POPULAR INC
Form 10-Q
August 11, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2014

Commission File Number: 001-34084

POPULAR, INC.

(Exact name of registrant as specified in its charter)

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

Popular Center Building

209 Muñoz Rivera Avenue

Hato Rey, Puerto Rico	**00918**
(Address of principal executive offices)	**(Zip code)**

(787) 765-9800

(Registrant s telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
x 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). x 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 x	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 x 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, 103,481,803 shares outstanding as of August 4, 2014.

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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 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;
- 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 performance of the stock and bond markets;
- competition in the financial services industry;
- additional Federal Deposit Insurance Corporation (FDIC) assessments;
- the resolution of our dispute with the FDIC under our loss share agreement entered into in connection with the Westernbank-FDIC assisted transaction; and
- possible legislative, tax or regulatory changes.

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 the general economy, 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; 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; adverse movements and volatility in debt and equity capital markets; changes in market rates and prices which may adversely impact the value of financial assets and liabilities; liabilities resulting from litigation and regulatory investigations; changes in accounting standards, rules and interpretations; increased competition; 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, 2013 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 document are based upon information available to the Corporation as of the date of this document, and other than as required by law, including the requirements of applicable securities laws, we assume no obligation to update or revise any such forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

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CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(UNAUDITED)

(In thousands, except share information)	June 30, 2014	December 31, 2013
Assets:		
Cash and due from banks	$ 362,572	$ 423,211
Money market investments:		
Federal funds sold		5,055
Securities purchased under agreements to resell	192,490	175,965
Time deposits with other banks	1,474,454	677,433
Total money market investments	1,666,944	858,453
Trading account securities, at fair value:		
Pledged securities with creditors right to repledge	255,990	308,978
Other trading securities	89,833	30,765
Investment securities available-for-sale, at fair value:		
Pledged securities with creditors right to repledge	1,483,479	1,286,839
Other investment securities available-for-sale	4,170,513	4,007,961
Investment securities held-to-maturity, at amortized cost (fair value 2014 - $103,501; 2013 - $120,688)	114,280	140,496
Other investment securities, at lower of cost or realizable value (realizable value 2014 - $170,700; 2013 - $184,526)	168,125	181,752
Loans held-for-sale, at lower of cost or fair value	97,010	110,426
Loans held-in-portfolio:		
Loans not covered under loss sharing agreements with the FDIC	19,726,234	21,704,010
Loans covered under loss sharing agreements with the FDIC	2,736,102	2,984,427
Less Unearned income	91,010	92,144
Allowance for loan losses	624,911	640,555
Total loans held-in-portfolio, net	21,746,415	23,955,738
FDIC loss share asset	751,553	948,608
Premises and equipment, net	492,382	519,516
Other real estate not covered under loss sharing agreements with the FDIC	139,420	135,501
Other real estate covered under loss sharing agreements with the FDIC	155,805	168,007
Accrued income receivable	119,520	131,536
Mortgage servicing assets, at fair value	151,951	161,099
Other assets	2,292,360	1,687,558
Goodwill	461,246	647,757

Other intangible assets	40,122	45,132
Assets from discontinued operations (Refer to Note 3)	1,828,382	
Total assets	$ 36,587,902	$ 35,749,333
Liabilities and Stockholders Equity		
Liabilities:		
Non-interest bearing	$ 5,666,685	$ 5,922,682
Interest bearing	19,234,467	20,788,463
Total deposits	24,901,152	26,711,145
Federal funds purchased and assets sold under agreements to repurchase	2,074,676	1,659,292
Other short-term borrowings	31,200	401,200
Notes payable	2,360,089	1,584,754
Other liabilities	880,602	766,792
Liabilities from discontinued operations (Refer to Note 3)	2,079,742	
Total liabilities	32,327,461	31,123,183
Commitments and contingencies (Refer to Note 24)		
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; 103,539,383 shares issued (2013 103,435,967) and 103,472,979 shares outstanding (2013 103,397,699)	1,035	1,034
Surplus	4,173,616	4,170,152
Retained earnings	167,663	594,430
Treasury stock at cost, 66,404 shares (2013 38,268)	(1,742)	(881)
Accumulated other comprehensive loss, net of tax	(130,291)	(188,745)
Total stockholders equity	4,260,441	4,626,150
Total liabilities and stockholders equity	$ 36,587,902	$ 35,749,333

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share information)	Quarters ended June 30, 2014	Quarters ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest income:				
Loans	$ 380,986	$ 370,298	$ 758,588	$ 730,814
Money market investments	1,131	829	2,104	1,784
Investment securities	33,989	36,106	69,116	73,929
Trading account securities	5,344	5,456	10,601	10,970
Total interest income	421,450	412,689	840,409	817,497
Interest expense:				
Deposits	26,223	32,445	53,081	67,061
Short-term borrowings	8,892	9,767	17,932	19,548
Long-term debt	445,716	36,066	477,606	71,833
Total interest expense	480,831	78,278	548,619	158,442
Net interest (expense) income	(59,381)	334,411	291,790	659,055
Provision for loan losses non-covered loans	50,074	228,975	104,196	438,068
Provision for loan losses covered loans	11,604	25,500	37,318	43,056
Net interest (expense) income after provision for loan losses	(121,059)	79,936	150,276	177,931
Service charges on deposit accounts	39,237	41,378	78,596	82,539
Other service fees (Refer to Note 30)	56,468	57,279	109,286	112,223
Mortgage banking activities (Refer to Note 12)	3,788	18,081	7,466	38,378
Net gain and valuation adjustments on investment securities		5,856		5,856
Trading account profit (loss)	1,055	(4,345)	3,032	(5,329)
Net gain (loss) on sale of loans, including valuation adjustments on loans held-for-sale	9,659	4,291	14,052	(58,428)
Adjustments (expense) to indemnity reserves on loans sold	(7,454)	(11,632)	(17,801)	(27,775)
FDIC loss share expense (Refer to Note 31)	(55,261)	(3,755)	(79,467)	(30,021)
Other operating income	15,297	181,565	43,657	201,585
Total non-interest income	62,789	288,718	158,821	319,028
Operating expenses:				
Personnel costs	99,100	106,359	203,401	213,940
Net occupancy expenses	20,267	21,059	41,627	41,551

Equipment expenses	12,044	11,485	23,456	23,105
Other taxes	13,543	15,225	27,206	26,753
Professional fees	67,024	67,015	134,023	134,752
Communications	6,425	6,395	13,110	12,946
Business promotion	16,038	15,357	27,424	27,942
FDIC deposit insurance	10,480	18,557	21,458	26,913
Other real estate owned (OREO) expenses	3,410	7,657	9,850	53,524
Other operating expenses	20,509	22,766	42,858	43,684
Amortization of intangibles	2,025	1,989	4,051	3,979
Restructuring costs (Refer to Note 4)	4,574		4,574	
Total operating expenses	275,439	293,864	553,038	609,089
(Loss) income from continuing operations before income tax	(333,709)	74,790	(243,941)	(112,130)
Income tax (benefit) expense	(4,124)	(237,380)	19,140	(294,257)
(Loss) income from continuing operations	(329,585)	312,170	(263,081)	182,127
(Loss) income from discontinued operations, net of tax (Refer to Note 3)	(181,729)	15,298	(161,824)	25,034
Net (Loss) Income	$ (511,314)	$ 327,468	$ (424,905)	$ 207,161
Net (Loss) Income Applicable to Common Stock	$ (512,245)	$ 326,537	$ (426,767)	$ 205,300
Net (Loss) Income per Common Share Basic				
Net (loss) income from continuing operations	$ (3.21)	3.03	(2.58)	1.76
Net (loss) income from discontinued operations	(1.77)	0.15	(1.57)	0.24
Net (Loss) Income per Common Share Basic	$ (4.98)	$ 3.18	$ (4.15)	$ 2.00
Net (Loss) Income per Common Share Diluted				
Net (loss) income from continuing operations	$ (3.21)	3.02	(2.58)	1.75
Net (loss) income from discontinued operations	(1.77)	0.15	(1.57)	0.24
Net (Loss) Income per Common Share Diluted	$ (4.98)	$ 3.17	$ (4.15)	$ 1.99

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(UNAUDITED)

(In thousands)	Quarters ended, June 30, 2014	Quarters ended, June 30, 2013	Six months ended, June 30, 2014	Six months ended, June 30, 2013
Net (loss) income	$ (511,314)	$ 327,468	$ (424,905)	$ 207,161
Other comprehensive income (loss) before tax:				
Foreign currency translation adjustment	(603)	(2,653)	(2,718)	(1,929)
Reclassification adjustment for losses included in net income			7,718	
Amortization of net losses of pension and postretirement benefit plans	2,126	6,169	4,252	12,338
Amortization of prior service cost of pension and postretirement benefit plans	(950)		(1,900)	
Unrealized holding gains (losses) on investments arising during the period	27,084	(115,514)	54,666	(144,469)
Unrealized net (losses) gains on cash flow hedges	(2,548)	5,882	(4,273)	5,782
Reclassification adjustment for net (gains) losses included in net income	1,800	(3,045)	3,624	(3,196)
Other comprehensive income (loss) before tax	26,909	(109,161)	61,369	(131,474)
Income tax (expense) benefit	(925)	5,130	(2,915)	8,303
Total other comprehensive income (loss), net of tax	25,984	(104,031)	58,454	(123,171)
Comprehensive (loss) income, net of tax	$ (485,330)	$ 223,437	$ (366,451)	$ 83,990

Tax effect allocated to each component of other comprehensive loss:

(In thousands)	Quarters ended June 30, 2014	Quarters ended June 30, 2013	Six months ended, June 30, 2014	Six months ended, June 30, 2013
Amortization of net losses of pension and postretirement benefit plans	$ (829)	$ (2,962)	$ (1,658)	$ (4,813)
Amortization of prior service cost of pension and postretirement benefit plans	370		741	
Unrealized holding gains (losses) on investments arising during the period	(758)	8,942	(2,251)	13,891
Unrealized net (losses) gains on cash flow hedges	994	(1,764)	1,666	(1,734)
Reclassification adjustment for net (gains) losses included in net income	(702)	914	(1,413)	959

Income tax (expense) benefit	$	(925)	$	5,130	$	(2,915)	$	8,303

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(UNAUDITED)

n thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
alance at December 31, 2012	$ 1,032	$ 50,160	$ 4,150,294	$ 11,826	$ (444)	$ (102,868)	$ 4,110,000
et income				207,161			207,161
suance of stock	1		3,231				3,232
vidends declared:							
eferred stock				(1,861)			(1,861
ommon stock purchases					(325)		(325
her comprehensive loss, net of tax						(123,171)	(123,171
alance at June 30, 2013	$ 1,033	$ 50,160	$ 4,153,525	$ 217,126	$ (769)	$ (226,039)	$ 4,195,036
alance at December 31, 2013	$ 1,034	$ 50,160	$ 4,170,152	$ 594,430	$ (881)	$ (188,745)	$ 4,626,150
et loss				(424,905)			(424,905
suance of stock	1		3,047				3,048
x windfall benefit on vesting of restricted ock			417				417
vidends declared:							
eferred stock				(1,862)			(1,862
ommon stock purchases					(872)		(872
ommon stock reissuance					11		11
her comprehensive income, net of tax						58,454	58,454
alance at June 30, 2014	$ 1,035	$ 50,160	$ 4,173,616	$ 167,663	$ (1,742)	$ (130,291)	$ 4,260,441

sclosure of changes in number of shares:	June 30, 2014	June 30, 2013
eferred Stock:		
alance at beginning and end of period	2,006,391	2,006,391
ommon Stock Issued:		
alance at beginning of period	103,435,967	103,193,303
suance of stock	103,416	117,849
alance at end of the period	103,539,383	103,311,152
easury stock	(66,404)	(35,021
ommon Stock Outstanding	103,472,979	103,276,131

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Six months ended June 30, 2014	2013
Cash flows from operating activities:		
Net (loss) income	$ (424,905)	$ 207,161
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loan losses	134,750	473,264
Goodwill impairment losses	186,511	
Amortization of intangibles	5,007	4,935
Depreciation and amortization of premises and equipment	23,832	25,009
Net accretion of discounts and amortization of premiums and deferred fees	324,779	(29,525)
Fair value adjustments on mortgage servicing rights	15,836	10,741
FDIC loss share expense	79,467	30,021
Adjustments (expense) to indemnity reserves on loans sold	17,801	27,775
Earnings from investments under the equity method	(24,355)	(34,214)
Deferred income tax expense (benefit)	2,689	(321,854)
Loss (gain) on:		
Disposition of premises and equipment	(2,551)	(2,347)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	(42,413)	44,577
Sale of stock in equity method investee		(136,722)
Sale of foreclosed assets, including write-downs	(2,035)	35,006
Acquisitions of loans held-for-sale	(159,727)	(15,335)
Proceeds from sale of loans held-for-sale	72,757	119,003
Net originations on loans held-for-sale	(338,672)	(867,917)
Net (increase) decrease in:		
Trading securities	459,792	858,092
Accrued income receivable	6,721	(18,177)
Other assets	(48,455)	2,103
Net increase (decrease) in:		
Interest payable	633	(2,570)
Pension and other postretirement benefit obligation	(3,096)	3,786
Other liabilities	30,260	4,055
Total adjustments	739,531	209,706
Net cash provided by operating activities	314,626	416,867

Cash flows from investing activities:

Net (increase) decrease in money market investments	(808,491)	13,641
Purchases of investment securities:		
Available-for-sale	(1,079,586)	(1,490,647)
Other	(51,097)	(116,731)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	816,830	1,378,311
Held-to-maturity	27,029	2,359
Other	64,724	83,592
Net repayments on loans	473,336	624,262
Proceeds from sale of loans	87,983	295,237
Acquisition of loan portfolios	(289,292)	(1,520,088)
Net payments from (to) FDIC under loss sharing agreements	110,618	(107)
Return of capital from equity method investments		438
Proceeds from sale of stock in equity method investee		166,332
Mortgage servicing rights purchased		(45)
Acquisition of premises and equipment	(20,333)	(19,774)
Proceeds from sale of:		
Premises and equipment	8,631	5,891
Foreclosed assets	81,010	120,365
Net cash used in investing activities	(578,638)	(456,964)
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	252,715	(259,950)
Federal funds purchased and assets sold under agreements to repurchase	418,381	(344,047)
Other short-term borrowings	(370,000)	590,000
Payments of notes payable	(111,030)	(48,458)
Proceeds from issuance of notes payable	31,905	49,874
Proceeds from issuance of common stock	3,048	3,232
Dividends paid	(1,862)	(1,551)
Net payments for repurchase of common stock	(861)	(325)
Net cash provided by (used in) financing activities	222,296	(11,225)
Net decrease in cash and due from banks	(41,716)	(51,322)
Cash and due from banks at beginning of period	423,211	439,363
Cash and due from banks at end of period, including discontinued operations	381,495	388,041
Less: cash from discontinued operations	18,923	
Cash and due from banks at end of period	$ 362,572	$ 388,041

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

The Consolidated Statements of Cash Flows for the periods ended June 30, 2014 and 2013 include 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 Organization, consolidation and basis of presentation

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, including mortgage loan originations, 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. The Corporation s mortgage origination business is conducted under the brand name Popular Mortgage, a division of BPPR. In the U.S. mainland, the Corporation operates Banco Popular North America (BPNA), including its wholly-owned subsidiary E-LOAN. BPNA focuses efforts and resources on the core community banking business. BPNA operates branches in New York, California, Illinois, New Jersey and Florida. E-LOAN markets deposit accounts under its name for the benefit of BPNA. The BPNA branches operate under the name of Popular Community Bank. Note 36 to the consolidated financial statements presents information about the Corporation s business segments. Note 37 presents information regarding definitive agreements entered into by BPNA sell its regional operations in California, Illinois and Central Florida.

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, 2013 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 2013 consolidated financial statements and notes to the financial statements to conform with the 2014 presentation. As discussed in Note 3, current and prior periods presented in the consolidated statement of operations as well as the related note disclosures covering income and expense amounts have been retrospectively adjusted for the impact of the discontinued operations for comparative purposes. The consolidated statement of financial condition and related note disclosure for prior periods do not reflect the reclassification of BPNA s assets and liabilities to discontinued operations.

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, 2013, included in the Corporation s 2013 Annual Report (the 2013 Annual Report). 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 2 New accounting pronouncements

FASB Accounting Standards Update 2014-12, Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (ASU 2014-12)

The FASB issued ASU 2014-12 in June 2014, which intends to resolve the diverse accounting treatment of awards with a performance target that could be achieved after an employee completes the requisite service period. That is, the employee would be eligible to vest in the award regardless of whether the employee is rendering service on the date the performance target is achieved.

The amendments of the ASU require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award.

Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period.

The amendments in the ASU are effective in the first quarter of 2016. Early adoption is permitted. The amendments of this ASU can be applied (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets outstanding at the beginning of the period of adoption and to all new or modified awards thereafter.

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

FASB Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures (ASU 2014-11)

The FASB issued ASU 2014-11 in June 2014, which requires two accounting changes. First, the amendments in this Update change the accounting for repurchase-to-maturity transactions to secured borrowing accounting. Second, for repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement.

The amendments in this Update require disclosures for certain transactions comprising (1) a transfer of a financial asset accounted for as a sale and (2) an agreement with the same transferee entered into in contemplation of the initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction.

The accounting changes in this ASU are effective in the first quarter of 2015. Early application is prohibited. An entity is required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

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

FASB Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606); (ASU 2014-09)

The FASB issued ASU 2014-09 in May 2014, which clarifies the principles for recognizing revenue and develop a common revenue standard that would (1) remove inconsistencies and weaknesses in revenue requirements, (2) provide a more robust framework for addressing revenue issues, (3) improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provide more useful information to users of financial statement through improved disclosure requirements and (5) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. ASU 2014-09 amends the ASC Codification and creates a new Topic 606, Revenue from Contracts with Customers.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In addition, the new guidance requires disclosures to enable users of financial statements to understand the nature, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about contract with customers, significant judgments and changes in judgments, and assets recognized from the cost to obtain or fulfill a contract.

The amendments in this ASU are effective in the first quarter of 2017. Early adoption is not permitted.

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

FASB Accounting Standards Update 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposal of Components of an Entity (ASU 2014-08)

The FASB issued ASU 2014-08 in April 2014, which changes the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization s operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity investment.

In addition, the new guidance requires expanded disclosures about discontinued operations that will include more information about the assets, liabilities, income, and expenses of discontinued operations.

The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide information about the ongoing trends in the reporting organization s results from continuing operations.

The amendments in the ASU are effective in the first quarter of 2015. Early adoption is permitted.

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

FASB Accounting Standards Update 2014-04, Receivables-Troubled Debt Restructuring by Creditors (SubTopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (ASU 2014-04)

The FASB issued ASU 2014-04 in January 2014 which clarifies when a creditor should be considered to have received physical possession of a residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate property recognized.

The amendments of this ASU clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either: a) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure; or b) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement.

The amendment of this guidance requires interim and annual disclosures of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction.

ASU 2014-04 is effective for annual periods, and interim periods within those years, beginning after December 15, 2014. The amendments in this ASU can be elected using either a modified retrospective transition method or a prospective transition method. Early adoption is permitted.

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

FASB Accounting Standards Update 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11)

The FASB issued ASU 2013-11 in July 2013 which requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. When a net operating loss, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purposes, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. Currently, there is no explicit guidance under U.S. GAAP on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendment of this guidance does not require new recurring disclosures.

ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013.

The Corporation adopted this guidance in the first quarter of 2014 and it did not have a material effect on the Corporation s consolidated financial statements.

FASB Accounting Standards Update 2013-05, Foreign Currency Matters (Topic 830): Parent s Accounting for the Cumulative Translation Adjustment Upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05)

The FASB issued ASU 2013-05 in March 2013 which clarifies the applicable guidance for the release of the cumulative translation adjustment. When a reporting entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to apply the guidance in ASC subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets has resided.

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For an equity method investment that is a foreign entity, the partial sale guidance in ASC Section 830-30-40 still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such equity method investment. However, this treatment does not apply to an equity method investment that is not a foreign entity. In those instances, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment.

Additionally, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date. Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events.

ASU 2013-05 is effective for fiscal years and interim periods within those years, beginning on or after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. Prior periods should not be adjusted.

The Corporation adopted this guidance on the first quarter of 2014 and recognized a loss of approximately $7.7 million resulting from the reclassification from other comprehensive loss into earnings of the cumulative foreign translation adjustment related to the dilution on its equity investment in BHD. Refer to note 15 for additional information.

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Note 3 Discontinued operations

On April 22, 2014, BPNA, the Corporation s U.S. mainland banking subsidiary, entered into definitive agreements to sell California, Illinois and Central Florida regional operations to three different buyers. BPNA completed the sale of its Illinois regional operations on August 8, 2014. The remaining transactions are expected to be completed by the end of the fourth quarter of 2014. In connection with these transactions, the Corporation intends to centralize certain back office operations in Puerto Rico and New York. The operations subject to these three definitive agreements each constituted a business, as defined in ASC 805-10-55. Accordingly, the decision to sell these businesses resulted in the discontinuance of each of these respective operations and classification as held-for-sale. 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 required by ASC 205-20, current and prior periods presented in the consolidated statement of operations as well as the related note disclosures covering income and expense amounts have been retrospectively adjusted for the impact of the discontinued operations for comparative purposes. The consolidated statement of financial condition and related note disclosure for prior periods do not reflect the reclassification of these assets and liabilities to discontinued operations.

During the quarter ended June 30, 2014, the Corporation recorded a non-cash goodwill impairment charge of $187 million, related to the goodwill allocated, on a relative fair value basis, to these operations. However, this non-cash charge had no impact on the Corporation s tangible capital or regulatory capital ratios. Refer to Note 16, for additional information on the goodwill impairment charge. The Corporation expects to realize a net premium estimated at approximately $24 million, before customary transaction costs, upon the closing of these transactions.

The Corporation estimates that it will incur in restructuring charges of approximately $54 million, comprised of $32 million in severance, retention and employee related costs and $22 million in operational set-up costs and lease cancelations, of which approximately $5 million where incurred during the second quarter of 2014. Refer to Note 4, for restructuring charges incurred during the quarter ended June 30, 2014.

Assets and liabilities of discontinued operations, which are mostly classified as held-for-sale, are detailed below:

(In thousands)	June 30, 2014
Cash	$ 18,923
Loans held-for-sale	1,783,998
Premises and equipment, net	17,553
Other assets	7,908
Total assets	$ 1,828,382
Deposits	$ 2,058,309
Short-term borrowings	2,998
Other liabilities	18,435
Total liabilities	$ 2,079,742
Net liabilities	$ (251,360)

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The following table provides the components of net (loss) income from the discontinued operations for the quarter and six months ended June 30, 2014 and 2013.

	Quarter ended		Six months ended	
(In thousands)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net interest income	$ 19,092	$ 21,308	$ 40,889	$ 42,977
Provision (reversal) for loan losses		(5,067)	(6,764)	(7,860)
Non-interest income	9,388	4,645	19,921	8,392
Personnel costs	12,117	8,320	20,969	16,728
Net occupancy expenses	2,845	3,049	7,176	6,030
Professional fees	5,903	2,949	8,696	5,709
Goodwill impairment charge	186,511		186,511	
Other operating expenses	2,833	1,404	6,046	5,728
Net (loss) income from discontinued operations	$ (181,729)	$ 15,298	$ (161,824)	$ 25,034

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Note 4 Restructuring plan

As discussed in Note 3, in connection with the sale of the operations of the California, Illinois and Central Florida regions, the Corporation intends to centralize certain back office operations, previously conducted on these regions, in Puerto Rico and New York. The Corporation has undertaken a restructuring plan (the PCB Restructuring Plan) to eliminate and re-locate employment positions, terminate contracts and incur other costs associated with moving the operations to Puerto Rico and New York. The Corporation estimates that it will incur in restructuring charges of approximately $54 million, comprised of $32 million in severance and retention payments and $22 million in operational set-up costs and lease cancelations, of which approximately $5 million where incurred during the second quarter of 2014. The remaining costs will be recognized during the third and fourth quarter of 2014 and early 2015.

Full-time equivalent employees at the California, Illinois and Central Florida regions were 363 as of June 30, 2014, compared with 365 as of December 31, 2013. Some of the employees at these regions will be transferred to the acquiring entities. The remaining employees at these regions are expected to be transferred to other of the Corporation s U.S. mainland or Puerto Rico operations or depart by mid- 2015.

The following table details the expenses recorded by the Corporation that were associated with the PCB restructuring plan:

(In thousands)	Quarter ended June 30, 2014	
Personnel costs	$	3,630
Net occupancy expenses		271
Equipment expenses		190
Professional fees		448
Other operating expenses		35
Total restructuring costs	$	4,574

At June 30, 2014, the accrual for the PCB restructuring costs amounted to $3 million.

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Note 5 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 $ 1.0 billion at June 30, 2014 (December 31, 2013 - $992 million). Cash and due from banks, as well as other short-term, highly liquid securities, are used to cover the required average reserve balances.

At June 30, 2014, the Corporation held $43 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, 2013 - $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.

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Note 6 Pledged assets

Certain securities and loans were pledged to secure public and trust deposits, assets sold under agreements to repurchase, other borrowings and credit facilities available, derivative positions, and loan servicing agreements. The classification and carrying amount of the Corporation s pledged assets, in which the secured parties are not permitted to sell or repledge the collateral, were as follows:

(In thousands)	June 30, 2014	December 31, 2013
Investment securities available-for-sale, at fair value	$ 2,264,948	$ 1,638,558
Investment securities held-to-maturity, at amortized cost	10,000	35,000
Loans held-for-sale measured at lower of cost or fair value	216	363
Loans held-in-portfolio covered under loss sharing agreements with the FDIC	365,432	407,257
Loans held-in-portfolio not covered under loss sharing agreements with the FDIC	8,447,919	9,108,984
Total pledged assets	$ 11,088,515	$ 11,190,162

Pledged assets from discontinued operations are presented as part of Assets from Discontinued Operations in the Consolidated Statement of Condition. Refer to Note 3 to the consolidated financial statements for further information on the discontinued operations.

Pledged securities that the creditor has the right by custom or contract to repledge are presented separately on the consolidated statements of financial condition.

At June 30, 2014, the Corporation had $ 1.2 billion in investment securities available-for-sale and $ 0.6 billion in loans that served as collateral to secure public funds (December 31, 2013 - $ 1.0 billion and $ 0.5 billion, respectively).

At June 30, 2014, the Corporation s banking subsidiaries had short-term and long-term credit facilities authorized with the Federal Home Loan Bank system (the FHLB) aggregating to $3.3 billion (December 31, 2013 - $3.0 billion). Refer to Note 18 to the consolidated financial statements for borrowings outstanding under these credit facilities. At June 30, 2014, the credit facilities authorized with the FHLB were collateralized by $ 3.4 billion in loans held-in-portfolio (December 31, 2013 - $ 4.5 billion). Also, at June 30, 2014, the Corporation s banking subsidiaries had a borrowing capacity at the Federal Reserve (Fed) discount window of $2.6 billion, which remained unused as of such date (December 31, 2013 - $3.4 billion). The amount available under these credit facilities with the Fed is dependent upon the balance of loans and securities pledged as collateral. At June 30, 2014, the credit facilities with the Fed discount window were collateralized by $ 4.8 billion in loans held-in-portfolio (December 31, 2013 - $ 4.5 billion). These pledged assets are included in the above table and were not reclassified and separately reported in the consolidated statements of financial condition.

In addition, at June 30, 2014, trade receivables from brokers and counterparties amounting to $76 million were pledged to secure repurchase agreements (December 31, 2013 - $69 million).

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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 June 30, 2014 and December 31, 2013.

	At June 30, 2014				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
After 1 to 5 years	$ 26,085	$ 1,644	$	$ 27,729	3.87 %
Total U.S. Treasury securities	26,085	1,644		27,729	3.87
Obligations of U.S. Government sponsored entities					
Within 1 year	6,998	7		7,005	0.14
After 1 to 5 years	1,948,833	2,424	9,053	1,942,204	1.20
After 5 to 10 years	252,520	581	7,198	245,903	1.63
After 10 years	23,000		882	22,118	3.15
Total obligations of U.S. Government sponsored entities	2,231,351	3,012	17,133	2,217,230	1.27
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	5,384	19	22	5,381	2.86
After 5 to 10 years	23,352	7	1,398	21,961	5.46
After 10 years	48,812	422	7,405	41,829	5.85
Total obligations of Puerto Rico, States and political subdivisions	77,548	448	8,825	69,171	5.52
Collateralized mortgage obligations federal agencies					
After 1 to 5 years	4,876	124		5,000	2.56
After 5 to 10 years	27,924	1,219	2	29,141	2.82
After 10 years	2,305,054	17,819	53,542	2,269,331	2.06
Total collateralized mortgage obligations federal agencies	2,337,854	19,162	53,544	2,303,472	2.07
Collateralized mortgage obligations private label					
After 10 years	130			130	3.90
	130			130	3.90

Total collateralized mortgage obligations private label					
Mortgage-backed securities					
Within 1 year	1			1	3.66
After 1 to 5 years	26,420	1,458		27,878	4.56
After 5 to 10 years	200,182	8,743	486	208,439	3.47
After 10 years	735,125	50,779	2,174	783,730	4.08
Total mortgage-backed securities	961,728	60,980	2,660	1,020,048	3.97
Equity securities (without contractual maturity)	3,177	1,284	118	4,343	6.39
Other					
After 1 to 5 years	9,458		15	9,443	1.68
After 10 years	2,341	85		2,426	3.63
Total other	11,799	85	15	11,869	2.06
Total investment securities available-for-sale	$ 5,649,672	$ 86,615	$ 82,295	$ 5,653,992	2.14 %

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	At December 31, 2013				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
After 1 to 5 years	$ 26,474	$ 2,008	$	$ 28,482	3.85 %
Total U.S. Treasury securities	26,474	2,008		28,482	3.85
Obligations of U.S. Government sponsored entities					
Within 1 year	25,021	39		25,060	1.85
After 1 to 5 years	1,087,453	1,678	12,715	1,076,416	1.26
After 5 to 10 years	528,611	100	21,742	506,969	1.52
After 10 years	23,000		2,240	20,760	3.12
Total obligations of U.S. Government sponsored entities	1,664,085	1,817	36,697	1,629,205	1.38
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	6,228	45	85	6,188	4.64
After 5 to 10 years	23,147		1,978	21,169	6.33
After 10 years	48,803	29	9,812	39,020	5.84
Total obligations of Puerto Rico, States and political subdivisions	78,178	74	11,875	66,377	5.89
Collateralized mortgage obligations federal agencies					
After 1 to 5 years	5,131	101		5,232	1.79
After 5 to 10 years	31,613	921		32,534	2.98
After 10 years	2,438,021	18,532	76,023	2,380,530	2.05
Total collateralized mortgage obligations federal agencies	2,474,765	19,554	76,023	2,418,296	2.06
Collateralized mortgage obligations private label					
After 10 years	509	4		513	3.78
Total collateralized mortgage obligations private label	509	4		513	3.78
Mortgage-backed securities					
Within 1 year	419	24		443	3.14
After 1 to 5 years	15,921	833		16,754	4.50
After 5 to 10 years	62,373	3,058	1,214	64,217	4.12
After 10 years	1,007,733	50,807	4,313	1,054,227	3.93

Total mortgage-backed securities	1,086,446	54,722	5,527	1,135,641	3.95
Equity securities (without contractual maturity)	3,178	1,109	171	4,116	4.06
Other					
After 1 to 5 years	9,638		141	9,497	1.68
After 10 years	2,604	69		2,673	3.61
Total other	12,242	69	141	12,170	2.09
Total investment securities available-for-sale	$ 5,345,877	$ 79,357	$ 130,434	$ 5,294,800	2.30 %

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.

There were no sales of investment securities available-for-sale during the six months ended June 30, 2014 or June 30, 2013.

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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 June 30, 2014 and December 31, 2013.

	At June 30, 2014					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	$ 594,695	$ 8,886	$ 462,222	$ 8,247	$ 1,056,917	$ 17,133
Obligations of Puerto Rico, States and political subdivisions	20,733	2,584	24,596	6,241	45,329	8,825
Collateralized mortgage obligations federal agencies	713,604	24,114	758,570	29,430	1,472,174	53,544
Mortgage-backed securities	15,875	446	46,384	2,214	62,259	2,660
Equity securities			1,707	118	1,707	118
Other			9,443	15	9,443	15
Total investment securities available-for-sale in an unrealized loss position	$ 1,344,907	$ 36,030	$ 1,302,922	$ 46,265	$ 2,647,829	$ 82,295

	At December 31, 2013					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	$ 1,326,866	$ 32,457	$ 69,257	$ 4,240	$ 1,396,123	$ 36,697
Obligations of Puerto Rico, States and political subdivisions	54,256	11,685	8,330	190	62,586	11,875
Collateralized mortgage obligations federal agencies	1,567,654	70,378	96,676	5,645	1,664,330	76,023
Mortgage-backed securities	105,455	4,762	7,225	765	112,680	5,527
Equity securities	1,657	171			1,657	171
Other			9,497	141	9,497	141
Total investment securities available-for-sale in an unrealized loss position	$ 3,055,888	$ 119,453	$ 190,985	$ 10,981	$ 3,246,873	$ 130,434

As of June 30, 2014, the available-for-sale investment portfolio reflects gross unrealized losses of approximately $82 million, driven by US Agency Collateralized Mortgage Obligations, obligations from the U.S. Government sponsored entities, and obligations of the Puerto Rico Government and its political subdivisions. As part of its analysis for all US Agencies securities, management considers the US Agency guarantee.

In February 2014, the three principal nationally recognized rating agencies (Moody s Investor Services, Standard and Poor s and Fitch Ratings) downgraded the general-obligation bonds of the Commonwealth and other obligations of Puerto Rico instrumentalities to non-investment grade categories, citing concerns about financial flexibility and a reduced capacity to borrow in the financial markets. On June 2014, the Puerto Rico general obligations were further downgraded by the rating agencies, after the Commonwealth enacted a law that allowed the Puerto Rico public corporations to restructure their debt. The portfolio of obligations of the Puerto Rico Government is comprised of securities with specific sources of income or revenues identified for repayments. The Corporation performs periodic credit quality reviews on these issuers.

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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 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 June 30, 2014, 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. At June 30, 2014, the Corporation did not have the intent to sell debt securities in an unrealized loss position and it is not more likely than not that the Corporation will have to sell the investment securities prior to recovery of their amortized cost basis.

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.

	June 30, 2014		December 31, 2013	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	$ 2,013,092	$ 1,988,874	$ 2,318,171	$ 2,266,610
FHLB	1,144,118	1,139,269	336,933	326,220
Freddie Mac	1,361,507	1,356,819	1,434,346	1,418,216

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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 June 30, 2014 and December 31, 2013.

	At June 30, 2014				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 12,685	$	$ 2	$ 12,683	2.10 %
After 1 to 5 years	12,595	1	383	12,213	5.93
After 5 to 10 years	20,925		5,209	15,716	6.08
After 10 years	66,471	1,368	6,545	61,294	2.28
Total obligations of Puerto Rico, States and political subdivisions	112,676	1,369	12,139	101,906	3.37
Collateralized mortgage obligations federal agencies					
After 5 to 10 years	104		8	96	5.45
Total collateralized mortgage obligations federal agencies	104		8	96	5.45
Other					
Within 1 year	1,250			1,250	1.39
After 1 to 5 years	250		1	249	1.38
Total other	1,500		1	1,499	1.39
Total investment securities held-to-maturity	$ 114,280	$ 1,369	$ 12,148	$ 103,501	3.35 %

	At December 31, 2013				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 12,570	$	$ 12	$ 12,558	2.06 %
After 1 to 5 years	12,060		984	11,076	5.91
After 5 to 10 years	20,015		5,251	14,764	6.06
After 10 years	69,236	257	13,179	56,314	2.43

Total obligations of Puerto Rico, States and political subdivisions	113,881	257	19,426	94,712	3.40
Collateralized mortgage obligations federal agencies					
After 10 years	115	7		122	5.45
Total collateralized mortgage obligations federal agencies	115	7		122	5.45
Other					
Within 1 year	26,000		645	25,355	3.41
After 1 to 5 years	500		1	499	1.33
Total other	26,500		646	25,854	3.37
Total investment securities held-to-maturity	$ 140,496	$ 264	$ 20,072	$ 120,688	3.40 %

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.

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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 June 30, 2014 and December 31, 2013.

	At June 30, 2014					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	$ 48,601	$ 5,012	$ 22,948	$ 7,127	$ 71,549	$ 12,139
Collateralized mortgage obligations federal agencies	96	8			96	8
Other	249	1			249	1
Total investment securities held-to-maturity in an unrealized loss position	$ 48,946	$ 5,021	$ 22,948	$ 7,127	$ 71,894	$ 12,148

	At December 31, 2013					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	$ 60,028	$ 12,180	$ 13,044	$ 7,246	$ 73,072	$ 19,426
Other	24,604	646			24,604	646
Total investment securities held-to-maturity in an unrealized loss position	$ 84,632	$ 12,826	$ 13,044	$ 7,246	$ 97,676	$ 20,072

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 June 30, 2014 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. This includes $62 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 $41 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. In February 2014, the three principal nationally recognized rating agencies (Moody s Investor Services, Standard and Poor s and Fitch Ratings) downgraded the general-obligation bonds of the Commonwealth and other obligations of Puerto Rico instrumentalities to non-investment grade categories, citing concerns about financial flexibility and a reduced capacity to borrow in the financial markets. On June 2014, the

Puerto Rico general obligations were further downgraded by the rating agencies, after the Commonwealth enacted a law that allowed the Puerto Rico public corporations to restructure their debt. The Corporation performs periodic credit quality reviews on these issuers. The Corporation does not have the intent to sell securities held-to-maturity and it is not more likely than not that the Corporation will have to sell these investment securities prior to recovery of their amortized cost basis.

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Note 9 Loans

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

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

For a summary of the accounting policy related to loans, interest recognition and allowance for loan losses refer to the summary of significant accounting policies included in Note 2 to the consolidated financial statements included in 2013 Annual Report.

The following table presents the composition of non-covered loans held-in-portfolio (HIP), net of unearned income, at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014	December 31, 2013
Commercial multi-family	$ 475,826	$ 1,175,937
Commercial real estate non-owner occupied	2,501,036	2,970,505
Commercial real estate owner occupied	1,758,535	2,166,545
Commercial and industrial	3,420,150	3,724,197
Construction	179,059	206,084
Mortgage	6,664,448	6,681,476
Leasing	546,868	543,761
Legacy[2]	162,941	211,135
Consumer:		
Credit cards	1,171,182	1,185,272
Home equity lines of credit	388,667	478,211
Personal	1,406,920	1,349,119

Auto	745,579	699,980
Other	214,013	219,644
Total loans held-in-portfolio[1]	$ 19,635,224	$ 21,611,866

[1] Non-covered loans held-in-portfolio at June 30, 2014 are net of $91 million in unearned income and exclude $97 million in loans held-for-sale (December 31, 2013 - $92 million in unearned income and $110 million in loans held-for-sale).

[2] 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.

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The following table presents the composition of covered loans at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014	December 31, 2013
Commercial real estate	$ 1,638,634	$ 1,710,229
Commercial and industrial	107,333	102,575
Construction	82,763	190,127
Mortgage	867,075	934,373
Consumer	40,297	47,123
Total loans held-in-portfolio	$ 2,736,102	$ 2,984,427

The following table provides a breakdown of loans held-for-sale (LHFS) at June 30, 2014 and December 31, 2013 by main categories.

(In thousands)	June 30, 2014 [1]	December 31, 2013
Commercial	$ 2,895	$ 603
Construction	949	
Mortgage	93,166	109,823
Total loans held-for-sale	$ 97,010	$ 110,426

[1] Loans held-for-sale from discontinued operations are presented as part of Assets from Discontinued Operations in the Consolidated Statement of Condition. Refer to Note 3 to the consolidated financial statements for further information on the discontinued operations.

During the quarter and six months ended June 30, 2014, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $169 million and $331 million, respectively (June 30, 2013 - $0.4 billion and $1.5 billion, respectively). Also, the Corporation recorded purchases of $92 million in consumer loans during the six months ended June 30, 2014 (June 30, 2013 - $42 million). In addition, during the six months ended June 30, 2014, the Corporation recorded purchases of commercial loans amounting to $21 million (during the quarter and six months ended June 30, 2013 - $3 million).

The Corporation performed whole-loan sales involving approximately $27 million and $70 million of residential mortgage loans during the quarter and six months ended June 30, 2014, respectively (June 30, 2013 - $503 million and $553 million, respectively). These sales included $435 million from the bulk sale of non-performing mortgage loans, completed during the quarter ended June 30, 2013. Also, the Corporation securitized approximately $ 184 million and $ 350 million of mortgage loans into Government National Mortgage Association (GNMA) mortgage-backed securities during the quarter and six months ended June 30, 2014, respectively (June 30, 2013 - $ 282 million and $ 568 million, respectively). Furthermore, the Corporation securitized approximately $ 60 million and $ 123 million of mortgage loans into Federal National Mortgage Association (FNMA) mortgage-backed securities during the quarter and six months ended June 30, 2014, respectively (June 30, 2013 - $ 124 million and $ 252 million, respectively). Also, the Corporation did not securitize mortgage loans into Federal Home Loan Mortgage Corporation (FHLMC) mortgage-backed securities during the quarter and six months ended June 30, 2014 (during the quarter and six months ended June 30, 2013 - $ 27 million). The Corporation sold commercial and construction loans with a book value of approximately $30 million and $61 million during the quarter and six months ended June 30, 2014, respectively (June 30, 2013 - $6 million and $407 million, respectively). These sales included $401 million from the bulk sale of non-performing commercial and construction loans during the quarter ended March 31, 2013.

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Non-covered loans

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 June 30, 2014 and December 31, 2013. 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. Also, accruing loans past due 90 days or more include residential conventional loans purchased from another financial institution that, although delinquent, the Corporation has received timely payment from the seller / servicer, and, in some instances, have partial guarantees under recourse agreements. However, residential conventional loans purchased from another financial institution, which are in the process of foreclosure, are classified as non-performing mortgage loans.

At June 30, 2014						
	Puerto Rico		U.S. mainland [4]		Popular, Inc.	
(In thousands)	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	$ 2,851	$	$ 4,105	$	$ 6,956	$
Commercial real estate non-owner occupied	56,406		11,857		68,263	
Commercial real estate owner occupied	108,286		4,199		112,485	
Commercial and industrial	86,009	417	4,420		90,429	417
Construction	21,456				21,456	
Mortgage[2][3]	262,356	399,300	23,964		286,320	399,300
Leasing	2,873				2,873	
Legacy			8,323		8,323	
Consumer:						
Credit cards		19,595	378		378	19,595
Home equity lines of credit		467	7,221		7,221	467
Personal	17,968		1,459		19,427	
Auto	11,703				11,703	
Other	3,898	454	3		3,901	454
Total[1]	$ 573,806	$ 420,233	$ 65,929	$	$ 639,735	$ 420,233

[1] For purposes of this table non-performing loans exclude $ 4 million in non-performing loans held-for-sale.
[2] Non-covered loans by $55 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.
[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 $124 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of June 30, 2014. Furthermore, the Corporation has approximately $60 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.

[4] Excludes $9.5 million in non-performing loans from discontinued operations.

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	At December 31, 2013					
	Puerto Rico		U.S. mainland		Popular, Inc.	
(In thousands)	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	$ 4,944	$	$ 20,894	$	$ 25,838	$
Commercial real estate non-owner occupied	41,959		42,413		84,372	
Commercial real estate owner occupied	83,441		23,507		106,948	
Commercial and industrial	55,753	556	6,142		61,895	556
Construction	18,108		5,663		23,771	
Mortgage[2][3]	206,389	395,645	26,292		232,681	395,645
Leasing	3,495				3,495	
Legacy			15,050		15,050	
Consumer:						
Credit cards		20,313	486		486	20,313
Home equity lines of credit		147	8,632		8,632	147
Personal	17,054	54	1,591		18,645	54
Auto	10,562		2		10,564	
Other	5,550	585	21		5,571	585
Total[1]	$ 447,255	$ 417,300	$ 150,693	$	$ 597,948	$ 417,300

[1] For purposes of this table non-performing loans exclude $ 1 million in non-performing loans held-for-sale.

[2] Non-covered loans by $43 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.

[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 $115 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, 2013. Furthermore, the Corporation has approximately $50 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.

The following tables present loans by past due status at June 30, 2014 and December 31, 2013 for non-covered loans held-in-portfolio (net of unearned income).

	June 30, 2014					
	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	$	$ 189	$ 2,851	$ 3,040	$ 58,466	$ 61,506

Commercial real estate non-owner occupied	2,836	2,453	56,406	61,695	1,888,187	1,949,882
Commercial real estate owner occupied	9,351	4,015	108,286	121,652	1,423,932	1,545,584
Commercial and industrial	18,564	3,905	86,426	108,895	2,633,113	2,742,008
Construction		583	21,456	22,039	113,644	135,683
Mortgage	293,037	157,245	716,632	1,166,914	4,291,658	5,458,572
Leasing	7,083	1,857	2,873	11,813	535,055	546,868
Consumer:						
Credit cards	12,977	8,533	19,595	41,105	1,114,780	1,155,885
Home equity lines of credit			467	467	13,814	14,281
Personal	14,465	7,132	17,968	39,565	1,247,340	1,286,905
Auto	35,057	8,837	11,703	55,597	689,712	745,309
Other	1,462	522	4,352	6,336	207,133	213,469
Total	$ 394,832	$ 195,271	$ 1,049,015	$ 1,639,118	$ 14,216,834	$ 15,855,952

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(In thousands)	June 30, 2014 U.S. mainland Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$	$	$ 4,105	$ 4,105	$ 410,215	$ 414,320
Commercial real estate non-owner occupied			11,857	11,857	539,297	551,154
Commercial real estate owner occupied	1,553	8,500	4,199	14,252	198,699	212,951
Commercial and industrial	2,411	4,022	4,420	10,853	667,289	678,142
Construction					43,376	43,376
Mortgage	1,892	7,241	23,964	33,097	1,172,779	1,205,876
Legacy	1,871	2,770	8,323	12,964	149,977	162,941
Consumer:						
Credit cards	295	176	378	849	14,448	15,297
Home equity lines of credit	2,052	2,077	7,221	11,350	363,036	374,386
Personal	790	1,034	1,459	3,283	116,732	120,015
Auto	6			6	264	270
Other	20		3	23	521	544
Total	$ 10,890	$ 25,820	$ 65,929	$ 102,639	$ 3,676,633	$ 3,779,272

(In thousands)	June 30, 2014 Popular, Inc. Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.
Commercial multi-family	$	$ 189	$ 6,956	$ 7,145	$ 468,681	$ 475,826
Commercial real estate non-owner occupied	2,836	2,453	68,263	73,552	2,427,484	2,501,036
Commercial real estate owner occupied	10,904	12,515	112,485	135,904	1,622,631	1,758,535
Commercial and industrial	20,975	7,927	90,846	119,748	3,300,402	3,420,150
Construction		583	21,456	22,039	157,020	179,059
Mortgage	294,929	164,486	740,596	1,200,011	5,464,437	6,664,448
Leasing	7,083	1,857	2,873	11,813	535,055	546,868
Legacy	1,871	2,770	8,323	12,964	149,977	162,941
Consumer:						
Credit cards	13,272	8,709	19,973	41,954	1,129,228	1,171,182
Home equity lines of credit	2,052	2,077	7,688	11,817	376,850	388,667
Personal	15,255	8,166	19,427	42,848	1,364,072	1,406,920
Auto	35,063	8,837	11,703	55,603	689,976	745,579
Other	1,482	522	4,355	6,359	207,654	214,013
Total	$ 405,722	$ 221,091	$ 1,114,944	$ 1,741,757	$ 17,893,467	$ 19,635,224

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(In thousands)	December 31, 2013 Puerto Rico Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$ 446	$	$ 4,944	$ 5,390	$ 77,013	$ 82,403
Commercial real estate non-owner occupied	13,889	349	41,959	56,197	1,808,021	1,864,218
Commercial real estate owner occupied	13,725	8,318	83,441	105,484	1,501,019	1,606,503
Commercial and industrial	9,960	4,463	56,309	70,732	2,841,734	2,912,466
Construction	2,329		18,108	20,437	140,734	161,171
Mortgage	316,663	154,882	645,444	1,116,989	4,283,690	5,400,679
Leasing	7,457	1,607	3,495	12,559	531,202	543,761
Consumer:						
Credit cards	13,797	9,991	20,313	44,101	1,125,520	1,169,621
Home equity lines of credit	133	53	147	333	14,845	15,178
Personal	12,897	6,794	17,108	36,799	1,177,085	1,213,884
Auto	31,340	9,361	10,562	51,263	648,228	699,491
Other	1,834	859	6,135	8,828	209,636	218,464
Total	$ 424,470	$ 196,677	$ 907,965	$ 1,529,112	$ 14,358,727	$ 15,887,839

(In thousands)	December 31, 2013 U.S. mainland Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 3,621	$ 1,675	$ 20,894	$ 26,190	$ 1,067,344	$ 1,093,534
Commercial real estate non-owner occupied	4,255		42,413	46,668	1,059,619	1,106,287
Commercial real estate owner occupied	657	8,452	23,507	32,616	527,426	560,042
Commercial and industrial	2,331	2,019	6,142	10,492	801,239	811,731
Construction			5,663	5,663	39,250	44,913
Mortgage	30,713	9,630	26,292	66,635	1,214,162	1,280,797
Legacy	9,079	2,098	15,050	26,227	184,908	211,135
Consumer:						
Credit cards	285	200	486	971	14,680	15,651
Home equity lines of credit	2,794	2,198	8,632	13,624	449,409	463,033
Personal	3,196	826	1,591	5,613	129,622	135,235
Auto	11		2	13	476	489
Other	43	50	21	114	1,066	1,180
Total	$ 56,985	$ 27,148	$ 150,693	$ 234,826	$ 5,489,201	$ 5,724,027

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(In thousands)	December 31, 2013 Popular, Inc. Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.
Commercial multi-family	$ 4,067	$ 1,675	$ 25,838	$ 31,580	$ 1,144,357	$ 1,175,937
Commercial real estate non-owner occupied	18,144	349	84,372	102,865	2,867,640	2,970,505
Commercial real estate owner occupied	14,382	16,770	106,948	138,100	2,028,445	2,166,545
Commercial and industrial	12,291	6,482	62,451	81,224	3,642,973	3,724,197
Construction	2,329		23,771	26,100	179,984	206,084
Mortgage	347,376	164,512	671,736	1,183,624	5,497,852	6,681,476
Leasing	7,457	1,607	3,495	12,559	531,202	543,761
Legacy	9,079	2,098	15,050	26,227	184,908	211,135
Consumer:						
Credit cards	14,082	10,191	20,799	45,072	1,140,200	1,185,272
Home equity lines of credit	2,927	2,251	8,779	13,957	464,254	478,211
Personal	16,093	7,620	18,699	42,412	1,306,707	1,349,119
Auto	31,351	9,361	10,564	51,276	648,704	699,980
Other	1,877	909	6,156	8,942	210,702	219,644
Total	$ 481,455	$ 223,825	$ 1,058,658	$ 1,763,938	$ 19,847,928	$ 21,611,866

The following table provides a breakdown of loans held-for-sale (LHFS) in non-performing status at June 30, 2014 and December 31, 2013 by main categories.

(In thousands)	June 30, 2014	December 31, 2013
Commercial	$ 2,895	$ 603
Construction	949	
Mortgage	582	489
Total	$ 4,426	$ 1,092

The outstanding principal balance of non-covered loans accounted pursuant to ASC Subtopic 310-30, net of amounts charged off by the Corporation, amounted to $226 million at June 30, 2014 (December 31, 2013 $197 million). At June 30, 2014, none of the acquired non-covered 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 non-covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters and six months ended June 30, 2014 and 2013 were as follows:

Activity in the accretable discount - Non-covered loans ASC 310-30

(In thousands)	For the quarter ended June 30, 2014	For the quarter ended June 30, 2013
Beginning balance	$ 67,285	$ 36,627
Additions	4,060	10,107
Accretion	(2,552)	(2,004)
Change in expected cash flows	8,034	4,483
Ending balance	$ 76,827	$ 49,213

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Activity in the accretable discount Non-covered loans ASC 310-30

(In thousands)	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Beginning balance	$ 49,398	$
Additions	11,144	47,342
Accretion	(4,926)	(2,612)
Change in expected cash flows	21,211	4,483
Ending balance	$ 76,827	$ 49,213

Carrying amount of non-covered loans accounted for pursuant to ASC 310-30

(In thousands)	For the quarter ended June 30, 2014	For the quarter ended June 30, 2013
Beginning balance	$ 190,216	133,041
Additions	13,139	22,899
Accretion	2,552	2,004
Collections and charge-offs	(6,866)	(19,312)
Ending balance	$ 199,041	$ 138,632
Allowance for loan losses ASC 310-30 non-covered loans	(15,751)	
Ending balance, net of ALLL	$ 183,290	$ 138,632

Carrying amount of non-covered loans accounted for pursuant to ASC 310-30

(In thousands)	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Beginning balance	$ 173,659	$
Additions	33,181	156,311
Accretion	4,926	2,612
Collections and charge-offs	(12,725)	(20,291)
Ending balance	$ 199,041	$ 138,632
Allowance for loan losses ASC 310-30 non-covered loans	(15,751)	
Ending balance, net of ALLL	$ 183,290	$ 138,632

Covered loans

The following table presents covered loans in non-performing status and accruing loans past-due 90 days or more by loan class at June 30, 2014 and December 31, 2013.

	June 30, 2014	December 31, 2013

(In thousands)	Non-accrual loans	Accruing loans past due 90 days or more	Non-accrual loans	Accruing loans past due 90 days or more
Commercial real estate	$ 7,775	$	$ 8,345	$
Commercial and industrial	888		7,335	456
Construction	4,112		11,872	
Mortgage	3,044	18	1,739	69
Consumer	331		90	112
Total[1]	$ 16,150	$ 18	$ 29,381	$ 637

[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.

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The following tables present loans by past due status at June 30, 2014 and December 31, 2013 for covered loans held-in-portfolio. The information considers covered loans accounted for under ASC Subtopic 310-20 and ASC Subtopic 310-30.

June 30, 2014						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP
Commercial real estate	$ 18,747	$ 7,829	$ 340,117	$ 366,693	$ 1,271,941	$ 1,638,634
Commercial and industrial	870	684	7,686	9,240	98,093	107,333
Construction			71,197	71,197	11,566	82,763
Mortgage	46,826	25,447	149,311	221,584	645,491	867,075
Consumer	2,139	830	3,762	6,731	33,566	40,297
Total covered loans	$ 68,582	$ 34,790	$ 572,073	$ 675,445	$ 2,060,657	$ 2,736,102

December 31, 2013						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP
Commercial real estate	$ 42,898	$ 8,745	$ 374,301	$ 425,944	$ 1,284,285	$ 1,710,229
Commercial and industrial	1,584	349	16,318	18,251	84,324	102,575
Construction	399		178,007	178,406	11,721	190,127
Mortgage	50,222	23,384	165,030	238,636	695,737	934,373
Consumer	2,588	1,328	4,200	8,116	39,007	47,123
Total covered loans	$ 97,691	$ 33,806	$ 737,856	$ 869,353	$ 2,115,074	$ 2,984,427

The carrying amount of the covered 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.

	June 30, 2014			December 31, 2013		
	Carrying amount			Carrying amount		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Commercial real estate	$ 1,450,099	$ 126,474	$ 1,576,573	$ 1,483,331	$ 149,341	$ 1,632,672
Commercial and industrial	65,372	4,496	69,868	55,192	3,069	58,261
Construction	37,925	40,283	78,208	71,864	104,356	176,220
Mortgage	804,169	49,481	853,650	862,878	59,483	922,361
Consumer	30,346	2,019	32,365	35,810	2,623	38,433

Carrying amount	2,387,911	222,753	2,610,664	2,509,075	318,872	2,827,947
Allowance for loan losses	(50,609)	(40,283)	(90,892)	(57,594)	(36,321)	(93,915)
Carrying amount, net of allowance	$ 2,337,302	$ 182,470	$ 2,519,772	$ 2,451,481	$ 282,551	$ 2,734,032

The outstanding principal balance of covered loans accounted pursuant to ASC Subtopic 310-30, net of amounts charged off by the Corporation, amounted to $3.4 billion at June 30, 2014 (December 31, 2013 $3.8 billion). At June 30, 2014, 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 covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended June 30, 2014 and 2013, were as follows:

	Activity in the accretable yield Covered loans ASC 310-30 For the quarters ended					
	June 30, 2014			June 30, 2013		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,212,706	$ 5,506	$ 1,218,212	$ 1,372,375	$ (240)	$ 1,372,135
Accretion	(77,316)	(2,547)	(79,863)	(60,284)	(2,252)	(62,536)
Change in expected cash flows	135,812	6,597	142,409	53,579	16,434	70,013
Ending balance	$ 1,271,202	$ 9,556	$ 1,280,758	$ 1,365,670	$ 13,942	$ 1,379,612

	Activity in the accretable discount Covered loans ASC 310-30 For the six months ended					
	June 30, 2014			June 30, 2013		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,297,725	$ 11,480	$ 1,309,205	$ 1,446,381	$ 5,288	$ 1,451,669
Accretion	(149,868)	(9,113)	(158,981)	(121,461)	(6,065)	(127,526)
Change in expected cash flows	123,345	7,189	130,534	40,750	14,719	55,469
Ending balance	$ 1,271,202	$ 9,556	$ 1,280,758	$ 1,365,670	$ 13,942	$ 1,379,612

	Carrying amount of covered loans accounted for pursuant to ASC 310-30 For the quarters ended					
	June 30, 2014			June 30, 2013		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 2,469,453	$ 263,669	$ 2,733,122	$ 2,758,944	$ 398,719	$ 3,157,663
Accretion	77,316	2,547	79,863	60,284	2,252	62,536
Collections and charge-offs	(158,858)	(43,463)	(202,321)	(166,157)	(41,176)	(207,333)
Ending balance	$ 2,387,911	$ 222,753	$ 2,610,664	$ 2,653,071	$ 359,795	$ 3,012,866
Allowance for loan losses ASC 310-30 covered loans	(50,609)	(40,283)	(90,892)	(47,017)	(44,178)	(91,195)
Ending balance, net of ALLL	$ 2,337,302	$ 182,470	$ 2,519,772	$ 2,606,054	$ 315,617	$ 2,921,671

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	Carrying amount of loans accounted for pursuant to ASC 310-30 For the six months ended					
	June 30, 2014			June 30, 2013		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 2,509,075	$ 318,872	$ 2,827,947	$ 3,051,964	$ 439,795	$ 3,491,759
Accretion	149,868	9,113	158,981	121,461	6,065	127,526
Collections and charge offs	(271,032)	(105,232)	(376,264)	(520,354)	(86,065)	(606,419)
Ending balance	$ 2,387,911	$ 222,753	$ 2,610,664	$ 2,653,071	$ 359,795	$ 3,012,866
Allowance for loan losses ASC 310-30 covered loans	(50,609)	(40,283)	(90,892)	(47,017)	(44,178)	(91,195)
Ending balance, net of ALLL	$ 2,337,302	$ 182,470	$ 2,519,772	$ 2,606,054	$ 315,617	$ 2,921,671

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 $0.1 billion at June 30, 2014 (December 31, 2013 $0.2 billion).

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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 analogy, 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 3-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. As part of the annual review of the components of the ALLL models, as discussed in the following paragraphs and implemented as of June 30th 2014, the Corporation eliminated the use of caps in the recent loss trend adjustment for the consumer and mortgage portfolios, among other revisions. For the period ended December 31, 2013, the recent loss trend adjustment caps for the consumer and mortgage portfolios were triggered in only one portfolio segment within the Puerto Rico consumer portfolio. Management assessed the impact of the applicable cap through a review of qualitative factors that specifically considered the drivers of recent loss trends and changes to the portfolio composition. The related effect of the aforementioned cap was immaterial for the overall level of the Allowance for Loan and Lease Losses for the Puerto Rico Consumer portfolio.

For the period ended June 30, 2014, 28% (June 30, 2013 - 37%) of the ALLL for BPPR non-covered 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 commercial multi-family, commercial and industrial, personal and auto loan portfolios for 2014, and in the commercial multi-family, mortgage, and leasing portfolios for 2013.

For the period ended June 30, 2014, 23% (June 30, 2013 - 24%) of the ALLL for BPNA 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 commercial multi-family, commercial and industrial and legacy loan portfolios for 2014 and in the commercial multi-family, commercial real estate non-owner occupied and commercial and industrial portfolios for 2013.

For the period ended December 31, 2013, 27% (2012 - 32%) of the ALLL for BPPR non-covered 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 commercial multi-family, leasing, and auto loan portfolios for 2013, and in the commercial multi-family, commercial and industrial, construction, credit cards, and personal loan portfolios for 2012.

For the period ended December 31, 2013, 29% (2012 8%) of the ALLL for BPNA 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 commercial multi-family, commercial real estate non-owner occupied, commercial and industrial and legacy loan portfolios for 2013 and in the construction and legacy loan portfolios for 2012.

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.

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During the second quarter of 2014, management completed the annual review of the components of the ALLL models. As part of this review management updated core metrics and revised certain components related to the estimation process for evaluating the adequacy of the general reserve of the allowance for loan losses. These enhancements to the ALLL methodology, which are described in the paragraphs below, were implemented as of June 30, 2014 and resulted in a net decrease to the allowance for loan losses of $18.7 million for the non-covered portfolio and a net increase to the allowance for loan losses of $0.8 million for the covered portfolio.

Management made the following principal revisions to the methodology during the second quarter of 2014:

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 second quarter of 2014, 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. Management also revised the application of environmental factors to the historical loss rates to consider last 12 month trends of the applicable credit and macroeconomic indicators applied as an incremental adjustment to account for emerging risks not necessarily considered in the historical loss rates.

The combined effect of the aforementioned recalibration and enhancements to the environmental factors adjustment resulted in a decrease to the allowance for loan losses of $17 million at June 30, 2014, of which $14.1 million related to the non-covered BPPR segment and $3.7 million related to the BPNA segment, offset in part by a $0.8 million increase in the BPPR covered segment.

Increased the historical look-back period for determining the recent loss trend adjustment for consumer and mortgage loans. The Corporation increased the look-back period for assessing recent trends applicable to the determination of consumer and mortgage loan net charge-offs from 6 months to 12 months and eliminated the use of caps. Previously, the Corporation used a recent loss trend adjustment based on 6 months of net charge-offs up to a determined cap. Given the current overall consumer and mortgage credit quality improvements, management concluded that a 12-month look-back period for the recent loss trend adjustment aligns the Corporation s allowance for loan losses methodology to current credit quality trends while limiting excessive pro-cyclicality given the longer look-back period analysis, thus, eliminating the aforementioned caps.

The combined effect of the aforementioned enhancements to the recent loss trend adjustment resulted in a decrease to the allowance for loan losses of $1 million at June 30, 2014, of which $0.9 million related to the non-covered BPPR segment and $0.1 million related to the BPNA segment.

The following tables present the changes in the allowance for loan losses for the quarters ended June 30, 2014 and 2013.

	For the quarter ended June 30, 2014					
	Puerto Rico - Non-covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						

Beginning balance	$ 124,134	$ 5,079	$ 137,796	$ 10,483	$ 157,248	$ 434,740
Provision (reversal of provision)	69,410	(503)	(7,471)	(3,380)	16,805	74,861
Charge-offs	(16,218)	(42)	(10,083)	(1,754)	(29,941)	(58,038)
Recoveries	6,909	657	157	610	6,370	14,703
Ending balance	$ 184,235	$ 5,191	$ 120,399	$ 5,959	$ 150,482	$ 466,266

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For the quarter ended June 30, 2014 Puerto Rico - Covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 38,589	$ 15,966	$ 38,848	$	$ 4,370	$ 97,773
Provision (reversal of provision)	13,542	(3,270)	2,344	1	(1,013)	11,604
Charge-offs	(5,993)	(6,427)	(2,262)	(2)	677	(14,007)
Recoveries	555	2,727	11	1	1	3,295
Ending balance	$ 46,693	$ 8,996	$ 38,941	$	$ 4,035	$ 98,665

For the quarter ended June 30, 2014 U.S. Mainland - Continuing Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 31,505	$ 196	$ 25,167	$ 11,872	$ 18,893	$ 87,633
Provision (reversal of provision)	(12,321)	(45)	(7,245)	(3,734)	(1,442)	(24,787)
Charge-offs	(5,672)		(914)	(1,347)	(3,997)	(11,930)
Recoveries	4,762		521	2,552	1,229	9,064
Ending balance	$ 18,274	$ 151	$ 17,529	$ 9,343	$ 14,683	$ 59,980

For the quarter ended June 30, 2014 U.S. Mainland - Discontinued Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 16,375	$ 27	$	$ 1,400	$ 2,400	$ 20,202
Net write-downs related to loans transferred to discontinued operations	(16,375)	(27)		(1,400)	(2,400)	(20,202)
Ending balance	$	$	$	$	$	$

For the quarter ended June 30, 2014 Popular, Inc.							
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 210,603	$ 21,268	$ 201,811	$ 13,272	$ 10,483	$ 182,911	$ 640,348
Provision (reversal of provision)	70,631	(3,818)	(12,372)	(3,734)	(3,379)	14,350	61,678
Charge-offs	(27,883)	(6,469)	(13,259)	(1,347)	(1,756)	(33,261)	(83,975)
Recoveries	12,226	3,384	689	2,552	611	7,600	27,062
Net write-downs related to loans transferred to	(16,375)	(27)		(1,400)		(2,400)	(20,202)

discontinued operations

Ending balance	$ 249,202	$ 14,338	$ 176,869	$ 9,343	$ 5,959	$ 169,200	$ 624,911

	For the six months ended June 30, 2014					
	Puerto Rico - Non-covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 128,150	$ 5,095	$ 130,330	$ 10,622	$ 152,578	$ 426,775
Provision (reversal of provision)	80,566	(1,897)	8,511	(2,863)	44,458	128,775
Charge-offs	(38,334)	(458)	(18,809)	(2,721)	(59,137)	(119,459)
Recoveries	13,853	2,451	367	921	12,583	30,175
Ending balance	$ 184,235	$ 5,191	$ 120,399	$ 5,959	$ 150,482	$ 466,266

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	For the six months ended June 30, 2014					
	Puerto Rico - Covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 42,198	$ 19,491	$ 36,006	$	$ 4,397	$ 102,092
Provision (reversal of provision)	17,581	14,297	6,842	1	(1,403)	37,318
Charge-offs	(13,961)	(29,408)	(3,918)	(2)	972	(46,317)
Recoveries	875	4,616	11	1	69	5,572
Ending balance	$ 46,693	$ 8,996	$ 38,941	$	$ 4,035	$ 98,665

	For the six months ended June 30, 2014					
	U.S. Mainland - Continuing Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 24,930	$ 214	$ 26,599	$ 11,335	$ 19,205	$ 82,283
Allowance transferred from discontinued operations	7,984					7,984
Provision (reversal of provision)	(11,742)	(239)	(7,807)	(7,406)	2,615	(24,579)
Charge-offs	(10,664)		(2,452)	(4,331)	(9,073)	(26,520)
Recoveries	7,766	176	1,189	9,745	1,936	20,812
Ending balance	$ 18,274	$ 151	$ 17,529	$ 9,343	$ 14,683	$ 59,980

	For the six months ended June 30, 2014					
	U.S. Mainland - Discontinued Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 21,902	$ 33	$	$ 2,369	$ 5,101	$ 29,405
Allowance transferred to continuing operations	(7,984)					(7,984)
Provision (reversal of provision)	(2,831)	(226)		(1,812)	(1,895)	(6,764)
Charge-offs	(2,995)			(557)	(900)	(4,452)
Recoveries	8,283	220		1,400	94	9,997
Net write-downs related to loans transferred to discontinued operations	(16,375)	(27)		(1,400)	(2,400)	(20,202)
Ending balance	$	$	$	$	$	$

	For the six months ended June 30, 2014						
	Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							

Beginning balance	$ 217,180	$ 24,833	$ 192,935	$ 13,704	$ 10,622	$ 181,281	$ 640,555
Provision (reversal of provision)	83,574	11,935	7,546	(9,218)	(2,862)	43,775	134,750
Charge-offs	(65,954)	(29,866)	(25,179)	(4,888)	(2,723)	(68,138)	(196,748)
Recoveries	30,777	7,463	1,567	11,145	922	14,682	66,556
Net write-downs related to loans transferred to discontinued operations	(16,375)	(27)		(1,400)		(2,400)	(20,202)
Ending balance	$ 249,202	$ 14,338	$ 176,869	$ 9,343	$ 5,959	$ 169,200	$ 624,911

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	For the quarter ended June 30, 2013 Puerto Rico - Non-covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 160,883	$ 6,403	$ 130,466	$ 3,895	$ 122,374	$ 424,021
Provision (reversal of provision)	(18,763)	375	204,540	6,241	38,068	230,461
Charge-offs	(35,270)	(2,191)	(12,750)	(1,843)	(27,247)	(79,301)
Recoveries	5,302	4,485	161	630	7,319	17,897
Net write-down related to loans sold			(199,502)			(199,502)
Ending balance	$ 112,152	$ 9,072	$ 122,915	$ 8,923	$ 140,514	$ 393,576

	For the quarter ended June 30, 2013 Puerto Rico - Covered Loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 67,681	$ 6,293	$ 20,673	$	$ 5,220	$ 99,867
Provision (reversal of provision)	(1,016)	16,762	8,583		1,171	25,500
Charge-offs	(1,150)	(16,024)	(2,255)		106	(19,323)
Recoveries	42	322			49	413
Ending balance	$ 65,557	$ 7,353	$ 27,001	$	$ 6,546	$ 106,457

	For the quarter ended June 30, 2013 U.S. Mainland - Continuing Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 30,169	$ 775	$ 31,479	$ 27,139	$ 23,222	$ 112,784
Provision (reversal of provision)	(432)	(474)	4,604	(12,102)	6,918	(1,486)
Charge-offs	(7,116)		(3,377)	(3,743)	(5,959)	(20,195)
Recoveries	4,972		359	5,208	816	11,355
Ending balance	$ 27,593	$ 301	$ 33,065	$ 16,502	$ 24,997	$ 102,458

	For the quarter ended June 30, 2013 U.S. Mainland - Discontinued Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 37,818	$ 261	$	$ 3,638	$ 4,979	$ 46,696
Provision (reversal of provision)	(5,418)	(224)		386	189	(5,067)
Charge-offs	(10,282)			(2,198)	(882)	(13,362)
Recoveries	2,618			1,650	193	4,461
Ending balance	$ 24,736	$ 37	$	$ 3,476	$ 4,479	$ 32,728

	For the quarter ended June 30, 2013						
	Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 296,551	$ 13,732	$ 182,618	$ 30,777	$ 3,895	$ 155,795	$ 683,368
Provision (reversal of provision)	(25,629)	16,439	217,727	(11,716)	6,241	46,346	249,408
Charge-offs	(53,818)	(18,215)	(18,382)	(5,941)	(1,843)	(33,982)	(132,181)
Recoveries	12,934	4,807	520	6,858	630	8,377	34,126
Net write-down related to loans sold			(199,502)				(199,502)
Ending balance	$ 230,038	$ 16,763	$ 182,981	$ 19,978	$ 8,923	$ 176,536	$ 635,219

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For the six months ended June 30, 2013 Puerto Rico - Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 217,615	$ 5,862	$ 119,027	$ 2,894	$ 99,899	$ 445,297
Provision	110,114	3,117	232,752	8,226	80,544	434,753
Charge-offs	(67,716)	(3,820)	(30,509)	(3,386)	(54,607)	(160,038)
Recoveries	13,436	5,759	1,147	1,189	14,678	36,209
Net write-downs related to loans sold	(161,297)	(1,846)	(199,502)			(362,645)
Ending balance	$ 112,152	$ 9,072	$ 122,915	$ 8,923	$ 140,514	$ 393,576

For the six months ended June 30, 2013 Puerto Rico - Covered Loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 72,060	$ 9,946	$ 20,914	$	$ 5,986	$ 108,906
Provision	5,140	22,554	10,393		4,969	43,056
Charge-offs	(11,715)	(25,783)	(4,317)		(4,461)	(46,276)
Recoveries	72	636	11		52	771
Ending balance	$ 65,557	$ 7,353	$ 27,001	$	$ 6,546	$ 106,457

For the six months ended June 30, 2013 U.S. Mainland - Continuing Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 36,658	$ 1,196	$ 30,348	$ 29,070	$ 26,383	$ 123,655
Provision (reversal of provision)	(486)	(895)	8,525	(12,968)	9,139	3,315
Charge-offs	(15,068)		(7,394)	(9,278)	(12,208)	(43,948)
Recoveries	6,489		1,586	9,678	1,683	19,436
Ending balance	$ 27,593	$ 301	$ 33,065	$ 16,502	$ 24,997	$ 102,458

For the six months ended June 30, 2013 U.S. Mainland - Discontinued Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 43,409	$ 371	$	$ 4,032	$ 4,937	$ 52,749
Provision (reversal of provision)	(8,583)	(334)		55	1,002	(7,860)
Charge-offs	(15,470)			(3,004)	(1,830)	(20,304)
Recoveries	5,380			2,393	370	8,143
Ending balance	$ 24,736	$ 37	$	$ 3,476	$ 4,479	$ 32,728

For the six months ended June 30, 2013
Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 369,742	$ 17,375	$ 170,289	$ 33,102	$ 2,894	$ 137,205	$ 730,607
Provision (reversal of provision)	106,185	24,442	251,670	(12,913)	8,226	95,654	473,264
Charge-offs	(109,969)	(29,603)	(42,220)	(12,282)	(3,386)	(73,106)	(270,566)
Recoveries	25,377	6,395	2,744	12,071	1,189	16,783	64,559
Net write-down related to loans sold	(161,297)	(1,846)	(199,502)				(362,645)
Ending balance	$ 230,038	$ 16,763	$ 182,981	$ 19,978	$ 8,923	$ 176,536	$ 635,219

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

	ASC 310-30 Covered loans			
	For the quarters ended		For the six months ended	
(In thousands)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Balance at beginning of period	$ 90,371	$ 91,573	$ 93,915	$ 95,407
Provision for loan losses	10,951	17,568	35,506	31,608
Net charge-offs	(10,430)	(17,946)	(38,529)	(35,820)
Balance at end of period	$ 90,892	$ 91,195	$ 90,892	$ 91,195

The following tables present information at June 30, 2014 and December 31, 2013 regarding loan ending balances and the allowance for loan losses by portfolio segment and whether such loans and the allowance pertains to loans individually or collectively evaluated for impairment.

	At June 30, 2014					
	Puerto Rico					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 36,597	$ 883	$ 39,341	$ 688	$ 28,458	$ 105,967
General ALLL non-covered loans	147,638	4,308	81,058	5,271	122,024	360,299
ALLL non-covered loans	184,235	5,191	120,399	5,959	150,482	466,266
Specific ALLL covered loans	8					8
General ALLL covered loans	46,685	8,996	38,941		4,035	98,657
ALLL covered loans	46,693	8,996	38,941		4,035	98,665
Total ALLL	$ 230,928	$ 14,187	$ 159,340	$ 5,959	$ 154,517	$ 564,931
Loans held-in-portfolio:						
Impaired non-covered loans	$ 307,762	$ 21,094	$ 414,636	$ 2,653	$ 119,604	$ 865,749
Non-covered loans held-in-portfolio excluding impaired loans	5,991,218	114,589	5,043,936	544,215	3,296,245	14,990,203
Non-covered loans held-in-portfolio	6,298,980	135,683	5,458,572	546,868	3,415,849	15,855,952
Impaired covered loans	2,823	2,419				5,242

Covered loans held-in-portfolio excluding impaired loans	1,743,144	80,344	867,075		40,297	2,730,860
Covered loans held-in-portfolio	1,745,967	82,763	867,075		40,297	2,736,102
Total loans held-in-portfolio	$ 8,044,947	$ 218,446	$ 6,325,647	$ 546,868	$ 3,456,146	$ 18,592,054

	At June 30, 2014 U.S. Mainland					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Specific ALLL	$	$	$ 14,474	$	$ 585	$ 15,059
General ALLL	18,274	151	3,055	9,343	14,098	44,921
Total ALLL	$ 18,274	$ 151	$ 17,529	$ 9,343	$ 14,683	$ 59,980
Loans held-in-portfolio:						
Impaired loans	$ 9,984	$	$ 51,607	$ 2,536	$ 2,502	$ 66,629
Loans held-in-portfolio, excluding impaired loans	1,846,583	43,376	1,154,269	160,405	508,010	3,712,643
Total loans held-in-portfolio	$ 1,856,567	$ 43,376	$ 1,205,876	$ 162,941	$ 510,512	$ 3,779,272

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At June 30, 2014

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 36,597	$ 883	$ 53,815	$	$ 688	$ 29,043	$ 121,026
General ALLL non-covered loans	165,912	4,459	84,113	9,343	5,271	136,122	405,220
ALLL non-covered loans	202,509	5,342	137,928	9,343	5,959	165,165	526,246
Specific ALLL covered loans	8						8
General ALLL covered loans	46,685	8,996	38,941			4,035	98,657
ALLL covered loans	46,693	8,996	38,941			4,035	98,665
Total ALLL	$ 249,202	$ 14,338	$ 176,869	$ 9,343	$ 5,959	$ 169,200	$ 624,911
Loans held-in-portfolio:							
Impaired non-covered loans	$ 317,746	$ 21,094	$ 466,243	$ 2,536	$ 2,653	$ 122,106	$ 932,378
Non-covered loans held-in-portfolio excluding impaired loans	7,837,801	157,965	6,198,205	160,405	544,215	3,804,255	18,702,846
Non-covered loans held-in-portfolio	8,155,547	179,059	6,664,448	162,941	546,868	3,926,361	19,635,224
Impaired covered loans	2,823	2,419					5,242
Covered loans held-in-portfolio excluding impaired loans	1,743,144	80,344	867,075			40,297	2,730,860
Covered loans held-in-portfolio	1,745,967	82,763	867,075			40,297	2,736,102
Total loans held-in-portfolio	$ 9,901,514	$ 261,822	$ 7,531,523	$ 162,941	$ 546,868	$ 3,966,658	$ 22,371,326

At December 31, 2013

Puerto Rico

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 16,409	$ 177	$ 38,034	$ 1,053	$ 29,920	$ 85,593
General ALLL non-covered loans	111,741	4,918	92,296	9,569	122,658	341,182
ALLL non-covered loans	128,150	5,095	130,330	10,622	152,578	426,775
Specific ALLL covered loans	153	140				293
General ALLL covered loans	42,045	19,351	36,006		4,397	101,799
ALLL covered loans	42,198	19,491	36,006		4,397	102,092
Total ALLL	$ 170,348	$ 24,586	$ 166,336	$ 10,622	$ 156,975	$ 528,867
Loans held-in-portfolio:						
Impaired non-covered loans	$ 245,380	$ 16,823	$ 399,347	$ 2,893	$ 125,342	$ 789,785
Non-covered loans held-in-portfolio excluding impaired loans	6,220,210	144,348	5,001,332	540,868	3,191,296	15,098,054
Non-covered loans held-in-portfolio	6,465,590	161,171	5,400,679	543,761	3,316,638	15,887,839
Impaired covered loans	20,945					20,945
Covered loans held-in-portfolio excluding impaired loans	1,791,859	190,127	934,373		47,123	2,963,482
Covered loans held-in-portfolio	1,812,804	190,127	934,373		47,123	2,984,427
Total loans held-in-portfolio	$ 8,278,394	$ 351,298	$ 6,335,052	$ 543,761	$ 3,363,761	$ 18,872,266

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At December 31, 2013

U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Specific ALLL	$	$	$ 17,633	$	$ 280	$ 17,913
General ALLL	46,832	247	8,966	13,704	24,026	93,775
Total ALLL	$ 46,832	$ 247	$ 26,599	$ 13,704	$ 24,306	$ 111,688
Loans held-in-portfolio:						
Impaired loans	$ 52,136	$ 5,663	$ 52,726	$ 6,045	$ 2,361	$ 118,931
Loans held-in-portfolio, excluding impaired loans	3,519,459	39,250	1,228,071	205,090	613,227	5,605,097
Total loans held-in-portfolio	$ 3,571,595	$ 44,913	$ 1,280,797	$ 211,135	$ 615,588	$ 5,724,028

At December 31, 2013

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 16,409	$ 177	$ 55,667	$	$ 1,053	$ 30,200	$ 103,506
General ALLL non-covered loans	158,573	5,165	101,262	13,704	9,569	146,684	434,957
ALLL non-covered loans	174,982	5,342	156,929	13,704	10,622	176,884	538,463
Specific ALLL covered loans	153	140					293
General ALLL covered loans	42,045	19,351	36,006			4,397	101,799
ALLL covered loans	42,198	19,491	36,006			4,397	102,092
Total ALLL	$ 217,180	$ 24,833	$ 192,935	$ 13,704	$ 10,622	$ 181,281	$ 640,555
Loans held-in-portfolio:							
Impaired non-covered loans	$ 297,516	$ 22,486	$ 452,073	$ 6,045	$ 2,893	$ 127,703	$ 908,716
Non-covered loans held-in-portfolio excluding impaired loans	9,739,669	183,598	6,229,403	205,090	540,868	3,804,523	20,703,151

Non-covered loans held-in-portfolio	10,037,185	206,084	6,681,476	211,135	543,761	3,932,226	21,611,867
Impaired covered loans	20,945						20,945
Covered loans held-in-portfolio excluding impaired loans	1,791,859	190,127	934,373			47,123	2,963,482
Covered loans held-in-portfolio	1,812,804	190,127	934,373			47,123	2,984,427
Total loans held-in-portfolio	$ 11,849,989	$ 396,211	$ 7,615,849	$ 211,135	$ 543,761	$ 3,979,349	$ 24,596,294

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Impaired loans

The following tables present loans individually evaluated for impairment at June 30, 2014 and December 31, 2013.

June 30, 2014 Puerto Rico								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 1,305	$ 1,305	$ 1,305	$ 1,305	$
Commercial real estate non-owner occupied	54,933	59,622	9,877	24,911	25,724	79,844	85,346	9,877
Commercial real estate owner occupied	73,799	94,235	12,352	45,797	53,876	119,596	148,111	12,352
Commercial and industrial	75,216	77,283	14,368	31,801	42,746	107,017	120,029	14,368
Construction	10,213	16,937	883	10,881	31,380	21,094	48,317	883
Mortgage	370,863	393,190	39,341	43,773	43,773	414,636	436,963	39,341
Leasing	2,653	2,653	688			2,653	2,653	688
Consumer:								
Credit cards	42,581	42,581	8,068			42,581	42,581	8,068
Personal	74,247	74,247	20,064			74,247	74,247	20,064
Auto	2,292	2,292	234			2,292	2,292	234
Other	484	484	92			484	484	92
Covered loans	1,591	1,591	8	3,651	28,947	5,242	30,538	8
Total Puerto Rico	$ 708,872	$ 765,115	$ 105,975	$ 162,119	$ 227,751	$ 870,991	$ 992,866	$ 105,975

June 30, 2014 U.S. mainland [1]								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 1,960	$ 1,960	$ 1,960	$ 1,960	$
Commercial real estate non-owner occupied				5,827	10,307	5,827	10,307	

Commercial real estate owner occupied				1,542	1,542	1,542	1,542	
Commercial and industrial				655	655	655	655	
Mortgage	44,310	49,084	14,474	7,297	9,367	51,607	58,451	14,474
Legacy				2,536	4,226	2,536	4,226	
Consumer:								
HELOCs	2,410	2,410	581			2,410	2,410	581
Auto				86	86	86	86	
Other	6	6	4			6	6	4
Total U.S. mainland	$ 46,726	$ 51,500	$ 15,059	$ 19,903	$ 28,143	$ 66,629	$ 79,643	$ 15,059

[1] Excludes impaired loans from discontinued operations.

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June 30, 2014
Popular, Inc.

(In thousands)	Impaired Loans With an Allowance Recorded investment	Unpaid principal balance	Related allowance	Impaired Loans With No Allowance Recorded investment	Unpaid principal balance	Impaired Loans Total Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 3,265	$ 3,265	$ 3,265	$ 3,265	$
Commercial real estate non-owner occupied	54,933	59,622	9,877	30,738	36,031	85,671	95,653	9,877
Commercial real estate owner occupied	73,799	94,235	12,352	47,339	55,418	121,138	149,653	12,352
Commercial and industrial	75,216	77,283	14,368	32,456	43,401	107,672	120,684	14,368
Construction	10,213	16,937	883	10,881	31,380	21,094	48,317	883
Mortgage	415,173	442,274	53,815	51,070	53,140	466,243	495,414	53,815
Legacy				2,536	4,226	2,536	4,226	
Leasing	2,653	2,653	688			2,653	2,653	688
Consumer:								
Credit cards	42,581	42,581	8,068			42,581	42,581	8,068
HELOCs	2,410	2,410	581			2,410	2,410	581
Personal	74,247	74,247	20,064			74,247	74,247	20,064
Auto	2,292	2,292	234	86	86	2,378	2,378	234
Other	490	490	96			490	490	96
Covered loans	1,591	1,591	8	3,651	28,947	5,242	30,538	8
Total Popular, Inc.	$ 755,598	$ 816,615	$ 121,034	$ 182,022	$ 255,894	$ 937,620	$ 1,072,509	$ 121,034

December 31, 2013
Puerto Rico

(In thousands)	Impaired Loans With an Allowance Recorded investment	Unpaid principal balance	Related allowance	Impaired Loans With No Allowance Recorded investment	Unpaid principal balance	Impaired Loans Total Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 3,405	$ 6,942	$ 3,405	$ 6,942	$
Commercial real estate non-owner occupied	19,120	19,407	2,368	47,245	55,397	66,365	74,804	2,368
Commercial real estate owner occupied	55,826	74,420	6,473	33,749	47,545	89,575	121,965	6,473
	30,370	33,152	7,568	55,665	68,141	86,035	101,293	7,568

Commercial and industrial								
Construction	2,324	9,047	177	14,499	36,951	16,823	45,998	177
Mortgage	358,437	376,393	38,034	40,910	45,181	399,347	421,574	38,034
Leasing	2,893	2,893	1,053			2,893	2,893	1,053
Consumer:								
Credit cards	45,015	45,015	8,344			45,015	45,015	8,344
Personal	78,475	78,475	21,313			78,475	78,475	21,313
Auto	1,354	1,354	171			1,354	1,354	171
Other	498	498	92			498	498	92
Covered loans	12,837	17,538	293	8,108	10,063	20,945	27,601	293
Total Puerto Rico	$ 607,149	$ 658,192	$ 85,886	$ 203,581	$ 270,220	$ 810,730	$ 928,412	$ 85,886

December 31, 2013

U.S. mainland

	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 7,668	$ 10,870	$ 7,668	$ 10,870	$
Commercial real estate non-owner occupied				27,016	37,393	27,016	37,393	
Commercial real estate owner occupied				15,624	19,910	15,624	19,910	
Commercial and industrial				1,828	1,828	1,828	1,828	
Construction				5,663	5,663	5,663	5,663	
Mortgage	46,192	50,570	17,633	6,534	8,513	52,726	59,083	17,633
Legacy				6,045	8,715	6,045	8,715	
Consumer:								
HELOCs				198	198	198	198	
Auto				88	88	88	88	
Other	2,075	2,075	280			2,075	2,075	280
Total U.S. mainland	$ 48,267	$ 52,645	$ 17,913	$ 70,664	$ 93,178	$ 118,931	$ 145,823	$ 17,913

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	December 31, 2013 Popular, Inc.							
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 11,073	$ 17,812	$ 11,073	$ 17,812	$
Commercial real estate non-owner occupied	19,120	19,407	2,368	74,261	92,790	93,381	112,197	2,368
Commercial real estate owner occupied	55,826	74,420	6,473	49,373	67,455	105,199	141,875	6,473
Commercial and industrial	30,370	33,152	7,568	57,493	69,969	87,863	103,121	7,568
Construction	2,324	9,047	177	20,162	42,614	22,486	51,661	177
Mortgage	404,629	426,963	55,667	47,444	53,694	452,073	480,657	55,667
Legacy				6,045	8,715	6,045	8,715	
Leasing	2,893	2,893	1,053			2,893	2,893	1,053
Consumer:								
Credit cards	45,015	45,015	8,344			45,015	45,015	8,344
HELOCs				198	198	198	198	
Personal	78,475	78,475	21,313			78,475	78,475	21,313
Auto	1,354	1,354	171	88	88	1,442	1,442	171
Other	2,573	2,573	372			2,573	2,573	372
Covered loans	12,837	17,538	293	8,108	10,063	20,945	27,601	293
Total Popular, Inc.	$ 655,416	$ 710,837	$ 103,799	$ 274,245	$ 363,398	$ 929,661	$ 1,074,235	$ 103,799

The following tables present the average recorded investment and interest income recognized on impaired loans for the quarter and six months ended June 30, 2014 and 2013.

	For the quarter ended June 30, 2014					
	Puerto Rico		U.S. Mainland [1]		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	$ 2,144	$	$ 2,808	$	$ 4,952	$
Commercial real estate non-owner occupied	77,906	696	9,653	24	87,559	720
Commercial real estate owner occupied	113,400	728	6,632	30	120,032	758
Commercial and industrial	112,697	1,717	1,122		113,819	1,717
Construction	21,553				21,553	
Mortgage	410,345	5,081	52,034	485	462,379	5,566
Legacy			3,123		3,123	

Leasing	2,554				2,554	
Consumer:						
Credit cards	43,241				43,241	
Helocs			2,431		2,431	
Personal	74,918				74,918	
Auto	1,910		87		1,997	
Other	880		6		886	
Covered loans	5,391	118			5,391	118
Total Popular, Inc.	$ 866,939	$ 8,340	$ 77,896	$ 539	$ 944,835	$ 8,879

[1] Excludes impaired loans from discontinued operations.

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(In thousands)	For the quarter ended June 30, 2013 Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 8,448	$ (29)	$ 6,619	$	$ 15,067	$ (29)
Commercial real estate non-owner occupied	47,621	364	38,509	55	86,130	419
Commercial real estate owner occupied	98,892	493	20,235	73	119,127	566
Commercial and industrial	96,622	769	1,457		98,079	769
Construction	41,528		5,859		47,387	
Mortgage	480,435	7,861	53,000	482	533,435	8,343
Legacy			14,200		14,200	
Leasing	4,088				4,088	
Consumer:						
Credit cards	34,019				34,019	
Helocs			200		200	
Personal	83,531				83,531	
Auto	858		90		948	
Other	274		2,311		2,585	
Covered loans	24,252	265			24,252	265
Total Popular, Inc.	$ 920,568	$ 9,723	$ 142,480	$ 610	$ 1,063,048	$ 10,333

(In thousands)	For the six months ended June 30, 2014 Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland [1] Average recorded investment	U.S. Mainland [1] Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 2,564	$	$ 4,428	$	$ 6,992	$
Commercial real estate non-owner occupied	74,059	8	15,440	24	89,499	32
Commercial real estate owner occupied	105,458	1,191	9,629	30	115,087	1,221
Commercial and industrial	103,810	1,581	1,357		105,167	1,581
Construction	19,976	3,329	1,888		21,864	3,329
Mortgage	406,679	10,263	52,264	992	458,943	11,255
Legacy			4,097		4,097	
Leasing	2,667				2,667	
Consumer:						
Credit cards	43,832				43,832	
HELOCs			1,687		1,687	
Personal	76,104				76,104	
Auto	1,724		87		1,811	
Other	752		696		1,448	
Covered loans	10,576	234			10,576	234
Total Popular, Inc.	$ 848,201	$ 16,606	$ 91,573	$ 1,046	$ 939,774	$ 17,652

[1] Excludes impaired loans from discontinued operations.

For the six months ended June 30, 2013

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 10,082	$ 132	$ 6,960	$ 39	$ 17,042	$ 171
Commercial real estate non-owner occupied	57,631	723	40,944	90	98,575	813
Commercial real estate owner occupied	139,981	1,009	20,280	15	160,261	1,024
Commercial and industrial	109,286	1,608	2,990		112,276	1,608
Construction	39,635		5,893		45,528	
Mortgage	506,002	15,596	53,364	985	559,366	16,581
Legacy			15,714		15,714	
Leasing	4,352				4,352	
Consumer:						
Credit cards	36,851				36,851	
HELOCs			200		200	
Personal	84,648				84,648	
Auto	829		90		919	
Other	347		2,348		2,695	
Covered loans	52,582	504			52,582	504
Total Popular, Inc.	$ 1,042,226	$ 19,572	$ 148,783	$ 1,129	$ 1,191,009	$ 20,701

Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to $ 1.0 billion at June 30, 2014 (December 31, 2013 - $ 1.0 billion). The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings amounted $4 million related to the commercial loan portfolio and $697 thousand related to the construction loan portfolio at June 30, 2014 (December 31, 2013 - $3 million and $0, respectively).

A modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession.

Commercial and industrial loans modified in a TDR often involve temporary interest-only payments, term extensions, and converting evergreen revolving credit lines to long-term loans. Commercial real estate (CRE), which includes multifamily, owner-occupied and non-owner occupied CRE, and construction loans modified in a TDR often involve reducing the interest rate for a limited period of time or the remaining term of the loan, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or reductions in the payment plan. Construction loans modified in a TDR may also involve extending the interest-only payment period.

Residential mortgage loans modified in a TDR are primarily comprised of loans where monthly payments are lowered to accommodate the borrowers financial needs for a period of time, normally five years to ten years. After the lowered monthly payment period ends, the borrower reverts back to paying principal and interest per the original terms with the maturity date adjusted accordingly.

Home equity loans modifications are made infrequently and are not offered if the Corporation also holds the first mortgage. Home equity loans modifications are uniquely designed to meet the specific needs of each borrower. Automobile loans modified in a TDR are primarily comprised of loans where the Corporation has lowered monthly payments by extending the term. Credit cards modified in a TDR are primarily comprised of loans where monthly payments are lowered to accommodate the borrowers financial needs for a period of time, normally up to 24 months.

As part of its NPL reduction strategy and in order to expedite the resolution of delinquent construction and commercial loans, commencing in 2012, the Corporation routinely enters into liquidation agreements with borrowers and guarantors through the regular legal process, bankruptcy procedures and in certain occasions, out of court transactions. These liquidation agreements, in general, contemplate the following conditions: (1) consent to judgment by the borrowers and guarantors; (2) acknowledgement by the borrower of the debt, its liquidity and maturity; and (3) acknowledgment of the default in payments. The contractual interest rate is not reduced and continues to accrue during the term of the agreement. At the end of the period, the borrower is obligated to remit all amounts due or be subject to the Corporation s exercise of its foreclosure rights and further collection efforts. Likewise, the borrower s failure to make stipulated payments will grant the Corporation the ability to exercise its foreclosure rights. This strategy tends to expedite the foreclosure process, resulting in a more effective and efficient collection process. Although in general, these liquidation agreements do not contemplate the forgiveness of principal or interest as debtor is required to cover all outstanding amounts when the agreement becomes due, it could be construed that the Corporation has granted a concession by temporarily accepting a payment schedule that is different from the contractual payment schedule. Accordingly, loans under these program agreements are considered TDRs.

Loans modified in a TDR that are not accounted pursuant to ASC Subtopic 310-30 are typically already in non-accrual status at the time of the modification and partial charge-offs have in some cases already been taken against the outstanding loan balance. The TDR loan continues in non-accrual status until the borrower has demonstrated a willingness and ability to make the restructured loan payments (generally at least six months of sustained performance after the modification (or one year for loans providing for quarterly or semi-annual payments)) and management has concluded that it is probable that the borrower would not be in payment default in the foreseeable future.

Loans modified in a TDR may have the financial effect to the Corporation of increasing the specific allowance for loan losses associated with the loan. Consumer and residential mortgage loans modified under the Corporation s loss mitigation programs that are determined to be TDRs are individually evaluated for impairment based on an analysis of discounted cash flows.

For consumer and mortgage loans that are modified with regard to payment terms and which constitute TDRs, the discounted cash flow value method is used as the impairment valuation is more appropriately calculated based on the ongoing cash flow from the individuals rather than the liquidation of the asset. The computations give consideration to probability of defaults and loss-given-foreclosure on the related estimated cash flows.

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Commercial and construction loans that have been modified as part of loss mitigation efforts are evaluated individually for impairment. The vast majority of the Corporation s modified commercial loans are measured for impairment using the estimated fair value of the collateral, as these are normally considered as collateral dependent loans. The Corporation may also measure commercial loans at their estimated realizable values determined by discounting the expected future cash flows. Construction loans that have been modified are also accounted for as collateral dependent loans. The Corporation determines the fair value measurement dependent upon its exit strategy for the particular asset(s) acquired in foreclosure.

The following tables present the non-covered and covered loans classified as TDRs according to their accruing status at June 30, 2014 and December 31, 2013.

Popular, Inc.
Non-Covered Loans

	June 30, 2014 [1]			December 31, 2013		
(In thousands)	Accruing	Non-Accruing	Total	Accruing	Non-Accruing	Total
Commercial	$ 109,205	$ 113,148	$ 222,353	$ 109,462	$ 80,140	$ 189,602
Construction	376	13,391	13,767	425	10,865	11,290
Legacy					949	949
Mortgage	566,355	100,381	666,736	535,357	82,786	618,143
Leases	875	1,778	2,653	270	2,623	2,893
Consumer	110,066	11,681	121,747	116,719	10,741	127,460
Total	$ 786,877	$ 240,379	$ 1,027,256	$ 762,233	$ 188,104	$ 950,337

[1] Excludes TDRs from discontinued operations.

Popular, Inc.
Covered Loans

	June 30, 2014			December 31, 2013		
(In thousands)	Accruing	Non-Accruing	Total	Accruing	Non-Accruing	Total
Commercial	$ 14	$ 2,384	$ 2,398	$ 7,389	$ 10,017	$ 17,406
Construction		2,962	2,962		3,464	3,464
Mortgage	2,804	592	3,396	146	189	335
Consumer	106	15	121	221	22	243
Total	$ 2,924	$ 5,953	$ 8,877	$ 7,756	$ 13,692	$ 21,448

The following tables present the loan count by type of modification for those loans modified in a TDR during the quarters ended June 30, 2014 and 2013.

	Puerto Rico							
	For the quarter ended June 30, 2014				For the six months ended June 30, 2014			
	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			2	4		
Commercial real estate owner occupied	6	5			15	7		
Commercial and industrial	14	6			23	6		
Construction						3		
Mortgage	14	12	110	43	27	26	190	67
Leasing		1	18			5	24	
Consumer:								
Credit cards	273			172	547			327
Personal	247	16		2	463	33		3
Auto		6	3			8	3	
Other	25			1	43			2
Total	579	49	131	218	1,120	92	217	399

	U.S. Mainland							
	For the quarter ended June 30, 2014				For the six months ended June 30, 2014			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Mortgage			5				11	
Total			5				11	

Excludes TDRs from discontinued operations.

	Popular, Inc.							
	For the quarter ended June 30, 2014				For the six months ended June 30, 2014			
	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			2	4		
Commercial real estate owner occupied	6	5			15	7		
Commercial and industrial	14	6			23	6		
Construction						3		
Mortgage	14	12	115	43	27	26	201	67
Leasing		1	18			5	24	
Consumer:								
Credit cards	273			172	547			327
Personal	247	16		2	463	33		3
Auto		6	3			8	3	
Other	25			1	43			2
Total	579	49	136	218	1,120	92	228	399

Excludes TDRs from discontinued operations.

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	Puerto Rico							
	For the quarter ended June 30, 2013				For the six months ended June 30, 2013			
	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						1		
Commercial real estate owner occupied	1			33	2	1		33
Commercial and industrial	8	2		8	10	4		8
Mortgage	5	14	85	7	9	27	215	13
Leasing		2	5			12	13	
Consumer:								
Credit cards	272			246	560			482
Personal	223	6		3	455	14		3
Auto		2				2		
Other	26				45			
Total	535	26	90	297	1,081	61	228	539

	U.S. Mainland							
	For the quarter ended June 30, 2013				For the six months ended June 30, 2013			
	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			2			2	2	
Commercial real estate owner occupied							1	
Mortgage			5				8	
Total			7			2	11	

	Popular, Inc.							
	For the quarter ended June 30, 2013				For the six months ended June 30, 2013			
				Other				Other

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date		Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	
Commercial real estate non-owner occupied			2			3	2	
Commercial real estate owner occupied	1			33	2	1	1	33
Commercial and industrial	8	2		8	10	4		8
Mortgage	5	14	90	7	9	27	223	13
Leasing		2	5			12	13	
Consumer:								
Credit cards	272			246	560			482
Personal	223	6		3	455	14		3
Auto		2				2		
Other	26				45			
Total	535	26	97	297	1,081	63	239	539

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The following tables present by class, quantitative information related to loans modified as TDRs during the quarters and six months ended June 30, 2014 and 2013.

Puerto Rico
For the quarter ended June 30, 2014

(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	$ 1,486	$ 1,461	$ 141
Commercial real estate owner occupied	11	31,629	31,193	1,446
Commercial and industrial	20	41,418	41,205	60
Mortgage	179	26,651	26,411	804
Leasing	19	507	510	103
Consumer:				
Credit cards	445	3,369	3,811	602
Personal	265	4,374	4,391	854
Auto	9	144	149	9
Other	26	66	65	11
Total	977	$ 109,644	$ 109,196	$ 4,030

U.S. Mainland
For the quarter ended June 30, 2014

(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	$ 643	$ 763	$ 245
Total	5	$ 643	$ 763	$ 245

Popular, Inc.
For the quarter ended June 30, 2014

(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	$ 1,486	$ 1,461	$ 141
Commercial real estate owner occupied	11	31,629	31,193	1,446

Commercial and industrial	20	41,418	41,205	60
Mortgage	184	27,294	27,174	1,049
Leasing	19	507	510	103
Consumer:				
Credit cards	445	3,369	3,811	602
Personal	265	4,374	4,391	854
Auto	9	144	149	9
Other	26	66	65	11
Total	982	$ 110,287	$ 109,959	$ 4,275

Puerto Rico
For the quarter ended June 30, 2013

(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 owner occupied	34	$ 10,646	$ 8,628	$ (161)
Commercial and industrial	18	3,583	3,623	(17)
Mortgage	111	18,046	19,192	878
Leasing	7	116	114	30
Consumer:				
Credit cards	518	3,879	4,649	718
Personal	232	3,810	3,821	985
Auto	2	38	40	2
Other	26	120	119	19
Total	948	$ 40,238	$ 40,186	$ 2,454

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U.S. Mainland
For the quarter ended June 30, 2013

(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	2	$ 1,228	$ 1,154	$
Mortgage	5	702	731	49
Total	7	$ 1,930	$ 1,885	$ 49

Popular, Inc.
For the quarter ended June 30, 2013

(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	2	$ 1,228	$ 1,154	$
Commercial real estate owner occupied	34	10,646	8,628	(161)
Commercial and industrial	18	3,583	3,623	(17)
Mortgage	116	18,748	19,923	927
Leasing	7	116	114	30
Consumer:				
Credit cards	518	3,879	4,649	718
Personal	232	3,810	3,821	985
Auto	2	38	40	2
Other	26	120	119	19
Total	955	$ 42,168	$ 42,071	$ 2,503

Puerto Rico
For the six months ended June 30, 2014

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	6	$ 2,862	2,915	$ 78
Commercial real estate owner occupied	22	33,258	32,810	1,420
Commercial and industrial	29	42,191	41,975	69

Construction	3	11,358	11,358	(570)
Mortgage	310	46,037	46,936	1,942
Leasing	29	713	717	166
Consumer:				
Credit cards	874	6,952	7,902	1,229
Personal	499	8,449	8,465	1,766
Auto	11	176	182	10
Other	45	103	102	17
Total	1,828	$ 152,099	$ 153,362	$ 6,127

U.S. mainland
For the six months ended June 30, 2014

(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	11	$ 1,568	$ 1,827	$ 240
Total	11	$ 1,568	$ 1,827	$ 240

Excludes TDRs from discontinued operations.

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Popular, Inc.
For the six months ended June 30, 2014

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	6	$ 2,862	$ 2,915	$ 78
Commercial real estate owner occupied	22	33,258	32,810	1,420
Commercial and industrial	29	42,191	41,975	69
Construction	3	11,358	11,358	(570)
Mortgage	321	47,605	48,763	2,182
Leasing	29	713	717	166
Consumer:				
Credit cards	874	6,952	7,902	1,229
Personal	499	8,449	8,465	1,766
Auto	11	176	182	10
Other	45	103	102	17
Total	1,839	$ 153,667	$ 155,189	$ 6,367

Excludes TDRs from discontinued operations.

Puerto Rico
For the six months ended June 30, 2013

(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	1	$ 1,248	$ 741	$ (10)
Commercial real estate owner occupied	36	15,212	13,214	(501)
Commercial and industrial	22	3,743	3,784	(18)
Mortgage	264	42,944	45,981	4,305
Leasing	25	443	429	133
Consumer:				
Credit cards	1,042	8,144	9,795	755
Personal	472	7,642	7,667	1,978
Auto	2	38	40	2
Other	45	169	167	19
Total	1,909	$ 79,583	$ 81,818	$ 6,663

U.S. mainland
For the six months ended June 30, 2013

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modif