POPULAR INC
Form 10-Q
August 09, 2016
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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, 2016

Commission File Number: 001-34084

POPULAR, INC.

(Exact name of registrant as specified in its charter)

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

Popular Center Building

209 Muñoz Rivera Avenue

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

(787) 765-9800

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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, 103,738,891 shares outstanding as of August 3, 2016.

POPULAR, INC.

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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 performanc business, including, but not limited to, statements with respect to the adequacy of the allowance for loan losses, delinquency trends, market risk and the impact of interest rate changes, capital markets conditions, capital adequacy and liquidity, and the effect of legal proceedings and new accounting standards on the Corporation s financial condition and results of operations. All statements contained herein that are not clearly historical in nature are forward-looking, and the words anticipate , believe , continues , expect , estimate , intend , project and similar and future or conditional verbs such as will , would , should , could , might , can , may or similar expressions generally intended to identify forward-looking statements.

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

Various factors, some of which are beyond Popular s control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- the rate of growth in the economy and employment levels, as well as general business and economic conditions in the geographic areas we serve;
- changes in interest rates, as well as the magnitude of such changes;
- the fiscal and monetary policies of the federal government and its agencies;
- changes in federal bank regulatory and supervisory policies, including required levels of capital and the impact of proposed capital standards on our capital ratios;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (The Dodd-Frank Act) on our businesses, business practices and cost of operations;
- regulatory approvals that may be necessary to undertake certain actions or consummate strategic transactions such as acquisitions and dispositions;
- the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets in Puerto Rico and the other markets in which borrowers are located;

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

the performance of the stock and bond markets;

competition in the financial services industry;

additional Federal Deposit Insurance Corporation (FDIC) assessments;

possible legislative, tax or regulatory changes; and

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

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

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

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

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

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

- liabilities resulting from litigation and regulatory investigations;

- changes in accounting standards, rules and interpretations;

- our ability to grow our core businesses;

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

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

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

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(UNAUDITED)

(In thousands, except share information)	June 30, 2016	December 31, 2015
Assets:		
Cash and due from banks	$ 365,308	$ 363,674
Money market investments:		
Securities purchased under agreements to resell	86,328	96,338
Time deposits with other banks	2,699,172	2,083,754
Total money market investments	2,785,500	2,180,092
Trading account securities, at fair value:		
Pledged securities with creditors right to repledge	11,088	19,506
Other trading securities	61,442	52,153
Investment securities available-for-sale, at fair value:		
Pledged securities with creditors right to repledge	863,594	739,045
Other investment securities available-for-sale	6,379,082	5,323,947
Investment securities held-to-maturity, at amortized cost (fair value 2016 - $81,469; 2015 - $82,889)	99,525	100,903
Other investment securities, at lower of cost or realizable value (realizable value 2016 - $171,569; 2015 - $175,291)	168,563	172,248
Loans held-for-sale, at lower of cost or fair value	122,338	137,000
Loans held-in-portfolio:		
Loans not covered under loss-sharing agreements with the FDIC	22,655,877	22,453,813
Loans covered under loss-sharing agreements with the FDIC	607,170	646,115
Less Unearned income	115,216	107,698
Allowance for loan losses	548,720	537,111
Total loans held-in-portfolio, net	22,599,111	22,455,119
FDIC loss-share asset	214,029	310,221
Premises and equipment, net	535,865	502,611
Other real estate not covered under loss-sharing agreements with the FDIC	177,025	155,231
Other real estate covered under loss-sharing agreements with the FDIC	37,984	36,685
Accrued income receivable	120,979	124,234
Mortgage servicing assets, at fair value	203,577	211,405
Other assets	2,179,060	2,193,162
Goodwill	631,095	626,388

Other intangible assets	50,983	58,109
Total assets	$ 37,606,148	$ 35,761,733
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 6,531,108	$ 6,401,515
Interest bearing	22,206,748	20,808,208
Total deposits	28,737,856	27,209,723
Federal funds purchased and assets sold under agreements to repurchase	821,604	762,145
Other short-term borrowings	31,200	1,200
Notes payable	1,575,948	1,662,508
Other liabilities	1,077,894	1,019,018
Liabilities from discontinued operations (Refer to Note 4)	1,815	1,815
Total liabilities	32,246,317	30,656,409
Commitments and contingencies (Refer to Note 23)		
Stockholders equity:		
Preferred stock, 30,000,000 shares authorized; 2,006,391shares issued and outstanding	50,160	50,160
Common stock, $0.01 par value; 170,000,000 shares authorized; 103,952,715 shares issued (2015 - 103,816,185) and 103,703,041 shares outstanding (2015 - 103,618,976)	1,039	1,038
Surplus	4,232,835	4,229,156
Retained earnings	1,228,979	1,087,957
Treasury stock - at cost, 249,674 shares (2015 - 197,209)	(7,570)	(6,101)
Accumulated other comprehensive loss, net of tax	(145,612)	(256,886)
Total stockholders equity	5,359,831	5,105,324
Total liabilities and stockholders equity	$ 37,606,148	$ 35,761,733

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, 2016	Quarters ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest income:				
Loans	$ 369,721	$ 374,133	$ 732,918	$ 729,764
Money market investments	3,889	1,845	6,752	3,291
Investment securities	36,725	31,297	72,996	61,598
Trading account securities	1,875	3,026	3,564	5,722
Total interest income	412,210	410,301	816,230	800,375
Interest expense:				
Deposits	30,599	26,258	60,473	52,122
Short-term borrowings	2,058	1,863	3,919	3,597
Long-term debt	19,002	19,627	38,875	38,908
Total interest expense	51,659	47,748	103,267	94,627
Net interest income	360,551	362,553	712,963	705,748
Provision for loan losses - non-covered loans	39,668	60,468	87,608	90,179
Provision (reversal) for loan losses - covered loans	804	15,766	(2,301)	26,090
Net interest income after provision for loan losses	320,079	286,319	627,656	589,479
Service charges on deposit accounts	40,296	40,138	80,158	79,155
Other service fees (Refer to Note 29)	56,945	59,421	110,327	113,047
Mortgage banking activities (Refer to Note 12)	16,227	21,325	26,778	34,177
Net gain on sale of investment securities	1,583	5	1,583	5
Other-than-temporary impairment losses on investment securities	(209)	(14,445)	(209)	(14,445)
Trading account profit (loss)	1,117	(3,108)	955	(2,694)
Net gain (loss) on sale of loans, including valuation adjustments on loans held-for-sale		681	(304)	602
Adjustments (expense) to indemnity reserves on loans sold	(5,746)	419	(9,844)	(4,107)
FDIC loss-share (expense) income (Refer to Note 30)	(12,576)	19,075	(15,722)	23,214
Other operating income	12,866	17,248	28,411	27,040
Total non-interest income	110,503	140,759	222,133	255,994
Operating expenses:				

Personnel costs	116,708	120,977	243,799	237,435
Net occupancy expenses	21,714	23,286	42,144	44,995
Equipment expenses	15,261	15,925	29,809	29,336
Other taxes	10,170	11,113	20,365	19,687
Professional fees	80,625	78,449	156,084	153,977
Communications	6,012	6,153	12,332	12,329
Business promotion	13,705	13,776	24,815	24,589
FDIC deposit insurance	5,362	8,542	12,732	14,940
Other real estate owned (OREO) expenses	12,980	44,816	22,121	67,885
Other operating expenses	23,515	31,082	40,680	48,430
Amortization of intangibles	3,097	2,881	6,211	4,985
Restructuring costs (Refer to Note 4)		6,174		16,927
Total operating expenses	309,149	363,174	611,092	675,515
Income from continuing operations before income tax	121,433	63,904	238,697	169,958
Income tax expense (benefit)	32,446	(533,533)	64,711	(500,964)
Income from continuing operations	88,987	597,437	173,986	670,922
Income from discontinued operations, net of tax (Refer to Note 4)		15		1,356
Net Income	$ 88,987	$ 597,452	$ 173,986	$ 672,278
Net Income Applicable to Common Stock	$ 88,056	$ 596,521	$ 172,124	$ 670,417
Net Income per Common Share Basic				
Net income from continuing operations	$ 0.85	$ 5.80	$ 1.67	$ 6.51
Net income from discontinued operations				0.01
Net Income per Common Share Basic	$ 0.85	$ 5.80	$ 1.67	$ 6.52
Net Income per Common Share Diluted				
Net income from continuing operations	$ 0.85	$ 5.79	$ 1.67	$ 6.49
Net income from discontinued operations				0.01
Net Income per Common Share Diluted	$ 0.85	$ 5.79	$ 1.67	$ 6.50
Dividends Declared per Common Share	$ 0.15	$	$ 0.30	$

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(In thousands)	Quarters ended, June 30, 2016	Quarters ended, June 30, 2015	Six months ended, June 30, 2016	Six months ended, June 30, 2015
Net income	$ 88,987	$ 597,452	$ 173,986	$ 672,278
Other comprehensive income (loss) before tax:				
Foreign currency translation adjustment	(1,435)	(1,092)	(2,140)	(1,673)
Amortization of net losses of pension and postretirement benefit plans	5,487	5,025	10,973	10,050
Amortization of prior service cost of pension and postretirement benefit plans	(950)	(950)	(1,900)	(1,900)
Unrealized holding gains (losses) on investments arising during the period	38,092	(41,191)	114,328	(5,849)
Other-than-temporary impairment included in net income	209	14,445	209	14,445
Reclassification adjustment for gains included in net income		(5)		(5)
Unrealized net (losses) gains on cash flow hedges	(1,539)	1,004	(3,539)	(1,530)
Reclassification adjustment for net losses included in net income	1,271	951	2,816	2,309
Other comprehensive income (loss) before tax	41,135	(21,813)	120,747	15,847
Income tax expense	(4,997)	(2,818)	(9,473)	(5,006)
Total other comprehensive income (loss) , net of tax	36,138	(24,631)	111,274	10,841
Comprehensive income, net of tax	$ 125,125	$ 572,821	$ 285,260	$ 683,119

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

(In thousands)	Quarters ended June 30, 2016	Quarters ended June 30, 2015	Six months ended, June 30, 2016	Six months ended, June 30, 2015
Amortization of net losses of pension and postretirement benefit plans	$ (2,140)	$ (1,960)	$ (4,280)	$ (3,920)
Amortization of prior service cost of pension and postretirement benefit plans	370	371	740	742
Unrealized holding gains (losses) on investments arising during the period	(3,289)	2,019	(6,174)	962
Other-than-temporary impairment included in net income	(42)	(2,486)	(42)	(2,486)
Reclassification adjustment for gains included in net income		1		1

Unrealized net (losses) gains on cash flow hedges	600	(392)	1,381	597
Reclassification adjustment for net losses included in net income	(496)	(371)	(1,098)	(902)
Income tax expense	$ (4,997)	$ (2,818)	$ (9,473)	$ (5,006)

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)

thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
ance at December 31, 2014	$ 1,036	$ 50,160	$ 4,196,458	$ 253,717	$ (4,117)	$ (229,872)	$ 4,267,38
income				672,278			672,27
uance of stock	1		2,536				2,53
windfall benefit on vesting of restricted ck			171				17
idends declared:							
ferred stock				(1,861)			(1,86
nmon stock purchases					(1,741)		(1,74
nmon stock reissuance					46		4
er comprehensive income, net of tax						10,841	10,84
ance at June 30, 2015	$ 1,037	$ 50,160	$ 4,199,165	$ 924,134	$ (5,812)	$ (219,031)	$ 4,949,65
ance at December 31, 2015	$ 1,038	$ 50,160	$ 4,229,156	$ 1,087,957	$ (6,101)	$ (256,886)	$ 5,105,32
income				173,986			173,98
uance of stock	1		3,708				3,70
shortfall expense on vesting of restricted ck			(29)				(2
idends declared:							
nmon stock				(31,102)			(31,10
ferred stock				(1,862)			(1,86
nmon stock purchases					(1,476)		(1,47
nmon stock reissuance					7		
er comprehensive income, net of tax						111,274	111,27
ance at June 30, 2016	$ 1,039	$ 50,160	$ 4,232,835	$ 1,228,979	$ (7,570)	$ (145,612)	$ 5,359,83

closure of changes in number of shares:	June 30, 2016	June 30, 2015
ferred Stock:		
ance at beginning and end of period	2,006,391	2,006,39
nmon Stock Issued:		
ance at beginning of period	103,816,185	103,614,55
uance of stock	136,530	76,20

ance at end of the period	103,952,715	103,690,75
asury stock	(249,674)	(187,74
mmon Stock Outstanding	103,703,041	103,503,01

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, 2016	2015
Cash flows from operating activities:		
Net income	$ 173,986	$ 672,278
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	85,307	116,269
Amortization of intangibles	6,211	4,985
Depreciation and amortization of premises and equipment	23,141	23,949
Net accretion of discounts and amortization of premiums and deferred fees	(24,724)	(42,167)
Other-than-temporary impairment on investment securities	209	14,445
Fair value adjustments on mortgage servicing rights	12,817	6,846
FDIC loss share expense (income)	15,722	(23,214)
Adjustments (expense) to indemnity reserves on loans sold	9,844	4,107
Earnings from investments under the equity method	(13,681)	(9,806)
Deferred income tax expense (benefit)	49,316	(511,128)
Loss (gain) on:		
Disposition of premises and equipment and other productive assets	2,424	(1,429)
Sale and valuation adjustments of investment securities	(1,583)	(5)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	(15,577)	(15,034)
Sale of foreclosed assets, including write-downs	9,571	54,711
Acquisitions of loans held-for-sale	(148,725)	(249,059)
Proceeds from sale of loans held-for-sale	43,110	51,062
Net originations on loans held-for-sale	(247,287)	(379,264)
Net decrease (increase) in:		
Trading securities	393,178	481,271
Accrued income receivable	3,255	(656)
Other assets	(21,351)	33,552
Net (decrease) increase in:		
Interest payable	(1,208)	475
Pension and other postretirement benefits obligation	2,300	1,641
Other liabilities	6,310	(41,438)
Total adjustments	188,579	(479,887)
Net cash provided by operating activities	362,565	192,391
Cash flows from investing activities:		
Net increase in money market investments	(605,407)	(1,432,552)

Purchases of investment securities:		
Available-for-sale	(1,682,199)	(985,427)
Held-to-maturity		(250)
Other	(70,302)	(12,805)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	632,284	867,168
Held-to-maturity	2,209	2,389
Other	47,859	31,592
Proceeds from sale of investment securities:		
Available-for-sale		70,005
Other	27,710	8,399
Net (disbursements) repayments on loans	(61,199)	374,224
Proceeds from sale of loans	95,940	27,780
Acquisition of loan portfolios	(308,949)	(140,671)
Net payments from FDIC under loss sharing agreements	88,588	164,423
Net cash received and acquired from business combination		738,296
Acquisition of servicing advances		(3,897)
Cash paid related to business acquisition		(17,250)
Return of capital from equity method investments	324	
Mortgage servicing rights purchased		(2,400)
Acquisition of premises and equipment	(60,744)	(30,817)
Proceeds from sale of:		
Premises and equipment and other productive assets	2,839	7,901
Foreclosed assets	28,895	98,287
Net cash used in investing activities	(1,862,152)	(235,605)
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	1,530,091	745,787
Federal funds purchased and assets sold under agreements to repurchase	59,460	(150,413)
Other short-term borrowings	30,000	(48,215)
Payments of notes payable	(216,501)	(430,003)
Proceeds from issuance of notes payable	128,883	103,231
Proceeds from issuance of common stock	3,710	2,536
Dividends paid	(32,953)	(1,861)
Net payments for repurchase of common stock	(1,469)	(1,695)
Net cash provided by financing activities	1,501,221	219,367
Net increase in cash and due from banks	1,634	176,153
Cash and due from banks at beginning of period	363,674	381,095
Cash and due from banks at the end of the period	$ 365,308	$ 557,248

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

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

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Notes to Consolidated Financial

Statements (Unaudited)

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Note 1 Nature of Operations

Popular, Inc. (the Corporation) is a diversified, publicly-owned financial holding company subject to the supervision and regulation of the Board of Governors of the Federal Reserve System. The Corporation has operations in Puerto Rico, the United States and the Caribbean. In Puerto Rico, the Corporation provides retail, mortgage, and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico (BPPR), as well as investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. In the U.S. mainland, the Corporation operates Banco Popular North America (BPNA). BPNA focuses efforts and resources on the core community banking business. BPNA operates branches in New York, New Jersey and South Florida under the name of Popular Community Bank. Refer to Note 4 for discussion of the sales of the California, Illinois and Central Florida regional operations during 2014. Note 35 to the consolidated financial statements presents information about the Corporation s business segments.

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

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Note 2 Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

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

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

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Note 3 New accounting pronouncements

Recently Issued Accounting Standards Updates

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

The FASB issued ASU 2016-13 in June 2016, which replaces the incurred loss model with a current expected credit loss (CECL) model. The CECL model applies to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet exposures. Under current U.S. GAAP, an entity reflects credit losses on financial assets measured on an amortized cost basis only when losses are probable or have been incurred, generally considering only past events and current conditions in making these determinations. ASU 2016-13 prospectively replaces this approach with a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first acquired. Under the revised methodology, credit losses will be measured based on past events, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets. ASU 2016-13 also revises the approach to recognizing credit losses for available-for-sale securities by replacing the direct write-down approach with the allowance approach and limiting the allowance to the amount at which the security s fair value is less than the amortized cost. In addition, ASU 2016-13 provides that the initial allowance for credit losses on purchased credit impaired financial assets will be recorded as an increase to the purchase price, with subsequent changes to the allowance recorded as a credit loss expense.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The FASB issued ASU 2016-06 in March 2016, which clarifies that in assessing whether an embedded contingent put or call option is not clearly and closely related to the debt instrument, which is part of the assessment made to determine whether an embedded

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derivative must be bifurcated from the host contract, an entity is required to perform only the four step decision sequence. The four-step decision sequence requires an entity to consider whether (1) the payoff is adjusted based on changes in an index, (2) the payoff is indexed to an underlying other than interest rates or credit risk, (3) the debt involves a substantial premium or discount and (4) the put or call option is contingently exercisable. It does not have to separately assess whether the event that triggers its ability to exercise the contingent option itself is indexed only to interest rates and credit risk.

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

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

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

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

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

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

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

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Note 4 Discontinued operations and restructuring plan

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

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

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

There were no activities from the discontinued operations during the six month period ended June 30, 2016. Net income from the discontinued operations amounted to $1.4 million for the six months ended June 30, 2015.

Also, in connection with the sale, the Corporation has undertaken a restructuring plan (the PCB Restructuring Plan) which has been completed by December 31, 2015, for which the Corporation incurred restructuring charges of $45.1 million. During the six month period ended June 30, 2015, the Corporation incurred $16.9 million in restructuring costs, mostly comprised of $12.2 million in personnel costs.

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

	Six months ended June 30,	
(In thousands)	2016	2015
Beginning balance	$ 620	$ 13,536
Charges expensed during the period		8,312
Payments made during the period	(367)	(18,759)
Ending balance	$ 253	$ 3,089

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Note 5 Business combination

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

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

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

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

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

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

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

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

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

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

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

The impact in the results of operations for the quarter and the six months ended June 30, 2015 as a result of the recasting was an increase in net income of approximately $2.7 million and $3.4 million, respectively, as detailed in the following table:

	Quarter ended June 30, 2015			Six months ended June 30, 2015		
(In thousands)	As recasted	As reported	Difference	As recasted	As reported	Difference
Net Interest Income	$ 29,629	$ 27,164	$ 2,465	$ 39,935	$ 36,932	$ 3,003
Non-Interest Income	7,210	7,210		11,472	11,472	
Operating Expenses	26,506	26,775	(269)	40,903	41,262	(359)
Income Before Taxes	$ 10,333	$ 7,599	$ 2,734	$ 10,504	$ 7,142	$ 3,362

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

The Corporation s banking subsidiaries, BPPR and BPNA, are required by federal and state regulatory agencies to maintain average reserve balances with the Federal Reserve Bank of New York (the Fed) or other banks. Those required average reserve balances amounted to $ 1.1 billion at June 30, 2016 (December 31, 2015 - $ 1.1 billion). Cash and due from banks, as well as other highly liquid securities, are used to cover the required average reserve balances.

At June 30, 2016, the Corporation held $23 million in restricted assets in the form of funds deposited in money market accounts, trading account securities and investment securities available for sale (December 31, 2015 - $44 million). The amounts held in trading account securities and investment securities available for sale consist primarily of restricted assets held for the Corporation s non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

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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, 2016 and December 31, 2015.

	At June 30, 2016				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 45,014	$ 90	$	$ 45,104	0.72%
After 1 to 5 years	1,557,118	12,141		1,569,259	1.05
After 5 to 10 years	9,942	471		10,413	1.99
Total U.S. Treasury securities	1,612,074	12,702		1,624,776	1.05
Obligations of U.S. Government sponsored entities					
Within 1 year	50,045	150		50,195	0.90
After 1 to 5 years	716,459	7,026	90	723,395	1.36
After 5 to 10 years	250	1		251	5.64
Total obligations of U.S. Government sponsored entities	766,754	7,177	90	773,841	1.33
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	7,150	17		7,167	4.27
After 5 to 10 years	5,915	1	1,562	4,354	4.02
After 10 years	18,614	1	4,501	14,114	6.99
Total obligations of Puerto Rico, States and political subdivisions	31,679	19	6,063	25,635	5.82
Collateralized mortgage obligations - federal agencies					
Within 1 year	159			159	0.97
After 1 to 5 years	19,667	972		20,639	2.86
After 5 to 10 years	36,988	771		37,759	2.86
After 10 years	1,369,388	17,599	6,823	1,380,164	1.98
Total collateralized mortgage obligations - federal agencies	1,426,202	19,342	6,823	1,438,721	2.01
Mortgage-backed securities					

Within 1 year	18			18	4.72
After 1 to 5 years	19,790	872	9	20,653	4.50
After 5 to 10 years	268,493	7,414	184	275,723	2.41
After 10 years	3,002,023	69,496	670	3,070,849	2.63
Total mortgage-backed securities	3,290,324	77,782	863	3,367,243	2.63
Equity securities (without contractual maturity)	1,351	1,169		2,520	7.86
Other					
After 1 to 5 years	8,725	35		8,760	1.73
After 5 to 10 years	1,136	44		1,180	3.62
Total other	9,861	79		9,940	1.95
Total investment securities available-for-sale[1]	$ 7,138,245	$ 118,270	$ 13,839	$ 7,242,676	2.02%

[1] Includes $3.6 billion pledged to secure public and trust deposits, assets sold under agreements to repurchase, credit facilities and loan servicing agreements that the secured parties are not permitted to sell or repledge the collateral, of which $2.9 billion serve as collateral for public funds.

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	At December 31, 2015				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 24,861	$ 335	$	$ 25,196	4.31%
After 1 to 5 years	1,149,807	365	1,999	1,148,173	1.03
After 5 to 10 years	9,937	22		9,959	1.99
Total U.S. Treasury securities	1,184,605	722	1,999	1,183,328	1.11
Obligations of U.S. Government sponsored entities					
After 1 to 5 years	919,819	1,337	4,808	916,348	1.33
After 5 to 10 years	250	1		251	5.64
After 10 years	23,000	42		23,042	3.22
Total obligations of U.S. Government sponsored entities	943,069	1,380	4,808	939,641	1.38
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	7,227		199	7,028	3.94
After 5 to 10 years	5,925		2,200	3,725	4.02
After 10 years	18,585		6,979	11,606	6.99
Total obligations of Puerto Rico, States and political subdivisions	31,737		9,378	22,359	5.74
Collateralized mortgage obligations - federal agencies					
After 1 to 5 years	21,446	594	37	22,003	2.81
After 5 to 10 years	44,585	733		45,318	2.85
After 10 years	1,518,662	8,137	33,283	1,493,516	1.99
Total collateralized mortgage obligations - federal agencies	1,584,693	9,464	33,320	1,560,837	2.02
Mortgage-backed securities					
After 1 to 5 years	22,015	987	8	22,994	4.65
After 5 to 10 years	256,097	4,866	1,197	259,766	2.51
After 10 years	2,039,217	34,839	12,620	2,061,436	2.83
Total mortgage-backed securities	2,317,329	40,692	13,825	2,344,196	2.81
Equity securities (without contractual maturity)	1,350	1,053	5	2,398	7.92
Other					
After 1 to 5 years	8,911		28	8,883	1.71
After 5 to 10 years	1,311	39		1,350	3.62

Total other	10,222	39	28	10,233	1.95
Total investment securities available-for-sale[1]	$ 6,073,005	$ 53,350	$ 63,363	$ 6,062,992	2.07%

[1] Includes $2.4 billion pledged to secure public and trust deposits, assets sold under agreements to repurchase, credit facilities and loan servicing agreements that the secured parties are not permitted to sell or repledge the collateral, of which $1.5 billion serve as collateral for public funds.

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

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

There were no securities sold during the quarter and six months ended June 30, 2016. During the six months ended June 30, 2015, the Corporation sold U.S. agency securities with a carrying amount of $70 million at the BPPR segment, resulting in a realized gain of $5 thousand.

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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, 2016 and December 31, 2015.

	At June 30, 2016					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	$ 24,110	$ 63	$ 1,301	$ 27	$ 25,411	$ 90
Obligations of Puerto Rico, States and political subdivisions			16,501	6,063	16,501	6,063
Collateralized mortgage obligations - federal agencies			405,082	6,823	405,082	6,823
Mortgage-backed securities	114,735	829	9,662	34	124,397	863
Total investment securities available-for-sale in an unrealized loss position	$ 138,845	$ 892	$ 432,546	$ 12,947	$ 571,391	$ 13,839

	At December 31, 2015					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. Treasury securities	$ 589,689	$ 1,999	$	$	$ 589,689	$ 1,999
Obligations of U.S. Government sponsored entities	390,319	2,128	181,744	2,680	572,063	4,808
Obligations of Puerto Rico, States and political subdivisions	884	164	19,490	9,214	20,374	9,378
Collateralized mortgage obligations - federal agencies	331,501	4,446	814,195	28,874	1,145,696	33,320
Mortgage-backed securities	1,641,663	12,992	22,362	833	1,664,025	13,825
Equity securities	45	5			45	5
Other	8,883	28			8,883	28
Total investment securities available-for-sale in an unrealized loss position	$ 2,962,984	$ 21,762	$ 1,037,791	$ 41,601	$ 4,000,775	$ 63,363

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

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

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

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

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

	June 30, 2016		December 31, 2015	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	$ 2,820,595	$ 2,863,151	$ 2,649,860	$ 2,633,899
FHLB	286,449	289,572	340,119	338,700
Freddie Mac	1,377,651	1,390,990	1,088,691	1,079,956

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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, 2016 and December 31, 2015.

	At June 30, 2016				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 3,050	$	$ 227	$ 2,823	5.91%
After 1 to 5 years	14,270		5,757	8,513	6.00
After 5 to 10 years	18,930		7,561	11,369	6.17
After 10 years	61,194	3,325	7,805	56,714	1.97
Total obligations of Puerto Rico, States and political subdivisions	97,444	3,325	21,350	79,419	3.50
Collateralized mortgage obligations - federal agencies					
After 5 to 10 years	81	4		85	5.45
Total collateralized mortgage obligations - federal agencies	81	4		85	5.45
Other					
After 1 to 5 years	2,000		35	1,965	1.81
Total other	2,000		35	1,965	1.81
Total investment securities held-to-maturity[1]	$ 99,525	$ 3,329	$ 21,385	$ 81,469	3.47%

[1] Includes $97.8 million pledged to secure public and trust deposits that the secured parties are not permitted to sell or repledge the collateral.

	At December 31, 2015				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 2,920	$	$ 291	$ 2,629	5.90%

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

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

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

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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, 2016 and December 31, 2015.

	At June 30, 2016					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	$	$	$ 32,650	$ 21,350	$ 32,650	$ 21,350
Other	720	30	995	5	1,715	35
Total investment securities held-to-maturity in an unrealized loss position	$ 720	$ 30	$ 33,645	$ 21,355	$ 34,365	$ 21,385

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

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

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at June 30, 2016 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. This includes $55 million of securities issued by three municipalities of Puerto Rico that are payable from the real and personal property taxes collected within such municipalities. These bonds have seniority to the payment of operating cost and expenses of the municipality. The portfolio also includes approximately $43 million in securities for which the underlying source of payment is not the central government, but in which it provides a guarantee in the event of default.

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

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Note 9 Loans

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

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

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

During the quarter and six months ended June 30, 2016, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $118 million and $240 million, respectively; consumer loans of $58 million and $164 million, respectively; and commercial loans amounting to $51 million during the six months ended June 30, 2016. Excluding the impact of the Doral Bank Transaction, during the quarter and six months ended June 30, 2015, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $213 million and $382 million, respectively.

Excluding the bulk sale of Westernbank loans with a carrying value of approximately $100 million, the Corporation sold commercial and construction loans with a carrying value of approximately $1 million during the six months ended June 30, 2016 (during the quarter and six months ended June 30, 2015 - $8 million and $9 million). The Corporation sold approximately $19 million and $40 million of residential mortgage loans (on a whole loan basis) during the quarter and six months ended June 30, 2016, respectively (June 30, 2015 - $25 million and $65 million, respectively). Also, the Corporation securitized approximately $ 170 million and $ 304 million of mortgage loans into Government National Mortgage Association (GNMA) mortgage-backed securities during the quarter and six months ended June 30, 2016, respectively (June 30, 2015 - $ 243 million and $ 400 million, respectively). Furthermore, the Corporation securitized approximately $ 43 million and $ 79 million of mortgage loans into Federal National Mortgage Association (FNMA) mortgage-backed securities during the quarter and six months ended June 30, 2016, respectively (June 30, 2015 - $ 70 million and $ 117 million, respectively).

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Non-covered loans

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

	June 30, 2016					
	Puerto Rico					
	Past due					Non-covered
	30-59	60-89	90 days	Total		loans HIP
(In thousands)	days	days	or more	past due	Current	Puerto Rico
Commercial multi-family	$ 359	$ 63	$ 1,004	$ 1,426	$ 174,085	$ 175,511
Commercial real estate non-owner occupied	98,373	6,624	57,017	162,014	2,436,617	2,598,631
Commercial real estate owner occupied	9,570	4,969	122,337	136,876	1,679,956	1,816,832
Commercial and industrial	8,286	2,348	34,944	45,578	2,580,500	2,626,078
Construction			4,848	4,848	98,794	103,642
Mortgage	292,558	159,972	802,407	1,254,937	4,765,625	6,020,562
Leasing	6,611	1,034	3,019	10,664	653,430	664,094
Consumer:						
Credit cards	11,024	8,109	17,225	36,358	1,078,082	1,114,440
Home equity lines of credit	49	206	293	548	8,945	9,493
Personal	13,660	7,510	20,349	41,519	1,146,847	1,188,366
Auto	32,909	6,925	11,117	50,951	778,906	829,857
Other	512	255	18,158	18,925	160,601	179,526
Total	$ 473,911	$ 198,015	$ 1,092,718	$ 1,764,644	$ 15,562,388	$ 17,327,032

	June 30, 2016					
	U.S. mainland					
	Past due					
	30-59	60-89	90 days	Total		Loans HIP
(In thousands)	days	days	or more	past due	Current	U.S. mainland
Commercial multi-family	$	$	$ 375	$ 375	$ 888,457	$ 888,832
Commercial real estate non-owner occupied	251	375	317	943	1,092,910	1,093,853
Commercial real estate owner occupied	2,072	97	746	2,915	279,637	282,552
Commercial and industrial	1,800	7,786	80,312	89,898	787,628	877,526
Construction			100	100	613,590	613,690
Mortgage	1,381	5,009	14,390	20,780	822,776	843,556
Legacy	623	176	3,839	4,638	45,071	49,709
Consumer:						
Credit cards	19	83	535	637		637

Home equity lines of credit	2,684	674	3,861	7,219	272,232	279,451
Personal	1,299	1,098	1,351	3,748	279,788	283,536
Auto					15	15
Other	4			4	268	272
Total	$ 10,133	$ 15,298	$ 105,826	$ 131,257	$ 5,082,372	$ 5,213,629

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	June 30, 2016					
	Popular, Inc.					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.[1] [2]
Commercial multi-family	$ 359	$ 63	$ 1,379	$ 1,801	$ 1,062,542	$ 1,064,343
Commercial real estate non-owner occupied	98,624	6,999	57,334	162,957	3,529,527	3,692,484
Commercial real estate owner occupied	11,642	5,066	123,083	139,791	1,959,593	2,099,384
Commercial and industrial	10,086	10,134	115,256	135,476	3,368,128	3,503,604
Construction			4,948	4,948	712,384	717,332
Mortgage	293,939	164,981	816,797	1,275,717	5,588,401	6,864,118
Leasing	6,611	1,034	3,019	10,664	653,430	664,094
Legacy[3]	623	176	3,839	4,638	45,071	49,709
Consumer:						
Credit cards	11,043	8,192	17,760	36,995	1,078,082	1,115,077
Home equity lines of credit	2,733	880	4,154	7,767	281,177	288,944
Personal	14,959	8,608	21,700	45,267	1,426,635	1,471,902
Auto	32,909	6,925	11,117	50,951	778,921	829,872
Other	516	255	18,158	18,929	160,869	179,798
Total	$ 484,044	$ 213,313	$ 1,198,544	$ 1,895,901	$ 20,644,760	$ 22,540,661

[1] Non-covered loans held-in-portfolio are net of $115 million in unearned income and exclude $122 million in loans held-for-sale.

[2] Includes $7.6 billion pledged to secure credit facilities and public funds that the secured parties are not permitted to sell or repledge the collateral, of which $4.7 billion were pledged at the FHLB as collateral for borrowings, $2.4 billion at the FRB for discount window borrowings and $0.5 billion serve as collateral for public funds.

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

	December 31, 2015					
	Puerto Rico					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$ 459	$ 217	$ 1,316	$ 1,992	$ 130,154	$ 132,146
Commercial real estate non-owner occupied	166,732	12,520	84,982	264,234	2,404,858	2,669,092
Commercial real estate owner occupied	14,245	5,624	138,778	158,647	1,750,597	1,909,244
Commercial and industrial	6,010	6,059	38,464	50,533	2,607,204	2,657,737
Construction	238	253	13,738	14,229	86,719	100,948

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

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

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

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

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

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

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

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	At June 30, 2016					
	Puerto Rico		U.S. mainland		Popular, Inc.	
(In thousands)	Non-accrual loans	Accruing loans past-due 90 days or more [1]	Non-accrual loans	Accruing loans past-due 90 days or more [1]	Non-accrual loans	Accruing loans past-due 90 days or more [1]
Commercial multi-family	$ 1,004	$	$ 375	$	$ 1,379	$
Commercial real estate non-owner occupied	25,348		317		25,665	
Commercial real estate owner occupied	111,713		746		112,459	
Commercial and industrial	34,519	270	1,593		36,112	270
Construction	2,423		100		2,523	
Mortgage[3]	323,658	394,936	14,390		338,048	394,936
Leasing	3,019				3,019	
Legacy			3,839		3,839	
Consumer:						
Credit cards		17,225	535		535	17,225
Home equity lines of credit		293	3,861		3,861	293
Personal	20,271	13	1,351		21,622	13
Auto	11,117				11,117	
Other	17,560	582			17,560	582
Total[2]	$ 550,632	$ 413,319	$ 27,107	$	$ 577,739	$ 413,319

[1] Non-covered loans of $207 million accounted for under ASC Subtopic 310-30 are excluded from the above table as they are considered to be performing due to the application of the accretion method, in which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analysis.

[2] For purposes of this table non-performing loans exclude $ 40 million in non-performing loans held-for-sale.

[3] It is the Corporation s policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances include $149 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, 2016. Furthermore, the Corporation has approximately $63 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

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

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

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

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

[3] It is the Corporation s policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances include $164 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of December 31, 2015. Furthermore, the Corporation has approximately $70 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

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

(In thousands)	June 30, 2016	December 31, 2015
Commercial	$ 39,544	$ 45,074
Construction		95
Mortgage	82,794	91,831
Total loans held-for-sale	$ 122,338	$ 137,000

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

(In thousands)	June 30, 2016	December 31, 2015
Commercial	$ 39,544	$ 45,074
Construction		95
Total	$ 39,544	$ 45,169

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

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

Covered loans

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

	June 30, 2016					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP [1]
Mortgage	$ 30,197	$ 15,806	$ 74,541	$ 120,544	$ 468,712	$ 589,256

Consumer	905	396	1,680	2,981	14,933	17,914
Total covered loans	$ 31,102	$ 16,202	$ 76,221	$ 123,525	$ 483,645	$ 607,170

[1] Includes $361 million pledged to secure credit facilities at the FHLB which are not permitted to sell or repledge the collateral.

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

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

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

	June 30, 2016		December 31, 2015	
(In thousands)	Non-accrual loans	Accruing loans past due 90 days or more	Non-accrual loans	Accruing loans past due 90 days or more
Mortgage	$ 3,335	$	$ 3,790	$
Consumer	147		97	
Total[1]	$ 3,482	$	$ 3,887	$

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

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

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

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

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

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

	June 30, 2016 [1]			December 31, 2015 [1]		
	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	$ 1,028,516	$ 14,844	$ 1,043,360	$ 1,114,368	$ 35,393	$ 1,149,761
Commercial and industrial	80,040		80,040	84,765	519	85,284
Construction	4,723	1,723	6,446	8,943	6,027	14,970
Mortgage	621,229	27,181	648,410	667,023	33,090	700,113
Consumer	20,105	1,582	21,687	23,047	1,326	24,373

Carrying amount	1,754,613	45,330	1,799,943	1,898,146	76,355	1,974,501
Allowance for loan losses	(57,895)	(9,100)	(66,995)	(59,753)	(3,810)	(63,563)
Carrying amount, net of allowance	$ 1,696,718	$ 36,230	$ 1,732,948	$ 1,838,393	$ 72,545	$ 1,910,938

[1] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remains subject to the loss sharing agreement with the FDIC amounted to approximately $597 million as of June 30, 2016 and $636 million as of December 31, 2015.

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

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

	Activity in the accretable yield Westernbank loans ASC 310-30 For the quarters ended					
	June 30, 2016			June 30, 2015		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,118,276	$ 10,532	$ 1,128,808	$ 1,254,249	$ 4,699	$ 1,258,948
Accretion	(45,137)	(3,339)	(48,476)	(50,228)	(3,766)	(53,994)
Change in expected cash flows	(11,168)	2,516	(8,652)	35,755	5,215	40,970
Ending balance	$ 1,061,971	$ 9,709	$ 1,071,680	$ 1,239,776	$ 6,148	$ 1,245,924

	Activity in the accretable yield Westernbank loans ASC 310-30 For the six months ended					
	June 30, 2016			June 30, 2015		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,105,732	$ 6,726	$ 1,112,458	$ 1,265,752	$ 5,585	$ 1,271,337
Accretion	(87,137)	(4,872)	(92,009)	(104,004)	(5,687)	(109,691)
Change in expected cash flows	43,376	7,855	51,231	78,028	6,250	84,278
Ending balance	$ 1,061,971	$ 9,709	$ 1,071,680	$ 1,239,776	$ 6,148	$ 1,245,924

	Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30 For the quarters ended					
	June 30, 2016 [1]			June 30, 2015		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,865,940	$ 69,501	$ 1,935,441	$ 2,211,781	$ 155,315	$ 2,367,096
Accretion	45,137	3,339	48,476	50,228	3,766	53,994
Collections/loan sales/charge-offs[2]	(156,464)	(27,510)	(183,974)	(239,516)	(44,496)	(284,012)
Ending balance	$ 1,754,613	$ 45,330	$ 1,799,943	$ 2,022,493	$ 114,585	$ 2,137,078
Allowance for loan losses	(57,895)	(9,100)	(66,995)	(42,503)	(4,546)	(47,049)

ASC 310-30 Westernbank loans						
Ending balance, net of ALLL	$ 1,696,718	$ 36,230	$ 1,732,948	$ 1,979,990	$ 110,039	$ 2,090,029

[1] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remain subject to the loss sharing agreement with the FDIC amounted to approximately $ 597 million as of June 30, 2016.

[2] For the quarter ended June 30, 2016, includes the impact of the bulk sale of loans with a carrying value of approximately $99 million.

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	Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30					
	For the six months ended					
	June 30, 2016 [1]			June 30, 2015		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,898,146	$ 76,355	$ 1,974,501	$ 2,272,142	$ 172,030	$ 2,444,172
Accretion	87,137	4,872	92,009	104,004	5,687	109,691
Collections/loan sales/charge-offs[2]	(230,670)	(35,897)	(266,567)	(353,653)	(63,132)	(416,785)
Ending balance	$ 1,754,613	$ 45,330	$ 1,799,943	$ 2,022,493	$ 114,585	$ 2,137,078
Allowance for loan losses ASC 310-30 Westernbank loans	(57,895)	(9,100)	(66,995)	(42,503)	(4,546)	(47,049)
Ending balance, net of ALLL	$ 1,696,718	$ 36,230	$ 1,732,948	$ 1,979,990	$ 110,039	$ 2,090,029

[1] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remain subject to the loss sharing agreement with the FDIC amounted to approximately $597 million as of June 30, 2016.

[2] For the quarter ended June 30, 2016, includes the impact of the bulk sale of loans with a carrying value of approximately $99 million.

Other loans acquired with deteriorated credit quality

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

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

Activity in the accretable yield - other acquired loans ASC 310-30		
(In thousands)	For the quarter ended June 30, 2016	For the quarter ended June 30, 2015
Beginning balance	$ 267,768	$ 158,424
Additions	4,171	5,406
Accretion	(8,730)	(4,633)
Change in expected cash flows	9,400	2,962
Ending balance	$ 272,609	$ 162,159

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

(In thousands)	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Beginning balance	$ 221,128	$ 116,304
Additions	8,511	56,068
Accretion	(17,285)	(7,856)
Change in expected cash flows	60,255	(2,357)
Ending balance	$ 272,609	$ 162,159

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

(In thousands)	For the quarter ended June 30, 2016	For the quarter ended June 30, 2015
Beginning balance	$ 562,723	363,097
Additions	8,354	17,089
Accretion	8,730	4,633
Collections and charge-offs	(17,062)	(16,532)
Ending balance	$ 562,745	$ 368,287
Allowance for loan losses ASC 310-30 other acquired loans	(16,059)	(16,842)
Ending balance, net of ALLL	$ 546,686	$ 351,445

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

(In thousands)	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Beginning balance	$ 564,050	$ 212,763
Purchase accounting adjustments related to the Doral Bank Transaction (Refer to Note 5)	(4,707)	
Additions	18,405	174,180
Accretion	17,285	7,856
Collections and charge-offs	(32,288)	(26,512)
Ending balance	$ 562,745	$ 368,287
Allowance for loan losses ASC 310-30 other acquired loans	(16,059)	(16,842)
Ending balance, net of ALLL	$ 546,686	$ 351,445

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

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

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Note 10 Allowance for loan losses

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

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

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

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

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

For the period ended June 30, 2016, 51% (June 30, 2015 - 32%) of the ALLL for non-covered BPPR segment loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was mainly concentrated in the other consumer, mortgage, commercial and industrial and commercial multi-family loan portfolios for 2016, and in the commercial multi-family, commercial and industrial, personal and auto loan portfolios for 2015.

For the period ended June 30, 2016, 1% (June 30, 2015 - 19%) of the ALLL for BPNA segment loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was concentrated in the consumer loan portfolio for 2016 and in the commercial and industrial loan portfolio for 2015.

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

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

For the quarter ended June 30, 2016						
Puerto Rico - Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 197,590	$ 4,237	$ 124,500	$ 11,035	$ 135,785	$ 473,147
Provision (reversal of provision)	3,515	(4,772)	25,688	(507)	14,427	38,351
Charge-offs	(24,489)	(1,531)	(13,950)	(879)	(26,011)	(66,860)
Recoveries	18,842	4,757	486	445	6,108	30,638
Net recoveries (write-downs)	4,369	914			162	5,445
Ending balance	$ 199,827	$ 3,605	$ 136,724	$ 10,094	$ 130,471	$ 480,721
Specific ALLL	$ 53,350	$ 116	$ 42,106	$ 548	$ 24,167	$ 120,287
General ALLL	$ 146,477	$ 3,489	$ 94,618	$ 9,546	$ 106,304	$ 360,434
Loans held-in-portfolio:						
Impaired non-covered loans	$ 335,881	$ 1,036	$ 476,161	$ 2,110	$ 109,130	$ 924,318
Non-covered loans held-in-portfolio excluding impaired loans	6,881,171	102,606	5,544,401	661,984	3,212,552	16,402,714
Total non-covered loans held-in-portfolio	$ 7,217,052	$ 103,642	$ 6,020,562	$ 664,094	$ 3,321,682	$ 17,327,032

For the quarter ended June 30, 2016						
Puerto Rico - Covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 29,822	$	$ 223	$ 30,045
Provision (reversal of provision)			828		(24)	804
Charge-offs			(884)		427	(457)
Recoveries			185		4	189
Ending balance	$	$	$ 29,951	$	$ 630	$ 30,581
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 29,951	$	$ 630	$ 30,581
Loans held-in-portfolio:						

	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			589,256		17,914	607,170
Total covered loans held-in-portfolio	$	$	$ 589,256	$	$ 17,914	$ 607,170

For the quarter ended June 30, 2016						
U.S. Mainland						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 9,587	$ 4,739	$ 5,099	$ 2,484	$ 13,371	$ 35,280
Provision (reversal of provision)	(998)	2,721	(321)	(1,525)	1,440	1,317
Charge-offs	(390)		(132)	(134)	(2,662)	(3,318)
Recoveries	1,655		116	1,027	1,341	4,139
Ending balance	$ 9,854	$ 7,460	$ 4,762	$ 1,852	$ 13,490	$ 37,418
Specific ALLL	$	$	$ 1,803	$	$ 731	$ 2,534
General ALLL	$ 9,854	$ 7,460	$ 2,959	$ 1,852	$ 12,759	$ 34,884
Loans held-in-portfolio:						
Impaired loans	$	$	$ 8,564	$	$ 2,480	$ 11,044
Loans held-in-portfolio excluding impaired loans	3,142,763	613,690	834,992	49,709	561,431	5,202,585
Total loans held-in-portfolio	$ 3,142,763	$ 613,690	$ 843,556	$ 49,709	$ 563,911	$ 5,213,629

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For the quarter ended June 30, 2016

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 207,177	$ 8,976	$ 159,421	$ 2,484	$ 11,035	$ 149,379	$ 538,472
Provision (reversal of provision)	2,517	(2,051)	26,195	(1,525)	(507)	15,843	40,472
Charge-offs	(24,879)	(1,531)	(14,966)	(134)	(879)	(28,246)	(70,635)
Recoveries	20,497	4,757	787	1,027	445	7,453	34,966
Net recoveries (write-downs)	4,369	914				162	5,445
Ending balance	$ 209,681	$ 11,065	$ 171,437	$ 1,852	$ 10,094	$ 144,591	$ 548,720
Specific ALLL	$ 53,350	$ 116	$ 43,909	$	$ 548	$ 24,898	$ 122,821
General ALLL	$ 156,331	$ 10,949	$ 127,528	$ 1,852	$ 9,546	$ 119,693	$ 425,899
Loans held-in-portfolio:							
Impaired loans	$ 335,881	$ 1,036	$ 484,725	$	$ 2,110	$ 111,610	$ 935,362
Loans held-in-portfolio excluding impaired loans	10,023,934	716,296	6,968,649	49,709	661,984	3,791,897	22,212,469
Total loans held-in-portfolio	$ 10,359,815	$ 717,332	$ 7,453,374	$ 49,709	$ 664,094	$ 3,903,507	$ 23,147,831

For the six months ended June 30, 2016

Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 186,925	$ 4,957	$ 128,327	$ 10,993	$ 138,721	$ 469,923
Provision (reversal of provision)	16,884	(5,181)	36,557	1,173	32,789	82,222
Charge-offs	(33,457)	(2,075)	(29,922)	(3,006)	(53,390)	(121,850)
Recoveries	25,106	4,990	1,762	934	12,189	44,981
Net recoveries (write-downs)	4,369	914			162	5,445
Ending balance	$ 199,827	$ 3,605	$ 136,724	$ 10,094	$ 130,471	$ 480,721
Specific ALLL	$ 53,350	$ 116	$ 42,106	$ 548	$ 24,167	$ 120,287
General ALLL	$ 146,477	$ 3,489	$ 94,618	$ 9,546	$ 106,304	$ 360,434

Loans held-in-portfolio:						
Impaired non-covered loans	$ 335,881	$ 1,036	$ 476,161	$ 2,110	$ 109,130	$ 924,318
Non-covered loans held-in-portfolio excluding impaired loans	6,881,171	102,606	5,544,401	661,984	3,212,552	16,402,714
Total non-covered loans held-in-portfolio	$ 7,217,052	$ 103,642	$ 6,020,562	$ 664,094	$ 3,321,682	$ 17,327,032

For the six months ended June 30, 2016						
	Puerto Rico - Covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 33,967	$	$ 209	$ 34,176
Provision (reversal of provision)			(2,321)		20	(2,301)
Charge-offs			(2,105)		394	(1,711)
Recoveries			410		7	417
Ending balance	$	$	$ 29,951	$	$ 630	$ 30,581
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 29,951	$	$ 630	$ 30,581
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			589,256		17,914	607,170
Total covered loans held-in-portfolio	$	$	$ 589,256	$	$ 17,914	$ 607,170

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	For the six months ended June 30, 2016					
	U.S. Mainland - Continuing Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 9,908	$ 3,912	$ 4,985	$ 2,687	$ 11,520	$ 33,012
Provision (reversal of provision)	(1,114)	3,548	23	(1,975)	4,904	5,386
Charge-offs	(885)		(573)	(243)	(5,310)	(7,011)
Recoveries	1,945		327	1,383	2,376	6,031
Ending balance	$ 9,854	$ 7,460	$ 4,762	$ 1,852	$ 13,490	$ 37,418
Specific ALLL	$	$	$ 1,803	$	$ 731	$ 2,534
General ALLL	$ 9,854	$ 7,460	$ 2,959	$ 1,852	$ 12,759	$ 34,884
Loans held-in-portfolio:						
Impaired loans	$	$	$ 8,564	$	$ 2,480	$ 11,044
Loans held-in-portfolio excluding impaired loans	3,142,763	613,690	834,992	49,709	561,431	5,202,585
Total loans held-in-portfolio	$ 3,142,763	$ 613,690	$ 843,556	$ 49,709	$ 563,911	$ 5,213,629

	For the six months ended June 30, 2016						
	Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 196,833	$ 8,869	$ 167,279	$ 2,687	$ 10,993	$ 150,450	$ 537,111
Provision (reversal of provision)	15,770	(1,633)	34,259	(1,975)	1,173	37,713	85,307
Charge-offs	(34,342)	(2,075)	(32,600)	(243)	(3,006)	(58,306)	(130,572)
Recoveries	27,051	4,990	2,499	1,383	934	14,572	51,429
Net recoveries (write-downs)	4,369	914				162	5,445
Ending balance	$ 209,681	$ 11,065	$ 171,437	$ 1,852	$ 10,094	$ 144,591	$ 548,720
Specific ALLL	$ 53,350	$ 116	$ 43,909	$	$ 548	$ 24,898	$ 122,821
General ALLL	$ 156,331	$ 10,949	$ 127,528	$ 1,852	$ 9,546	$ 119,693	$ 425,899
Loans held-in-portfolio:							
Impaired loans	$ 335,881	$ 1,036	$ 484,725	$	$ 2,110	$ 111,610	$ 935,362
Loans held-in-portfolio	10,023,934	716,296	6,968,649	49,709	661,984	3,791,897	22,212,469

excluding impaired loans							
Total loans held-in-portfolio	$ 10,359,815	$ 717,332	$ 7,453,374	$ 49,709	$ 664,094	$ 3,903,507	$ 23,147,831

For the quarter ended June 30, 2015
Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 195,466	$ 1,595	$ 126,579	$ 7,208	$ 153,428	$ 484,276
Provision (reversal of provision)	50,231	5,260	9,755	2,925	(7,642)	60,529
Charge-offs	(23,323)	(2,194)	(11,361)	(1,693)	(24,182)	(62,753)
Recoveries	6,264	473	622	720	9,528	17,607
Net write-down related to loans transferred to held-for-sale	(29,996)					(29,996)
Allowance transferred from covered loans	8,453	1,424	582		2,578	13,037
Ending balance	$ 207,095	$ 6,558	$ 126,177	$ 9,160	$ 133,710	$ 482,700
Specific ALLL	$ 68,456	$ 725	$ 43,749	$ 607	$ 24,615	$ 138,152
General ALLL	$ 138,639	$ 5,833	$ 82,428	$ 8,553	$ 109,095	$ 344,548
Loans held-in-portfolio:						
Impaired non-covered loans	$ 337,577	$ 3,627	$ 450,789	$ 2,554	$ 112,733	$ 907,280
Non-covered loans held-in-portfolio excluding impaired loans	7,231,433	109,819	5,793,594	590,262	3,282,292	17,007,400
Total non-covered loans held-in-portfolio	$ 7,569,010	$ 113,446	$ 6,244,383	$ 592,816	$ 3,395,025	$ 17,914,680

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	For the quarter ended June 30, 2015					
	Puerto Rico - Covered Loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 21,267	$ 7,707	$ 40,469	$	$ 3,030	$ 72,473
Provision (reversal of provision)	8,120	8,874	(1,734)		506	15,766
Charge-offs	(23,697)	(16,040)	(520)		(767)	(41,024)
Recoveries	3,864	1,425	342		88	5,719
Net recovery (write-down) related to loans transferred to held-for-sale	(1,101)	(542)	(160)		(20)	(1,823)
Allowance transferred to non-covered loans	(8,453)	(1,424)	(582)		(2,578)	(13,037)
Ending balance	$	$	$ 37,815	$	$ 259	$ 38,074
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 37,815	$	$ 259	$ 38,074
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans	3		671,074		18,573	689,650
Total covered loans held-in-portfolio	$ 3	$	$ 671,074	$	$ 18,573	$ 689,650

	For the quarter ended June 30, 2015					
	U.S. Mainland - Continuing Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 10,426	$ 1,849	$ 2,262	$ 2,962	$ 14,449	$ 31,948
Provision (reversal of provision)	(2,680)	580	2,236	383	(580)	(61)
Charge-offs	(432)		(340)	(480)	(2,974)	(4,226)
Recoveries	1,311		164	450	1,005	2,930
Net recovery (write-down) related to loans transferred to held-for-sale			(552)			(552)
Ending balance	$ 8,625	$ 2,429	$ 3,770	$ 3,315	$ 11,900	$ 30,039
Specific ALLL	$	$	$ 413	$ 34	$ 412	$ 859
General ALLL	$ 8,625	$ 2,429	$ 3,357	$ 3,281	$ 11,488	$ 29,180
Loans held-in-portfolio:						
Impaired loans	$	$	$ 5,045	$ 1,357	$ 2,144	$ 8,546
Loans held-in-portfolio excluding impaired loans	2,435,706	582,564	976,395	71,145	446,109	4,511,919

Total loans held-in-portfolio	$ 2,435,706	$ 582,564	$ 981,440	$ 72,502	$ 448,253	$ 4,520,465

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

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 227,159	$ 11,151	$ 169,310	$ 2,962	$ 7,208	$ 170,907	$ 588,697
Provision (reversal of provision)	55,671	14,714	10,257	383	2,925	(7,716)	76,234
Charge-offs	(47,452)	(18,234)	(12,221)	(480)	(1,693)	(27,923)	(108,003)
Recoveries	11,439	1,898	1,128	450	720	10,621	26,256
Net recovery (write-down) related to loans transferred to held-for-sale	(31,097)	(542)	(712)			(20)	(32,371)
Ending balance	$ 215,720	$ 8,987	$ 167,762	$ 3,315	$ 9,160	$ 145,869	$ 550,813
Specific ALLL	$ 68,456	$ 725	$ 44,162	$ 34	$ 607	$ 25,027	$ 139,011
General ALLL	$ 147,264	$ 8,262	$ 123,600	$ 3,281	$ 8,553	$ 120,842	$ 411,802
Loans held-in-portfolio:							
Impaired loans	$ 337,577	$ 3,627	$ 455,834	$ 1,357	$ 2,554	$ 114,877	$ 915,826
Loans held-in-portfolio excluding impaired loans	9,667,142	692,383	7,441,063	71,145	590,262	3,746,974	22,208,969
Total loans held-in-portfolio	$ 10,004,719	$ 696,010	$ 7,896,897	$ 72,502	$ 592,816	$ 3,861,851	$ 23,124,795

For the six months ended June 30, 2015
Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 201,589	$ 5,483	$ 120,860	$ 7,131	$ 154,072	$ 489,135
Provision (reversal of provision)	48,910	(1,553)	25,947	3,771	15,367	92,442
Charge-offs	(32,895)	(2,194)	(22,334)	(2,930)	(53,881)	(114,234)
Recoveries	11,034	3,398	1,122	1,188	15,574	32,316
Net write-downs related to transferred to held-for-sale	(29,996)					(29,996)
Allowance transferred from covered loans	8,453	1,424	582		2,578	13,037
Ending balance	$ 207,095	$ 6,558	$ 126,177	$ 9,160	$ 133,710	$ 482,700

Specific ALLL	$ 68,456	$ 725	$ 43,749	$ 607	$ 24,615	$ 138,152
General ALLL	$ 138,639	$ 5,833	$ 82,428	$ 8,553	$ 109,095	$ 344,548
Loans held-in-portfolio:						
Impaired non-covered loans	$ 337,577	$ 3,627	$ 450,789	$ 2,554	$ 112,733	$ 907,280
Non-covered loans held-in-portfolio excluding impaired loans	7,231,433	109,819	5,793,594	590,262	3,282,292	17,007,400
Total non-covered loans held-in-portfolio	$ 7,569,010	$ 113,446	$ 6,244,383	$ 592,816	$ 3,395,025	$ 17,914,680

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	For the six months ended June 30, 2015 Puerto Rico - Covered Loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 30,871	$ 7,202	$ 40,948	$	$ 3,052	$ 82,073
Provision (reversal of provision)	10,115	15,150	1,068		(243)	26,090
Charge-offs	(37,936)	(25,086)	(3,906)		(767)	(67,695)
Recoveries	6,504	4,700	447		815	12,466
Net write-down related to loans transferred to held-for-sale	(1,101)	(542)	(160)		(20)	(1,823)
Allowance transferred to non-covered loans	(8,453)	(1,424)	(582)		(2,578)	(13,037)
Ending balance	$	$	$ 37,815	$	$ 259	$ 38,074
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 37,815	$	$ 259	$ 38,074
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans	3		671,074		18,573	689,650
Total covered loans held-in-portfolio	$ 3	$	$ 671,074	$	$ 18,573	$ 689,650

	For the six months ended June 30, 2015 U.S. Mainland - Continuing Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 9,648	$ 1,187	$ 2,462	$ 2,944	$ 14,343	$ 30,584
Provision (reversal of provision)	(2,381)	1,242	(3,891)	(1,427)	4,194	(2,263)
Charge-offs	(882)		(561)	(954)	(5,492)	(7,889)
Recoveries	2,240		231	2,752	2,256	7,479
Net (write-down) recovery related to loans transferred to held-for-sale			5,529		(3,401)	2,128
Ending balance	$ 8,625	$ 2,429	$ 3,770	$ 3,315	$ 11,900	$ 30,039
Specific ALLL	$	$	$ 413	$ 34	$ 412	$ 859
General ALLL	$ 8,625	$ 2,429	$ 3,357	$ 3,281	$ 11,488	$ 29,180
Loans held-in-portfolio:						
Impaired loans	$	$	$ 5,045	$ 1,357	$ 2,144	$ 8,546
Loans held-in-portfolio excluding impaired loans	2,435,706	582,564	976,395	71,145	446,109	4,511,919

Total loans held-in-portfolio	$ 2,435,706	$ 582,564	$ 981,440	$ 72,502	$ 448,253	$ 4,520,465

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	For the six months ended June 30, 2015						
	Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 242,108	$ 13,872	$ 164,270	$ 2,944	$ 7,131	$ 171,467	$ 601,792
Provision (reversal of provision)	56,644	14,839	23,124	(1,427)	3,771	19,318	116,269
Charge-offs	(71,713)	(27,280)	(26,801)	(954)	(2,930)	(60,140)	(189,818)
Recoveries	19,778	8,098	1,800	2,752	1,188	18,645	52,261
Net write-down related to loans transferred to held-for-sale	(31,097)	(542)	5,369			(3,421)	(29,691)
Ending balance	$ 215,720	$ 8,987	$ 167,762	$ 3,315	$ 9,160	$ 145,869	$ 550,813
Specific ALLL	$ 68,456	$ 725	$ 44,162	$ 34	$ 607	$ 25,027	$ 139,011
General ALLL	$ 147,264	$ 8,262	$ 123,600	$ 3,281	$ 8,553	$ 120,842	$ 411,802
Loans held-in-portfolio:							
Impaired loans	$ 337,577	$ 3,627	$ 455,834	$ 1,357	$ 2,554	$ 114,877	$ 915,826
Loans held-in-portfolio excluding impaired loans	9,667,142	692,383	7,441,063	71,145	590,262	3,746,974	22,208,969
Total loans held-in-portfolio	$ 10,004,719	$ 696,010	$ 7,896,897	$ 72,502	$ 592,816	$ 3,861,851	$ 23,124,795

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

	ASC 310-30			
	For the quarters ended		For the six months ended	
(In thousands)	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Balance at beginning of period	$ 62,967	$ 68,386	$ 63,563	$ 78,846
Provision (reversal of provision)	(5,861)	12,269	(4,070)	20,870
Net recoveries (charge-offs)	9,889	(33,606)	7,502	(52,667)
Balance at end of period	$ 66,995	$ 47,049	$ 66,995	$ 47,049

Impaired loans

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

	June 30, 2016 Puerto Rico							
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 143,454	$ 147,109	$ 37,312	$ 15,024	$ 29,354	$ 158,478	$ 176,463	$ 37,312
Commercial real estate owner occupied	82,242	103,397	10,315	38,317	61,639	120,559	165,036	10,315
Commercial and industrial	38,738	40,042	5,723	18,106	21,756	56,844	61,798	5,723
Construction	1,036	4,495	116			1,036	4,495	116
Mortgage	419,474	462,461	42,106	56,687	66,846	476,161	529,307	42,106
Leasing	2,110	2,110	548			2,110	2,110	548
Consumer:								
Credit cards	38,377	38,377	6,045			38,377	38,377	6,045
Personal	67,449	67,449	17,455			67,449	67,449	17,455
Auto	2,879	2,879	597			2,879	2,879	597
Other	425	425	70			425	425	70
Total Puerto Rico	$ 796,184	$ 868,744	$ 120,287	$ 128,134	$ 179,595	$ 924,318	$ 1,048,339	$ 120,287

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June 30, 2016
U.S. mainland

(In thousands)	Impaired Loans With an Allowance Recorded investment	Impaired Loans With an Allowance Unpaid principal balance	Impaired Loans With an Allowance Related allowance	Impaired Loans With No Allowance Recorded investment	Impaired Loans With No Allowance Unpaid principal balance	Impaired Loans - Total Recorded investment	Impaired Loans - Total Unpaid principal balance	Impaired Loans - Total Related allowance
Mortgage	$ 5,067	$ 5,993	$ 1,803	$ 3,497	$ 4,492	$ 8,564	$ 10,485	$ 1,803
Consumer:								
HELOCs	1,174	1,195	501	713	713	1,887	1,908	501
Personal	593	593	230			593	593	230
Total U.S. mainland	$ 6,834	$ 7,781	$ 2,534	$ 4,210	$ 5,205	$ 11,044	$ 12,986	$ 2,534

June 30, 2016
Popular, Inc.

(In thousands)	Impaired Loans With an Allowance Recorded investment	Impaired Loans With an Allowance Unpaid principal balance	Impaired Loans With an Allowance Related allowance	Impaired Loans With No Allowance Recorded investment	Impaired Loans With No Allowance Unpaid principal balance	Impaired Loans - Total Recorded investment	Impaired Loans - Total Unpaid principal balance	Impaired Loans - Total Related allowance
Commercial real estate non-owner occupied	$ 143,454	$ 147,109	$ 37,312	$ 15,024	$ 29,354	$ 158,478	$ 176,463	$ 37,312
Commercial real estate owner occupied	82,242	103,397	10,315	38,317	61,639	120,559	165,036	10,315
Commercial and industrial	38,738	40,042	5,723	18,106	21,756	56,844	61,798	5,723
Construction	1,036	4,495	116			1,036	4,495	116
Mortgage	424,541	468,454	43,909	60,184	71,338	484,725	539,792	43,909
Leasing	2,110	2,110	548			2,110	2,110	548
Consumer:								
Credit Cards	38,377	38,377	6,045			38,377	38,377	6,045
HELOCs	1,174	1,195	501	713	713	1,887	1,908	501
Personal	68,042	68,042	17,685			68,042	68,042	17,685
Auto	2,879	2,879	597			2,879	2,879	597
Other	425	425	70			425	425	70
Total Popular, Inc.	$ 803,018	$ 876,525	$ 122,821	$ 132,344	$ 184,800	$ 935,362	$ 1,061,325	$ 122,821

December 31, 2015
Puerto Rico

Impaired Loans With an Allowance	Impaired Loans With No Allowance	Impaired Loans - Total

(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 102,199	$ 106,466	$ 30,980	$ 13,779	$ 23,896	$ 115,978	$ 130,362	$ 30,980
Commercial real estate owner occupied	118,253	137,193	12,564	38,955	63,383	157,208	200,576	12,564
Commercial and industrial	42,043	43,629	5,699	21,904	32,922	63,947	76,551	5,699
Construction	2,481	7,878	264			2,481	7,878	264
Mortgage	424,885	468,240	42,965	40,232	45,881	465,117	514,121	42,965
Leasing	2,404	2,404	573			2,404	2,404	573
Consumer:								
Credit cards	38,734	38,734	6,675			38,734	38,734	6,675
Personal	68,509	68,509	16,365			68,509	68,509	16,365
Auto	1,893	1,893	338			1,893	1,893	338
Other	524	525	100			524	525	100
Total Puerto Rico	$ 801,925	$ 875,471	$ 116,523	$ 114,870	$ 166,082	$ 916,795	$ 1,041,553	$ 116,523

December 31, 2015

U.S. mainland

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

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

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

For the quarter ended June 30, 2016						
	Puerto Rico		U.S. Mainland		Popular, Inc.	
(In thousands)	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial real estate non-owner occupied	$ 139,910	$ 1,362	$	$	$ 139,910	$ 1,362
Commercial real estate owner occupied	139,722	1,316			139,722	1,316
Commercial and industrial	57,799	491			57,799	491
Construction	1,528	14			1,528	14
Mortgage	473,672	3,385	8,237	64,913	481,909	68,298
Leasing	2,251				2,251	
Consumer:						
Credit cards	38,078				38,078	
Helocs			1,762		1,762	
Personal	67,642		602		68,244	
Auto	3,371				3,371	

Other	435				435	
Total Popular, Inc.	$ 924,408	$ 6,568	$ 10,601	$ 64,913	$ 935,009	$ 71,481

For the quarter ended June 30, 2015

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 325	$	$	$	$ 325	$
Commercial real estate non-owner occupied	118,663	1,307			118,663	1,307
Commercial real estate owner occupied	123,656	1,211			123,656	1,211
Commercial and industrial	134,834	2,369			134,834	2,369
Construction	6,733				6,733	
Mortgage	448,148	4,112	5,076	16	453,224	4,128
Legacy			679		679	
Leasing	2,739				2,739	
Consumer:						
Credit cards	40,598				40,598	
Helocs			1,645		1,645	
Personal	70,309		452		70,761	
Auto	2,079				2,079	
Other	590				590	
Covered loans	5,365	74			5,365	74
Total Popular, Inc.	$ 954,039	$ 9,073	$ 7,852	$ 16	$ 961,891	$ 9,089

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For the six months ended June 30, 2016

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial real estate non-owner occupied	$ 131,933	$ 2,591	$	$	$ 131,933	$ 2,591
Commercial real estate owner occupied	145,550	2,767			145,550	2,767
Commercial and industrial	59,848	1,001			59,848	1,001
Construction	1,846	35			1,846	35
Mortgage	470,820	6,773	7,763	65,243	478,583	72,016
Leasing	2,302				2,302	
Consumer:						
Credit cards	38,296				38,296	
HELOCs			1,695		1,695	
Personal	67,931		606		68,537	
Auto	2,878				2,878	
Other	465				465	
Total Popular, Inc.	$ 921,869	$ 13,167	$ 10,064	$ 65,243	$ 931,933	$ 78,410

For the six months ended June 30, 2015

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 217	$	$	$	$ 217	$
Commercial real estate non-owner occupied	98,526	2,582			98,526	2,582
Commercial real estate owner occupied	125,457	2,422			125,457	2,422
Commercial and industrial	146,422	4,749	83		146,505	4,749
Construction	8,911				8,911	
Mortgage	442,621	8,565	4,802	29	447,423	8,594
Legacy			452		452	
Leasing	2,834				2,834	
Consumer:						
Credit cards	40,891				40,891	
HELOCs			1,725		1,725	
Personal	70,814		301		71,115	
Auto	2,030				2,030	
Other	568		29		597	
Covered loans	5,879	153			5,879	153
Total Popular, Inc.	$ 945,170	$ 18,471	$ 7,392	$ 29	$ 952,562	$ 18,500

Modifications

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

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

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

Popular, Inc.
Non-Covered Loans

(In thousands)	June 30, 2016 Accruing	Non-Accruing	Total	Related Allowance	December 31, 2015 Accruing	Non-Accruing	Total	Related Allowance
Commercial	$ 167,202	$ 86,784	$ 253,986	$ 44,667	$ 166,415	$ 88,117	$ 254,532	$ 37,355
Construction	167	868	1,035	116	221	2,259	2,480	264
Mortgage	708,140	117,475	825,615	43,909	644,013	130,483	774,496	44,029
Leases	1,532	576	2,108	548	1,791	609	2,400	573
Consumer	102,528	13,254	115,782	24,898	104,630	12,805	117,435	23,963
Total	$ 979,569	$ 218,957	$ 1,198,526	$ 114,138	$ 917,070	$ 234,273	$ 1,151,343	$ 106,184

Popular, Inc.
Covered Loans

(In thousands)	June 30, 2016 Accruing	Non-Accruing	Total	Related Allowance	December 31, 2015 Accruing	Non-Accruing	Total	Related Allowance
Mortgage	$ 3,121	$ 2,432	$ 5,553	$	$ 3,328	$ 3,268	$ 6,596	$
Total	$ 3,121	$ 2,432	$ 5,553	$	$ 3,328	$ 3,268	$ 6,596	$

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

Puerto Rico

	For the quarter ended June 30, 2016 Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	For the six months ended June 30, 2016 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				2	1		
Commercial real estate owner occupied	13	4			29	5		

Commercial and industrial	8	1			14	1		
Mortgage	18	24	112	35	38	34	224	89
Consumer:								
Credit cards	210			199	385			373
Personal	259	5		1	520	10		1
Auto		5	2			7	4	
Other	11				21			
Total	520	39	114	235	1,009	58	228	463

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	U.S. Mainland							
	For the quarter ended June 30, 2016				For the six months ended June 30, 2016			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Mortgage			7				18	1
Consumer:								
HELOCs			1	1			2	1
Total			8	1			20	2

	Popular, Inc.							
	For the quarter ended June 30, 2016				For the six months ended June 30, 2016			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	1				2	1		
Commercial real estate owner occupied	13	4			29	5		
Commercial and industrial	8	1			14	1		
Mortgage	18	24	119	35	38	34	242	90
Consumer:								
Credit cards	210			199	385			373
HELOCs			1	1			2	1
Personal	259	5		1	520	10		1
Auto		5	2			7	4	
Other	11				21			
Total	520	39	122	236	1,009	58	248	465

Puerto Rico

	For the quarter ended June 30, 2015				For the six months ended June 30, 2015			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family						2		
Commercial real estate non-owner occupied	3	7			5	8		
Commercial real estate owner occupied	8	6			10	9		
Commercial and industrial	6	6			11	11		
Construction					1			
Mortgage	16	11	83	23	29	30	181	38
Leasing		1	2			2	14	
Consumer:								
Credit cards	194			164	422			351
Personal	274	4			502	18		
Auto		3	1			5	3	
Other	11				22			
Total	512	38	86	187	1,002	85	198	389

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	U.S. Mainland							
	For the quarter ended June 30, 2015				For the six months ended June 30, 2015			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Mortgage			2			1	10	
Consumer:								
HELOCs		1		1		1		2
Personal		2				2		
Total		3	2	1		4	10	2

	Popular, Inc.							
	For the quarter ended June 30, 2015				For the six months ended June 30, 2015			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family						2		
Commercial real estate non-owner occupied	3	7			5	8		
Commercial real estate owner occupied	8	6			10	9		
Commercial and industrial	6	6			11	11		
Construction					1			
Mortgage	16	11	85	23	29	31	191	38
Leasing		1	2			2	14	
Consumer:								
Credit cards	194			164	422			351
HELOCs		1		1		1		2
Personal	274	6			502	20		
Auto		3	1			5	3	
Other	11				22			
Total	512	41	88	188	1,002	89	208	391

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

Puerto Rico
For the quarter ended June 30, 2016

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	1	$ 197	$ 197	$ 7
Commercial real estate owner occupied	17	7,755	6,625	201
Commercial and industrial	9	1,057	1,056	(25)
Mortgage	189	17,970	17,714	1,188
Consumer:				
Credit cards	409	3,775	4,388	651
Personal	265	4,195	4,237	1,044
Auto	7	61	64	13
Other	11	32	33	5
Total	908	$ 35,042	$ 34,314	$ 3,084

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

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	7	$ 794	$ 833	$ 210
Consumer:				
HELOCs	2	208	251	139
Total	9	$ 1,002	$ 1,084	$ 349

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

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	1	$ 197	$ 197	$ 7
Commercial real estate owner occupied	17	7,755	6,625	201
Commercial and industrial	9	1,057	1,056	(25)
Mortgage	196	18,764	18,547	1,398
Consumer:				
Credit cards	409	3,775	4,388	651
HELOCs	2	208	251	139
Personal	265	4,195	4,237	1,044
Auto	7	61	64	13
Other	11	32	33	5
Total	917	$ 36,044	$ 35,398	$ 3,433

Puerto Rico
For the quarter ended June 30, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	10	$ 48,719	$ 48,868	$ 10,682
Commercial real estate owner occupied	14	5,031	4,484	162
Commercial and industrial	12	6,834	6,997	439

Mortgage	133		8,284		13,146		957
Leasing	3		99		99		23
Consumer:							
Credit cards	358		3,265		3,687		568
Personal	278		4,751		4,749		1,009
Auto	4		60		62		9
Other	11		27		38		5
Total	823	$	77,070	$	82,130	$	13,854

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

(Dollars in thousands)	Loan count		Pre-modification outstanding recorded investment		Post-modification outstanding recorded investment		Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	2	$	187	$	193	$	97
Consumer:							
HELOCs	2		74		75		16
Personal	2		30		30		3
Total	6	$	291	$	298	$	116

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

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	10	$ 48,719	$ 48,868	$ 10,682
Commercial real estate owner occupied	14	5,031	4,484	162
Commercial and industrial	12	6,834	6,997	439
Mortgage	135	8,471	13,339	1,054
Leasing	3	99	99	23
Consumer:				
Credit cards	358	3,265	3,687	568
HELOCs	2	74	75	16
Personal	280	4,781	4,779	1,012
Auto	4	60	62	9
Other	11	27	38	5
Total	829	$ 77,361	$ 82,428	$ 13,970

Puerto Rico
For the six months ended June 30, 2016

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 6,520	$ 6,504	$ 4,169
Commercial real estate owner occupied	34	10,850	9,774	337
Commercial and industrial	15	3,586	3,583	(20)
Mortgage	385	42,375	40,958	2,994
Consumer:				
Credit cards	758	7,031	8,053	1,227
Personal	531	8,608	8,648	1,931
Auto	11	133	140	25
Other	21	55	57	10
Total	1,758	$ 79,158	$ 77,717	$ 10,673

U.S. mainland
For the six months ended June 30, 2016

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	19	$ 1,961	$ 2,063	$ 633
Consumer:				
HELOCs	3	355	398	216
Total	22	$ 2,316	$ 2,461	$ 849

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Popular, Inc.
For the six months ended June 30, 2016

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 6,520	$ 6,504	$ 4,169
Commercial real estate owner occupied	34	10,850	9,774	337
Commercial and industrial	15	3,586	3,583	(20)
Mortgage	404	44,336	43,021	3,627
Consumer:				
Credit cards	758	7,031	8,053	1,227
HELOCs	3	355	398	216
Personal	531	8,608	8,648	1,931
Auto	11	133	140	25
Other	21	55	57	10
Total	1,780	$ 81,474	$ 80,178	$ 11,522

Puerto Rico
For the six months ended June 30, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial multi-family	2	$ 551	$ 551	$ 2
Commercial real estate non-owner occupied	13	66,719	66,866	13,668
Commercial real estate owner occupied	19	9,790	9,036	333
Commercial and industrial	22	12,367	12,886	662
Construction	1	268	259	(166)
Mortgage	278	24,186	29,912	2,296
Leasing	16	422	424	97
Consumer:				
Credit cards	773	6,882	7,753	1,197
Personal	520	9,253	9,249	1,976
Auto	8	60	113	17
Other	22	56	67	9
Total	1,674	$ 130,554	$ 137,116	$ 20,091

U.S. mainland
For the six months ended June 30, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	11	$ 655	$ 1,657	$ 179
Consumer:				
HELOCs	3	74	167	25
Personal	2	30	30	3
Total	16	$ 759	$ 1,854	$ 207

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Popular, Inc.
For the six months ended June 30, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial multi-family	2	$ 551	$ 551	$ 2
Commercial real estate non-owner occupied	13	66,719	66,866	13,668
Commercial real estate owner occupied	19	9,790	9,036	333
Commercial and industrial	22	12,367	12,886	662
Construction	1	268	259	(166)
Mortgage	289	24,841	31,569	2,475
Leasing	16	422	424	97
Consumer:				
Credit cards	773	6,882	7,753	1,197
HELOCs	3	74	167	25
Personal	522	9,283	9,279	1,979
Auto	8	60	113	17
Other	22	56	67	9
Total	1,690	$ 131,313	$ 138,970	$ 20,298

The following tables present by class, TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date. Payment default is defined as a restructured loan becoming 90 days past due after being modified, foreclosed or charged-off, whichever occurs first. The recorded investment at June 30, 2016 is inclusive of all partial paydowns and charge-offs since the modification date. Loans modified as a TDR that were fully paid down, charged-off or foreclosed upon by period end are not reported.

Puerto Rico

	Defaulted during the quarter ended June 30, 2016		Defaulted during the six months ended June 30, 2016	
(Dollars in thousands)	Loan count	Recorded investment as of first default date	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied		$	2	$ 327
Commercial real estate owner occupied	1	47	7	2,503
Commercial and industrial	2	27	2	27
Mortgage	55	5,501	82	8,734
Leasing	1	32	5	63
Consumer:				
Credit cards	56	594	171	1,758
Personal	37	711	64	1,473
Auto	1	16	2	33

Total	153	$	6,928	335	$	14,918

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

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Popular, Inc.				
	Defaulted during the quarter ended June 30, 2016		Defaulted during the six months ended June 30, 2016	
(Dollars in thousands)	Loan count	Recorded investment as of first default date	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied		$	2	$ 327
Commercial real estate owner occupied	1	47	7	2,503
Commercial and industrial	2	27	2	27
Mortgage	55	5,501	82	8,734
Leasing	1	32	5	63
Consumer:				
Credit cards	56	594	171	1,758
Personal	37	711	64	1,473
Auto	1	16	2	33
Total	153	$ 6,928	335	$ 14,918

Puerto Rico				
	Defaulted during the quarter ended June 30, 2015		Defaulted during the six months ended June 30, 2015	
(Dollars in thousands)	Loan count	Recorded investment as of first default date	Loan count	Recorded investment as of first default date
Commercial real estate owner occupied		$	1	$ 291
Commercial and industrial	1	64	2	154
Construction			2	1,192
Mortgage	48	5,941	126	16,042
Leasing	4	36	5	43
Consumer:				
Credit cards	138	1,225	240	2,341
Personal	31	474	50	692
Auto			4	78
Other	1	1	2	2
Total	223	$ 7,741	432	$ 20,835

During the quarter and six months ended June 30, 2015, there were no U.S. mainland TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date.

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Popular, Inc.

(Dollars in thousands)	Defaulted during the quarter ended June 30, 2015 Loan count	Recorded investment as of first default date	Defaulted during the six months ended June 30, 2015 Loan count	Recorded investment as of first default date
Commercial real estate owner occupied		$	1	$ 291
Commercial and industrial	1	64	2	154
Construction			2	1,192
Mortgage	48	5,941	126	16,042
Leasing	4	36	5	43
Consumer:				
Credit cards	138	1,225	240	2,341
Personal	31	474	50	692
Auto			4	78
Other	1	1	2	2
Total	223	$ 7,741	432	$ 20,835

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

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Credit Quality

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

	June 30, 2016							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 2,790	$ 1,087	$ 6,481	$	$	$ 10,358	$ 165,153	$ 175,511
Commercial real estate non-owner occupied	310,305	387,592	372,370			1,070,267	1,528,364	2,598,631
Commercial real estate owner occupied	320,190	156,828	388,037	1,962		867,017	949,815	1,816,832
Commercial and industrial	129,988	149,177	230,046	605	40	509,856	2,116,222	2,626,078
Total Commercial	763,273	694,684	996,934	2,567	40	2,457,498	4,759,554	7,217,052
Construction	1,992	13,377	9,266			24,635	79,007	103,642
Mortgage	3,621	3,300	206,948			213,869	5,806,693	6,020,562
Leasing			2,930		89	3,019	661,075	664,094
Consumer:								
Credit cards			17,225			17,225	1,097,215	1,114,440
HELOCs			293			293	9,200	9,493
Personal	1,118	1,332	20,891			23,341	1,165,025	1,188,366
Auto			11,048		70	11,118	818,739	829,857
Other			17,391		731	18,122	161,404	179,526
Total Consumer	1,118	1,332	66,848		801	70,099	3,251,583	3,321,682
Total Puerto Rico	$ 770,004	$ 712,693	$ 1,282,926	$ 2,567	$ 930	$ 2,769,120	$ 14,557,912	$ 17,327,032
U.S. mainland								
Commercial multi-family	$ 12,600	$ 7,104	$ 1,422	$	$	$ 21,126	$ 867,706	$ 888,832
Commercial real estate non-owner occupied	34,514	198	15,428			50,140	1,043,713	1,093,853
	13,532	196	3,653			17,381	265,171	282,552

Commercial real estate owner occupied								
Commercial and industrial	4,423	971	150,035			155,429	722,097	877,526
Total Commercial	65,069	8,469	170,538			244,076	2,898,687	3,142,763
Construction		19,632	39,098			58,730	554,960	613,690
Mortgage			14,389			14,389	829,167	843,556
Legacy	1,061	679	5,318			7,058	42,651	49,709
Consumer:								
Credit cards			535			535	102	637
HELOCs			1,428		2,433	3,861	275,590	279,451
Personal			540		804	1,344	282,192	283,536
Auto							15	15
Other							272	272
Total Consumer			2,503		3,237	5,740	558,171	563,911
Total U.S. mainland	$ 66,130	$ 28,780	$ 231,846	$	$ 3,237	$ 329,993	$ 4,883,636	$ 5,213,629
Popular, Inc.								
Commercial multi-family	$ 15,390	$ 8,191	$ 7,903	$	$	$ 31,484	$ 1,032,859	$ 1,064,343
Commercial real estate non-owner occupied	344,819	387,790	387,798			1,120,407	2,572,077	3,692,484
Commercial real estate owner occupied	333,722	157,024	391,690	1,962		884,398	1,214,986	2,099,384
Commercial and industrial	134,411	150,148	380,081	605	40	665,285	2,838,319	3,503,604
Total Commercial	828,342	703,153	1,167,472	2,567	40	2,701,574	7,658,241	10,359,815
Construction	1,992	33,009	48,364			83,365	633,967	717,332
Mortgage	3,621	3,300	221,337			228,258	6,635,860	6,864,118
Legacy	1,061	679	5,318			7,058	42,651	49,709
Leasing			2,930		89	3,019	661,075	664,094
Consumer:								
Credit cards			17,760			17,760	1,097,317	1,115,077
HELOCs			1,721		2,433	4,154	284,790	288,944
Personal	1,118	1,332	21,431		804	24,685	1,447,217	1,471,902
Auto			11,048		70	11,118	818,754	829,872
Other			17,391		731	18,122	161,676	179,798
Total Consumer	1,118	1,332	69,351		4,038	75,839	3,809,754	3,885,593

Total Popular, Inc.	$ 836,134	$ 741,473	$ 1,514,772	$ 2,567	$ 4,167	$ 3,099,113	$ 19,441,548	$ 22,540,661

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

Weighted average obligor risk rating

	(Scales 11 and 12)	(Scales 1 through 8)
Puerto Rico:[1]	Substandard	Pass
Commercial multi-family	11.15	6.12
Commercial real estate non-owner occupied	11.07	6.84
Commercial real estate owner occupied	11.28	7.06
Commercial and industrial	11.15	7.02
Total Commercial	11.17	6.95
Construction	11.26	7.49
U.S. mainland:	Substandard	Pass
Commercial multi-family	11.26	7.27
Commercial real estate non-owner occupied	11.02	6.86
Commercial real estate owner occupied	11.20	7.05
Commercial and industrial	11.53	6.10
Total Commercial	11.48	6.81
Construction	11.00	7.80
Legacy	11.15	7.85

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

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(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
	December 31, 2015							
Puerto Rico[1]								
Commercial multi-family	$ 1,750	$ 1,280	$ 8,103	$	$	$ 11,133	$ 121,013	$ 132,146
Commercial real estate non-owner occupied	319,564	423,095	399,076			1,141,735	1,527,357	2,669,092
Commercial real estate owner occupied	316,079	162,395	436,442	1,915		916,831		