the matter of *In re: UBS Financial Services Securities Litigation*, a class action currently pending before the USDC-PR in which neither BPPR nor Popular Securities are parties. The UBS defendants filed an opposition to the consolidation request and moved to transfer the case back to the SDNY on the ground that the relevant agreements between the parties contain a choice of forum clause, with New York as the selected forum. The Popular defendants joined the opposition and motion filed by UBS. By order dated January 30, 2015, the court denied the plaintiffs motion to consolidate. By order dated March 30, 2015, the court granted defendants motion to transfer. On May 8, 2015, plaintiffs filed an amended complaint in the SDNY containing virtually identical allegations with respect to Popular Securities and BPPR. Defendants filed motions to dismiss the amended complaint on June 18, 2015. Oral arguments were held on the motions to dismiss in front of Judge Stein of the SDNY on October 14, 2016. Those motions are pending the Court s determination.

Other Matters

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 have experienced since 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 is named as a respondent (among other broker-dealers) in 63 arbitration proceedings with aggregate claimed damages of approximately $165 million, including one arbitration with claimed damages of $78 million in which one other Puerto Rico broker-dealer is a co-defendant. It is the view of the Corporation that Popular Securities has meritorious defenses to the claims asserted. The Government s defaults on its debt, its intention to pursue a comprehensive debt restructuring, including specifically its decisions to declare a moratorium on certain principal payments on bonds including those issued by Government Development Bank for Puerto Rico (the GDB), may increase the number of customer complaints (and claimed damages) against Popular Securities concerning Puerto Rico bonds, including bonds issued by GDB, and closed-end investment companies that invest primarily in Puerto Rico bonds. An adverse result in the matters described above or a significant increase in customer complaints could have a material adverse effect on Popular.

As mortgage lenders, the Corporation and its subsidiaries from time to time receive requests for information from departments of the U.S. government that investigate mortgage-related conduct. In particular, the BPPR has received subpoenas and other requests for information from the Federal Housing Finance Agency s Office of the Inspector General, the Civil Division of the Department of Justice and the Special Inspector General for the Troubled Asset Relief Program mainly concerning mortgages and real estate appraisals in Puerto Rico. The Corporation is cooperating with these requests.

Other Significant Proceedings

As described under Note 11 FDIC loss share asset and true-up payment obligation , in connection with the Westernbank FDIC-assisted transaction, on April 30, 2010, BPPR entered into loss share agreements with the FDIC, as receiver, with respect to the covered loans and other real estate owned (OREO) that it acquired in the transaction. Pursuant to the terms of the loss share agreements, the FDIC s obligation to reimburse BPPR for losses with respect to covered assets begins with the first dollar of loss incurred. The FDIC reimburses BPPR for 80% of losses with respect to covered assets, and BPPR reimburses the FDIC for 80% of recoveries with respect to losses for which the FDIC paid 80% reimbursement under those loss share agreements. The loss share agreements contain specific terms and conditions regarding the management of the covered assets that BPPR must follow in order to receive reimbursement for losses from the FDIC. BPPR believes that it has complied with such terms and conditions. The loss share agreement applicable to the covered commercial and OREO described below provides for loss sharing by the FDIC through the quarter ending June 30, 2015 and for reimbursement to the FDIC for recoveries through the quarter ending June 30, 2018.

On November 25, 2014, the FDIC notified BPPR that it (a) would not reimburse BPPR under the commercial loss share agreement for a $66.6 million loss claim on eight related real estate loans that BPPR restructured and consolidated (collectively, the Disputed Asset), and (b) would no longer treat the Disputed Asset as a Shared-Loss Asset under the commercial loss share agreement. The FDIC alleged that BPPR s restructure and modification of the underlying loans did not constitute a Permitted Amendment under the commercial loss share agreement, thereby causing the bank to breach Article III of the commercial loss share agreement. BPPR disagreed with the FDIC s determinations relating to the Disputed Asset, and accordingly, on December 19, 2014, delivered to the FDIC a notice of dispute under the commercial loss share agreement.

BPPR s loss share agreements with the FDIC specify that disputes can be submitted to arbitration before a review board under the commercial arbitration rules of the American Arbitration Association. On March 19, 2015, BPPR filed a statement of claim with the American Arbitration Association requesting that a review board determine BPPR and the FDIC s disputes concerning the Disputed Asset. The statement of claim requested a declaration that the Disputed Asset is a Shared-Loss Asset under the commercial loss share agreement, a declaration that the restructuring is a Permitted Amendment under the commercial loss share agreement, and an order that the FDIC reimburse the bank for approximately $53.3 million for the Charge-Off of the Disputed Asset, plus interest at the applicable rate. On April 1, 2015, the FDIC notified BPPR that it was clawing back approximately $1.7 million in reimbursable expenses relating to the Disputed Asset that the FDIC had previously paid to BPPR. Thus, on April 13, 2015, BPPR notified the American Arbitration Association and the FDIC of an increase in the amount of its damages by approximately $1.7 million. The review board in the arbitration concerning the Disputed Asset was comprised of one arbitrator appointed by BPPR, one arbitrator appointed by the FDIC and a third arbitrator selected by agreement of those arbitrators. The arbitration hearing was held in August 2016.

On October 3, 2016, the review board in the arbitration described above issued a final award denying BPPR s request for reimbursement on the Disputed Asset. As a result, for the quarter ended September 30, 2016, the Corporation recognized a pre-tax charge of approximately $55 million and a corresponding reduction to its FDIC indemnification asset.

In addition, in November and December 2014, BPPR proposed separate portfolio sales of Shared-Loss Assets to the FDIC. The FDIC refused to consent to either sale, stating that those sales did not represent best efforts to maximize collections on Shared-Loss Assets under the commercial loss share agreement. In March 2015, BPPR proposed a third portfolio sale to the FDIC, and in May 2015, BPPR proposed a fourth portfolio sale to the FDIC.

BPPR disagrees with the FDIC s characterization of the November and December 2014 portfolio sale proposals and with the FDIC s interpretation of the commercial loss share agreement provision governing portfolio sales. Accordingly, on March 13, 2015, BPPR delivered to the FDIC a notice of dispute under the commercial loss share agreement. On June 8, 2015, BPPR filed a statement of claim with the American Arbitration Association requesting that a review board resolve the disputes concerning those proposed portfolio sales. On June 15, 2015, BPPR amended its statement of claim to include a claim for the FDIC-R s refusal to timely concur in the third sale proposed in March 2015. On June 29, 2015, the FDIC informed BPPR that it would reimburse the bank for losses arising from the primary portfolio of the third proposed sale, but only subject to conditions to which BPPR objected. The FDIC also informed BPPR that it would not concur in the sale of the remainder (the secondary portfolio) of the third proposed sale or in the fourth proposed sale. On September 4, 2015, BPPR filed a second amended statement of claim concerning the FDIC s refusal to concur in the third and fourth portfolio sales as proposed by BPPR.

On November 25, 2015, BPPR completed the sale of the loans in the primary portfolio of the third proposed sale, and subsequently submitted a claim for reimbursement for a portion of its losses arising from that sale, which the FDIC partially reimbursed on July 18, 2016. On June 30, 2016, BPPR completed the sales of the remaining loans included in the proposed portfolio sales.

In connection with the arbitration concerning the proposed portfolio sales, BPPR is seeking damages in the amount of $88.5 million plus interest. The FDIC has filed a counterclaim for recoveries allegedly lost on six loans included in the third proposed sale and on the loans and related assets included in the subsequent sales. The review board in the arbitration concerning the proposed portfolio sales is comprised of one arbitrator appointed by BPPR, one arbitrator appointed by the FDIC and a third arbitrator selected by agreement of those arbitrators. The arbitration hearing is scheduled to be held in November 2016, and the Corporation expects that a final award will be issued on BPPR s claims before the end of 2016. The FDIC s counterclaim will be adjudicated by the review board after it issues an award on the other issues in the portfolio sales arbitration.

On November 12, 2015, the FDIC notified BPPR that it (a) would deny certain claims included in BPPR s Second Quarter 2015 Quarterly Certificate and (b) withhold payment of approximately $5.5 million attributed to the $6.9 million in losses claimed under the denied claims. In support of its denial, the FDIC alleged that BPPR did not comply with its obligation under the commercial loss share agreement, including compliance with certain provisions of GAAP, acting in accordance with prudent banking practices, managing Shared-Loss Assets in the same manner as BPPR s non-Shared-Loss Assets, and using best efforts to maximize collections on the Shared-Loss Assets. BPPR disagrees with the FDIC s allegations relating to the denied claims included in BPPR s Second Quarter 2015 Quarterly Certificate, and accordingly, on January 27, 2016 delivered to the FDIC a notice of dispute under the commercial loss share agreement. On May 20, 2016, BPPR filed a demand for arbitration with the American Arbitration Association requesting that a review board resolve the disputes arising from BPPR s filing of the Second Quarter 2015 Quarterly Certificate and award BPPR damages in the amount of $4.9 million. On June 29, 2016, the FDIC filed its answering statement and counterclaim, seeking a declaration that the FDIC properly denied a portion of the bank s shared-loss claim for one of the subject assets. The review board in the arbitration concerning the Second Quarter 2015 Quarterly Certificate is comprised of one arbitrator appointed by BPPR, one arbitrator appointed by the FDIC and a third arbitrator to be selected by agreement of those arbitrators. The arbitration hearing has not yet been scheduled.

The commercial shared-loss arrangement described above expired on June 30, 2015, when the three year recovery period commenced. As of September 30, 2016, BPPR had unreimbursed loss claims related to this arrangement amounting to approximately $87 million, reflected in the FDIC indemnification asset as a receivable from the FDIC, which are subject to the arbitration proceedings described above. Until these disputes are finally resolved, the terms of the commercial loss share agreement will remain in effect with respect to any such items under dispute. No assurance can be given that we will receive reimbursement from the FDIC with respect to the foregoing items, which could require us to make a material adjustment to the value of our loss share asset and the related true-up payment obligation to the FDIC and could have a material adverse effect on our financial results for the period in which such adjustment is taken.

The loss sharing agreement applicable to single-family residential mortgage loans provides for FDIC loss sharing and BPPR reimbursement to the FDIC for ten years (ending on June 30, 2020). As of September 30, 2016, the carrying value of covered loans approximated $588 million, mainly comprised of single-family residential mortgage loans. To the extent that estimated losses on covered loans are not realized before the expiration of the applicable loss sharing agreement, such losses would not be subject to reimbursement from the FDIC and, accordingly, would require us to make a material adjustment in the value of our loss share asset and the related true up payment obligation to the FDIC and could have a material adverse effect on our financial results for the period in which such adjustment is taken.

Table of Contents

Note 24 Non-consolidated variable interest entities

The Corporation is involved with four 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. 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, agency collateralized mortgage obligations and private label collateralized mortgage obligations issued by third party VIEs in which it has no other form of continuing involvement. Refer to Note 26 to the consolidated financial statements for additional information on the debt securities outstanding at September 30, 2016 and December 31, 2015, which are classified as available-for-sale and trading securities in the Corporation s consolidated statements of financial condition. In addition, the Corporation holds variable interests in the form of servicing fees, since it retains the right to service the transferred loans in those government-sponsored special purpose entities (SPEs) and may also purchase the right to service loans in other government-sponsored SPEs that were transferred to those SPEs by a third-party.

The following table presents the carrying amount and classification of the assets related to the Corporation s variable interests in non-consolidated VIEs and the maximum exposure to loss as a result of the Corporation s involvement as servicer of GNMA and FNMA loans at September 30, 2016 and December 31, 2015.

(In thousands)	September 30, 2016	December 31, 2015
Assets		
Servicing assets:		
Mortgage servicing rights	$ 154,740	$ 163,224
Total servicing assets	$ 154,740	$ 163,224
Other assets:		
Servicing advances	$ 23,689	$ 24,431

Total other assets	$	23,689	$	24,431
Total assets	$	178,429	$	187,655
Maximum exposure to loss	$	178,429	$	187,655

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 $12.5 billion at September 30, 2016 (December 31, 2015 - $12.8 billion).

Table of Contents

The Corporation determined that the maximum exposure to loss includes the fair value of the MSRs and the assumption that the servicing advances at September 30, 2016 and December 31, 2015, 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.

In September of 2011, BPPR sold construction and commercial real estate loans to a newly created joint venture, PRLP 2011 Holdings, LLC. In March of 2013, BPPR completed a sale of commercial and construction loans, and commercial and single family real estate owned to a newly created joint venture, PR Asset Portfolio 2013-1 International, LLC.

These joint ventures were created for the limited purpose of acquiring the loans from BPPR; servicing the loans through a third-party servicer; ultimately working out, resolving and/or foreclosing the loans; and indirectly owning, operating, constructing, developing, leasing and selling any real properties acquired by the joint ventures through deed in lieu of foreclosure, foreclosure, or by resolution of any loan.

BPPR provided financing to PRLP 2011 Holdings, LLC and PR Asset Portfolio 2013-1 International, LLC for the acquisition of the assets in an amount equal to the acquisition loan of $86 million and $182 million, respectively. The acquisition loans have a 5-year maturity and bear a variable interest at 30-day LIBOR plus 300 basis points and are secured by a pledge of all of the acquiring entity s assets. In addition, BPPR provided these joint ventures with a non-revolving advance facility (the advance facility) of $69 million and $35 million, respectively, to cover unfunded commitments and costs-to-complete related to certain construction projects, and a revolving working capital line (the working capital line) of $20 million and $30 million, respectively, to fund certain operating expenses of the joint venture. As part of these transactions, BPPR received $ 48 million and $92 million, respectively, in cash and a 24.9% equity interest in each joint venture. The Corporation is not required to provide any other financial support to these joint ventures.

BPPR accounted for both transactions as a true sale pursuant to ASC Subtopic 860-10.

The Corporation has determined that PRLP 2011 Holdings, LLC and PR Asset Portfolio 2013-1 International, LLC are VIEs but it is not the primary beneficiary. All decisions are made by Caribbean Property Group (CPG) (or an affiliate thereof) (the Manager), except for certain limited material decisions which would require the unanimous consent of all members. The Manager is authorized to execute and deliver on behalf of the joint ventures any and all documents, contracts, certificates, agreements and instruments, and to take any action deemed necessary in the benefit of the joint ventures.

The Corporation holds variable interests in these VIEs in the form of the 24.9% equity interests and the financing provided to these joint ventures. The equity interest is accounted for under the equity method of accounting pursuant to ASC Subtopic 323-10.

The following tables present the carrying amount and classification of the assets and liabilities related to the Corporation s variable interests in the non-consolidated VIEs, PRLP 2011 Holdings, LLC and PR Asset Portfolio 2013- International, LLC, and their maximum exposure to loss at September 30, 2016 and December 31, 2015.

PRLP 2011 Holdings, LLC

(In thousands)

	September 30, 2016		December 31, 2015	
Assets				
Loans held-in-portfolio:				
Advances under the working capital line	$		$	579
Advances under the advance facility				401
Total loans held-in-portfolio	$		$	980
Accrued interest receivable	$		$	10
Other assets:				
Investment in PRLP 2011 Holdings LLC	$	9,586	$	13,069
Total assets	$	9,586	$	14,059
Deposits	$	(3,603)	$	(18,808)
Total liabilities	$	(3,603)	$	(18,808)
Total net assets (liabilities)	$	5,983	$	(4,749)
Maximum exposure to loss	$	5,983	$	

93

Table of Contents

PR Asset Portfolio 2013-1 International, LLC

(In thousands)	September 30, 2016		December 31, 2015	
Assets				
Loans held-in-portfolio:				
Acquisition loan	$		$	35,121
Advances under the working capital line		762		885
Advances under the advance facility		11,393		22,296
Total loans held-in-portfolio	$	12,155	$	58,302
Accrued interest receivable	$	48	$	169
Other assets:				
Investment in PR Asset Portfolio 2013-1 International, LLC	$	24,184	$	25,094
Total assets	$	36,387	$	83,565
Deposits	$	(8,380)	$	(11,772)
Total liabilities	$	(8,380)	$	(11,772)
Total net assets	$	28,007	$	71,793
Maximum exposure to loss	$	28,007	$	71,793

The Corporation determined that the maximum exposure to loss under a worst case scenario at September 30, 2016 would be not recovering the net assets held by the Corporation as of the reporting date.

ASU 2009-17 requires that an ongoing primary beneficiary assessment should be made to determine whether the Corporation is the primary beneficiary of any of the VIEs it is involved with. The conclusion on the assessment of these non-consolidated VIEs has not changed since their initial evaluation. The Corporation concluded that it is still not the primary beneficiary of these VIEs, and therefore, these VIEs are not required to be consolidated in the Corporation s financial statements at September 30, 2016.

Table of Contents

Note 25 Related party transactions

EVERTEC

The Corporation has an investment in EVERTEC, Inc. (EVERTEC), which provides various processing and information technology services to the Corporation and its subsidiaries and gives BPPR access to the ATH network owned and operated by EVERTEC. As of September 30, 2016, the Corporation s stake in EVERTEC was 15.91%. The Corporation continues to have significant influence over EVERTEC. Accordingly, the investment in EVERTEC is accounted for under the equity method and is evaluated for impairment if events or circumstances indicate that a decrease in value of the investment has occurred that is other than temporary.

On May 26, 2016, EVERTEC, Inc. filed its Annual Report on Form 10-K for the year ended December 31, 2015, which included restated audited results for the years ended December 31, 2014 and 2013, correcting certain errors involved with the accounting for tax positions taken by EVERTEC in the 2010 tax year and other miscellaneous accounting adjustments. The Corporation s proportionate share of the cumulative impact of the EVERTEC restatement and other corrective adjustments to its financial statements was approximately $2.2 million and is reflected as part of other non-interest income.

The Corporation received $ 3.5 million in dividend distributions during the nine months ended September 30, 2016 from its investments in EVERTEC s holding company (September 30, 2015 - $ 3.5 million). The Corporation s equity in EVERTEC is presented in the table which follows and is included as part of other assets in the consolidated statements of financial condition.

(In thousands)	September 30, 2016	December 31, 2015
Equity investment in EVERTEC	$ 37,357	$ 33,590

The Corporation had the following financial condition balances outstanding with EVERTEC at September 30, 2016 and December 31, 2015. Items that represent liabilities to the Corporation are presented with parenthesis.

(In thousands)	September 30, 2016	December 31, 2015
Accounts receivable (Other assets)	$ 5,901	$ 3,148
Deposits	(21,231)	(23,973)
Accounts payable (Other liabilities)	(18,330)	(16,192)
Net total	$ (33,660)	$ (37,017)

The Corporation s proportionate share of income or loss from EVERTEC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of EVERTEC s income (loss) and changes in stockholders equity for the quarters and nine months ended September 30, 2016 and 2015.

(In thousands)	Quarter ended September 30, 2016	Nine months ended September 30, 2016
Share of income from the investment in EVERTEC	$ 3,198	$ 9,397
Share of other changes in EVERTEC s stockholders equity	426	(899)
Share of EVERTEC s changes in equity recognized in income	$ 3,624	$ 8,498

(In thousands)	Quarter ended September 30, 2015	Nine months ended September 30, 2015
Share of income from the investment in EVERTEC	$ 2,162	$ 8,077
Share of other changes in EVERTEC s stockholders equity	600	1,165
Share of EVERTEC s changes in equity recognized in income	$ 2,762	$ 9,242

The following tables present the transactions and service payments between the Corporation and EVERTEC (as an affiliate) and their impact on the results of operations for the quarters and nine months ended September 30, 2016 and 2015. Items that represent expenses to the Corporation are presented with parenthesis.

Table of Contents

(In thousands)	Quarter ended September 30, 2016	Nine months ended September 30, 2016	Category
Interest expense on deposits	$ (15)	$ (51)	Interest expense
ATH and credit cards interchange income from services to EVERTEC	7,533	21,948	Other service fees
Rental income charged to EVERTEC	1,760	5,232	Net occupancy
Processing fees on services provided by EVERTEC	(44,923)	(131,701)	Professional fees
Other services provided to EVERTEC	269	783	Other operating expenses
Total	$ (35,376)	$ (103,789)	

(In thousands)	Quarter ended September 30, 2015	Nine months ended September 30, 2015	Category
Interest expense on deposits	$ (15)	$ (41)	Interest expense
ATH and credit cards interchange income from services to EVERTEC	6,961	20,614	Other service fees
Rental income charged to EVERTEC	1,719	5,166	Net occupancy
Processing fees on services provided by EVERTEC	(41,147)	(122,597)	Professional fees
Other services provided to EVERTEC	144	852	Other operating expenses
Total	$ (32,338)	$ (96,006)	

EVERTEC had a letter of credit issued by BPPR, for the amount of $ 4.2 million at December 31, 2015, which expired on February 10, 2016.

PRLP 2011 Holdings LLC

As indicated in Note 24 to the consolidated financial statements, the Corporation holds a 24.9% equity interest in PRLP 2011 Holdings LLC and currently holds certain deposits from the entity.

The Corporation s equity in PRLP 2011 Holdings, LLC is presented in the table which follows and is included as part of other assets in the consolidated statements of financial condition.

(In thousands)	September 30, 2016	December 31, 2015
Equity investment in PRLP 2011 Holdings, LLC	$ 9,586	$ 13,069

The Corporation had the following financial condition balances outstanding with PRLP 2011 Holdings, LLC at September 30, 2016 and December 31, 2015.

(In thousands)	September 30, 2016	December 31, 2015
Loans	$	$ 980
Accrued interest receivable		10
Deposits (non-interest bearing)	(3,603)	(18,808)
Net total	$ (3,603)	$ (17,818)

The Corporation s proportionate share of income or loss from PRLP 2011 Holdings, LLC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of income (loss) from PRLP 2011 Holdings, LLC for the quarters and nine months ended September 30, 2016 and 2015.

Table of Contents

(In thousands)	Quarter ended September 30, 2016	Nine months ended September 30, 2016
Share of income (loss) from the equity investment in PRLP 2011 Holdings, LLC	$ 511	$ (83)

(In thousands)	Quarter ended September 30, 2015	Nine months ended September 30, 2015
Share of loss from the equity investment in PRLP 2011 Holdings, LLC	$ (633)	$ (2,463)

The following table presents transactions between the Corporation and PRLP 2011 Holdings, LLC and their impact on the Corporation s results of operations for the quarters and nine months ended September 30, 2016 and 2015.

(In thousands)	Quarter ended September 30, 2016	Nine months ended September 30, 2016	Category
Interest income on loan to PRLP 2011 Holdings, LLC	$	$ 11	Interest income

(In thousands)	Quarter ended September 30, 2015	Nine months ended September 30, 2015	Category
Interest income on loan to PRLP 2011 Holdings, LLC	$ 48	$ 161	Interest income

PR Asset Portfolio 2013-1 International, LLC

As indicated in Note 24 to the consolidated financial statements, effective March 2013 the Corporation holds a 24.9% equity interest in PR Asset Portfolio 2013-1 International, LLC and currently provides certain financing to the joint venture as well as holds certain deposits from the entity.

The Corporation s equity in PR Asset Portfolio 2013-1 International, LLC is presented in the table which follows and is included as part of other assets in the consolidated statements of financial condition.

(In thousands)	September 30, 2016	December 31, 2015
Equity investment in PR Asset Portfolio 2013-1 International, LLC	$ 24,184	$ 25,094

The Corporation had the following financial condition balances outstanding with PR Asset Portfolio 2013-1 International, LLC, at September 30, 2016 and December 31, 2015.

(In thousands)	September 30, 2016	December 31, 2015
Loans	$ 12,155	$ 58,302
Accrued interest receivable	48	169
Deposits	(8,380)	(11,772)
Net total	$ 3,823	$ 46,699

The Corporation s proportionate share of income or loss from PR Asset Portfolio 2013-1 International, LLC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of income (loss) from PR Asset Portfolio 2013-1 International, LLC for the quarters and nine months ended September 30, 2016 and 2015.

Table of Contents

(In thousands)	Quarter ended September 30, 2016	Nine months ended September 30, 2016
Share of loss from the equity investment in PR Asset Portfolio 2013-1 International, LLC	$ (587)	$ (910)

(In thousands)	Quarter ended September 30, 2015	Nine months ended September 30, 2015
Share of loss from the equity investment in PR Asset Portfolio 2013-1 International, LLC	$ (1,177)	$ (5,645)

The following table presents transactions between the Corporation and PR Asset Portfolio 2013-1 International, LLC and their impact on the Corporation s results of operations for the quarters and nine months ended September 30, 2016 and 2015.

(In thousands)	Quarter ended September 30, 2016	Nine months ended September 30, 2016	Category
Interest income on loan to PR Asset Portfolio 2013-1 International, LLC	$ 189	$ 923	Interest income
Interest expense on deposits	(1)	(3)	Interest expense
Total	$ 188	$ 920	

(In thousands)	Quarter ended September 30, 2015	Nine months ended September 30, 2015	Category
Interest income on loan to PR Asset Portfolio 2013-1 International, LLC	$ 659	$ 2,272	Interest income
Interest expense on deposits	(1)	(2)	Interest expense
Total	$ 658	$ 2,270	

Note 26 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 assumptions about assumptions that market participants would use in pricing the asset or liability.

The Corporation maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Fair value is based upon quoted market prices when available. If listed prices or quotes are not available, the Corporation employs internally-developed models that primarily use market-based inputs including yield curves, interest rates, volatilities, and credit curves, among others. Valuation adjustments are limited to those necessary to ensure that the financial instrument s fair value is adequately representative of the price that would be received or paid in the marketplace. These adjustments include amounts that reflect counterparty credit quality, the Corporation s credit standing, constraints on liquidity and unobservable parameters that are applied consistently. There have been no changes in the Corporation s methodologies used to estimate the fair value of assets and liabilities from those disclosed in the 2015 Form 10-K.

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

Fair Value on a Recurring and Nonrecurring Basis

The following fair value hierarchy tables present information about the Corporation s assets and liabilities measured at fair value on a recurring basis at September 30, 2016 and December 31, 2015:

Table of Contents

At September 30, 2016				
(In thousands)	Level 1	Level 2	Level 3	Total
RECURRING FAIR VALUE MEASUREMENTS				
Assets				
Investment securities available-for-sale:				
U.S. Treasury securities	$	$ 1,619,416	$	$ 1,619,416
Obligations of U.S. Government sponsored entities		698,309		698,309
Obligations of Puerto Rico, States and political subdivisions		26,976		26,976
Collateralized mortgage obligations - federal agencies		1,339,251		1,339,251
Mortgage-backed securities		3,931,332	1,397	3,932,729
Equity securities		2,205		2,205
Other		9,770		9,770
Total investment securities available-for-sale	$	$ 7,627,259	$ 1,397	$ 7,628,656
Trading account securities, excluding derivatives:				
Obligations of Puerto Rico, States and political subdivisions	$	$ 4,523	$	$ 4,523
Collateralized mortgage obligations			1,371	1,371
Mortgage-backed securities - federal agencies		47,154	5,250	52,404
Other		13,663	623	14,286
Total trading account securities	$	$ 65,340	$ 7,244	$ 72,584
Mortgage servicing rights	$	$	$ 200,354	$ 200,354
Derivatives		13,427		13,427
Total assets measured at fair value on a recurring basis	$	$ 7,706,026	$ 208,995	$ 7,915,021
Liabilities				
Derivatives	$	$ (11,214)	$	$ (11,214)
Contingent consideration			(135,122)	(135,122)
Total liabilities measured at fair value on a recurring basis	$	$ (11,214)	$ (135,122)	$ (146,336)

	At December 31, 2015			
(In thousands)	Level 1	Level 2	Level 3	Total
RECURRING FAIR VALUE MEASUREMENTS				
Assets				
Investment securities available-for-sale:				
U.S. Treasury securities	$	$ 1,183,328	$	$ 1,183,328
Obligations of U.S. Government sponsored entities		939,641		939,641
Obligations of Puerto Rico, States and political subdivisions		22,359		22,359
Collateralized mortgage obligations - federal agencies		1,560,837		1,560,837
Mortgage-backed securities		2,342,762	1,434	2,344,196
Equity securities	276	2,122		2,398
Other		10,233		10,233
Total investment securities available-for-sale	$ 276	$ 6,061,282	$ 1,434	$ 6,062,992
Trading account securities, excluding derivatives:				
Obligations of Puerto Rico, States and political subdivisions	$	$ 4,590	$	$ 4,590
Collateralized mortgage obligations		223	1,831	2,054
Mortgage-backed securities - federal agencies		44,701	6,454	51,155
Other		13,173	687	13,860
Total trading account securities	$	$ 62,687	$ 8,972	$ 71,659
Mortgage servicing rights	$	$	$ 211,405	$ 211,405
Derivatives		16,959		16,959
Total assets measured at fair value on a recurring basis	$ 276	$ 6,140,928	$ 221,811	$ 6,363,015
Liabilities				
Derivatives	$	$ (14,343)	$	$ (14,343)
Contingent consideration			(120,380)	(120,380)
Total liabilities measured at fair value on a recurring basis	$	$ (14,343)	$ (120,380)	$ (134,723)

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 nine months ended September 30, 2016 and 2015 and excludes nonrecurring fair value measurements of assets no longer outstanding as of the reporting date.

	Nine months ended September 30, 2016			
(In thousands)	Level 1	Level 2	Level 3	Total
NONRECURRING FAIR VALUE MEASUREMENTS				

Assets					Write-downs
Loans[1]	$	$	$ 61,309	$ 61,309	$ (31,097)
Other real estate owned[2]			39,996	39,996	(8,482)
Other foreclosed assets[2]			46	46	(2)
Total assets measured at fair value on a nonrecurring basis	$	$	$ 101,351	$ 101,351	$ (39,581)

[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, in accordance with the provisions of ASC Section 310-10-35. 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.

Table of Contents

Nine months ended September 30, 2015					
(In thousands)	Level 1	Level 2	Level 3	Total	
NONRECURRING FAIR VALUE MEASUREMENTS					
Assets					Write-downs
Loans[1]	$	$	$ 114,204	$ 114,204	$ (87,260)
Loans held-for-sale[2]			47,458	47,458	(18)
Other real estate owned[3]		137	55,616	55,753	(40,059)
Other foreclosed assets[3]			91	91	(836)
Total assets measured at fair value on a nonrecurring basis	$	$ 137	$ 217,369	$ 217,506	$ (128,173)

[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, in accordance with the provisions of ASC Section 310-10-35. Costs to sell are excluded from the reported fair value amount.
[2] Relates to lower of cost or fair value adjustments on loans held-for-sale and loans transferred from loans held-in-portfolio to 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.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarters and nine months ended September 30, 2016 and 2015.

Quarter ended September 30, 2016								
(In thousands)	MBS classified as investment securities available-for-sale	CMOs classified as trading account securities	MBS classified as trading account securities	Other securities classified as trading account securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at June 30, 2016	$ 1,398	$ 1,399	$ 5,364	$ 640	$ 203,577	$ 212,378	$ (128,511)	$ (128,511)
Gains (losses) included in earnings		10	(32)	(17)	(6,062)	(6,101)	(6,611)	(6,611)
Gains (losses) included in OCI	(1)					(1)		
Additions		5	128		2,854	2,987		
Sales			(110)			(110)		
Settlements		(43)	(100)		(15)	(158)		
Balance at September 30, 2016	$ 1,397	$ 1,371	$ 5,250	$ 623	$ 200,354	$ 208,995	$ (135,122)	$ (135,122)

Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2016	$	$ 10	$ (29)	$ 8	$ (1,082)	$ (1,093)	$ (6,611)	$ (6,611)

Nine months ended September 30, 2016

(In thousands)	MBS classified as investment securities available-for-sale	CMOs classified as trading account securities	MBS classified as trading account securities	Other securities classified as trading account securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at January 1, 2016	$ 1,434	$ 1,831	$ 6,454	$ 687	$ 211,405	$ 221,811	$ (120,380)	$ (120,380)
Gains (losses) included in earnings	(2)	(3)	85	(64)	(18,879)	(18,863)	(14,742)	(14,742)
Gains (losses) included in OCI	15					15		
Additions		214	1,076		7,843	9,133		
Sales		(308)	(1,826)			(2,134)		
Settlements	(50)	(363)	(539)		(15)	(967)		
Balance at September 30, 2016	$ 1,397	$ 1,371	$ 5,250	$ 623	$ 200,354	$ 208,995	$ (135,122)	$ (135,122)
Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2016	$	$ 4	$ 74	$ 29	$ (4,315)	$ (4,208)	$ (14,742)	$ (14,742)

102

Table of Contents

	Quarter ended September 30, 2015							
(In thousands)	MBS classified as investment securities available-for-sale	CMOs classified as trading account securities	MBS classified as trading account securities	Other securities classified as trading account securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at June 30, 2015	$ 1,445	$ 1,192	$ 6,046	$ 1,619	$ 206,357	$ 216,659	$ (124,837)	$ (124,837)
Gains (losses) included in earnings	(1)	3	(12)	42	(4,408)	(4,376)	(1,058)	(1,058)
Gains (losses) included in OCI	5					5		
Additions		294	134		8,902	9,330		
Settlements		(49)	(197)			(246)		
Balance at September 30, 2015	$ 1,449	$ 1,440	$ 5,971	$ 1,661	$ 210,851	$ 221,372	$ (125,895)	$ (125,895)
Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2015	$	$ 4	$ (4)	$ 58	$ (112)	$ (54)	$ (1,058)	$ (1,058)

	Nine months ended September 30, 2015							
(In thousands)	MBS classified as investment securities available-for-sale	CMOs classified as trading account securities	MBS classified as trading account securities	Other securities classified as trading account securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at January 1, 2015	$ 1,325	$ 1,375	$ 6,229	$ 1,563	$ 148,694	$ 159,186	$ (133,634)	$ (133,634)
Gains (losses) included in earnings	(1)	(1)	2	98	(11,254)	(11,156)	6,777	6,777
Gains (losses) included in OCI	7					7		
Additions	118	332	392		73,411	74,253		
Sales		(44)	(80)			(124)		
Settlements		(222)	(572)			(794)		
Adjustments							962	962

Balance at September 30, 2015	$ 1,449	$ 1,440	$ 5,971	$ 1,661	$ 210,851	$ 221,372	$ (125,895)	$ (125,895)
Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2015	$	$ 2	$ 20	$ 200	$ 1,774	$ 1,996	$ 6,777	$ 6,777

There were no transfers in and / or out of Level 1, Level 2, or Level 3 for financial instruments measured at fair value on a recurring basis during the quarters and nine months ended September 30, 2016 and 2015.

Gains and losses (realized and unrealized) included in earnings for the quarters and nine months ended September 30, 2016 and 2015 for Level 3 assets and liabilities included in the previous tables are reported in the consolidated statement of operations as follows:

	Quarter ended September 30, 2016		Nine months ended September 30, 2016	
(In thousands)	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date
Interest income	$	$	$ (2)	$
FDIC loss share (expense) income	(6,611)	(6,611)	(14,742)	(14,742)
Mortgage banking activities	(6,062)	(1,082)	(18,879)	(4,315)
Trading account (loss) profit	(39)	(11)	18	107
Total	$ (12,712)	$ (7,704)	$ (33,605)	$ (18,950)

(In thousands)	Quarter ended September 30, 2015 Total gains (losses) included in earnings	Quarter ended September 30, 2015 Changes in unrealized gains (losses) relating to assets still held at reporting date	Nine months ended September 30, 2015 Total gains (losses) included in earnings	Nine months ended September 30, 2015 Changes in unrealized gains (losses) relating to assets still held at reporting date
Interest income	$ (1)	$	$ (1)	$
FDIC loss share (expense) income	(1,058)	(1,058)	6,777	6,777
Mortgage banking activities	(4,408)	(112)	(11,254)	1,774
Trading account (loss) profit	33	58	99	222
Total	$ (5,434)	$ (1,112)	$ (4,379)	$ 8,773

The following table includes 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.

(In thousands)	Fair value at September 30, 2016	Valuation technique	Unobservable inputs	Weighted average (range)
CMO s - trading		Discounted cash flow model	Weighted average life	3.0 years (0.3 - 4.4 years)
			Yield	3.4% (0.7% - 4.2%)
	$ 1,371		Prepayment speed	20.6% (18.0% - 26.9%)
Other - trading		Discounted cash flow model	Weighted average life	5.4 years
			Yield	12.3%
	$ 623		Prepayment speed	10.8%
Mortgage servicing rights		Discounted cash flow model	Prepayment speed	5.7% (0.2% - 13.8%)
			Weighted average life	6.9 years (0.1 - 15.7 years)
	$ 200,354		Discount rate	11.2% (9.5% - 15.0%)
Contingent consideration		Discounted cash flow model	Credit loss rate on covered loans	
			Risk premium component	3.6% (0.0% - 100.0%)
	$ (134,487)		of discount rate	4.7%
Loans held-in-portfolio		External appraisal	Haircut applied on	
	$ 61,257[1]		external appraisals	40.0% (39.5% - 40.0%)

Other real estate owned	$ 39,424[2]	External appraisal	Haircut applied on external appraisals	18.6% (10.0% - 40.0%)

[1] Loans held-in-portfolio in which haircuts were not applied to external appraisals were excluded from this table.
[2] Other real estate owned in which haircuts were not applied to external appraisals were excluded from this table.

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. These particular financial instruments are valued internally by the Corporation s investment banking and broker-dealer unit utilizing internal valuation techniques. The unobservable inputs incorporated into the internal discounted cash flow models used to derive the fair value of collateralized mortgage obligations and interest-only collateralized mortgage obligation (reported as other), which are classified in the trading category, are reviewed by the Corporation s Corporate Treasury unit on a quarterly basis. In the case of Level 3 financial instruments which fair value is based on broker quotes, the Corporation s Corporate Treasury unit reviews the inputs used by the broker-dealers for reasonableness utilizing information available from other published sources and validates that the fair value measurements were developed in accordance with ASC Topic 820. The Corporate Treasury unit also substantiates the inputs used by validating the prices with other broker-dealers, whenever possible.

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.

Table of Contents

The Corporation s Corporate Comptroller s unit is responsible for determining the fair value of MSRs, which is based on discounted cash flow methods based on assumptions developed by an external service provider, except for prepayment speeds, which are adjusted internally for the local market based on historical experience. The Corporation s Corporate Treasury unit validates the economic assumptions developed by the external service provider on a quarterly basis. In addition, an analytical review of prepayment speeds is performed quarterly by the Corporate Comptroller s unit. The Corporation s MSR Committee analyzes changes in fair value measurements of MSRs and approves the valuation assumptions at each reporting period. Changes in valuation assumptions must also be approved by the MSR Committee. The fair value of MSRs are compared with those of the external service provider on a quarterly basis in order to validate if the fair values are within the materiality thresholds established by management to monitor and investigate material deviations. Back-testing is performed to compare projected cash flows with actual historical data to ascertain the reasonability of the projected net cash flow results.

Table of Contents

Note 27 Fair value of financial instruments

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

The fair values reflected herein have been determined based on the prevailing rate environment at September 30, 2016 and December 31, 2015, 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, but for which the fair value is disclosed from those disclosed in the 2015 Form 10-K.

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.

	September 30, 2016				
(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Fair value
Financial Assets:					
Cash and due from banks	$ 350,545	$ 350,545	$	$	$ 350,545
Money market investments	3,963,495	3,929,352	34,143		3,963,495
Trading account securities, excluding derivatives[1]	72,584		65,340	7,244	72,584
Investment securities available-for-sale[1]	7,628,656		7,627,259	1,397	7,628,656
Investment securities held-to-maturity:					
Obligations of Puerto Rico, States and political subdivisions	$ 95,895	$	$	$ 77,366	$ 77,366
Collateralized mortgage obligation-federal agency	78			83	83
Other	2,000		1,746	215	1,961
Total investment securities held-to-maturity	$ 97,973	$	$ 1,746	$ 77,664	$ 79,410
Other investment securities:					
FHLB stock	$ 59,111	$	$ 59,111	$	$ 59,111
FRB stock	94,559		94,559		94,559
Trust preferred securities	13,198		13,198		13,198
Other investments	1,923			5,209	5,209
Total other investment securities	$ 168,791	$	$ 166,868	$ 5,209	$ 172,077

Loans held-for-sale	$ 72,076	$	$ 530	$ 73,726	$ 74,256
Loans not covered under loss sharing agreement with the FDIC	22,070,379			20,416,444	20,416,444
Loans covered under loss sharing agreements with the FDIC	557,949			553,431	553,431
FDIC loss share asset	152,467			144,674	144,674
Mortgage servicing rights	200,354			200,354	200,354
Derivatives	13,427		13,427		13,427

Table of Contents

(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Fair value
	September 30, 2016				
Financial Liabilities:					
Deposits:					
Demand deposits	$ 22,425,039	$	$ 22,425,039	$	$ 22,425,039
Time deposits	7,902,006		7,891,718		7,891,718
Total deposits	$ 30,327,045	$	$ 30,316,757	$	$ 30,316,757
Federal funds purchased and assets sold under agreements to repurchase	$ 765,251	$	$ 764,738	$	$ 764,738
Other short-term borrowings[2]	$ 1,200	$	$ 1,200	$	$ 1,200
Notes payable:					
FHLB advances	$ 696,628	$	$ 707,420	$	$ 707,420
Unsecured senior debt securities	444,268		464,589		464,589
Junior subordinated deferrable interest debentures (related to trust preferred securities)	439,316		401,796		401,796
Others	18,321			18,321	18,321
Total notes payable	$ 1,598,533	$	$ 1,573,805	$ 18,321	$ 1,592,126
Derivatives	$ 11,214	$	$ 11,214	$	$ 11,214
Contingent consideration	$ 135,122	$	$	$ 135,122	$ 135,122

[1] Refer to Note 26 to the consolidated financial statements for the fair value by class of financial asset and its hierarchy level.

[2] Refer to Note 18 to the consolidated financial statements for the composition of other short-term borrowings.

Table of Contents

(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Fair value
	December 31, 2015				
Financial Assets:					
Cash and due from banks	$ 363,674	$ 363,674	$	$	$ 363,674
Money market investments	2,180,092	2,083,839	96,253		2,180,092
Trading account securities, excluding derivatives[1]	71,659		62,687	8,972	71,659
Investment securities available-for-sale[1]	6,062,992	276	6,061,282	1,434	6,062,992
Investment securities held-to-maturity:					
Obligations of Puerto Rico, States and political subdivisions	$ 98,817	$	$	$ 80,815	$ 80,815
Collateralized mortgage obligation-federal agency	86			91	91
Other	2,000		1,740	243	1,983
Total investment securities held-to-maturity	$ 100,903	$	$ 1,740	$ 81,149	$ 82,889
Other investment securities:					
FHLB stock	$ 59,387	$	$ 59,387	$	$ 59,387
FRB stock	97,740		97,740		97,740
Trust preferred securities	13,198		13,198		13,198
Other investments	1,923			4,966	4,966
Total other investment securities	$ 172,248	$	$ 170,325	$ 4,966	$ 175,291
Loans held-for-sale	$ 137,000	$	$ 1,364	$ 138,031	$ 139,395
Loans not covered under loss sharing agreement with the FDIC	21,843,180			20,849,150	20,849,150
Loans covered under loss sharing agreements with the FDIC	611,939			593,002	593,002
FDIC loss share asset	310,221			313,224	313,224
Mortgage servicing rights	211,405			211,405	211,405
Derivatives	16,959		16,959		16,959

(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Fair value
	December 31, 2015				
Financial Liabilities:					
Deposits:					
Demand deposits	$ 19,044,355	$	$ 19,044,355	$	$ 19,044,355
Time deposits	8,165,368		8,134,029		8,134,029
Total deposits	$ 27,209,723	$	$ 27,178,384	$	$ 27,178,384

Federal funds purchased and assets sold under agreements to repurchase	$	762,145	$		$	764,599	$		$	764,599
Other short-term borrowings[2]	$	1,200	$		$	1,200	$		$	1,200
Notes payable:										
FHLB advances	$	761,501	$		$	780,411	$		$	780,411
Unsecured senior debt		442,704				435,186				435,186
Junior subordinated deferrable interest debentures (related to trust preferred securities)		439,295				352,673				352,673
Others		19,008						19,008		19,008
Total notes payable	$	1,662,508	$		$	1,568,270	$	19,008	$	1,587,278
Derivatives	$	14,343	$		$	14,343	$		$	14,343
Contingent consideration	$	120,380	$		$		$	120,380	$	120,380

[1] Refer to Note 26 to the consolidated financial statements for the fair value by class of financial asset and its hierarchy level.

[2] Refer to Note 18 to the consolidated financial statements for the composition of other short-term borrowings.

Table of Contents

The notional amount of commitments to extend credit at September 30, 2016 and December 31, 2015 is $7.6 billion and $7.4 billion, respectively, and represents the unused portion of credit facilities granted to customers. The notional amount of letters of credit at September 30, 2016 and December 31, 2015 is $ 43 million and $ 52 million, respectively, and represents the contractual amount that is required to be paid in the event of nonperformance. The fair value of commitments to extend credit and letters of credit, which are based on the fees charged to enter into those agreements, are not material to Popular s financial statements.

Table of Contents

Note 28 Net income per common share

The following table sets forth the computation of net income per common share (EPS), basic and diluted, for the quarters and nine months ended September 30, 2016 and 2015:

(In thousands, except per share information)	Quarters ended September 30, 2016	Quarters ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net income from continuing operations	$ 46,810	$ 85,649	$ 220,796	$ 756,571
Net income from discontinued operations		(9)		1,347
Preferred stock dividends	(930)	(931)	(2,792)	(2,792)
Net income applicable to common stock	$ 45,880	$ 84,709	$ 218,004	$ 755,126
Average common shares outstanding	103,296,443	102,969,214	103,243,851	102,923,018
Average potential dilutive common shares	168,942	181,268	140,098	214,744
Average common shares outstanding - assuming dilution	103,465,385	103,150,482	103,383,949	103,137,762
Basic EPS from continuing operations	$ 0.44	$ 0.82	$ 2.11	$ 7.33
Basic EPS from discontinued operations	$	$	$	$ 0.01
Total Basic EPS	$ 0.44	$ 0.82	$ 2.11	$ 7.34
Diluted EPS from continuing operations	$ 0.44	$ 0.82	$ 2.11	$ 7.31
Diluted EPS from discontinued operations	$	$	$	$ 0.01
Total Diluted EPS	$ 0.44	$ 0.82	$ 2.11	$ 7.32

For the quarter and nine months ended September 30, 2016 the Corporation calculated the impact of potential dilutive common shares under the treasury method, consistent with the method used for the preparation of the financial statements for the year ended December, 31 2015. For a discussion of the calculation under the treasury stock method, refer to Note 37 of the consolidated financial statements included in the 2015 Form 10-K.

For the quarters and nine months ended September 30, 2016 and 2015, there were no stock options outstanding.

Table of Contents

Note 29 Other service fees

The caption of other services fees in the consolidated statements of operations consists of the following major categories:

(In thousands)	Quarters ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Debit card fees	$ 11,483	$ 11,288	$ 34,153	$ 34,408
Insurance fees	15,943	14,517	42,678	40,163
Credit card fees	17,644	16,879	52,202	50,639
Sale and administration of investment products	5,542	5,737	15,798	18,269
Trust fees	4,968	4,403	14,029	13,919
Other fees	3,589	3,291	10,636	11,764
Total other services fees	$ 59,169	$ 56,115	$ 169,496	$ 169,162

Note 30 FDIC loss share (expense) income

The caption of FDIC loss-share (expense) income in the consolidated statements of operations consists of the following major categories:

	Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	2016	2015	2016	2015
Amortization of loss-share indemnification asset	$ (1,259)	$ (3,931)	$ (9,337)	$ (62,312)
80% mirror accounting on credit impairment losses (reversal)[1]	659	(183)	(959)	15,710
80% mirror accounting on reimbursable expenses	853	6,276	7,038	70,551
80% mirror accounting on recoveries on covered assets, including rental income on OREOs, subject to reimbursement to the FDIC	(522)		(5,123)	(7,822)
Change in true-up payment obligation	(6,611)	(1,058)	(14,742)	6,778
Arbitration award expense[2]	(54,924)		(54,924)	
Other	81	103	602	1,516
Total FDIC loss-share (expense) income	$ (61,723)	$ 1,207	$ (77,445)	$ 24,421

[1] Reductions in expected cash flows for ASC 310-30 loans, which may impact the provision for loan losses, may consider reductions in both principal and interest cash flow expectations. The amount covered under the FDIC loss-sharing agreements for interest not collected from borrowers is limited under the agreements (approximately 90 days); accordingly, these amounts are not subject fully to the 80% mirror accounting.

[2] Refer to Note 23, Commitments and Contingencies, for additional information on the FDIC arbitration award.

Table of Contents

Note 31 Pension and postretirement benefits

The Corporation has a non-contributory defined benefit pension plan and supplementary pension benefit restoration plans for regular employees of certain of its subsidiaries. The accrual of benefits under the plans is frozen to all participants.

The components of net periodic pension cost for the periods presented were as follows:

	Pension Plan		Benefit Restoration Plans	
	Quarters ended September 30,		Quarters ended September 30,	
(In thousands)	2016	2015	2016	2015
Interest cost	$ 6,291	$ 7,403	$ 348	$ 407
Expected return on plan assets	(9,623)	(11,056)	(538)	(589)
Amortization of net loss	4,881	4,465	332	311
Total net periodic pension cost (benefit)	$ 1,549	$ 812	$ 142	$ 129

	Pension Plans		Benefit Restoration Plans	
	Nine months ended September 30,		Nine months ended September 30,	
(In thousands)	2016	2015	2016	2015
Interest Cost	$ 18,873	$ 22,209	$ 1,044	$ 1,222
Expected return on plan assets	(28,869)	(33,168)	(1,614)	(1,768)
Amortization of net loss	14,640	13,395	996	933
Total net periodic pension cost (benefit)	$ 4,644	$ 2,436	$ 426	$ 387

During the quarter ended September 30, 2016 the Corporation made a contribution to the pension and benefit restoration plans of $60 million. The total contributions expected to be paid during the year 2016 for the pension and benefit restoration plans amount to approximately $60.2 million.

The Corporation also provides certain postretirement health care benefits for retired employees of certain subsidiaries. The table that follows presents the components of net periodic postretirement benefit cost.

	Postretirement Benefit Plan			
	Quarters ended September 30,		Nine months ended September 30,	
(In thousands)	2016	2015	2016	2015
Service cost	$ 289	$ 367	$ 867	$ 1,103
Interest cost	1,505	1,589	4,515	4,767
Amortization of prior service cost	(950)	(950)	(2,850)	(2,850)
Amortization of net loss	275	249	825	747
Total net periodic postretirement benefit cost	$ 1,119	$ 1,255	$ 3,357	$ 3,767

Contributions made to the postretirement benefit plan for the quarter ended September 30, 2016 amounted to approximately $1.6 million. The total contributions expected to be paid during the year 2016 for the postretirement benefit plan amount to approximately $6.4 million.

Note 32 Stock-based compensation

The Corporation maintained a Stock Option Plan (the Stock Option Plan), which permitted the granting of incentive awards in the form of qualified stock options, incentive stock options, or non-statutory stock options of the Corporation. In April 2004, the Corporation s shareholders adopted the Popular, Inc. 2004 Omnibus Incentive Plan (the Incentive Plan), which replaced and superseded the Stock Option Plan. The adoption of the Incentive Plan did not alter the original terms of the grants made under the Stock Option Plan prior to the adoption of the Incentive Plan.

Stock Option Plan

Employees and directors of the Corporation or any of its subsidiaries were eligible to participate in the Stock Option Plan. The Board of Directors or the Compensation Committee of the Board had the absolute discretion to determine the individuals that were eligible to participate in the Stock Option Plan. This plan provided for the issuance of Popular, Inc. s common stock at a price equal to its fair market value at the grant date, subject to certain plan provisions. The shares are to be made available from authorized but unissued shares of common stock or treasury stock. The Corporation s policy has been to use authorized but unissued shares of common stock to cover each grant. The maximum option term is ten years from the date of grant. Unless an option agreement provides otherwise, all options granted are 20% exercisable after the first year and an additional 20% is exercisable after each subsequent year, subject to an acceleration clause at termination of employment due to retirement.

As of September 30, 2016 there were no stock options outstanding. During the first quarter of 2015, all stock options outstanding which amounted to 44,797 with a weighted average exercise price of $ 272 expired.

Incentive Plan

The Incentive Plan permits the granting of incentive awards in the form of Annual Incentive Awards, Long-term Performance Unit Awards, Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units or Performance Shares. Participants in the Incentive Plan are designated by the Compensation Committee of the Board of Directors (or its delegate as determined by the Board). Employees and directors of the Corporation and/or any of its subsidiaries are eligible to participate in the Incentive Plan.

Under the Incentive Plan, the Corporation has issued restricted shares, which become 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 is determined based on a two-prong vesting schedule. The first part is vested ratably over five years commencing at the date of grant and the second part is vested at termination of employment after attainment of 55 years of age and 10 years of service. The five-year vesting part is accelerated at termination of employment after attaining 55 years of age and 10 years of service. The vesting schedule for restricted shares granted on 2014 and thereafter was modified as follows, the first part ratably over four years commencing at the date of the grant and the second part is vested 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 four year vesting part 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 restricted shares granted consistent with the requirements of the TARP Interim Final Rule vest in two years from grant date.

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

Table of Contents

(Not in thousands)	Shares	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2014	628,009	$ 27.13
Granted	323,814	33.37
Vested	(430,646)	30.45
Forfeited	(25,446)	28.65
Non-vested at December 31, 2015	495,731	$ 28.25
Granted	344,488	25.86
Quantity adjusted by TSR factor	51,340	26.13
Vested	(429,984)	27.39
Forfeited	(1,991)	31.50
Non-vested at September 30, 2016	459,584	$ 27.01

During the quarter ended September 30, 2016 and 2015 no shares of restricted stock were awarded to management under the Incentive Plan. For the nine-month period ended September 30, 2016, 279,890 shares of restricted stock (September 30, 2015   231,830) were awarded to management under the Incentive Plan, from which no shares were awarded to management consistent with the requirements of the TARP Interim Final Rule.

Beginning in 2015, the Corporation authorized the issuance of performance shares, in addition to restricted shares, under the Incentive Plan. The performance share awards consist of the opportunity to receive shares of Popular, Inc. s common stock provided that the Corporation achieves certain goals during a three-year performance cycle. The goals will be based on two metrics weighted equally: the Relative Total Shareholder Return (TSR) and the Absolute Earnings per Share (EPS) goals. 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 EPS performance metric is considered to be a performance condition under ASC 718. The fair value is determined based on the probability of achieving the EPS goal as of each reporting period. The TSR and EPS 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 (EPS) conditions. The performance shares vest at the end of the three-year performance cycle. The vesting 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. During the quarter ended September 30, 2016 and 2015 no performance shares were granted. For the nine-month period ended September 30, 2016, 64,598 (September 30, 2015 91,984) performance shares were granted under this plan.

During the quarter ended September 30, 2016, the Corporation recognized $ 1.0 million of restricted stock expense related to management incentive awards, with a tax benefit of $ 0.2 million (September 30, 2015 - $ 1.9 million, with a tax benefit of $ 0.3 million). For the nine-month period ended September 30, 2016, the Corporation recognized $ 6.6 million of restricted stock expense related to management incentive awards, with a tax benefit of $ 1.2 million (September 30, 2015 - $ 9.4 million, with a tax benefit of $ 1.4 million). For the nine-month period ended September 30, 2016, the fair market value of the restricted stock vested was $6.8 million at grant date and $6.5 million at vesting date. This triggers a shortfall of $0.1 million of which $30 thousand was recorded as a windfall pool in additional paid in capital. No windfall pool was recorded for the remaining $87 thousand due to the valuation allowance of the deferred tax asset at the Holding Company. During the quarter ended September 30, 2016 the Corporation recognized $0.1 million of performance shares expense, with a tax benefit of $11 thousand (September 30, 2015 - $95 thousand, with a tax benefit of $6 thousand). For the nine-month period ended September 30, 2016, the Corporation recognized $1.3 million of performance shares expense, with a tax benefit of $0.1 million (September 30, 2015 - $2.1 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 September 30, 2016 was $ 8.5 million and is expected to be recognized over a weighted-average period of 2.4 years.

Table of Contents

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

(Not in thousands)	Restricted Stock	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2014		$
Granted	22,119	32.29
Vested	(22,119)	32.29
Forfeited		
Non-vested at December 31, 2015		$
Granted	40,517	29.77
Vested	(40,517)	29.77
Forfeited		
Non-vested at September 30, 2016		$

During the quarter ended September 30, 2016, the Corporation granted no shares of restricted stock to members of the Board of Directors of Popular, Inc. (September 30, 2015 1,994). During this period, the Corporation recognized $0.3 million of restricted stock expense related to these restricted stock grants, with a tax benefit of $31 thousand (September 30, 2015 $0.1 million, with a tax benefit of $24 thousand). For the nine-month period ended September 30, 2016, the Corporation granted 40,517 shares of restricted stock to members of the Board of Directors of Popular, Inc., which became vested at grant date (September 30, 2015 20,023). During this period, the Corporation recognized $0.8 million of restricted stock expense related to these restricted stock grants, with a tax benefit of $84 thousand (September 30, 2015 $0.4 million, with a tax benefit of $59 thousand). The fair value at vesting date of the restricted stock vested during the nine months ended September 30, 2016 for directors was $ 1.2 million.

Table of Contents

Note 33 Income taxes

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

	Quarters ended			
	September 30, 2016		September 30, 2015	
(In thousands)	Amount	% of pre-tax income	Amount	% of pre-tax income
Computed income tax expense at statutory rates	$ 24,434	39%	$ 42,225	39%
Net benefit of tax exempt interest income	(15,620)	(25)	(14,615)	(13)
Deferred tax asset valuation allowance	5,698	9	(670)	(1)
Difference in tax rates due to multiple jurisdictions	(897)	(1)	(1,129)	(1)
Effect of income subject to preferential tax rate	6,364	10	(3,610)	(3)
Unrecognized tax benefits	(4,442)	(7)		
State and local taxes	1,557	2	586	
Others	(1,255)	(2)	(167)	
Income tax expense (benefit)	$ 15,839	25%	$ 22,620	21%

	Nine months ended			
	September 30, 2016		September 30, 2015	
(In thousands)	Amount	% of pre-tax income	Amount	% of pre-tax income
Computed income tax expense at statutory rates	$ 117,525	39%	$ 108,508	39%
Net benefit of tax exempt interest income	(47,094)	(16)	(45,784)	(16)
Deferred tax asset valuation allowance	14,407	5	(537,737)	(193)
Difference in tax rates due to multiple jurisdictions	(2,874)	(1)	(1,946)	(1)
Effect of income subject to preferential tax rate	(1,772)	(1)	(5,488)	(2)
Unrecognized tax benefits	(4,442)	(1)		
State and local taxes	6,642	2	3,305	1
Others	(1,842)	(1)	798	
Income tax expense (benefit)	$ 80,550	26%	$ (478,344)	(172)%

Income tax expense amounted to $15.8 million for the quarter ended September 30, 2016, compared with an income tax expense of $22.6 million for the same quarter of 2015. The reduction in income tax expense was primarily due to lower income before tax mainly in the Corporation s Puerto Rico operations. Additionally, during the third quarter of

2016 a reversal of $4.4 million in the reserve for uncertain tax positions, including interests, was recognized due to the expiration of the statute of limitation in the P.R. operations.

For the nine months period ended September 30, 2016, the increase in income tax expense as compared to the same period of 2015 was mainly due to recognition during 2015 of a partial reversal of the valuation allowance on the deferred tax asset from the U.S. operations amounting to $544.9 million.

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

Table of Contents

(In thousands)	September 30, 2016	December 31, 2015
Deferred tax assets:		
Tax credits available for carryforward	$ 18,569	$ 13,651
Net operating loss and other carryforward available	1,244,901	1,262,197
Postretirement and pension benefits	88,679	116,036
Deferred loan origination fees	5,657	6,420
Allowance for loan losses	659,312	670,592
Deferred gains	5,131	5,966
Accelerated depreciation	9,345	8,335
Intercompany deferred gains	2,229	2,743
Difference in outside basis from pass-through entities	13,186	12,684
Other temporary differences	32,482	29,208
Total gross deferred tax assets	2,079,491	2,127,832
Deferred tax liabilities:		
FDIC-assisted transaction	80,947	90,778
Indefinite-lived intangibles	71,375	63,573
Unrealized net gain on trading and available-for-sale securities	42,268	22,281
Other temporary differences	8,343	6,670
Total gross deferred tax liabilities	202,933	183,302
Valuation allowance	646,606	642,727
Net deferred tax asset	$ 1,229,952	$ 1,301,803

The net deferred tax asset shown in the table above at September 30, 2016 is reflected in the consolidated statements of financial condition as $1.2 billion in net deferred tax assets in the Other assets caption (December 31, 2015 $1.3 billion) and $1.4 million in deferred tax liabilities in the Other liabilities caption (December 31, 2015 $649 thousand), reflecting the aggregate deferred tax assets or liabilities of individual tax-paying subsidiaries of the Corporation.

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 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.

During the year ended December 31, 2015, after weighting all positive and negative evidence, the Corporation concluded that it is more likely than not that a portion of the total deferred tax asset from the U.S. operations, amounting to $1.1 billion and comprised mainly of net operating losses, will be realized. The Corporation based this determination on its estimated earnings for the remaining carryforward period of eighteen years beginning with the 2016 fiscal year, available to utilize the deferred tax asset, to reduce its income tax obligations. The recent historical level of book income adjusted by permanent differences, together with the estimated earnings after the reorganization of the U.S. operations and additional estimated earnings from the Doral Bank Transaction were objective positive evidence considered by the Corporation. As of September 30, 2016 the U.S. operations are not in a three year cumulative loss position, taking into account taxable income exclusive of reversing temporary differences. All of these factors lead management to conclude that it is more likely than not that a portion of the deferred tax asset from its U.S. operations will be realized. Management will continue to evaluate the realization of the deferred tax asset each quarter and adjust as deemed necessary. At September 30, 2016 a valuation allowance is recorded on the deferred tax asset of the U.S. operation in the amount of $602 million.

At September 30, 2016, the Corporation s net deferred tax assets related to its Puerto Rico operations amounted to $697 million.

Table of Contents

The Corporation s Puerto Rico Banking operation is not in a cumulative three year loss position, taking into account taxable income exclusive of reversing temporary differences, and has sustained profitability for the three year period ended September 30, 2016.This is considered a strong piece of objectively verifiable positive evidence that outweights 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 not in a cumulative loss taking into account taxable income exclusive of reversing temporary differences, for the three year period ended September 30, 2016. However, it has sustained losses for year ended December 31, 2015 and the period ended September 30, 2016. Management expect these losses will be a trend in future years. The losses in recent periods together with the expected losses in future years is considered by management a 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, a full valuation allowance is recorded on the deferred tax asset at the Holding Company, which amounted to $45 million as of September 30, 2016.

The reconciliation of unrecognized tax benefits was as follows:

(In millions)	2016	2015
Balance at January 1	$ 9.0	$ 8.0
Additions for tax positions - January through March	0.2	0.3
Additions for tax positions taken in prior years - January through March	0.2	
Reduction as a result of settlements - January through March		(0.5)
Balance at March 31	$ 9.4	$ 7.8
Additions for tax positions - April through June	0.3	0.3
Balance at June 30	$ 9.7	$ 8.1
Additions for tax positions - July through September	0.3	0.6
Additions for tax positions taken in prior years - July through September	0.1	
Reduction as a result of lapse of statute of limitations - July through September	(3.0)	
Balance at September 30	$ 7.1	$ 8.7

At September 30, 2016, the total amount of interest recognized in the statement of financial condition approximated $2.8 million (December 31, 2015 - $3.2 million). The total interest expense recognized during the nine months ended September 30, 2016 was $1.0 million (December 31, 2015 - $57 thousand), which is net of the reversal of $1.4 million due to the expiration of the statute of limitations. Management determined that at September 30, 2016 and December 31, 2015 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, whiles the penalties, if any, are reported in other operating expenses in the consolidated statements of operations.

After consideration of the effect on U.S. federal tax of unrecognized U.S. state tax benefits, the total amount of unrecognized tax benefits, including U.S. and Puerto Rico, that if recognized, would affect the Corporation s effective tax rate, was approximately $8.6 million at September 30, 2016 (December 31, 2015 - $11.2 million).

The amount of unrecognized tax benefits may increase or decrease in the future for various reasons including adding amounts for current tax year positions, expiration of open income tax returns due to the statutes of limitation, changes in management s judgment about the level of uncertainty, status of examinations, litigation and legislative activity and the addition or elimination of uncertain tax positions.

The Corporation and its subsidiaries file income tax returns in Puerto Rico, the U.S. federal jurisdiction, various U.S. states and political subdivisions, and foreign jurisdictions. At September 30, 2016, the following years remain subject to examination in the U.S. Federal jurisdiction: 2013 and thereafter; and in the Puerto Rico jurisdiction, 2012 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 $4.8 million.

Table of Contents

Note 34 Supplemental disclosure on the consolidated statements of cash flows

Additional disclosures on cash flow information and non-cash activities for the nine months ended September 30, 2016 and September 30, 2015 are listed in the following table:

(In thousands)	September 30, 2016	September 30, 2015
Non-cash activities:		
Loans transferred to other real estate	$ 93,412	$ 104,778
Loans transferred to other property	22,408	29,034
Total loans transferred to foreclosed assets	115,820	133,812
Financed sales of other real estate assets	11,861	19,469
Financed sales of other foreclosed assets	13,426	19,516
Total financed sales of foreclosed assets	25,287	38,985
Transfers from loans held-in-portfolio to loans held-for-sale		72,501
Transfers from loans held-for-sale to loans held-in-portfolio	5,947	9,113
Transfers from trading securities to available-for-sale securities		5,523
Loans securitized into investment securities[1]	594,094	825,126
Trades receivable from brokers and counterparties	80,125	125,625
Trades payable to brokers and counterparties	22,174	24,812
Recognition of mortgage servicing rights on securitizations or asset transfers	7,886	10,798

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

As previously disclosed in Note 5, Business Combination, on February 27, 2015, the Corporation s Puerto Rico banking subsidiary, BPPR, in an alliance with co-bidders, including the Corporation s U.S. mainland banking subsidiary, BPNA, acquired certain assets and all deposits (other than certain brokered deposits) of Doral Bank from the FDIC as receiver. As part of this transaction, BPPR received as of June 30, 2015 net cash proceeds of approximately $ 731 million for consideration of the assets and liabilities acquired.

Table of Contents

Note 35 Segment reporting

The Corporation s corporate structure consists of two reportable segments Banco Popular de Puerto Rico and Banco Popular North America. These reportable segments pertain only to the continuing operations of Popular, Inc. As previously indicated in Note 4 to the consolidated financial statements, the regional operations in California, Illinois and Central Florida were classified as discontinued operations and sold during 2014.

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:

Given that Banco Popular de Puerto Rico constitutes a significant portion of the Corporation s results of operations and total assets at September 30, 2016, additional disclosures are provided for the business areas included in this reportable segment, as described below:

Commercial banking represents the Corporation s banking operations conducted at BPPR, which are targeted mainly to corporate, small and middle size businesses. It includes aspects of the lending and depository businesses, as well as other finance and advisory services. BPPR allocates funds across business areas based on duration matched transfer pricing at market rates. This area also incorporates income related with the investment of excess funds, as well as a proportionate share of the investment function of BPPR.

Consumer and retail banking represents the branch banking operations of BPPR which focus on retail clients. It includes the consumer lending business operations of BPPR, as well as the lending operations of Popular Auto and Popular Mortgage. Popular Auto focuses on auto and lease financing, while Popular Mortgage focuses principally on residential mortgage loan originations. The consumer and retail banking area also incorporates income related with the investment of excess funds from the branch network, as well as a proportionate share of the investment function of BPPR.

Other financial services include the trust and asset management service units of BPPR, the brokerage and investment banking operations of Popular Securities, and the insurance agency and reinsurance businesses of Popular Insurance, Popular Insurance V.I., Popular Risk Services, and Popular Life Re. Most of the services that are provided by these subsidiaries generate profits based on fee income.

Banco Popular North America:

Banco Popular North America s reportable segment consists of the banking operations of BPNA, E-LOAN, Popular Equipment Finance, Inc. and Popular Insurance Agency, U.S.A. BPNA operates through a retail branch network in the U.S. mainland under the name of Popular Community Bank, while E-LOAN supports BPNA s deposit gathering through its online platform. All direct lending activities at E-LOAN were ceased during 2008. During the third quarter of 2015, BPNA and E-LOAN completed an asset purchase and sale transaction in which E-LOAN sold to BPNA all of its outstanding loan portfolio, including residential mortgage loans and home equity lines of credit, which had a carrying value of approximately $213 million. Prior to this transaction, the Corporation provided additional disclosures for the BPNA reportable segment related to E-LOAN. After the close of the above mentioned asset purchase and sale transaction, additional disclosures with respect to E-LOAN are no longer considered relevant to the financial statements and accordingly are not presented. Popular Equipment Finance, Inc. also holds a running-off loan portfolio as this subsidiary ceased originating loans during 2009. Popular Insurance Agency, U.S.A. offers investment and insurance services across the BPNA 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 and Centro Financiero BHD, Leon. The Corporate group also includes the expenses of certain corporate areas that are identified as critical to the organization: Finance, Risk Management and Legal.

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.

Table of Contents

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

2016

For the quarter ended September 30, 2016

(In thousands)	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	$ 303,656	$ 65,339	$ (281)
Provision for loan losses	37,064	6,313	
Non-interest income	60,453	5,381	28
Amortization of intangibles	2,931	166	
Goodwill impairment charge	3,801		
Depreciation expense	9,774	1,666	
Other operating expenses	246,451	47,374	(639)
Income tax expense	14,479	6,037	162
Net income	$ 49,609	$ 9,164	$ 224
Segment assets	$ 30,403,259	$ 8,450,901	$ (16,818)

For the quarter ended September 30, 2016

(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	$ 368,714	$ (15,140)	$ 113	$ 353,687
Provision for loan losses	43,377	(33)		43,344
Non-interest income	65,862	10,468	(352)	75,978
Amortization of intangibles	3,097			3,097
Goodwill impairment charge	3,801			3,801
Depreciation expense	11,440	144		11,584
Other operating expenses	293,186	12,164	(160)	305,190
Income tax expense (benefit)	20,678	(4,807)	(32)	15,839
Net income (loss)	$ 58,997	$ (12,140)	$ (47)	$ 46,810
Segment assets	$ 38,837,342	$ 4,949,819	$ (4,732,865)	$ 39,054,296

For the nine months ended September 30, 2016

(In thousands)	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	$ 919,366	$ 193,102	$ (281)
Provision for loan losses	116,987	11,699	

Non-interest income	257,260	15,581	28
Amortization of intangibles	8,809	499	
Goodwill impairment charge	3,801		
Depreciation expense	29,885	4,343	
Other operating expenses	705,825	133,101	(639)
Income tax expense	77,651	25,597	162
Net income	$ 233,668	$ 33,444	$ 224
Segment assets	$ 30,403,259	$ 8,450,901	$ (16,818)

For the nine months ended September 30, 2016

(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	$ 1,112,187	$ (45,537)	$	$ 1,066,650
Provision (reversal of provision) for loan losses	128,686	(35)		128,651
Non-interest income	272,869	26,707	(1,465)	298,111
Amortization of intangibles	9,308			9,308
Goodwill impairment charge	3,801			3,801
Depreciation expense	34,228	497		34,725
Other operating expenses	838,287	50,613	(1,970)	886,930
Income tax expense (benefit)	103,410	(23,068)	208	80,550
Net income (loss)	$ 267,336	$ (46,837)	$ 297	$ 220,796
Segment assets	$ 38,837,342	$ 4,949,819	$ (4,732,865)	$ 39,054,296

2015

For the quarter ended September 30, 2015

(In thousands)	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	$ 303,834	$ 62,415	$
Provision for loan losses	66,011	813	
Non-interest income	116,765	5,426	
Amortization of intangibles	3,194	318	
Depreciation expense	9,964	1,368	
Other operating expenses	232,211	42,503	
Income tax expense	27,778	1,374	
Net income	$ 81,441	$ 21,465	$
Segment assets	$ 27,968,091	$ 7,477,202	$ (133,472)

For the quarter ended September 30, 2015

(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	$ 366,249	$ (15,514)	$	$ 350,735
Provision (reversal of provision) for loan losses	66,824	(146)		66,678
Non-interest income	122,191	8,974	(56)	131,109
Amortization of intangibles	3,512			3,512
Depreciation expense	11,332	178		11,510
Other operating expenses	274,714	17,841	(680)	291,875
Income tax expense (benefit)	29,152	(6,775)	243	22,620
Net income (loss)	$ 102,906	$ (17,638)	$ 381	$ 85,649
Segment assets	$ 35,311,821	$ 4,916,194	$ (4,697,221)	$ 35,530,794

For the nine months ended September 30, 2015

(In thousands)	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	$ 926,531	$ 176,447	$
Provision (reversal of provision) for loan losses	184,317	(1,450)	
Non-interest income	346,030	17,262	125
Amortization of intangibles	7,756	741	
Depreciation expense	30,175	4,731	
Other operating expenses	739,672	145,460	

Income tax expense (benefit)	82,539	(541,522)	
Net income	$ 228,102	$ 585,749	$ 125
Segment assets	$ 27,968,091	$ 7,477,202	$ (133,472)

For the nine months ended September 30, 2015				
(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	$ 1,102,978	$ (46,495)	$	$ 1,056,483
Provision for loan losses	182,867	80		182,947
Non-interest income	363,417	25,099	(1,413)	387,103
Amortization of intangibles	8,497			8,497
Depreciation expense	34,906	553		35,459
Other operating expenses	885,132	55,434	(2,110)	938,456
Income tax benefit	(458,983)	(19,633)	272	(478,344)
Net income (loss)	$ 813,976	$ (57,830)	$ 425	$ 756,571
Segment assets	$ 35,311,821	$ 4,916,194	$ (4,697,221)	$ 35,530,794

Additional disclosures with respect to the Banco Popular de Puerto Rico reportable segment are as follows:

Table of Contents

2016

For the quarter ended September 30, 2016

Banco Popular de Puerto Rico

(In thousands)	Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	$ 116,362	$ 186,445	$ 1,379	$ (530)	$ 303,656
Provision for loan losses	13,213	23,851			37,064
Non-interest income	(24,191)	59,284	25,444	(84)	60,453
Amortization of intangibles	22	1,838	1,071		2,931
Goodwill impairment charge			3,801		3,801
Depreciation expense	4,188	5,380	206		9,774
Other operating expenses	60,630	165,124	20,781	(84)	246,451
Income tax expense	7,542	6,894	43		14,479
Net income	$ 6,576	$ 42,642	$ 921	$ (530)	$ 49,609
Segment assets	$ 16,032,323	$ 17,753,118	$ 371,027	$ (3,753,209)	$ 30,403,259

For the nine months ended September 30, 2016

Banco Popular de Puerto Rico

(In thousands)	Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	$ 355,061	$ 557,489	$ 4,674	$ 2,142	$ 919,366
Provision for loan losses	26,969	90,018			116,987
Non-interest income	16,776	168,860	71,883	(259)	257,260
Amortization of intangibles	92	5,484	3,233		8,809
Goodwill impairment charge			3,801		3,801
Depreciation expense	12,735	16,491	659		29,885
Other operating expenses	183,706	467,448	54,930	(259)	705,825
Income tax expense	48,939	24,410	4,302		77,651
Net income	$ 99,396	$ 122,498	$ 9,632	$ 2,142	$ 233,668
Segment assets	$ 16,032,323	$ 17,753,118	$ 371,027	$ (3,753,209)	$ 30,403,259

2015

For the quarter ended September 30, 2015

Banco Popular de Puerto Rico

(In thousands)	Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	$ 111,605	$ 185,220	$ 2,186	$ 4,823	$ 303,834

Provision for loan losses	21,285	44,726			66,011
Non-interest income	30,997	62,367	23,501	(100)	116,765
Amortization of intangibles	7	2,056	1,131		3,194
Depreciation expense	3,682	6,005	277		9,964
Other operating expenses	55,591	158,842	17,878	(100)	232,211
Income tax expense	19,845	6,813	1,120		27,778
Net income	$ 42,192	$ 29,145	$ 5,281	$ 4,823	$ 81,441
Segment assets	$ 11,523,460	$ 16,299,451	$ 503,062	$ (357,882)	$ 27,968,091

Table of Contents

For the nine months ended September 30, 2015

(In thousands)	Banco Popular de Puerto Rico Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	$ 346,189	$ 569,306	$ 6,209	$ 4,827	$ 926,531
Provision for loan losses	86,422	97,895			184,317
Non-interest income	95,584	183,362	67,379	(295)	346,030
Amortization of intangibles	13	5,740	2,003		7,756
Depreciation expense	12,727	16,599	849		30,175
Other operating expenses	224,719	463,224	52,024	(295)	739,672
Income tax expense	32,503	44,121	5,915		82,539
Net income	$ 85,389	$ 125,089	$ 12,797	$ 4,827	$ 228,102
Segment assets	$ 11,523,460	$ 16,299,451	$ 503,062	$ (357,882)	$ 27,968,091

Geographic Information

(in thousands)	Quarter ended September 30, 2016	Quarter ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenues:				
Puerto Rico	$ 333,006	$ 395,086	$ 1,097,944	$ 1,196,112
United States	77,816	67,418	209,999	191,363
Other	18,843	19,340	56,818	56,111
Total consolidated revenues	$ 429,665	$ 481,844	$ 1,364,761	$ 1,443,586

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

Selected Balance Sheet Information:

(In thousands)	September 30, 2016	December 31, 2015
Puerto Rico		
Total assets	$ 29,405,343	$ 26,764,184
Loans	16,990,595	17,477,070
Deposits	23,410,341	20,893,232
United States		
Total assets	$ 8,738,087	$ 7,859,217
Loans	5,515,849	4,873,504

Deposits	5,857,025	5,288,886
Other		
Total assets	$ 910,866	$ 1,138,332
Loans	749,815	778,656
Deposits [1]	1,059,679	1,027,605

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

Table of Contents

Note 36 Condensed consolidating financial information of guarantor and issuers of registered guaranteed securities

The following condensed consolidating financial information presents the financial position of Popular, Inc. Holding Company (PIHC) (parent only), Popular North America, Inc. (PNA) and all other subsidiaries of the Corporation at September 30, 2016 and December 31, 2015, and the results of their operations and cash flows for periods ended September 30, 2016 and 2015.

PNA is an operating, wholly-owned subsidiary of PIHC and is the holding company of its wholly-owned subsidiaries: Equity One, Inc. and Banco Popular North America (BPNA), including BPNA s wholly-owned subsidiaries Popular Equipment Finance, Inc., Popular Insurance Agency, U.S.A., and E-LOAN, Inc.

PIHC fully and unconditionally guarantees all registered debt securities issued by PNA.

Table of Contents

Condensed Consolidating Statement of Financial Condition (Unaudited)

	At September 30, 2016				
(In thousands)	Popular Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Assets:					
Cash and due from banks	$ 7,979	$ 593	$ 350,244	$ (8,271)	$ 350,545
Money market investments	284,315	13,096	3,964,980	(298,896)	3,963,495
Trading account securities, at fair value	2,495		70,210	(121)	72,584
Investment securities available-for-sale, at fair value			7,628,656		7,628,656
Investment securities held-to-maturity, at amortized cost			97,973		97,973
Other investment securities, at lower of cost or realizable value	9,850	4,492	154,449		168,791
Investment in subsidiaries	5,791,238	1,843,518		(7,634,756)	
Loans held-for-sale, at lower of cost or fair value			72,076		72,076
Loans held-in-portfolio:					
Loans not covered under loss-sharing agreements with the FDIC	1,152		22,713,206		22,714,358
Loans covered under loss-sharing agreements with the FDIC			588,211		588,211
Less Unearned income			118,386		118,386
Allowance for loan losses	1		555,854		555,855
Total loans held-in-portfolio, net	1,151		22,627,177		22,628,328
FDIC loss-share asset			152,467		152,467
Premises and equipment, net	3,065		534,910		537,975
Other real estate not covered under loss-sharing agreements with the FDIC	81		184,747		184,828
Other real estate covered under loss-sharing agreements with the FDIC			37,414		37,414
Accrued income receivable	91	35	119,611	(46)	119,691
Mortgage servicing assets, at fair value			200,354		200,354
Other assets	60,326	24,368	2,093,102	(13,857)	2,163,939
Goodwill			627,294		627,294

Other intangible assets	553		47,333		47,886
Total assets	$ 6,161,144	$ 1,886,102	$ 38,962,997	$ (7,955,947)	$ 39,054,296
Liabilities and Stockholders Equity					
Liabilities:					
Deposits:					
Non-interest bearing	$	$	$ 6,958,558	$ (8,271)	$ 6,950,287
Interest bearing			23,675,654	(298,896)	23,376,758
Total deposits			30,634,212	(307,167)	30,327,045
Federal funds purchased and assets sold under agreements to repurchase			765,251		765,251
Other short-term borrowings			1,200		1,200
Notes payable	735,079	148,505	714,949		1,598,533
Other liabilities	45,577	3,431	945,500	(14,451)	980,057
Liabilities from discontinued operations			1,815		1,815
Total liabilities	780,656	151,936	33,062,927	(321,618)	33,673,901
Stockholders equity:					
Preferred stock	50,160				50,160

127

Table of Contents

Common stock	1,040	2	56,307	(56,309)	1,040
Surplus	4,226,315	4,111,207	5,698,605	(9,801,285)	4,234,842
Retained earnings (accumulated deficit)	1,267,822	(2,392,906)	300,102	2,084,277	1,259,295
Treasury stock, at cost	(7,554)			(93)	(7,647)
Accumulated other comprehensive loss, net of tax	(157,295)	15,863	(154,944)	139,081	(157,295)
Total stockholders equity	5,380,488	1,734,166	5,900,070	(7,634,329)	5,380,395
Total liabilities and stockholders equity	$ 6,161,144	$ 1,886,102	$ 38,962,997	$ (7,955,947)	$ 39,054,296

128

Table of Contents

Condensed Consolidating Statement of Financial Condition (Unaudited)

	At December 31, 2015				
(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Assets:					
Cash and due from banks	$ 24,298	$ 600	$ 363,620	$ (24,844)	$ 363,674
Money market investments	262,204	23,931	2,179,887	(285,930)	2,180,092
Trading account securities, at fair value	2,020		69,639		71,659
Investment securities available-for-sale, at fair value	216		6,062,776		6,062,992
Investment securities held-to-maturity, at amortized cost			100,903		100,903
Other investment securities, at lower of cost or realizable value	9,850	4,492	157,906		172,248
Investment in subsidiaries	5,539,325	1,789,512		(7,328,837)	
Loans held-for-sale, at lower of cost or fair value			137,000		137,000
Loans held-in-portfolio:					
Loans not covered under loss-sharing agreements with the FDIC	1,176		22,452,637		22,453,813
Loans covered under loss-sharing agreements with the FDIC			646,115		646,115
Less Unearned income			107,698		107,698
Allowance for loan losses	3		537,108		537,111
Total loans held-in-portfolio, net	1,173		22,453,946		22,455,119
FDIC loss-share asset			310,221		310,221
Premises and equipment, net	2,823		499,788		502,611
Other real estate not covered under loss-sharing agreements with the FDIC	532		154,699		155,231
Other real estate covered under loss-sharing agreements with the FDIC			36,685		36,685
Accrued income receivable	85	115	124,070	(36)	124,234
Mortgage servicing assets, at fair value			211,405		211,405
Other assets	54,908	23,596	2,132,616	(17,958)	2,193,162
Goodwill			626,388		626,388

Other intangible assets	554		57,555		58,109
Total assets	$ 5,897,988	$ 1,842,246	$ 35,679,104	$ (7,657,605)	$ 35,761,733
Liabilities and Stockholders Equity					
Liabilities:					
Deposits:					
Non-interest bearing	$	$	$ 6,426,359	$ (24,844)	$ 6,401,515
Interest bearing			21,094,138	(285,930)	20,808,208
Total deposits			27,520,497	(310,774)	27,209,723
Federal funds purchased and assets sold under agreements to repurchase			762,145		762,145
Other short-term borrowings			1,200		1,200
Notes payable	733,516	148,483	780,509		1,662,508
Other liabilities	59,148	6,659	971,429	(18,218)	1,019,018
Liabilities from discontinued operations			1,815		1,815
Total liabilities	792,664	155,142	30,037,595	(328,992)	30,656,409
Stockholders equity:					
Preferred stock	50,160				50,160

129

Table of Contents

Common stock	1,038	2	56,307	(56,309)	1,038
Surplus	4,220,629	4,111,208	5,712,635	(9,815,316)	4,229,156
Retained earnings (accumulated deficit)	1,096,484	(2,416,251)	128,459	2,279,265	1,087,957
Treasury stock, at cost	(6,101)				(6,101)
Accumulated other comprehensive loss, net of tax	(256,886)	(7,855)	(255,892)	263,747	(256,886)
Total stockholders equity	5,105,324	1,687,104	5,641,509	(7,328,613)	5,105,324
Total liabilities and stockholders equity	$ 5,897,988	$ 1,842,246	$ 35,679,104	$ (7,657,605)	$ 35,761,733

Condensed Consolidating Statement of Operations (Unaudited)

	Quarter ended September 30, 2016				
(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Interest and dividend income:					
Dividend income from subsidiaries	$ 24,200	$	$	$ (24,200)	$
Loans	21		363,529		363,550
Money market investments	398	27	4,568	(425)	4,568
Investment securities	141	81	37,510		37,732
Trading account securities			1,449		1,449
Total interest and dividend income	24,760	108	407,056	(24,625)	407,299
Interest expense:					
Deposits			32,787	(425)	32,362
Short-term borrowings			2,132		2,132
Long-term debt	13,118	2,692	3,308		19,118
Total interest expense	13,118	2,692	38,227	(425)	53,612
Net interest income (expense)	11,642	(2,584)	368,829	(24,200)	353,687
Provision (reversal) for loan losses- non-covered loans	(33)		42,627		42,594
Provision for loan losses- covered loans			750		750
Net interest income (expense) after provision for loan losses	11,675	(2,584)	325,452	(24,200)	310,343
Service charges on deposit accounts			40,776		40,776

Other service fees			59,233	(64)	59,169
Mortgage banking activities			15,272		15,272
Net gain on sale of investment securities	184		165		349
Trading account profit (loss)	77		(163)	(27)	(113)
Net gain on sale of loans, including valuation adjustments on loans held-for-sale			8,549		8,549
Adjustments (expense) to indemnity reserves on loans sold			(4,390)		(4,390)
FDIC loss-share expense			(61,723)		(61,723)
Other operating income	4,002	152	13,955	(20)	18,089
Total non-interest income	4,263	152	71,674	(111)	75,978
Operating expenses:					
Personnel costs	11,137		110,087		121,224
Net occupancy expenses	939		20,687		21,626
Equipment expenses	776	1	15,145		15,922
Other taxes	46		11,278		11,324
Professional fees	2,642	31	78,658	(65)	81,266

Table of Contents

Communications	140		5,645		5,785
Business promotion	516		12,210		12,726
FDIC deposit insurance			5,854		5,854
Other real estate owned (OREO) expenses	(16)		11,311		11,295
Other operating expenses	(19,795)	3	50,077	(533)	29,752
Amortization of intangibles			3,097		3,097
Goodwill impairment charge			3,801		3,801
Total operating expenses	(3,615)	35	327,850	(598)	323,672
Income (loss) before income tax and equity in earnings of subsidiaries	19,553	(2,467)	69,276	(23,713)	62,649
Income tax (benefit) expense	(2)	(864)	16,504	201	15,839
Income (loss) before equity in earnings of subsidiaries	19,555	(1,603)	52,772	(23,914)	46,810
Equity in undistributed earnings of subsidiaries	27,255	9,190		(36,445)	
Net Income	$ 46,810	$ 7,587	$ 52,772	$ (60,359)	$ 46,810
Comprehensive income, net of tax	$ 35,127	$ 3,426	$ 41,429	$ (44,855)	$ 35,127

Table of Contents

Condensed Consolidating Statement of Operations (Unaudited)

	Nine months ended September 30, 2016				
(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Interest and dividend income:					
Dividend income from subsidiaries	$ 78,100	$	$	$ (78,100)	$
Loans	60		1,096,408		1,096,468
Money market investments	976	78	11,320	(1,054)	11,320
Investment securities	522	242	109,964		110,728
Trading account securities			5,013		5,013
Total interest and dividend income	79,658	320	1,222,705	(79,154)	1,223,529
Interest expense:					
Deposits			93,889	(1,054)	92,835
Short-term borrowings			6,051		6,051
Long-term debt	39,353	8,077	10,563		57,993
Total interest expense	39,353	8,077	110,503	(1,054)	156,879
Net interest income (expense)	40,305	(7,757)	1,112,202	(78,100)	1,066,650
Provision (reversal) for loan losses- non-covered loans	(36)		130,238		130,202
Provision (reversal) for loan losses- covered loans			(1,551)		(1,551)
Net interest income (expense) after provision for loan losses	40,341	(7,757)	983,515	(78,100)	&n