

POPULAR INC
Form 10-Q
November 09, 2016
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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
(State or other jurisdiction of
Incorporation or organization)

66-0667416
(IRS Employer
Identification Number)

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

**00918
(Zip code)**

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

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

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.

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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 performance of the 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;

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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)**

	September 30, 2016	December 31, 2015
(In thousands, except share information)		
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

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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; 2,006,391 shares 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		Nine months ended September 30, 2015	
	2016	2015	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

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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

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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,		Nine months ended, September 30,	
	2016	2015	2016	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,		Nine months ended, September 30,	
	2016	2015	2016	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

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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.

Table of Contents**POPULAR, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****(UNAUDITED)**

(in thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance at December 31, 2014	\$ 1,036	\$ 50,160	\$ 4,196,458	\$ 253,717	\$ (4,117)	\$ (229,872)	\$ 4,267,382
Net income				757,918			757,918
Suance of stock	1		4,176				4,177
Ex windfall benefit on vesting of restricted stock			171				171
Dividends declared:							
Common stock				(15,534)			(15,534)
Preferred stock				(2,792)			(2,792)
Common stock purchases					(1,798)		(1,798)
Common stock reissuance					46		46
Other comprehensive income, net of tax						40,066	40,066
Balance at September 30, 2015	\$ 1,037	\$ 50,160	\$ 4,200,805	\$ 993,309	\$ (5,869)	\$ (189,806)	\$ 5,049,636
Balance at December 31, 2015	\$ 1,038	\$ 50,160	\$ 4,229,156	\$ 1,087,957	\$ (6,101)	\$ (256,886)	\$ 5,105,322
Net income				220,796			220,796
Suance of stock	2		5,716				5,718
Ex windfall shortfall on vesting of restricted stock			(30)				(30)
Dividends declared:							
Common stock				(46,666)			(46,666)
Preferred stock				(2,792)			(2,792)
Common stock purchases					(1,563)		(1,563)
Common stock reissuance					17		17
Other comprehensive income, net of tax						99,591	99,591
Balance at September 30, 2016	\$ 1,040	\$ 50,160	\$ 4,234,842	\$ 1,259,295	\$ (7,647)	\$ (157,295)	\$ 5,380,395

Disclosure of changes in number of shares:

	September 30, 2016	September 30, 2015
Preferred Stock:		
Balance at beginning and end of period	2,006,391	2,006,391
Common Stock Issued:		
Balance at beginning of period	103,816,185	103,614,553

Balance of stock	198,196	131,400
Balance at end of the period	104,014,381	103,745,950
Treasury stock	(251,785)	(189,670)
Common Stock Outstanding	103,762,596	103,556,280

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

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

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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.

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Notes to Consolidated Financial

Statements (Unaudited)

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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.

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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.

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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

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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.

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*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.

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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:

(In thousands)	Nine months ended September 30,	
	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.

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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:

(In thousands)	Quarter ended September 30, 2015			Nine months ended September 30, 2015		
	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

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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				Weighted average yield
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
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

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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.

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(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.

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	For the quarter ended September 30,		For the quarter ended September 30,	
(In thousands)	2016	2015	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.

	Less than 12 months		At September 30, 2016 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

	Less than 12 months		At December 31, 2015 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

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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.

(In thousands)	September 30, 2016		December 31, 2015	
	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.

(In thousands)	At September 30, 2016				Weighted average yield
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
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.

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

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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.

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(In thousands)	Less than 12 months		At September 30, 2016 12 months or more		Total	
	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

(In thousands)	Less than 12 months		At December 31, 2015 12 months or more		Total	
	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.

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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 accretible 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.

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(In thousands)	September 30, 2016 Puerto Rico					
	30-59 days	60-89 days	Past due 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

(In thousands)	September 30, 2016 U.S. mainland					
	30-59 days	60-89 days	Past due 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

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September 30, 2016						
Popular, Inc.						
Past due						
(In thousands)	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	\$ 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						
(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	\$ 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

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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

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(In thousands)	December 31, 2015 U.S. mainland Past due				Current	Loans HIP U.S. mainland
	30-59 days	60-89 days	90 days or more	Total past due		
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				Current	Non-covered loans HIP Popular, Inc. ^{[1] [2]}
	30-59 days	60-89 days	90 days or more	Total past due		
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.

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(In thousands)	At September 30, 2016					
	Puerto Rico		U.S. mainland		Popular, Inc.	
	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.

(In thousands)	At December 31, 2015					
	Puerto Rico		U.S. mainland		Popular, Inc.	
	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.

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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.

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

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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.

(In thousands)	September 30, 2016		December 31, 2015	
	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.

(In thousands)	September 30, 2016			December 31, 2015		
	Carrying amount			Carrying amount		
	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

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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.

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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						
(In thousands)	September 30, 2016			September 30, 2015		
	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						
(In thousands)	September 30, 2016			September 30, 2015		
	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						
(In thousands)	September 30, 2016			September 30, 2015		
	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
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[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).

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Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30						
For the nine months ended						
(In thousands)	September 30, 2016			September 30, 2015		
	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

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
(In thousands)		
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

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Carrying amount of other acquired loans accounted for pursuant to ASC 310-30		
	For the quarter ended September 30, 2016	For the quarter ended September 30, 2015
(In thousands)		
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		
	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
(In thousands)		
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

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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.

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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

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For the quarter ended September 30, 2016

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
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

For the nine months ended September 30, 2016

Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
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:

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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

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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
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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

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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

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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

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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
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Loans held-in-portfolio:

Impaired covered loans	\$	\$	\$		\$	\$		\$	
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Covered loans held-in-portfolio excluding impaired loans				645,663			19,765		665,428
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Total covered loans held-in-portfolio	\$	\$	\$	645,663	\$	\$	19,765	\$	665,428
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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
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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
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Total loans

held-in-portfolio	\$	10,130,424	\$	692,492	\$	7,811,142	\$	67,974	\$	606,927	\$	3,854,535	\$	23,163,494
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The following table provides the activity in the allowance for loan losses related to Westernbank loans accounted for pursuant to ASC Subtopic 310-30.

(In thousands)	ASC 310-30			
	For the quarters ended		For the nine months ended	
	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								
(In thousands)	Impaired Loans			With an		Impaired Loans		
	Recorded investment	Allowance Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Impaired Loans - Total		
						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	Impaired Loans			
		Allowance			With No Allowance		Impaired Loans - Total	
	Recorded	Unpaid	Related	Recorded	Unpaid	Recorded	Unpaid	Related
(In thousands)	investment	principal balance	allowance	investment	principal balance	investment	principal balance	allowance
Mortgage	\$ 6,361	\$ 7,309	\$ 1,990	\$ 2,535	\$ 2,535	\$ 8,896	\$ 9,844	\$ 1,990
Consumer:								

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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
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September 30, 2016

Popular, Inc.

Impaired Loans With an Impaired Loans

(In thousands)	Recorded investment	Allowance Unpaid principal balance	Related allowance	With No Allowance Recorded investment	Unpaid principal balance	Impaired Loans - Total 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

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December 31, 2015

Puerto Rico

(In thousands)	Impaired Loans		With an	Impaired Loans		Impaired Loans - Total		
	Recorded	Allowance Unpaid		Recorded	Allowance Unpaid	Recorded	Unpaid	Related
	investment	principal balance	Related allowance	investment	principal balance	investment	principal balance	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

(In thousands)	Impaired Loans		With an	Impaired Loans		Impaired Loans - Total		
	Recorded	Allowance Unpaid		Recorded	Allowance Unpaid	Recorded	Unpaid	Related
	investment	principal balance	Related allowance	investment	principal balance	investment	principal balance	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

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December 31, 2015

Popular, Inc.

Impaired Loans	With an	Impaired Loans
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		Allowance		With No	Allowance		Impaired Loans - Total	
(In thousands)	Recorded	Unpaid	Related	Recorded	Unpaid	Recorded	Unpaid	Related
	investment	principal	allowance	investment	principal	investment	principal	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.

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For the quarter ended September 30, 2016

(In thousands)	Puerto Rico		U.S. Mainland		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	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		U.S. Mainland		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	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

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	Puerto Rico		U.S. Mainland		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
(In thousands)						
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

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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

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	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

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(In thousands)	September 30, 2016				December 31, 2015			
	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				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				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 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

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	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

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Popular, Inc.								
	For the quarter ended September 30, 2016				For the nine months ended September 30, 2016			
	Combination of reduction in interest rate and extension of maturity date				Combination of reduction in interest rate and extension of maturity date			
	Reduction in interest rate	Extension of maturity date	Other		Reduction in interest rate	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			
	Combination of reduction in interest rate and extension of maturity date				Combination of reduction in interest rate and extension of maturity date			
	Reduction in interest rate	Extension of maturity date	Other		Reduction in interest rate	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		

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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

	Combination of reduction in interest rate and extension of maturity date				Combination of reduction in interest rate and extension of maturity date			
	Reduction in interest rate	Extension of maturity date	Other		Reduction in interest rate	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

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Popular, Inc.								
For the quarter ended September 30, 2015					For the nine months ended September 30, 2015			
	Combination of reduction in interest rate and extension of maturity date				Combination of reduction in interest rate and extension of maturity date			
	Reduction in interest rate	Extension of maturity date	Other		Reduction in interest rate	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		Increase (decrease) in the allowance for loan losses as a result of modification
		Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	
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

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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

	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
(Dollars in thousands)				
Mortgage	7	\$ 537	\$ 627	\$ 134
Consumer:				
Personal	3	114	119	21
Total	10	\$ 651	\$ 746	\$ 155

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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

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

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