

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

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
(State or other jurisdiction of
Incorporation or organization)

66-0667416
(IRS Employer
Identification Number)

Popular Center Building

209 Muñoz Rivera Avenue

Hato Rey, Puerto Rico
(Address of principal executive offices)

00918
(Zip code)

(787) 765-9800

(Registrant's telephone number, including area code)

NOT APPLICABLE

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, \$0.01 par value, 103,738,891 shares outstanding as of August 3, 2016.

Table of Contents

POPULAR, INC.

INDEX

	Page
<u>Part I – Financial Information</u>	
Item 1. Financial Statements	
<u>Unaudited Consolidated Statements of Financial Condition at June 30, 2016 and December 31, 2015</u>	5
<u>Unaudited Consolidated Statements of Operations for the quarters and six months ended June 30, 2016 and 2015</u>	6
<u>Unaudited Consolidated Statements of Comprehensive Income (Loss) for the quarters and six months ended June 30, 2016 and 2015</u>	7
<u>Unaudited Consolidated Statements of Changes in Stockholders’ Equity for the six months ended June 30, 2016 and 2015</u>	8
<u>Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015</u>	9
<u>Notes to Unaudited Consolidated Financial Statements</u>	10
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	135
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	196
<u>Item 4. Controls and Procedures</u>	196
<u>Part II – Other Information</u>	
<u>Item 1. Legal Proceedings</u>	197
<u>Item 1A. Risk Factors</u>	197
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	197
<u>Item 3. Defaults Upon Senior Securities</u>	198
<u>Item 4. Mine Safety Disclosures</u>	198
<u>Item 5. Other information</u>	198
<u>Item 6. Exhibits</u>	199
<u>Signatures</u>	200

Table of Contents

Forward-Looking Information

The information included in this Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to Popular, Inc.'s (the Corporation, Popular, we, us, our) financial condition, results of operations, plans, objectives, future performance of our 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;

Table of Contents

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

liabilities resulting from litigation and regulatory investigations;

changes in accounting standards, rules and interpretations;

our ability to grow our core businesses;

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

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

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

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

Table of Contents**POPULAR, INC.****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(UNAUDITED)**

(In thousands, except share information)	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

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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; 2,006,391 shares 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.

Table of Contents**POPULAR, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

(In thousands, except per share information)	Quarters ended June		Six months ended June 30,	
	30, 2016	2015	2016	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:				

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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.

Table of Contents**POPULAR, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(UNAUDITED)**

(In thousands)	Quarters ended, June 30,		Six months ended, June 30,	
	2016	2015	2016	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,		Six months ended, June 30,	
	2016	2015	2016	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

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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.

Balance at end of the period		103,952,715	103,690,750
Treasury stock		(249,674)	(187,740)
Common Stock	Outstanding	103,703,041	103,503,010

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

Table of Contents**POPULAR, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

(In thousands)	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)

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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.

Table of Contents**Notes to Consolidated Financial****Statements (Unaudited)**

Note 1 -	<u>Nature of operations</u>	11
Note 2 -	<u>Basis of presentation and summary of significant accounting policies</u>	12
Note 3 -	<u>New accounting pronouncements</u>	13
Note 4 -	<u>Discontinued operations and restructuring plan</u>	16
Note 5 -	<u>Business combination</u>	17
Note 6 -	<u>Restrictions on cash and due from banks and certain securities</u>	19
Note 7 -	<u>Investment securities available-for-sale</u>	20
Note 8 -	<u>Investment securities held-to-maturity</u>	24
Note 9 -	<u>Loans</u>	26
Note 10 -	<u>Allowance for loan losses</u>	36
Note 11 -	<u>FDIC loss share asset and true-up payment obligation</u>	60
Note 12 -	<u>Mortgage banking activities</u>	62
Note 13 -	<u>Transfers of financial assets and mortgage servicing assets</u>	63
Note 14 -	<u>Other real estate owned</u>	67
Note 15 -	<u>Other assets</u>	68
Note 16 -	<u>Goodwill and other intangible assets</u>	69
Note 17 -	<u>Deposits</u>	71
Note 18 -	<u>Borrowings</u>	72
Note 19 -	<u>Offsetting of financial assets and liabilities</u>	74
Note 20 -	<u>Stockholders equity</u>	76
Note 21 -	<u>Other comprehensive loss</u>	77
Note 22 -	<u>Guarantees</u>	79
Note 23 -	<u>Commitments and contingencies</u>	81
Note 24 -	<u>Non-consolidated variable interest entities</u>	88
Note 25 -	<u>Related party transactions</u>	92
Note 26 -	<u>Fair value measurement</u>	96
Note 27 -	<u>Fair value of financial instruments</u>	103
Note 28 -	<u>Net income per common share</u>	110
Note 29 -	<u>Other service fees</u>	111
Note 30 -	<u>FDIC loss share (expense) income</u>	112
Note 31 -	<u>Pension and postretirement benefits</u>	113
Note 32 -	<u>Stock-based compensation</u>	114
Note 33 -	<u>Income taxes</u>	117
Note 34 -	<u>Supplemental disclosure on the consolidated statements of cash flows</u>	120
Note 35 -	<u>Segment reporting</u>	121
Note 36 -	<u>Condensed consolidating financial information of guarantor and issuers of registered guaranteed securities</u>	126

Table of Contents

Note 1 Nature of Operations

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

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

Table of Contents

Note 2 Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

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

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

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

Use of Estimates in the Preparation of Financial Statements

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

Table of Contents

Note 3 New accounting pronouncements

Recently Issued Accounting Standards Updates

*FASB Accounting Standards Update (ASU) 2016-13, 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.

Table of Contents

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

Table of Contents

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.

Table of Contents**Note 4 Discontinued operations and restructuring plan**

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

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

As of 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:

(In thousands)	Six months ended June 30,	
	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

Table of Contents**Note 5 Business combination**

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

The impact in the results of operations for the quarter and the 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:

(In thousands)	Quarter ended June 30, 2015			Six months ended June 30, 2015		
	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

Table of Contents

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

The Corporation's banking subsidiaries, BPPR and BPNA, are required by federal and state regulatory agencies to maintain average reserve balances with the Federal Reserve Bank of New York (the "Fed") or other banks. Those required average reserve balances amounted to \$ 1.1 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.

Table of Contents**Note 7 Investment securities available-for-sale**

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

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

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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.

Table of Contents

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

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

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

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

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

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.

Table of Contents

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.

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

(In thousands)	Less than 12 months		At December 31, 2015 12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
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.

Table of Contents

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

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

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

Table of Contents**Note 8 Investment securities held-to-maturity**

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

(In thousands)	At June 30, 2016				Weighted average yield
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	\$ 3,050	\$	\$ 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.

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

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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.

Table of Contents

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.

(In thousands)	At June 30, 2016					
	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	\$	\$	\$ 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

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

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

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at 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.

Table of Contents**Note 9 Loans**

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

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

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

During the quarter and 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).

Table of Contents*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.

(In thousands)	June 30, 2016 Puerto Rico			Total past due	Current	Non-covered loans HIP Puerto Rico
	30-59 days	60-89 days	90 days or more			
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

(In thousands)	June 30, 2016 U.S. mainland			Total past due	Current	Loans HIP U.S. mainland
	30-59 days	60-89 days	90 days or more			
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

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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

Table of Contents

(In thousands)	June 30, 2016 Popular, Inc. Past due				Total past due	Current	Non-covered loans HIP Popular, Inc. ^{[1] [2]}
	30-59 days	60-89 days	90 days or more				
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.

(In thousands)	December 31, 2015 Puerto Rico Past due				Total past due	Current	Non-covered loans HIP Puerto Rico
	30-59 days	60-89 days	90 days or more				
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	

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

Table of Contents

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

Table of Contents

(In thousands)	At June 30, 2016					
	Puerto Rico		U.S. mainland		Popular, Inc.	
	Non-accrual loans	Accruing loans past-due 90 days or more [1]	Non-accrual loans	Accruing loans past-due 90 days or more [1]	Non-accrual loans	Accruing loans past-due 90 days or more [1]
Commercial multi-family	\$ 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.

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

Table of Contents

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.

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

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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.

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

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

Table of Contents

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

(In thousands)	June 30, 2016		December 31, 2015	
	Non-accrual loans	Accruing loans past due 90 days or more	Non-accrual loans	Accruing loans past due 90 days or more
Mortgage	\$ 3,335	\$	\$ 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.

(In thousands)	June 30, 2016 [1]			December 31, 2015 [1]		
	Carrying amount		Total	Carrying amount		Total
	Non-credit impaired loans	Credit impaired loans		Non-credit impaired loans	Credit impaired loans	
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

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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.

Table of Contents

Changes in the carrying amount and the accretible 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:

(In thousands)	Activity in the accretible yield Westernbank loans ASC 310-30 For the quarters ended					
	June 30, 2016			June 30, 2015		
	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

(In thousands)	Activity in the accretible yield Westernbank loans ASC 310-30 For the six months ended					
	June 30, 2016			June 30, 2015		
	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	\$ 1,105,732	\$ 6,726	\$ 1,112,458	\$ 1,265,752	\$ 5,585	\$ 1,271,337
Accretion	(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

(In thousands)	Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30 For the quarters ended					
	June 30, 2016 [1]			June 30, 2015		
	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
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- [1] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remain subject to the loss sharing agreement with the FDIC amounted to approximately \$ 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.

Table of Contents

(In thousands)	Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30					
	For the six months ended					
	June 30, 2016 [1]			June 30, 2015		
	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	\$ 1,898,146	\$ 76,355	\$ 1,974,501	\$ 2,272,142	\$ 172,030	\$ 2,444,172
Accretion	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:

(In thousands)	Activity in the accretable yield - other acquired loans ASC 310-30	
	For the quarter ended	For the quarter ended
	June 30, 2016	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

Table of Contents

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

Table of Contents

Note 10 Allowance for loan losses

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

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

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

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

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

For the period ended 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.

Table of Contents

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

(In thousands)	For the quarter ended June 30, 2016					
	Puerto Rico - Non-covered loans					
	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

(In thousands)	For the quarter ended June 30, 2016					
	Puerto Rico - Covered loans					
	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:

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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

Table of Contents

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

Table of Contents

(In thousands)	For the six months ended June 30, 2016						Total
	U.S. Mainland - Continuing Operations						
	Commercial	Construction	Mortgage	Legacy	Consumer		
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	

(In thousands)	For the six months ended June 30, 2016						Total
	Popular, Inc.						
	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	
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
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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

Table of Contents

(In thousands)	For the quarter ended June 30, 2015					
	Puerto Rico - Covered Loans					
	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

(In thousands)	For the quarter ended June 30, 2015					
	U.S. Mainland - Continuing Operations					
	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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Table of Contents

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

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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

Table of Contents

	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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Table of Contents

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.

(In thousands)	ASC 310-30			
	For the quarters ended		For the six months ended	
	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

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

(In thousands)	June 30, 2016 Puerto Rico							
	Recorded investment	Impaired Loans Allowance Unpaid principal balance	With an Related allowance	Recorded investment	Impaired Loans With No Allowance Unpaid principal balance	Recorded investment	Impaired Loans - Total 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

Table of Contents

June 30, 2016 U.S. mainland									
(In thousands)	Impaired Loans Allowance Unpaid			With an Related allowance	Impaired Loans With No Allowance Unpaid		Impaired Loans - Total Unpaid		
	Recorded investment	principal balance			Recorded investment	principal balance	Recorded investment	principal balance	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 Allowance Unpaid			With an Related allowance	Impaired Loans With No Allowance Unpaid		Impaired Loans - Total Unpaid		
	Recorded investment	principal balance			Recorded investment	principal balance	Recorded investment	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	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 Allowance		With an Related allowance	Impaired Loans With No Allowance		Impaired Loans - Total	

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(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

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

Table of Contents

December 31, 2015								
Popular, Inc.								
(In thousands)	Impaired Loans Allowance Unpaid		With an Related allowance	Impaired Loans With No Allowance Unpaid		Impaired Loans - Total		
	Recorded investment	principal balance		Recorded investment	principal balance	Recorded investment	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							
(In thousands)	Puerto Rico		U.S. Mainland		Popular, Inc.		
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	
Commercial 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	

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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		U.S. Mainland		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	\$ 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

Table of Contents

For the six months ended June 30, 2016

(In thousands)	Puerto Rico		U.S. Mainland		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial 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		U.S. Mainland		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	\$ 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.

Table of Contents

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.

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

(In thousands)	June 30, 2016			Popular, Inc. Covered Loans				
	Accruing	Non-Accruing	Total	Related Allowance	December 31, 2015			Related Allowance
					Accruing	Non-Accruing	Total	
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			For the six months ended June 30, 2016		
	Combination of reduction in interest rate and extension of maturity date			Combination of reduction in interest rate and extension of maturity date		
	Reduction in interest rate	Extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Other
Commercial real estate non-owner occupied	1			2	1	
Commercial real estate owner occupied	13	4		29	5	

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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

Table of Contents

	U.S. Mainland							
	For the quarter ended June 30, 2016				For the six months ended June 30, 2016			
	Reduction in interest rate		Combination of extension of maturity date		Reduction in interest rate		Combination of extension of maturity date	
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		Combination of extension of maturity date		Reduction in interest rate		Combination of extension of maturity date	
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

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	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

Table of Contents

	U.S. Mainland						
	For the quarter ended June 30, 2015				For the six months ended June 30, 2015		
	Combination of reduction in interest rate and extension of maturity date			Combination of reduction in interest rate and extension of maturity date			
	Reduction in interest rate	Extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Other	
Mortgage			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		
	Combination of reduction in interest rate and extension of maturity date			Combination of reduction in interest rate and extension of maturity date			
	Reduction in interest rate	Extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Other	
Commercial multi-family					2		
Commercial real estate non-owner occupied	3	7		5	8		
Commercial real estate owner occupied	8	6		10	9		
Commercial and industrial Construction	6	6		11	11		
Mortgage	16	11	85	23	29	31	191
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

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.

(Dollars in thousands)	Puerto Rico			
	For the quarter ended June 30, 2016			
	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
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

Table of Contents

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

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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	Increase (decrease) in the		
		Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	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

Table of Contents

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

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(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

Table of Contents

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

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U.S. mainland

For the six months ended June 30, 2015

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

Table of Contents

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

(Dollars in thousands)	Loan count	Increase (decrease) in the allowance for loan losses as a result of modification		
		Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	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	default date
Commercial real estate non-owner occupied		\$	\$ 327
Commercial real estate owner occupied	1	47	2,503
Commercial and industrial	2	27	27
Mortgage	55	5,501	8,734
Leasing	1	32	63
Consumer:			
Credit cards	56	594	1,758
Personal	37	711	1,473
Auto	1	16	33

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Total	153	\$	6,928	335	\$	14,918
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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.

Table of Contents

Popular, Inc.				
(Dollars in thousands)	Defaulted during the quarter ended June 30, 2016		Defaulted during the six months ended June 30, 2016	
	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				
(Dollars in thousands)	Defaulted during the quarter ended June 30, 2015		Defaulted during the six months ended June 30, 2015	
	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.

Table of Contents

Popular, Inc.				
(Dollars in thousands)	Defaulted during the quarter ended June 30, 2015		Defaulted during the six months ended June 30, 2015	
	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

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.

Table of Contents*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.

(In thousands)	June 30, 2016						Sub-total	Pass/ Unrated	Total
	Watch	Special Mention	Substandard	Doubtful	Loss				
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	

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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

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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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Table of Contents

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)	
	Substandard	Pass
Puerto Rico:^[1]		
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.

Table of Contents

December 31, 2015

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

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Commercial
and industrial

Total								
Commercial	94,384	20,348	151,973			266,705	2,464,239	2,730,944
Construction	15,091	16,948	18,856			50,895	529,263	580,158
Mortgage			13,537			13,537	895,053	908,590
Legacy	1,823	1,973	6,134			9,930	54,506	64,436
Consumer:								
Credit cards							13,935	13,935
HELOCs			1,550	2,626	4,176		300,308	304,484
Personal			637	603	1,240		171,386	172,626
Auto							28	28
Other				5	5		299	304

Total								
Consumer			2,187	3,234	5,421		485,956	491,377

Total U.S. mainland	\$ 111,298	\$ 39,269	\$ 192,687	\$	\$ 3,234	\$ 346,488	\$ 4,429,017	\$ 4,775,505
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Popular, Inc.

Commercial multi-family	\$ 15,879	\$ 8,469	\$ 8,530	\$	\$	\$ 32,878	\$ 793,201	\$ 826,079
Commercial real estate non-owner occupied	377,014	429,836	415,722			1,222,572	2,409,543	3,632,115
Commercial real estate owner occupied	328,057	163,469	439,409	1,915		932,850	1,178,738	2,111,588
Commercial and industrial	198,447	151,560	388,754	690	29	739,480	2,789,901	3,529,381

Total								
Commercial	919,397	753,334	1,252,415	2,605	29	2,927,780	7,171,383	10,099,163
Construction	22,360	22,470	38,662			83,492	597,614	681,106
Mortgage	4,810	2,794	251,539			259,143	6,776,938	7,036,081
Legacy	1,823	1,973	6,134			9,930	54,506	64,436
Leasing			3,009			3,009	624,641	627,650
Consumer:								
Credit cards			19,098			19,098	1,123,182	1,142,280
HELOCs			1,944	2,626	4,570		310,602	315,172
Personal	1,606	1,448	23,753	603	27,410		1,348,051	1,375,461
Auto			11,609	30	11,639		804,339	815,978
Other			18,656	580	19,236		169,552	188,788

Total								
Consumer	1,606	1,448	75,060		3,839	81,953	3,755,726	3,837,679

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

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

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

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

Table of Contents**Note 11 FDIC loss-share asset and true-up payment obligation**

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

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

(In thousands)	Quarters ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Balance at beginning of period	\$ 219,448	\$ 409,844	\$ 310,221	\$ 542,454
Amortization of loss-share indemnification asset	(4,036)	(31,065)	(8,078)	(58,381)
Credit impairment losses (reversal) to be covered under loss-sharing agreements	475	7,647	(1,618)	15,893
Reimbursable expenses	2,235	42,730	6,185	64,275
Recoveries reimbursable to the FDIC	(4,093)		(4,093)	
Net payments from FDIC under loss-sharing agreements		(32,158)	(88,588)	(164,423)
Other adjustments attributable to FDIC loss-sharing agreements		(4,051)		(6,871)
Balance at end of period	\$ 214,029	\$ 392,947	\$ 214,029	\$ 392,947

The loss-share arrangements applicable to commercial (including construction) and consumer loans expired during the quarter ended June 30, 2015 and provide for reimbursement to the FDIC through the quarter ending June 30, 2018. For the quarter ended June 30, 2016, these recoveries amounted to \$4.1 million as detailed in the table above.

As of June 30, 2016, BPPR had unreimbursed loss claims related to the commercial loss-sharing arrangement amounting to \$142 million, reflected in the FDIC indemnification asset as a receivable from the FDIC, which are subject to the arbitration proceedings described on Note 23, Commitments and Contingencies.

The weighted average life of the single family loan portfolio accounted for under ASC 310-30 subject to the FDIC loss-sharing agreement at June 30, 2016 is 7.80 years.

As part of the loss-share agreements, BPPR has agreed to make a true-up payment to the FDIC on the date that is 45 days following the last day (such day, the true-up measurement date) of the final shared-loss month, or upon the final disposition of all covered assets under the loss-share agreements, in the event losses on the loss-share agreements fail to reach expected levels. The estimated fair value of such true-up payment obligation is recorded as contingent consideration, which is included in the caption of other liabilities in the consolidated statements of financial condition. Under the loss sharing agreements, BPPR will pay to the FDIC 50% of the excess, if any, of: (i) 20% of the intrinsic loss estimate of \$4.6 billion (or \$925 million) (as determined by the FDIC) less (ii) the sum of: (A) 25% of the asset

discount (per bid) (or (\$1.1 billion)); plus (B) 25% of the cumulative shared-loss payments (defined as the aggregate of all of the payments made or payable to BPPR minus the aggregate of all of the payments made or payable to the FDIC); plus (C) the sum of the period servicing amounts for every consecutive twelve-month period prior to and ending on the true-up measurement date in respect of each of the loss-sharing agreements during which the loss-sharing provisions of the applicable loss-sharing agreement is in effect (defined as the product of the simple average of the principal amount of shared- loss loans and shared-loss assets at the beginning and end of such period times 1%).

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

Table of Contents

Once the undiscounted true-up payment obligation is determined, the fair value is estimated based on the contractual remaining term to settle the obligation and a discount rate that is composed of the sum of the interpolated U.S. Treasury Note (T Note), defined by the remaining term of the true-up payment obligation, and a risk premium determined by the spread of the Corporation's outstanding senior unsecured debt over the equivalent T Note.

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

(In thousands)	June 30, 2016	December 31, 2015
Carrying amount (fair value)	\$ 127,876	\$ 119,745
Undiscounted amount	\$ 169,396	\$ 168,692

The increase in the fair value of the true-up payment obligation was principally driven by a decrease in the discount rate, from 7.64% in 2015 to 7.05% in 2016 due to a decrease in the equivalent T Note.

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

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

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

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

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

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

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

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

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

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

Table of Contents**Note 12 Mortgage banking activities**

Income from mortgage banking activities includes mortgage servicing fees earned in connection with administering residential mortgage loans and valuation adjustments on mortgage servicing rights. It also includes gain on sales and securitizations of residential mortgage loans and trading gains and losses on derivative contracts used to hedge the Corporation's securitization activities. In addition, lower-of-cost-or-market valuation adjustments to residential mortgage loans held for sale, if any, are recorded as part of the mortgage banking activities.

The following table presents the components of mortgage banking activities:

(In thousands)	Quarters ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Mortgage servicing fees, net of fair value adjustments:				
Mortgage servicing fees	\$ 14,675	\$ 14,689	\$ 29,477	\$ 26,937
Mortgage servicing rights fair value adjustments	(4,340)	(1,917)	(12,817)	(6,846)
Total mortgage servicing fees, net of fair value adjustments	10,335	12,772	16,660	20,091
Net gain on sale of loans, including valuation on loans held-for-sale	8,474	8,022	15,584	15,302
Trading account (loss) profit:				
Unrealized (losses) gains on outstanding derivative positions	(59)	42	(139)	59
Realized (losses) gains on closed derivative positions	(2,523)	489	(5,327)	(1,275)
Total trading account (loss) profit	(2,582)	531	(5,466)	(1,216)
Total mortgage banking activities	\$ 16,227	\$ 21,325	\$ 26,778	\$ 34,177

Table of Contents**Note 13 Transfers of financial assets and mortgage servicing assets**

The Corporation typically transfers conforming residential mortgage loans in conjunction with GNMA and FNMA securitization transactions whereby the loans are exchanged for cash or securities and servicing rights. The securities issued through these transactions are guaranteed by the corresponding agency and, as such, under seller/service agreements the Corporation is required to service the loans in accordance with the agencies' servicing guidelines and standards. Substantially all mortgage loans securitized by the Corporation in GNMA and FNMA securities have fixed rates and represent conforming loans. As seller, the Corporation has made certain representations and warranties with respect to the originally transferred loans and, in the past, has sold certain loans with credit recourse to a government-sponsored entity, namely FNMA. Refer to Note 22 to the consolidated financial statements for a description of such arrangements.

No liabilities were incurred as a result of these securitizations during the quarters and six months ended June 30, 2016 and 2015 because they did not contain any credit recourse arrangements. During the quarter ended June 30, 2016, the Corporation recorded a net gain of \$7.8 million (June 30, 2015 - \$7.2 million) related to the residential mortgage loans securitized. During the six months ended June 30, 2016, the Corporation recorded a net gain of \$14.2 million (June 30, 2015 - \$13.7 million) related to the residential mortgage loans securitized.

The following tables present the initial fair value of the assets obtained as proceeds from residential mortgage loans securitized during the quarters and six months ended June 30, 2016 and 2015:

(In thousands)	Proceeds Obtained During the Quarter Ended June 30, 2016			
	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	\$	\$ 170,115	\$	\$ 170,115
Mortgage-backed securities - FNMA		43,078		43,078
Total trading account securities	\$	\$ 213,193	\$	\$ 213,193
Mortgage servicing rights	\$	\$	\$ 2,670	\$ 2,670
Total	\$	\$ 213,193	\$ 2,670	\$ 215,863

(In thousands)	Proceeds Obtained During the Six Months Ended June 30, 2016			
	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	\$	\$ 304,127	\$	\$ 304,127
Mortgage-backed securities - FNMA		79,314		79,314
Total trading account securities	\$	\$ 383,441	\$	\$ 383,441
Mortgage servicing rights	\$	\$	\$ 4,540	\$ 4,540

Total	\$	\$ 383,441	\$ 4,540	\$ 387,981
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Table of Contents

(In thousands)	Proceeds Obtained During the Quarter Ended June 30, 2015			
	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	\$	\$ 243,374	\$	\$ 243,374
Mortgage-backed securities - FNMA		70,477		70,477
Total trading account securities	\$	\$ 313,851	\$	\$ 313,851
Mortgage servicing rights	\$	\$	\$ 4,207	\$ 4,207
Total	\$	\$ 313,851	\$ 4,207	\$ 318,058

(In thousands)	Proceeds Obtained During the Six Months Ended June 30, 2015			
	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	\$	\$ 399,830	\$	\$ 399,830
Mortgage-backed securities - FNMA		117,435		117,435
Total trading account securities	\$	\$ 517,265	\$	\$ 517,265
Mortgage servicing rights	\$	\$	\$ 6,769	\$ 6,769
Total	\$	\$ 517,265	\$ 6,769	\$ 524,034

During the six months ended June 30, 2016, the Corporation retained servicing rights on whole loan sales involving approximately \$34 million in principal balance outstanding (June 30, 2015 - \$41 million), with realized gains of approximately \$1.4 million (June 30, 2015 - gains of \$1.7 million). All loan sales performed during the six months ended June 30, 2016 and 2015 were without credit recourse agreements.

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

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

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

Residential MSRs		
(In thousands)	June 30, 2016	June 30, 2015
Fair value at beginning of period	\$ 211,405	\$ 148,694
Additions	4,989	64,509
Changes due to payments on loans ^[1]	(8,850)	(8,850)
Reduction due to loan repurchases	(734)	(1,321)
Changes in fair value due to changes in valuation model inputs or assumptions	(3,233)	3,325
Fair value at end of period	\$ 203,577	\$ 206,357

[1] Represents the change due to collection / realization of expected cash flow over time. Additions to mortgage servicing rights for the quarter ended June 30, 2015 include those acquired as part of the Doral Bank Transaction.

Table of Contents

Residential mortgage loans serviced for others were \$20.0 billion at June 30, 2016 (December 31, 2015 - \$20.6 billion).

Net mortgage servicing fees, a component of mortgage banking activities in the consolidated statements of operations, include the changes from period to period in the fair value of the MSR, including changes due to collection / realization of expected cash flows. Mortgage servicing fees, excluding fair value adjustments, for the quarter and six months ended June 30, 2016 amounted to \$14.7 million and \$29.5 million, respectively (June 30, 2015 - \$14.7 million and \$26.9 million, respectively). The banking subsidiaries receive servicing fees based on a percentage of the outstanding loan balance. At June 30, 2016, those weighted average mortgage servicing fees were 0.29% (June 30, 2015 - 0.29%). Under these servicing agreements, the banking subsidiaries do not generally earn significant prepayment penalty fees on the underlying loans serviced.

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

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

	Quarters ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Prepayment speed	5.7%	6.9%	5.5%	7.1%
Weighted average life	9.7 years	8.7 years	9.9 years	8.8 years
Discount rate (annual rate)	11.0%	10.8%	11.0%	10.9%

Key economic assumptions used to estimate the fair value of MSR derived from sales and securitizations of mortgage loans performed by the banking subsidiaries and the sensitivity to immediate changes in those assumptions were as follows as of the end of the periods reported:

(In thousands)	Originated MSR	
	June 30, 2016	December 31, 2015
Fair value of servicing rights	\$ 92,950	\$ 98,648
Weighted average life	7.5 years	7.3 years
Weighted average prepayment speed (annual rate)	5.4%	6.0%
Impact on fair value of 10% adverse change	\$ (2,225)	\$ (2,488)
Impact on fair value of 20% adverse change	\$ (4,600)	\$ (5,241)
Weighted average discount rate (annual rate)	11.5%	11.5%
Impact on fair value of 10% adverse change	\$ (4,062)	\$ (4,083)
Impact on fair value of 20% adverse change	\$ (8,024)	\$ (8,206)

Table of Contents

The banking subsidiaries also own servicing rights purchased from other financial institutions. The fair value of purchased MSR's, their related valuation assumptions and the sensitivity to immediate changes in those assumptions were as follows as of the end of the periods reported:

(In thousands)	Purchased MSR's	
	June 30, 2016	December 31, 2015
Fair value of servicing rights	\$ 110,627	\$ 112,757
Weighted average life	6.5 years	6.2 years
Weighted average prepayment speed (annual rate)	5.9%	6.9%
Impact on fair value of 10% adverse change	\$ (2,648)	\$ (2,871)
Impact on fair value of 20% adverse change	\$ (5,459)	\$ (6,034)
Weighted average discount rate (annual rate)	11.0%	11.0%
Impact on fair value of 10% adverse change	\$ (4,483)	\$ (4,211)
Impact on fair value of 20% adverse change	\$ (8,891)	\$ (8,525)

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

At June 30, 2016, the Corporation serviced \$1.8 billion (December 31, 2015 - \$1.9 billion) in residential mortgage loans with credit recourse to the Corporation.

Under the GNMA securitizations, the Corporation, as servicer, has the right to repurchase (but not the obligation), at its option and without GNMA's prior authorization, any loan that is collateral for a GNMA guaranteed mortgage-backed security when certain delinquency criteria are met. At the time that individual loans meet GNMA's specified delinquency criteria and are eligible for repurchase, the Corporation is deemed to have regained effective control over these loans if the Corporation was the pool issuer. At June 30, 2016, the Corporation had recorded \$156 million in mortgage loans on its consolidated statements of financial condition related to this buy-back option program (December 31, 2015 - \$140 million). As long as the Corporation continues to service the loans that continue to be collateral in a GNMA guaranteed mortgage-backed security, the MSR is recognized by the Corporation. During the six months ended June 30, 2016, the Corporation repurchased approximately \$ 39 million (June 30, 2015 - \$60 million) of mortgage loans under the GNMA buy-back option program. The determination to repurchase these loans was based on the economic benefits of the transaction, which results in a reduction of the servicing costs for these severely delinquent loans, mostly related to principal and interest advances. Furthermore, due to their guaranteed nature, the risk associated with the loans is minimal. The Corporation places these loans under its loss mitigation programs and once brought back to current status, these may be either retained in portfolio or re-sold in the secondary market.

Table of Contents**Note 14 Other real estate owned**

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

(In thousands)	For the quarter ended June 30, 2016				Total
	Non-covered	Non-covered	Covered	Total	
	OREO	OREO	OREO		
	Commercial/	Construction	Mortgage		
Balance at beginning of period	\$ 30,354	\$ 135,606	\$ 36,397	\$ 202,357	
Write-downs in value	(561)	(1,621)	(366)	(2,548)	
Additions	1,302	31,624	5,240	38,166	
Sales	(6,985)	(12,403)	(3,307)	(22,695)	
Other adjustments		(291)	20	(271)	
Ending balance	\$ 24,110	\$ 152,915	\$ 37,984	\$ 215,009	

(In thousands)	For the six months ended June 30, 2016				Total
	Non-covered	Non-covered	Covered	Total	
	OREO	OREO	OREO		
	Commercial/	Construction	Mortgage		
Balance at beginning of period	\$ 32,471	\$ 122,760	\$ 36,685	\$ 191,916	
Write-downs in value	(2,278)	(3,630)	(866)	(6,774)	
Additions	3,112	55,900	9,723	68,735	
Sales	(8,580)	(20,903)	(6,956)	(36,439)	
Other adjustments	(615)	(1,212)	(602)	(2,429)	
Ending balance	\$ 24,110	\$ 152,915	\$ 37,984	\$ 215,009	

(In thousands)	For the quarter ended June 30, 2015				Total
	Non-covered	Non-covered	Covered	Covered	
	OREO	OREO	OREO	OREO	
	Commercial/	Construction	Commercial/	Construction	
Balance at beginning of period	\$ 25,608	\$ 102,562	\$ 70,573	\$ 42,984	\$ 241,727
Write-downs in value	(4,162)	(2,463)	(10,955)	(1,393)	(18,973)
Additions	2,793	18,532	5,623	8,879	35,827
Sales	(4,868)	(14,243)	(50,285)	(13,806)	(83,202)
Other adjustments	850	50	(452)	(68)	380
Transfer to non-covered status ^[1]	14,504	3,092	(14,504)	(3,092)	
Ending balance	\$ 34,725	\$ 107,530	\$ 33,504	\$ 33,504	\$ 175,759

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

(In thousands)	For the six months ended June 30, 2015				Total
	Non-covered OREO	Non-covered OREO	Covered OREO	Covered OREO	
	Commercial/ Construction	Mortgage	Commercial/ Construction	Mortgage	
Balance at beginning of period	\$ 38,983	\$ 96,517	\$ 85,394	\$ 44,872	\$ 265,766
Write-downs in value	(10,049)	(3,835)	(20,350)	(2,675)	(36,909)
Additions	4,828	39,607	9,661	14,260	68,356
Sales	(14,295)	(27,329)	(59,749)	(19,628)	(121,001)
Other adjustments	754	(522)	(452)	(233)	(453)
Transfer to non-covered status ^[1]	14,504	3,092	(14,504)	(3,092)	
Ending balance	\$ 34,725	\$ 107,530	\$	\$ 33,504	\$ 175,759

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

Table of Contents**Note 15 Other assets**

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

(In thousands)	June 30, 2016	December 31, 2015
Net deferred tax assets (net of valuation allowance)	\$ 1,243,783	\$ 1,302,452
Investments under the equity method	206,300	212,838
Prepaid taxes	185,021	180,969
Other prepaid expenses	79,324	79,215
Derivative assets	13,154	16,959
Trades receivable from brokers and counterparties	78,994	78,759
Principal, interest and escrow servicing advances	74,950	79,862
Guaranteed mortgage loan claims receivable	139,151	101,628
Others	158,383	140,480
Total other assets	\$ 2,179,060	\$ 2,193,162

Table of Contents**Note 16 Goodwill and other intangible assets*****Goodwill***

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

(In thousands)	2016			
	Balance at January 1, 2016	Goodwill on acquisition	Purchase accounting adjustments	Balance at June 30, 2016
Banco Popular de Puerto Rico	\$ 280,221	\$	\$	\$ 280,221
Banco Popular North America	346,167		4,707	350,874
Total Popular, Inc.	\$ 626,388	\$	\$ 4,707	\$ 631,095

(In thousands)	2015			
	Balance at January 1, 2015	Goodwill on acquisition	Purchase accounting adjustments	Balance at June 30, 2015
Banco Popular de Puerto Rico	\$ 250,109	\$ 3,899	\$ (2,875)	\$ 251,133
Banco Popular North America	215,567	38,735		254,302
Total Popular, Inc.	\$ 465,676	\$ 42,634	\$ (2,875)	\$ 505,435

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

The goodwill recorded during 2015 was related to the Doral Bank Transaction. The Corporation recorded purchase accounting adjustments during 2015 of \$0.5 million related to the Doral Bank Transaction and of \$2.4 million related to the acquisition of an insurance benefits business during 2014.

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

(In thousands)	June 30, 2016					
	Balance at January 1, 2016 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2016 (net amounts)	Balance at June 30, 2016 (gross amounts)	Accumulated impairment losses	Balance at June 30, 2016 (net amounts)

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Banco Popular de Puerto Rico	\$ 280,221	\$	\$ 280,221	\$ 280,221	\$	\$ 280,221
Banco Popular North America	510,578	164,411	346,167	515,285	164,411	350,874
Total Popular, Inc.	\$ 790,799	\$ 164,411	\$ 626,388	\$ 795,506	\$ 164,411	\$ 631,095

Table of Contents

(In thousands)	December 31, 2015					
	Balance at January 1, 2015 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2015 (net amounts)	Balance at December 31, 2015 (gross amounts)	Accumulated impairment losses	Balance at December 31, 2015 (net amounts)
Banco Popular de Puerto Rico	\$ 250,109	\$	\$ 250,109	\$ 280,221	\$	\$ 280,221
Banco Popular North America	379,978	164,411	215,567	510,578	164,411	346,167
Total Popular, Inc.	\$ 630,087	\$ 164,411	\$ 465,676	\$ 790,799	\$ 164,411	\$ 626,388

Other Intangible Assets

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

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

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
June 30, 2016			
Core deposits	\$ 63,539	\$ 41,800	\$ 21,739
Other customer relationships	36,751	13,621	23,130
Total other intangible assets	\$ 100,290	\$ 55,421	\$ 44,869
December 31, 2015			
Core deposits	\$ 63,539	\$ 38,464	\$ 25,075
Other customer relationships	37,665	10,745	26,920
Total other intangible assets	\$ 101,204	\$ 49,209	\$ 51,995

During the quarter ended June 30, 2016, the Corporation recognized \$ 3.1 million in amortization expense related to other intangible assets with definite useful lives (June 30, 2015 - \$ 2.9 million). During the six months ended June 30, 2016, the Corporation recognized \$ 6.2 million in amortization related to other intangible assets with definite useful lives (June 30, 2015 - \$ 5.0 million).

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

(In thousands)

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Remaining 2016	\$ 5,933
Year 2017	9,378
Year 2018	9,286
Year 2019	9,042
Year 2020	4,967
Year 2021	2,157

Table of Contents**Note 17 Deposits**

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

(In thousands)	June 30, 2016	December 31, 2015
Savings accounts	\$ 7,361,128	\$ 7,010,391
NOW, money market and other interest bearing demand deposits	6,890,874	5,632,449
Total savings, NOW, money market and other interest bearing demand deposits	14,252,002	12,642,840
Certificates of deposit:		
Under \$100,000	3,722,510	4,014,359
\$100,000 and over	4,232,236	4,151,009
Total certificates of deposit	7,954,746	8,165,368
Total interest bearing deposits	\$ 22,206,748	\$ 20,808,208

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

(In thousands)	
2016	\$ 3,004,445
2017	1,820,840
2018	962,140
2019	630,107
2020	944,251
2021 and thereafter	592,963
Total certificates of deposit	\$ 7,954,746

At June 30, 2016, the Corporation had brokered deposits amounting to \$ 0.8 billion (December 31, 2015 - \$ 1.3 billion).

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans was \$8 million at June 30, 2016 (December 31, 2015 - \$11 million).

Table of Contents**Note 18 Borrowings**

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

(In thousands)	June 30, 2016	December 31, 2015
Federal funds purchased	\$	\$ 50,000
Assets sold under agreements to repurchase	821,604	712,145
Total federal funds purchased and assets sold under agreements to repurchase	\$ 821,604	\$ 762,145

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

Repurchase agreements accounted for as secured borrowings

(In thousands)	June 30, 2016 Repurchase liability	December 31, 2015 Repurchase liability
U.S. Treasury Securities		
After 90 days	\$ 82,003	\$
Total U.S. Treasury Securities	82,003	
Obligations of U.S. government sponsored entities		
Within 30 days	109,248	243,708
After 30 to 90 days	84,993	
After 90 days	169,851	23,366
Total obligations of U.S. government sponsored entities	364,092	267,074
Mortgage-backed securities		
Within 30 days	31,117	124,878
After 30 to 90 days	81,489	154,582
After 90 days	238,091	142,441
Total mortgage-backed securities	350,697	421,901

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Collateralized mortgage obligations		
Within 30 days	9,991	10,298
After 30 to 90 days		12,872
After 90 days	14,821	
Total collateralized mortgage obligations	24,812	23,170
Total	\$ 821,604	\$ 712,145

Repurchase agreements in portfolio are generally short-term, often overnight and Popular acts as borrowers transferring assets to the counterparty. As such our risk is very limited. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations, when appropriate.

Table of Contents

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

(In thousands)	June 30, 2016	December 31, 2015
Advances with the FHLB paying interest at maturity, at fixed rate of 0.59%	\$ 30,000	\$
Others	1,200	1,200
Total other short-term borrowings	\$ 31,200	\$ 1,200

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

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

(In thousands)	June 30, 2016	December 31, 2015
Advances with the FHLB with maturities ranging from 2016 through 2029 paying interest at monthly fixed rates ranging from 0.71% to 4.19% (2015 - 0.41% to 4.19%)	\$ 631,029	\$ 747,072
Advances with the FHLB maturing on 2019 paying interest monthly at a floating rate of 0.34% over the 1 month LIBOR	13,000	
Advances with the FHLB with maturities ranging from 2017 through 2019 paying interest quarterly at a floating rate from (0.12)% to 0.24% over the 3 month LIBOR	30,313	14,429
Unsecured senior debt securities maturing on 2019 paying interest semiannually at a fixed rate of 7.00%, net of debt issuance costs of \$6,254 (2015 - \$7,296)	443,747	442,704
Junior subordinated deferrable interest debentures (related to trust preferred securities) with maturities ranging from 2027 to 2034 with fixed interest rates ranging from 6.125% to 8.327%, net of debt issuance costs of \$490 (2015 - \$505)	439,309	439,295
Others	18,550	19,008
Total notes payable	\$ 1,575,948	\$ 1,662,508

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

At June 30, 2016, the Corporation's banking subsidiaries had credit facilities authorized with the FHLB and the Federal Reserve discount window aggregating to \$4.1 billion and \$1.3 billion (December 31, 2015 - \$3.9 billion and

\$1.3 billion, respectively), which were collateralized by loans held-in-portfolio. At June 30, 2016, the Corporation used \$929 million of the available credit facility with the FHLB (December 31, 2015 - \$762 million), which includes \$225 million used for a municipal letter of credit to secure deposits, while the borrowing capacity at the discount window remains unused.

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

(In thousands)	Fed funds purchased and assets sold under agreements to repurchase	Short-term borrowings	Notes payable	Total
Year				
2016	\$ 692,703	\$ 31,200	\$ 37,673	\$ 761,576
2017	128,901		90,939	219,840
2018			184,407	184,407
2019			591,686	591,686
2020			112,456	112,456
Later years			558,787	558,787
Total borrowings	\$ 821,604	\$ 31,200	\$ 1,575,948	\$ 2,428,752

Table of Contents**Note 19 Offsetting of financial assets and liabilities**

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

(In thousands)	As of June 30, 2016			Gross Amounts Not Offset in the Statement of Financial Position			Net Amount
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Financial Instruments	Securities	Cash	
					Collateral	Collateral	
					Received	Received	
Derivatives	\$ 13,154	\$	\$ 13,154	\$ 286	\$	\$	\$ 12,868
Reverse repurchase agreements	86,328		86,328		86,328		
Total	\$ 99,482	\$	\$ 99,482	\$ 286	\$ 86,328	\$	\$ 12,868

(In thousands)	As of June 30, 2016			Gross Amounts Not Offset in the Statement of Financial Position			Net Amount
	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Financial Instruments	Securities	Cash	
					Collateral	Collateral	
					Pledged	Pledged	
Derivatives	\$ 11,879	\$	\$ 11,879	\$ 286	\$ 2,351	\$	\$ 9,242
Repurchase agreements	821,604		821,604		821,604		
Total	\$ 833,483	\$	\$ 833,483	\$ 286	\$ 823,955	\$	\$ 9,242

As of December 31, 2015

(In thousands)	Net Amounts of			Gross Amounts Not Offset in the			Net Amount
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Assets Presented in the Statement of Financial Position	Financial Instruments	Securities Collateral Received	Cash Collateral Received	
Derivatives	\$ 16,959	\$	\$ 16,959	\$ 114	\$	\$	\$ 16,845
Reverse repurchase agreements	96,338		96,338		96,338		
Total	\$ 113,297	\$	\$ 113,297	\$ 114	\$ 96,338	\$	\$ 16,845

Table of Contents

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

The Corporation's derivatives are subject to agreements which allow a right of set-off with each respective counterparty. In addition, the Corporation's Repurchase Agreements and Reverse Repurchase Agreements have a right of set-off with the respective counterparty under the supplemental terms of the Master Repurchase Agreements. In an event of default each party has a right of set-off against the other party for amounts owed in the related agreement and any other amount or obligation owed in respect of any other agreement or transaction between them.

Table of Contents

Note 20 Stockholders equity

During the six months ended June 30, 2016, the Corporation declared quarterly dividends on its common stock of \$0.15 per share, for a total of \$ 31.1 million. The quarterly dividend declared to shareholders of record as of the close of business on June 10, 2016, which amounted to \$15.6 million, was paid on July 1, 2016.

BPPR statutory reserve

The Banking Act of the Commonwealth of Puerto Rico requires that a minimum of 10% of BPPR's net income for the year be transferred to a statutory reserve account until such statutory reserve equals the total of paid-in capital on common and preferred stock. Any losses incurred by a bank must first be charged to retained earnings and then to the reserve fund. Amounts credited to the reserve fund may not be used to pay dividends without the prior consent of the Puerto Rico Commissioner of Financial Institutions. The failure to maintain sufficient statutory reserves would preclude BPPR from paying dividends. BPPR's statutory reserve fund amounted to \$495 million at June 30, 2016 (December 31, 2015 - \$495 million). There were no transfers between the statutory reserve account and the retained earnings account during the quarters and six months ended June 30, 2016 and June 30, 2015.

Table of Contents**Note 21 Other comprehensive loss**

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

		Changes in Accumulated Other Comprehensive Loss by Component [1]			
		Quarters ended June 30,		Six months ended June 30,	
(In thousands)		2016	2015	2016	2015
Foreign currency translation	Beginning Balance	\$ (36,635)	\$ (33,413)	\$ (35,930)	\$ (32,832)
	Other comprehensive loss before reclassifications	(1,435)	(1,092)	(2,140)	(1,673)
	Net change	(1,435)	(1,092)	(2,140)	(1,673)
	Ending balance	\$ (38,070)	\$ (34,505)	\$ (38,070)	\$ (34,505)
Adjustment of pension and postretirement benefit plans	Beginning Balance	\$ (208,510)	\$ (202,701)	\$ (211,276)	\$ (205,187)
	Amounts reclassified from accumulated other comprehensive loss for amortization of net losses	3,347	3,065	6,693	6,130
	Amounts reclassified from accumulated other comprehensive loss for amortization of prior service cost	(580)	(579)	(1,160)	(1,158)
	Net change	2,767	2,486	5,533	4,972
	Ending balance	\$ (205,743)	\$ (200,215)	\$ (205,743)	\$ (200,215)
Unrealized holding gains (losses) on investments	Beginning Balance	\$ 63,791	\$ 42,750	\$ (9,560)	\$ 8,465
	Other comprehensive income (loss) before reclassifications	34,803	(39,172)	108,154	(4,887)
	Other-than-temporary impairment amount reclassified from accumulated other comprehensive income	167	11,959	167	11,959

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	Amounts reclassified from accumulated other comprehensive income for gains on securities		(4)		(4)
	Net change	34,970	(27,217)	108,321	7,068
	Ending balance	\$ 98,761	\$ 15,533	\$ 98,761	\$ 15,533
Unrealized net (losses) gains on cash flow hedges	Beginning Balance	\$ (396)	\$ (1,036)	\$ (120)	\$ (318)
	Other comprehensive (loss) income before reclassifications	(939)	612	(2,158)	(933)
	Amounts reclassified from accumulated other comprehensive (loss) income	775	580	1,718	1,407
	Net change	(164)	1,192	(440)	474
	Ending balance	\$ (560)	\$ 156	\$ (560)	\$ 156
	Total	\$ (145,612)	\$ (219,031)	\$ (145,612)	\$ (219,031)

[1] All amounts presented are net of tax.

Table of Contents

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

		Reclassifications Out of Accumulated Other Comprehensive Loss			
		Quarters ended		Six months ended	
		June 30,		June 30,	
(In thousands)	Affected Line Item in the Consolidated Statements of Operations	2016	2015	2016	2015
Adjustment of pension and postretirement benefit plans					
Amortization of net losses	Personnel costs	\$ (5,487)	\$ (5,025)	\$ (10,973)	\$ (10,050)
Amortization of prior service cost	Personnel costs	950	950	1,900	1,900
	Total before tax	(4,537)	(4,075)	(9,073)	(8,150)
	Income tax benefit	1,770	1,589	3,540	3,178
	Total net of tax	\$ (2,767)	\$ (2,486)	\$ (5,533)	\$ (4,972)
Unrealized holding gains (losses) on investments					
Other-than-temporary impairment	Other-than-temporary impairment losses on available-for-sale debt securities	\$ (209)	\$ (14,445)	\$ (209)	\$ (14,445)
Realized gains on sale of securities	Net gain and valuation adjustments on investment securities		5		5
	Total before tax	(209)	(14,440)	(209)	(14,440)
	Income tax benefit	42	2,485	42	2,485
	Total net of tax	\$ (167)	\$ (11,955)	\$ (167)	\$ (11,955)
Unrealized net (losses) gains on cash flow hedges					
Forward contracts	Mortgage banking activities	\$ (1,271)	\$ (951)	\$ (2,816)	\$ (2,309)
	Total before tax	(1,271)	(951)	(2,816)	(2,309)
	Income tax benefit	496	371	1,098	902
	Total net of tax	\$ (775)	\$ (580)	\$ (1,718)	\$ (1,407)
	Total reclassification adjustments, net of tax	\$ (3,709)	\$ (15,021)	\$ (7,418)	\$ (18,334)

Table of Contents**Note 22 Guarantees**

At June 30, 2016, the Corporation recorded a liability of \$0.6 million (December 31, 2015 - \$0.5 million), which represents the unamortized balance of the obligations undertaken in issuing the guarantees under the standby letters of credit. Management does not anticipate any material losses related to these instruments.

From time to time, the Corporation securitized mortgage loans into guaranteed mortgage-backed securities subject to limited, and in certain instances, lifetime credit recourse on the loans that serve as collateral for the mortgage-backed securities. The Corporation has not sold any mortgage loans subject to credit recourse since 2009. At June 30, 2016, the Corporation serviced \$ 1.8 billion (December 31, 2015 - \$ 1.9 billion) in residential mortgage loans subject to credit recourse provisions, principally loans associated with FNMA and FHLMC residential mortgage loan securitization programs. In the event of any customer default, pursuant to the credit recourse provided, the Corporation is required to repurchase the loan or reimburse the third party investor for the incurred loss. The maximum potential amount of future payments that the Corporation would be required to make under the recourse arrangements in the event of nonperformance by the borrowers is equivalent to the total outstanding balance of the residential mortgage loans serviced with recourse and interest, if applicable. During the quarter and six months ended June 30, 2016, the Corporation repurchased approximately \$ 10 million and \$ 23 million, respectively, of unpaid principal balance in mortgage loans subject to the credit recourse provisions (June 30, 2015 - \$ 14 million and \$ 30 million, respectively). In the event of nonperformance by the borrower, the Corporation has rights to the underlying collateral securing the mortgage loan. The Corporation suffers ultimate losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing the related property. At June 30, 2016, the Corporation's liability established to cover the estimated credit loss exposure related to loans sold or serviced with credit recourse amounted to \$ 57 million (December 31, 2015 - \$ 59 million).

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

(In thousands)	Quarters ended June		Six months ended June 30,	
	2016	2015	2016	2015
Balance as of beginning of period	\$ 57,994	\$ 59,385	\$ 58,663	\$ 59,438
Provision for recourse liability	3,607	4,368	7,527	10,868
Net charge-offs	(4,670)	(6,164)	(9,259)	(12,717)
Balance as of end of period	\$ 56,931	\$ 57,589	\$ 56,931	\$ 57,589

When the Corporation sells or securitizes mortgage loans, it generally makes customary representations and warranties regarding the characteristics of the loans sold. To the extent the loans do not meet specified characteristics, the Corporation may be required to repurchase such loans or indemnify for losses and bear any subsequent loss related to the loans. During the six months period ended June 30, 2016, BPPR did not repurchase loans under representation and warranty arrangements. Repurchases during the six months ended June 30, 2015 were minimal. A substantial amount of these loans reinstate to performing status or have mortgage insurance, and thus the ultimate losses on the loans are not deemed significant.

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From time to time, the Corporation sells loans and agrees to indemnify the purchaser for credit losses or any breach of certain representations and warranties made in connection with the sale. The following table presents the changes in the Corporation's liability for estimated losses associated with indemnifications and representations and warranties related to loans sold by BPPR for the quarters and six months ended June 30, 2016 and 2015.

(In thousands)	Quarters ended June		Six months ended June 30,	
	2016	2015	2016	2015
Balance as of beginning of period	\$ 8,002	\$ 14,044	\$ 8,087	\$ 15,959
Provision (reversal) for representation and warranties	2,695	(5,707)	2,801	(7,608)
Net recoveries (charge-offs)	5	(25)	(186)	(39)
Settlements paid		(2,250)		(2,250)
Balance as of end of period	\$ 10,702	\$ 6,062	\$ 10,702	\$ 6,062

Table of Contents

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

Servicing agreements relating to the mortgage-backed securities programs of FNMA and GNMA, and to mortgage loans sold or serviced to certain other investors, including FHLMC, require the Corporation to advance funds to make scheduled payments of principal, interest, taxes and insurance, if such payments have not been received from the borrowers. At June 30, 2016, the Corporation serviced \$20.0 billion in mortgage loans for third-parties, including the loans serviced with credit recourse (December 31, 2015 - \$20.6 billion). The Corporation generally recovers funds advanced pursuant to these arrangements from the mortgage owner, from liquidation proceeds when the mortgage loan is foreclosed or, in the case of FHA/VA loans, under the applicable FHA and VA insurance and guarantees programs. However, in the meantime, the Corporation must absorb the cost of the funds it advances during the time the advance is outstanding. The Corporation must also bear the costs of attempting to collect on delinquent and defaulted mortgage loans. In addition, if a defaulted loan is not cured, the mortgage loan would be canceled as part of the foreclosure proceedings and the Corporation would not receive any future servicing income with respect to that loan. At June 30, 2016, the outstanding balance of funds advanced by the Corporation under such mortgage loan servicing agreements was approximately \$75 million, including advances on the portfolio acquired from Doral Bank (December 31, 2015 - \$80 million). To the extent the mortgage loans underlying the Corporation's servicing portfolio experience increased delinquencies, the Corporation would be required to dedicate additional cash resources to comply with its obligation to advance funds as well as incur additional administrative costs related to increases in collection efforts.

Popular, Inc. Holding Company (PIHC) fully and unconditionally guarantees certain borrowing obligations issued by certain of its wholly-owned consolidated subsidiaries amounting to \$ 149 million at June 30, 2016 (December 31, 2015 - \$ 149 million). In addition, at June 30, 2016 and December 31, 2015, PIHC fully and unconditionally guaranteed on a subordinated basis \$ 427 million and \$ 427 million, respectively, of capital securities (trust preferred securities) issued by wholly-owned issuing trust entities to the extent set forth in the applicable guarantee agreement.

Table of Contents**Note 23 Commitments and contingencies***Off-balance sheet risk*

The Corporation is a party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financial needs of its customers. These financial instruments include loan commitments, letters of credit, and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit and financial guarantees written is represented by the contractual notional amounts of those instruments. The Corporation uses the same credit policies in making these commitments and conditional obligations as it does for those reflected on the consolidated statements of financial condition.

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

(In thousands)	June 30, 2016	December 31, 2015
Commitments to extend credit:		
Credit card lines	\$ 4,572,786	\$ 4,552,331
Commercial and construction lines of credit	2,490,300	2,619,092
Other consumer unused credit commitments	259,613	262,685
Commercial letters of credit	1,709	2,040
Standby letters of credit	34,821	49,670
Commitments to originate or fund mortgage loans	24,941	21,311

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

Other commitments

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

Business concentration

Since the Corporation's business activities are currently concentrated primarily in Puerto Rico, its results of operations and financial condition are dependent upon the general trends of the Puerto Rico economy and, in particular, the residential and commercial real estate markets. The concentration of the Corporation's operations in Puerto Rico exposes it to greater risk than other banking companies with a wider geographic base. Its asset and revenue composition by geographical area is presented in Note 35 to the consolidated financial statements.

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

At June 30, 2016, the Corporation's direct exposure to the Puerto Rico government and its instrumentalities and municipalities amounted to \$ 609 million, of which approximately \$ 582 million is outstanding (\$669 million and \$ 578 million, respectively, at December 31, 2015). Of the amount outstanding, \$ 505 million consists of loans and \$ 77 million are securities (\$ 502 million and \$ 76 million at December 31, 2015). Also, of the amount outstanding, \$ 62 million represents obligations from the Government of Puerto Rico and public corporations that have a specific source of income or revenues identified for their repayment (\$ 76 million at December 31, 2015). Some of these obligations consist of senior and subordinated loans to public corporations that obtain revenues from rates charged for services or products, such as public utilities. Public corporations have varying degrees of

Table of Contents

independence from the central Government and many receive appropriations or other payments from it. At June 30, 2016, BPPR is a lender in a syndicated credit facility to PREPA and its exposure was of \$39.5 million. The facility is classified as held-for-sale as BPPR has the ability and intent to sell the loan. The remaining \$ 520 million outstanding represents obligations from various municipalities in Puerto Rico for which, in most cases, the good faith, credit and unlimited taxing power of the applicable municipality has been pledged to their repayment (\$ 502 million at December 31, 2015). These municipalities are required by law to levy special property taxes in such amounts as shall be required for the payment of all of its general obligation bonds and loans. These loans have seniority to the payment of operating cost and expenses of the municipality. Further deterioration of the fiscal crisis of the Government of Puerto Rico could further affect the value of these loans and securities, resulting in losses to us. The following table details the loans and investments representing the Corporation's direct exposure to the Puerto Rico government according to their maturities:

(In thousands)	Investment Portfolio	Loans	Total Outstanding	Total Exposure
Central Government				
After 1 to 5 years	\$ 851	\$	\$ 851	\$ 851
After 5 to 10 years	3,480		3,480	3,480
After 10 years	15,265		15,265	15,265
Total Central Government	19,596		19,596	19,596
Government Development Bank (GDB)				
Within 1 year	3		3	3
After 1 to 5 years	1,675		1,675	1,675
After 5 to 10 years	48		48	48
Total Government Development Bank (GDB)	1,726		1,726	1,726
Public Corporations:				
Puerto Rico Aqueduct and Sewer Authority				
Within 1 year				27,186
After 10 years	480		480	480
Total Puerto Rico Aqueduct and Sewer Authority	480		480	27,666
Puerto Rico Electric Power Authority				
Within 1 year		39,544	39,544	39,544
After 10 years	23		23	23
Total Puerto Rico Electric Power Authority	23	39,544	39,567	39,567
Puerto Rico Highways and Transportation Authority				

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After 5 to 10 years	4		4	4
Total Puerto Rico Highways and Transportation Authority	4		4	4
Municipalities				
Within 1 year	3,050	23,747	26,797	26,797
After 1 to 5 years	14,270	130,935	145,205	145,205
After 5 to 10 years	18,930	146,762	165,692	165,692
After 10 years	18,690	163,756	182,446	182,446
Total Municipalities	54,940	465,200	520,140	520,140
Total Direct Government Exposure	\$ 76,769	\$ 504,744	\$ 581,513	\$ 608,699

In addition, at June 30, 2016, the Corporation had \$418 million in indirect exposure to loans or securities that are payable by non-governmental entities, but which carry a government guarantee to cover any shortfall in collateral in the event of borrower default (\$394 million at December 31, 2015). These included \$334 million in residential mortgage loans that are guaranteed by the Puerto Rico Housing Finance Authority (December 31, 2015 - \$316 million). These mortgage loans are secured by the underlying properties and the guarantees serve to cover shortfalls in collateral in the event of a borrower default. Under recently enacted legislation, the Governor is authorized to impose a temporary moratorium on the financial obligations of Puerto Housing Finance Authority. Also, the Corporation had \$51 million in Puerto Rico pass-through housing bonds backed by FNMA, GNMA or residential loans CMO s, and \$33 million of commercial real estate notes (\$50 million and \$28 million at December 31, 2015, respectively).

Table of Contents*Other contingencies*

As indicated in Note 11 to the consolidated financial statements, as part of the loss sharing agreements related to the Westernbank FDIC-assisted transaction, the Corporation agreed to make a true-up payment to the FDIC on the date that is 45 days following the last day of the final shared loss month, or upon the final disposition of all covered assets under the loss sharing agreements in the event losses on the loss sharing agreements fail to reach expected levels. The fair value of the true-up payment obligation was estimated at \$ 128 million at June 30, 2016 (December 31, 2015 - \$ 120 million). For additional information refer to Note 11.

Legal Proceedings

The nature of Popular's business ordinarily results in a certain number of claims, litigation, investigations, and legal and administrative cases and proceedings. When the Corporation determines that it has meritorious defenses to the claims asserted, it vigorously defends itself. The Corporation will consider the settlement of cases (including cases where it has meritorious defenses) when, in management's judgment, it is in the best interest of both the Corporation and its shareholders to do so.

On at least a quarterly basis, Popular assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For matters where it is probable that the Corporation will incur a material loss and the amount can be reasonably estimated, the Corporation establishes an accrual for the loss. Once established, the accrual is adjusted on at least a quarterly basis as appropriate to reflect any relevant developments. For matters where a material loss is not probable or the amount of the loss cannot be estimated, no accrual is established.

In certain cases, exposure to loss exists in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes and estimates that the aggregate range of reasonably possible losses (with respect to those matters where such limits may be determined, in excess of amounts accrued), for current legal proceedings ranges from \$0 to approximately \$37.6 million as of June 30, 2016. For certain other cases, management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the proceedings, and the inherent uncertainty of the various potential outcomes of such proceedings. Accordingly, management's estimate will change from time-to-time, and actual losses may be more or less than the current estimate.

While the final outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel, and available insurance coverage, management believes that the amount it has already accrued is adequate and any incremental liability arising from the Corporation's legal proceedings will not have a material adverse effect on the Corporation's consolidated financial position as a whole. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Corporation's consolidated financial position in a particular period.

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

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

overdraft rates and fees assessed by PCB violate New York's usury laws. The complaint seeks unspecified damages, including punitive damages, interest, disbursements, and attorneys' fees and costs.

PCB removed the case to federal court (SDNY) and plaintiffs subsequently filed a motion to remand the action to state court, which the Court granted on August 6, 2013. A motion to dismiss was filed on September 9, 2013. On October 25, 2013, plaintiffs filed an amended complaint seeking to limit the putative class to New York account holders. A motion to dismiss the amended complaint was filed in February 2014. In August 2014, the Court entered an order granting in part PCB's motion to dismiss. The sole surviving claim relates to PCB's item processing policy. On September 10, 2014, plaintiffs filed a motion for leave to file a second amended complaint to correct certain deficiencies noted in the court's decision and order. PCB subsequently filed a motion in opposition to plaintiff's motion for leave to amend and further sought to compel arbitration. In June 2015, this matter was reassigned to a new

Table of Contents

judge and on July 22, 2015, such Court denied PCB's motion to compel arbitration and granted plaintiffs' motion for leave to amend the complaint to replead certain claims based on item processing reordering, misstatement of balance information and failure to notify customers in advance of potential overdrafts. The Court did not, however, allow plaintiffs to replead their claim for the alleged breach of the implied covenant of good faith and fair dealing. On August 12, 2015, the Plaintiffs filed a second amended complaint. On August 24, 2015, PCB filed a Notice of Appeal as to the order granting leave to file the second amended complaint and on September 17, 2015, it filed a motion to dismiss the second amended complaint. On February 18, 2016, the Court granted in part and denied in part PCB's pending motion to dismiss. The Court dismissed plaintiffs' unfair and deceptive acts and trade practices claim to the extent it sought to recover overdraft fees incurred prior to September 2011. On March 28, 2016, PCB filed an answer to second amended complaint and on April 7, 2016, it filed a notice of appeal the partial denial of PCB's motion to dismiss. Plaintiffs are to file a motion requesting class certification by August 19, 2016. Discovery is ongoing.

BPPR has been named a defendant in a putative class action complaint captioned *Neysha Quiles et al. v. Banco Popular de Puerto Rico et al.*, filed in December 2013 in the United States District Court for the District of Puerto Rico (USDC-PR). Plaintiffs essentially allege that they and others, who have been employed by the Defendants as bank tellers and other similarly titled positions, have been paid only for scheduled work time, rather than time actually worked. The complaint seeks to maintain a collective action under the Fair Labor Standards Act (FLSA) on behalf of all individuals formerly or currently employed by BPPR in Puerto Rico and the Virgin Islands as hourly paid, non-exempt, bank tellers or other similarly titled positions at any time during the past three years. Specifically, the complaint alleges that BPPR violated FLSA by willfully failing to pay overtime premiums. Similar claims were brought under Puerto Rico law. On January 31, 2014, the Popular defendants filed an answer to the complaint. On January 9, 2015, plaintiffs submitted a motion for conditional class certification, which BPPR opposed. On February 18, 2015, the Court entered an order whereby it granted plaintiffs' request for conditional certification of the FLSA action. Following the Court's order, plaintiffs sent out notices to all purported class members with instructions for opting into the class. Approximately sixty potential class members opted into the class prior to the expiration of the opt-in period. On June 25, 2015, the Court denied with prejudice plaintiffs' motion for class certification under Rule 23 of the Federal Rules of Civil Procedure. On October 20, 2015, the parties reached an agreement in principle to resolve the referenced action for an immaterial amount, subject to their reaching an agreement on the payment of reasonable attorneys' fees. The parties submitted briefing to the Court on this issue and are currently awaiting the Court's final determination.

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

are pending the Court's determination.

BPPR was named a defendant in a putative class action complaint titled *In re 2014 RadioShack ERISA Litigation*, filed in U.S. District Court for the Northern District of Texas. The complaint alleges that certain employees of RadioShack incurred losses in their 401(k) plans because various fiduciaries elected to retain RadioShack's company stock in the portfolio of potential investment options. The complaint further asserts that once RadioShack's financial situation began to deteriorate in 2011, the fiduciaries of the RadioShack 401(k) Plan and the RadioShack Puerto Rico 1165(e) Plan (collectively, the Plans) should have removed RadioShack company stock from the portfolio of potential investment options.

Popular was a directed trustee, and therefore a fiduciary, of the RadioShack Puerto Rico 1165(e) Plan (PR Plan). Even though the PR Plan directed BPPR to retain RadioShack company stock within the portfolio of investment options, the complaint alleges that a

Table of Contents

trustee's duty of prudence requires it to disregard plan documents or directives that it knows or reasonably should know would lead to an imprudent result or would otherwise harm plan participants or beneficiaries. It further alleges that BPPR breached its fiduciary duties by (i) failing to take any meaningful steps to protect plan participants from losses that it knew would occur; (ii) failing to divest the PR Plan of company stock; and (iii) participating in the decisions of another trustee (Wells Fargo) to protect the Plans from inevitable losses.

On November 23, 2015, the parties attended a mediation session, as a result of which the parties agreed to settle this matter for an immaterial amount, with BPPR contributing approximately \$45,000. On February 22, 2016, the RadioShack defendants submitted an opposition to the bar provisions of BPPR's proposed settlement whereby they conditioned such settlement to BPPR's agreement to a proportional methodology to any subsequent settlement. Under this scenario, BPPR could have remained potentially liable for an additional proportional amount, should plaintiffs appeal the dismissal of their claim and win on appeal. On July 18, 2016, the court held a settlement fairness hearing whereby it accepted the parties' settlement agreement in all relevant respects concluding this matter with respect to BPPR.

Other Matters

The volatility in prices and declines in value that Puerto Rico municipal bonds and closed-end investment companies that invest primarily in Puerto Rico municipal bonds have experienced since August 2013 have led to regulatory inquiries, customer complaints and arbitrations for most broker-dealers in Puerto Rico, including Popular Securities. Popular Securities has received customer complaints and is named as a respondent (among other broker-dealers) in 58 arbitration proceedings with aggregate claimed damages of approximately \$140 million, including one arbitration with claimed damages of \$78 million in which one other Puerto Rico broker-dealer is a co-defendant. The proceedings are in their early stages and it is the view of the Corporation that Popular Securities has meritorious defenses to the claims asserted. The Government's defaults on its debt, its intention to pursue a comprehensive debt restructuring, including specifically its decisions to declare a moratorium on certain principal payments on bonds including those issued by Government Development Bank for Puerto Rico (the "GDB"), may increase the number of customer complaints (and claimed damages) against Popular Securities concerning Puerto Rico bonds, including bonds issued by GDB, and closed-end investment companies that invest primarily in Puerto Rico bonds. An adverse result in the matters described above or a significant increase in customer complaints could have a material adverse effect on Popular.

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

Other Significant Proceedings

As described under Note 11 "FDIC loss share asset and true-up payment obligation", in connection with the Westernbank FDIC-assisted transaction, on April 30, 2010, BPPR entered into loss share agreements with the FDIC, as receiver, with respect to the covered loans and other real estate owned ("OREO") that it acquired in the transaction. Pursuant to the terms of the loss share agreements, the FDIC's obligation to reimburse BPPR for losses with respect to covered assets begins with the first dollar of loss incurred. The FDIC reimburses BPPR for 80% of losses with respect to covered assets, and BPPR reimburses the FDIC for 80% of recoveries with respect to losses for which the FDIC paid 80% reimbursement under those loss share agreements. The loss share agreements contain specific terms and

conditions regarding the management of the covered assets that BPPR must follow in order to receive reimbursement for losses from the FDIC. BPPR believes that it has complied with such terms and conditions. The loss share agreement applicable to the covered commercial and OREO described below provides for loss sharing by the FDIC through the quarter ending June 30, 2015 and for reimbursement to the FDIC for recoveries through the quarter ending June 30, 2018.

For the quarters ended June 30, 2010 through March 31, 2012, BPPR received reimbursement for loss-share claims submitted to the FDIC, including charge-offs for certain commercial late stage real-estate-collateral-dependent loans and OREO calculated in accordance with BPPR's charge-off policy for non-covered assets. When BPPR submitted its shared-loss claim in connection with the June 30, 2012 quarter, however, the FDIC refused to reimburse BPPR for a portion of the claim because of a difference related to the methodology for the computation of charge-offs for certain commercial late stage real-estate-collateral-dependent loans and OREO. In accordance with the terms of the commercial loss share agreement, BPPR applied a methodology for charge-offs for late stage real-estate-collateral-dependent loans that conforms to its regulatory supervisory criteria and is calculated in accordance with BPPR's charge-off policy for non-covered assets. The FDIC stated that it believed that BPPR should use a different methodology for those charge-offs. Notwithstanding the FDIC's refusal to reimburse BPPR for certain shared-loss claims, BPPR had continued to calculate shared-loss claims for quarters subsequent to June 30, 2012 in accordance with its charge-off policy for non-covered assets.

Table of Contents

BPPR's loss share agreements with the FDIC specify that disputes can be submitted to arbitration before a review board under the commercial arbitration rules of the American Arbitration Association. On July 31, 2013, BPPR filed a statement of claim with the American Arbitration Association requesting that a review board determine certain matters relating to the loss-share claims under its commercial loss share agreement with the FDIC, including that the review board award BPPR the amounts owed under its unpaid quarterly certificates. The statement of claim also included requests for reimbursement of certain valuation adjustments for discounts to appraised values, costs to sell troubled assets and other items. The review board was comprised of one arbitrator appointed by BPPR, one arbitrator appointed by the FDIC and a third arbitrator selected by agreement of those arbitrators.

On October 17, 2014, BPPR and the FDIC settled all claims and counterclaims that had been submitted to the review board. The settlement provides for an agreed valuation methodology for reimbursement of charge-offs for late stage real-estate-collateral-dependent loans and resulting OREO. BPPR applied this valuation methodology to charge-offs claimed on late stage real-estate-collateral-dependent loans and resulting OREO during the remaining term of the commercial loss-sharing agreement which expired on June 30, 2015.

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

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

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

BPPR disagrees with the FDIC's characterization of the November and December 2014 portfolio sale proposals and with the FDIC's interpretation of the commercial loss share agreement provision governing portfolio sales. Accordingly, on March 13, 2015, BPPR delivered to the FDIC a notice of dispute under the commercial loss share agreement. On June 8, 2015, BPPR filed a statement of claim with the American Arbitration Association requesting that a review board resolve the disputes concerning those proposed portfolio sales. On June 15, 2015, BPPR amended its statement of claim to include a claim for the FDIC-R's refusal to timely concur in the third sale proposed in March 2015. On June 29, 2015, the FDIC informed BPPR that it would reimburse the bank for losses arising from the

primary portfolio of the third proposed sale, but only subject to conditions to which BPPR objected. The FDIC also informed BPPR that it would not concur in the sale of the remainder (the secondary portfolio) of the third proposed sale or in the fourth proposed sale. On September 4, 2015, BPPR filed a second amended statement of claim concerning the FDIC's refusal to concur in the third and fourth portfolio sales as proposed by BPPR.

Table of Contents

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

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

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

The commercial shared-loss arrangement described above expired on June 30, 2015, when the three year recovery period commenced. As of June 30, 2016, BPPR had unreimbursed loss claims related to this arrangement amounting to approximately \$142 million, reflected in the FDIC indemnification asset as a receivable from the FDIC, which are subject to the arbitration proceedings described above. Until these disputes are finally resolved, the terms of the commercial loss share agreement will remain in effect with respect to any such items under dispute. No assurance can be given that we will receive reimbursement from the FDIC with respect to the foregoing items, which could require us to make a material adjustment to the value of our loss share asset and the related true-up payment obligation to the FDIC and could have a material adverse effect on our financial results for the period in which such adjustment is taken.

The loss sharing agreement applicable to single-family residential mortgage loans provides for FDIC loss sharing and BPPR reimbursement to the FDIC for ten years (ending on June 30, 2020). As of June 30, 2016, the carrying value of covered loans approximated \$607 million, mainly comprised of single-family residential mortgage loans. To the extent that estimated losses on covered loans are not realized before the expiration of the applicable loss sharing agreement, such losses would not be subject to reimbursement from the FDIC and, accordingly, would require us to make a material adjustment in the value of our loss share asset and the related true up payment obligation to the FDIC and could have a material adverse effect on our financial results for the period in which such adjustment is taken.

Table of Contents**Note 24 Non-consolidated variable interest entities**

The Corporation is involved with four statutory trusts which it established to issue trust preferred securities to the public. These trusts are deemed to be variable interest entities (VIEs) since the equity investors at risk have no substantial decision-making rights. The Corporation does not hold any variable interest in the trusts, and therefore, cannot be the trusts' primary beneficiary. Furthermore, the Corporation concluded that it did not hold a controlling financial interest in these trusts since the decisions of the trusts are predetermined through the trust documents and the guarantee of the trust preferred securities is irrelevant since in substance the sponsor is guaranteeing its own debt.

Also, the Corporation is involved with various special purpose entities mainly in guaranteed mortgage securitization transactions, including GNMA and FNMA. These special purpose entities are deemed to be VIEs since they lack equity investments at risk. The Corporation's continuing involvement in these guaranteed loan securitizations includes owning certain beneficial interests in the form of securities as well as the servicing rights retained. The Corporation is not required to provide additional financial support to any of the variable interest entities to which it has transferred the financial assets. The mortgage-backed securities, to the extent retained, are classified in the Corporation's consolidated statements of financial condition as available-for-sale or trading securities. The Corporation concluded that, essentially, these entities (FNMA and GNMA) control the design of their respective VIEs, dictate the quality and nature of the collateral, require the underlying insurance, set the servicing standards via the servicing guides and can change them at will, and can remove a primary servicer with cause, and without cause in the case of FNMA. Moreover, through their guarantee obligations, agencies (FNMA and GNMA) have the obligation to absorb losses that could be potentially significant to the VIE.

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

The Corporation holds variable interests in these VIEs in the form of agency mortgage-backed securities and collateralized mortgage obligations, including those securities originated by the Corporation and those acquired from third parties. Additionally, the Corporation holds agency mortgage-backed securities, agency collateralized mortgage obligations and private label collateralized mortgage obligations issued by third party VIEs in which it has no other form of continuing involvement. Refer to Note 26 to the consolidated financial statements for additional information on the debt securities outstanding at June 30, 2016 and December 31, 2015, which are classified as available-for-sale and trading securities in the Corporation's consolidated statements of financial condition. In addition, the Corporation may retain the right to service the transferred loans in those government-sponsored special purpose entities (SPEs) and may also purchase the right to service loans in other government-sponsored SPEs that were transferred to those SPEs by a third-party. Pursuant to ASC Subtopic 810-10, the servicing fees that the Corporation receives for its servicing role are considered variable interests in the VIEs since the servicing fees are subordinated to the principal and interest that first needs to be paid to the mortgage-backed securities' investors and to the guaranty fees that need to be paid to the federal agencies.

Table of Contents

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

(In thousands)	June 30, 2016	December 31, 2015
Assets		
Servicing assets:		
Mortgage servicing rights	\$ 160,384	\$ 163,224
Total servicing assets	\$ 160,384	\$ 163,224
Other assets:		
Servicing advances	\$ 21,753	\$ 24,431
Total other assets	\$ 21,753	\$ 24,431
Total assets	\$ 182,137	\$ 187,655
Maximum exposure to loss	\$ 182,137	\$ 187,655

The size of the non-consolidated VIEs, in which the Corporation has a variable interest in the form of servicing fees, measured as the total unpaid principal balance of the loans, amounted to \$12.6 billion at June 30, 2016 (December 31, 2015 - \$12.8 billion).

Maximum exposure to loss represents the maximum loss, under a worst case scenario, that would be incurred by the Corporation, as servicer for the VIEs, assuming all loans serviced are delinquent and that the value of the Corporation's interests and any associated collateral declines to zero, without any consideration of recovery. The Corporation determined that the maximum exposure to loss includes the fair value of the MSRs and the assumption that the servicing advances at June 30, 2016 and December 31, 2015, will not be recovered. The agency debt securities are not included as part of the maximum exposure to loss since they are guaranteed by the related agencies.

In September of 2011, BPPR sold construction and commercial real estate loans with a fair value of \$148 million, and most of which were non-performing, to a newly created joint venture, PRLP 2011 Holdings, LLC. The joint venture was created for the limited purpose of acquiring the loans from BPPR; servicing the loans through a third-party servicer; ultimately working out, resolving and/or foreclosing the loans; and indirectly owning, operating, constructing, developing, leasing and selling any real properties acquired by the joint venture through deed in lieu of foreclosure, foreclosure, or by resolution of any loan.

BPPR provided financing to the joint venture for the acquisition of the loans in an amount equal to the sum of 57% of the purchase price of the loans, or \$84 million, and \$2 million of closing costs, for a total acquisition loan of \$86 million (the acquisition loan). The acquisition loan has a 5-year maturity and bears a variable interest at 30-day LIBOR plus 300 basis points and is secured by a pledge of all of the acquiring entity's assets. In addition, BPPR provided the joint venture with a non-revolving advance facility (the advance facility) of \$68.5 million to cover unfunded commitments and costs-to-complete related to certain construction projects, and a revolving working capital line (the working capital line) of \$20 million to fund certain operating expenses of the joint venture. Cash proceeds received by the joint venture are first used to cover debt service payments for the acquisition loan, advance facility,

and the working capital line described above which must be paid in full before proceeds can be used for other purposes. The distributable cash proceeds are determined based on a pro-rata basis in accordance with the respective equity ownership percentages. BPPR's equity interest in the joint venture ranks pari-passu with those of other parties involved. As part of the transaction executed in September 2011, BPPR received \$ 48 million in cash and a 24.9% equity interest in the joint venture. The Corporation is not required to provide any other financial support to the joint venture.

BPPR accounted for this transaction as a true sale pursuant to ASC Subtopic 860-10 and thus recognized the cash received, its equity investment in the joint venture, and the acquisition loan provided to the joint venture and derecognized the loans sold.

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

The Corporation holds variable interests in this VIE in the form of the 24.9% equity interest (the Investment in PRLP 2011 Holdings, LLC) and the financing provided to the joint venture. The equity interest is accounted for under the equity method of accounting pursuant to ASC Subtopic 323-10.

The initial fair value of the Corporation's equity interest in the joint venture was determined based on the fair value of the loans and real estate owned transferred to the joint venture of \$148 million which represented the purchase price of the loans agreed by the

Table of Contents

parties and was an arm's-length transaction between market participants in accordance with ASC Topic 820, reduced by the acquisition loan provided by BPPR to the joint venture, for a total net equity of \$63 million. Accordingly, the 24.9% equity interest held by the Corporation was valued at \$16 million. Thus, the fair value of the equity interest is considered a Level 2 fair value measurement since the inputs were based on observable market inputs.

The following table presents the carrying amount and classification of the assets and liabilities related to the Corporation's variable interests in the non-consolidated VIE, PRLP 2011 Holdings, LLC, and its maximum exposure to loss at June 30, 2016 and December 31, 2015.

(In thousands)	June 30, 2016	December 31, 2015
Assets		
Loans held-in-portfolio:		
Advances under the working capital line	\$	\$ 579
Advances under the advance facility		401
Total loans held-in-portfolio	\$	\$ 980
Accrued interest receivable	\$	\$ 10
Other assets:		
Investment in PRLP 2011 Holdings LLC	\$ 9,076	\$ 13,069
Total assets	\$ 9,076	\$ 14,059
Deposits	\$ (2,806)	\$ (18,808)
Total liabilities	\$ (2,806)	\$ (18,808)
Total net assets (liabilities)	\$ 6,270	\$ (4,749)
Maximum exposure to loss	\$ 6,270	\$

The Corporation determined that the maximum exposure to loss under a worst case scenario at June 30, 2016 would be not recovering the equity interest held by the Corporation, net of the deposits.

On March 25, 2013, BPPR completed a sale of assets with a book value of \$509.0 million, of which \$500.6 million were in non-performing status, comprised of commercial and construction loans, and commercial and single family real estate owned, with a combined unpaid principal balance on loans and appraised value of other real estate owned of approximately \$987.0 million to a newly created joint venture, PR Asset Portfolio 2013-1. The joint venture was created for the limited purpose of acquiring the loans from BPPR; servicing the loans through a third-party servicer; ultimately working out, resolving and/or foreclosing the loans; and indirectly owning, operating, constructing, developing, leasing and selling any real properties acquired by the joint venture through deed in lieu of foreclosure, foreclosure, or by resolution of any loan.

BPPR provided financing to the joint venture for the acquisition of the assets in an amount equal to the sum of 57% of the purchase price of the assets, and closing costs, for a total acquisition loan of \$182.4 million (the acquisition loan). The acquisition loan has a 5-year maturity and bears a variable interest at 30-day LIBOR plus 300 basis points and is

secured by a pledge of all of the acquiring entity's assets. In addition, BPPR provided the joint venture with a non-revolving advance facility (the advance facility) of \$35.0 million to cover unfunded commitments and costs-to-complete related to certain construction projects, and a revolving working capital line (the working capital line) of \$30.0 million to fund certain operating expenses of the joint venture. Cash proceeds received by the joint venture are first used to cover debt service payments for the acquisition loan, advance facility, and the working capital line described above which must be paid in full before proceeds can be used for other purposes. The distributable cash proceeds are determined based on a pro-rata basis in accordance with the respective equity ownership percentages. BPPR's equity interest in the joint venture ranks pari-passu with those of other parties involved. As part of the transaction executed in March 2013, BPPR received \$92.3 million in cash and a 24.9% equity interest in the joint venture. The Corporation is not required to provide any other financial support to the joint venture.

BPPR accounted for this transaction as a true sale pursuant to ASC Subtopic 860-10 and thus recognized the cash received, its equity investment in the joint venture, and the acquisition loan provided to the joint venture and derecognized the loans and real estate owned sold.

Table of Contents

The Corporation has determined that PR Asset Portfolio 2013-1 International, LLC is a VIE but the Corporation is not the primary beneficiary. All decisions are made by CPG (or an affiliate thereof) (the Manager), except for certain limited material decisions which would require the unanimous consent of all members. The Manager is authorized to execute and deliver on behalf of the joint venture any and all documents, contracts, certificates, agreements and instruments, and to take any action deemed necessary in the benefit of the joint venture. Also, the Manager delegates the day-to-day management and servicing of the loans to PR Asset Portfolio Servicing International, LLC, an affiliate of CPG.

The initial fair value of the Corporation's equity interest in the joint venture was determined based on the fair value of the loans and real estate owned transferred to the joint venture of \$306 million which represented the purchase price of the loans agreed by the parties and was an arm's-length transaction between market participants in accordance with ASC Topic 820, reduced by the acquisition loan provided by BPPR to the joint venture, for a total net equity of \$124 million. Accordingly, the 24.9% equity interest held by the Corporation was valued at \$31 million. Thus, the fair value of the equity interest is considered a Level 2 fair value measurement since the inputs were based on observable market inputs.

The Corporation holds variable interests in this VIE in the form of the 24.9% equity interest (the Investment in PR Asset Portfolio 2013-1 International, LLC) and the financing provided to the joint venture. The equity interest is accounted for under the equity method of accounting pursuant to ASC Subtopic 323-10.

The following table presents the carrying amount and classification of the assets and liabilities related to the Corporation's variable interests in the non-consolidated VIE, PR Asset Portfolio 2013-1 International, LLC, and its maximum exposure to loss at June 30, 2016 and December 31, 2015.

(In thousands)	June 30, 2016	December 31, 2015
Assets		
Loans held-in-portfolio:		
Acquisition loan	\$ 794	\$ 35,121
Advances under the working capital line	794	885
Advances under the advance facility	24,649	22,296
Total loans held-in-portfolio	\$ 25,443	\$ 58,302
Accrued interest receivable	\$ 82	\$ 169
Other assets:		
Investment in PR Asset Portfolio 2013-1 International, LLC	\$ 24,771	\$ 25,094
Total assets	\$ 50,296	\$ 83,565
Deposits	\$ (10,558)	\$ (11,772)
Total liabilities	\$ (10,558)	\$ (11,772)
Total net assets	\$ 39,738	\$ 71,793

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Maximum exposure to loss	\$ 39,738	\$ 71,793
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The Corporation determined that the maximum exposure to loss under a worst case scenario at June 30, 2016 would be not recovering the carrying amount of the advances on the advance facility, the working capital line, and the equity interest held by the Corporation, net of the deposits.

Table of Contents**Note 25 Related party transactions****EVERTEC**

The Corporation has an investment in EVERTEC, Inc. (EVERTEC), which provides various processing and information technology services to the Corporation and its subsidiaries and gives BPPR access to the ATH network owned and operated by EVERTEC. As of June 30, 2016, the Corporation's stake in EVERTEC was 15.74%. The Corporation continues to have significant influence over EVERTEC. Accordingly, the investment in EVERTEC is accounted for under the equity method and is evaluated for impairment if events or circumstances indicate that a decrease in value of the investment has occurred that is other than temporary.

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

The Corporation received \$ 2.3 million in dividend distributions during the six months ended June 30, 2016 from its investments in EVERTEC's holding company (June 30, 2015 - \$ 2.3 million). The Corporation's equity in EVERTEC is presented in the table which follows and is included as part of other assets in the consolidated statements of financial condition.

(In thousands)	June 30, 2016	December 31, 2015
Equity investment in EVERTEC	\$ 35,073	\$ 33,590

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

(In thousands)	June 30, 2016	December 31, 2015
Accounts receivable (Other assets)	\$ 2,909	\$ 3,148
Deposits	(15,660)	(23,973)
Accounts payable (Other liabilities)	(17,308)	(16,192)
Net total	\$ (30,059)	\$ (37,017)

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

Quarter ended	Six months ended
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(In thousands)	June 30, 2016	June 30, 2016
Share of income from the investment in EVERTEC	\$ 3,185	\$ 6,199
Share of other changes in EVERTEC's stockholders' equity	(1,537)	(1,325)
Share of EVERTEC's changes in equity recognized in income	\$ 1,648	\$ 4,874

(In thousands)	Quarter ended June 30, 2015	Six months ended June 30, 2015
Share of income from the investment in EVERTEC	\$ 3,046	\$ 5,915
Share of other changes in EVERTEC's stockholders' equity	214	565
Share of EVERTEC's changes in equity recognized in income	\$ 3,260	\$ 6,480

Table of Contents

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

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016	Category
Interest expense on deposits	\$ (17)	\$ (36)	Interest expense
ATH and credit cards interchange income from services to EVERTEC	7,497	14,415	Other service fees
Rental income charged to EVERTEC	1,736	3,472	Net occupancy
Processing fees on services provided by EVERTEC	(43,262)	(86,778)	Professional fees
Other services provided to EVERTEC	258	514	Other operating expenses
Total	\$ (33,788)	\$ (68,413)	

(In thousands)	Quarter ended June 30, 2015	Six months ended June 30, 2015	Category
Interest expense on deposits	\$ (15)	\$ (26)	Interest expense
ATH and credit cards interchange income from services to EVERTEC	7,166	13,653	Other service fees
Rental income charged to EVERTEC	1,723	3,447	Net occupancy
Processing fees on services provided by EVERTEC	(41,946)	(81,450)	Professional fees
Other services provided to EVERTEC	384	708	Other operating expenses
Total	\$ (32,688)	\$ (63,668)	

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

PRLP 2011 Holdings LLC

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

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

(In thousands)	June 30, 2016	December 31, 2015
Equity investment in PRLP 2011 Holdings, LLC	\$ 9,076	\$ 13,069

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

(In thousands)	June 30, 2016	December 31, 2015
Loans	\$	\$ 980
Accrued interest receivable		10
Deposits (non-interest bearing)	(2,806)	(18,808)
Net total	\$ (2,806)	\$ (17,818)

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

Table of Contents

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016
Share of loss from the equity investment in PRLP 2011 Holdings, LLC	\$ (52)	\$ (594)

(In thousands)	Quarter ended June 30, 2015	Six months ended June 30, 2015
Share of loss from the equity investment in PRLP 2011 Holdings, LLC	\$ (2,863)	\$ (1,830)

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

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

(In thousands)	Quarter ended June 30, 2015	Six months ended June 30, 2015	Category
Interest income on loan to PRLP 2011 Holdings, LLC	\$ 51	\$ 113	Interest income

PR Asset Portfolio 2013-1 International, LLC

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

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

(In thousands)	June 30, 2016	December 31, 2015
Equity investment in PR Asset Portfolio 2013-1 International, LLC	\$ 24,771	\$ 25,094

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

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(In thousands)	June 30, 2016	December 31, 2015
Loans	\$ 25,443	\$ 58,302
Accrued interest receivable	82	169
Deposits	(10,558)	(11,772)
Net total	\$ 14,967	\$ 46,699

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

Table of Contents

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016
Share of income (loss) from the equity investment in PR Asset Portfolio 2013-1 International, LLC	\$ 199	\$ (323)

(In thousands)	Quarter ended June 30, 2015	Six months ended June 30, 2015
Share of loss from the equity investment in PR Asset Portfolio 2013-1 International, LLC	\$ (133)	\$ (4,468)

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

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016	Category
Interest income on loan to PR Asset Portfolio 2013-1 International, LLC	\$ 289	\$ 734	Interest income
Interest expense on deposits	(1)	(2)	Interest expense
Total	\$ 288	\$ 732	

(In thousands)	Quarter ended June 30, 2015	Six months ended June 30, 2015	Category
Interest income on loan to PR Asset Portfolio 2013-1 International, LLC	\$ 747	\$ 1,613	Interest income
Servicing fee paid by PR Asset Portfolio 2013-1 International, LLC	(1)	(1)	Other service fees
Total	\$ 746	\$ 1,612	

Table of Contents

Note 26 Fair value measurement

ASC Subtopic 820-10 Fair Value Measurements and Disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels in order to increase consistency and comparability in fair value measurements and disclosures. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date. Valuation on these instruments does not necessitate a significant degree of judgment since valuations are based on quoted prices that are readily available in an active market.

Level 2 - Quoted prices other than those included in Level 1 that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or that can be corroborated by observable market data for substantially the full term of the financial instrument.

Level 3 - Inputs are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Corporation's own assumptions about assumptions that market participants would use in pricing the asset or liability.

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

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

Table of Contents*Fair Value on a Recurring and Nonrecurring Basis*

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

(In thousands)	At June 30, 2016			
	Level 1	Level 2	Level 3	Total
RECURRING FAIR VALUE MEASUREMENTS				
Assets				
Investment securities available-for-sale:				
U.S. Treasury securities	\$	\$ 1,624,776	\$	\$ 1,624,776
Obligations of U.S. Government sponsored entities		773,841		773,841
Obligations of Puerto Rico, States and political subdivisions		25,635		25,635
Collateralized mortgage obligations - federal agencies		1,438,721		1,438,721
Mortgage-backed securities		3,365,845	1,398	3,367,243
Equity securities	399	2,121		2,520
Other		9,940		9,940
Total investment securities available-for-sale	\$ 399	\$ 7,240,879	\$ 1,398	\$ 7,242,676
Trading account securities, excluding derivatives:				
Obligations of Puerto Rico, States and political subdivisions	\$	\$ 4,815	\$	\$ 4,815
Collateralized mortgage obligations			1,399	1,399
Mortgage-backed securities - federal agencies		47,006	5,364	52,370
Other		13,306	640	13,946
Total trading account securities	\$	\$ 65,127	\$ 7,403	\$ 72,530
Mortgage servicing rights	\$	\$	\$ 203,577	\$ 203,577
Derivatives		13,154		13,154
Total assets measured at fair value on a recurring basis	\$ 399	\$ 7,319,160	\$ 212,378	\$ 7,531,937
Liabilities				
Derivatives	\$	\$ (11,879)	\$	\$ (11,879)
Contingent consideration			(128,511)	(128,511)
Total liabilities measured at fair value on a recurring basis	\$	\$ (11,879)	\$ (128,511)	\$ (140,390)

Table of Contents

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

The fair value information included in the following tables is not as of period end, but as of the date that the fair value measurement was recorded during the six months ended June 30, 2016 and 2015 and excludes nonrecurring fair value measurements of assets no longer outstanding as of the reporting date.

	Six months ended June 30, 2016			
(In thousands)	Level 1	Level 2	Level 3	Total

**NONRECURRING FAIR VALUE
MEASUREMENTS**

Assets					Write-downs
Loans ^[1]	\$	\$	\$ 30,221	\$ 30,221	\$ (18,844)
Other real estate owned ^[2]			31,803	31,803	(6,197)
Other foreclosed assets ^[2]			55	55	(2)
 Total assets measured at fair value on a nonrecurring basis	 \$	 \$	 \$ 62,079	 \$ 62,079	 \$ (25,043)

[1] Relates mostly to certain impaired collateral dependent loans. The impairment was measured based on the fair value of the collateral, which is derived from appraisals that take into consideration prices in observed transactions involving similar assets in similar locations, in accordance with the provisions of ASC Section 310-10-35. Costs to sell are excluded from the reported fair value amount.

[2] Represents the fair value of foreclosed real estate and other collateral owned that were written down to their fair value. Costs to sell are excluded from the reported fair value amount.

Table of Contents

(In thousands)	Six months ended June 30, 2015				
	Level 1	Level 2	Level 3	Total	Write-downs
NONRECURRING FAIR VALUE MEASUREMENTS					
Assets					
Loans ^[1]	\$	\$	\$ 156,607	\$ 156,607	\$ (80,643)
Loans held-for-sale ^[2]			214	214	(35)
Other real estate owned ^[3]		438	46,954	47,392	(36,909)
Other foreclosed assets ^[3]			73	73	(799)
Total assets measured at fair value on a nonrecurring basis	\$	\$ 438	\$ 203,848	\$ 204,286	\$ (118,386)

[1] Relates mostly to certain impaired collateral dependent loans. The impairment was measured based on the fair value of the collateral, which is derived from appraisals that take into consideration prices in observed transactions involving similar assets in similar locations, in accordance with the provisions of ASC Section 310-10-35. Costs to sell are excluded from the reported fair value amount.

[2] Relates to lower of cost or fair value adjustments on loans held-for-sale and loans transferred from loans held-in-portfolio to loans held-for-sale. Costs to sell are excluded from the reported fair value amount.

[3] Represents the fair value of foreclosed real estate and other collateral owned that were written down to their fair value. Costs to sell are excluded from the reported fair value amount.

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

(In thousands)	Quarter ended June 30, 2016							
	MBS classified as investment securities available-for-sale	CMOs as trading securities	MBS classified securities	Other securities as trading securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at March 31, 2016	\$ 1,422	\$ 1,783	\$ 5,397	\$ 663	\$ 205,051	\$ 214,316	\$ (120,823)	\$ (120,823)
Gains (losses) included in earnings		(7)	28	(23)	(4,340)	(4,342)	(7,688)	(7,688)
Gains (losses) included in OCI	1					1		
Additions		35	610		2,866	3,511		
Sales		(202)	(596)			(798)		
Settlements	(25)	(210)	(75)			(310)		
Balance at June 30, 2016	\$ 1,398	\$ 1,399	\$ 5,364	\$ 640	\$ 203,577	\$ 212,378	\$ (128,511)	\$ (128,511)

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Changes in unrealized gains (losses) included in earnings relating to assets still held at June 30, 2016	\$	\$	(3)	\$	15	\$	10	\$	632	\$	654	\$	(7,688)	\$	(7,688)
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Six months ended June 30, 2016

(In thousands)	MBS		Other		Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
	classified as investment securities available- for-sale	CMOs classified as trading securities	MBS classified as trading securities	Other securities classified as trading securities				
Balance at January 1, 2016	\$ 1,434	\$ 1,831	\$ 6,454	\$ 687	\$ 211,405	\$ 221,811	\$ (120,380)	\$ (120,380)
Gains (losses) included in earnings	(2)	(13)	117	(47)	(12,817)	(12,762)	(8,131)	(8,131)
Gains (losses) included in OCI	16					16		
Additions		209	948		4,989	6,146		
Sales		(308)	(1,716)			(2,024)		
Settlements	(50)	(320)	(439)			(809)		
Balance at June 30, 2016	\$ 1,398	\$ 1,399	\$ 5,364	\$ 640	\$ 203,577	\$ 212,378	\$ (128,511)	\$ (128,511)

Changes in unrealized gains (losses) included in earnings relating to assets still held at June 30, 2016	\$	\$	(6)	\$	101	\$	21	\$	(3,233)	\$	(3,117)	\$	(8,131)	\$	(8,131)
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Table of Contents

(In thousands)	Quarter ended June 30, 2015							
	MBS classified as investment securities available- for-sale	CMOs classified as trading account securities	MBS classified as trading account securities	Other securities classified as trading account securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at March 31, 2015	\$ 1,435	\$ 1,242	\$ 6,221	\$ 1,544	\$ 149,024	\$ 159,466	\$ (129,470)	\$ (129,470)
Gains (losses) included in earnings		(2)	(3)	75	(1,917)	(1,847)	3,671	3,671
Gains (losses) included in OCI	10					10		
Additions		37	128		59,312	59,477		
Settlements		(85)	(300)		(62)	(447)		
Adjustments							962	962
Balance at June 30, 2015	\$ 1,445	\$ 1,192	\$ 6,046	\$ 1,619	\$ 206,357	\$ 216,659	\$ (124,837)	\$ (124,837)
Changes in unrealized gains (losses) included in earnings relating to assets still held at June 30, 2015	\$	\$	\$ 6	\$ 119	\$ 2,570	\$ 2,695	\$ 3,671	\$ 3,671

(In thousands)	Six months ended June 30, 2015							
	MBS classified as investment securities available- for-sale	CMOs classified as trading account securities	MBS classified as trading account securities	Other securities classified as trading account securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at January 1, 2015	\$ 1,325	\$ 1,375	\$ 6,229	\$ 1,563	\$ 148,694	\$ 159,186	\$ (133,634)	\$ (133,634)
Gains (losses) included in earnings		(4)	14	56	(6,846)	(6,780)	7,835	7,835
Gains (losses) included in OCI	2					2		
Additions	118	37	258		64,571	64,984		
Sales		(44)	(80)			(124)		
Settlements		(172)	(375)		(62)	(609)		
Adjustments							962	962

Balance at June 30, 2015 \$ 1,445 \$ 1,192 \$ 6,046 \$ 1,619 \$ 206,357 \$ 216,659 \$ (124,837) \$ (124,837)

Changes in unrealized gains (losses) included in earnings relating to assets still held at June 30, 2015 \$ \$ (1) \$ 25 \$ 142 \$ 1,886 \$ 2,052 \$ 7,835 \$ 7,835

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

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

(In thousands)	Quarter ended June 30, 2016		Six months ended June 30, 2016	
	Total gains (losses) included in earnings	gains (losses) relating to assets still held at reporting date	Total gains (losses) included in earnings	gains (losses) relating to assets still held at reporting date
Interest income	\$	\$	\$ (2)	\$
FDIC loss share (expense) income	(7,688)	(7,688)	(8,131)	(8,131)
Mortgage banking activities	(4,340)	632	(12,817)	(3,233)
Trading account profit (loss)	(2)	22	57	116
Total	\$ (12,030)	\$ (7,034)	\$ (20,893)	\$ (11,248)

Table of Contents

(In thousands)	Quarter ended June 30, 2015		Six months ended June 30, 2015	
	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date	Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date
FDIC loss share (expense) income	\$ 3,671	\$ 3,671	\$ 7,835	\$ 7,835
Mortgage banking activities	(1,917)	2,570	(6,846)	1,886
Trading account profit (loss)	70	125	66	166
Total	\$ 1,824	\$ 6,366	\$ 1,055	\$ 9,887

The following table includes quantitative information about significant unobservable inputs used to derive the fair value of Level 3 instruments, excluding those instruments for which the unobservable inputs were not developed by the Corporation such as prices of prior transactions and/or unadjusted third-party pricing sources.

(In thousands)	Fair value at June 30, 2016	Valuation technique	Unobservable inputs	Weighted average (range)
CMO s - trading	\$ 1,399	Discounted cash flow model	Weighted average life Yield Prepayment speed	3.0 years (0.3 - 4.4 years) 3.8% (1.0% - 4.7%) 20.5% (18.0% - 24.9%)
Other - trading	\$ 640	Discounted cash flow model	Weighted average life Yield Prepayment speed	5.3 years 11.7% 10.8%
Mortgage servicing rights	\$ 203,577	Discounted cash flow model	Prepayment speed Weighted average life Discount rate	5.7% (0.2% - 11.8%) 6.9 years (0.1 - 17.3 years) 11.2% (9.5% - 15.0%)
Contingent consideration	\$ (127,876)	Discounted cash flow model	Credit loss rate on covered loans Risk premium component of discount rate	2.9% (0.0% - 100.0%) 6.2%
Loans held-in-portfolio	\$ 30,169 ^[1]	External appraisal	Haircut applied on external appraisals	39.9% (38.9% - 40.0%)
Other real estate owned	\$ 30,938 ^[2]	External appraisal	Haircut applied on external appraisals	20.9% (10.0% - 40.0%)

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

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

The significant unobservable inputs used in the fair value measurement of the Corporation's collateralized mortgage obligations and interest-only collateralized mortgage obligation (reported as other), which are classified in the trading category, are yield, constant prepayment rate, and weighted average life. Significant increases (decreases) in any of those inputs in isolation would result in significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the constant prepayment rate will generate a directionally opposite change in the weighted average life. For example, as the average life is reduced by a higher constant prepayment rate, a lower yield will be realized, and when there is a reduction in the constant prepayment rate, the average life of these collateralized mortgage obligations will extend, thus resulting in a higher yield. These particular financial instruments are valued internally by the Corporation's investment banking and broker-dealer unit utilizing internal valuation techniques. The unobservable inputs incorporated into the internal discounted cash flow models used to derive the fair value of collateralized mortgage obligations and interest-only collateralized mortgage obligation (reported as other), which are classified in the trading category, are reviewed by the Corporation's Corporate Treasury unit on a quarterly basis. In the case of Level 3 financial instruments which fair value is based on broker quotes, the Corporation's Corporate Treasury unit reviews the inputs used by the broker-dealers for reasonableness utilizing information available from other published sources and validates that the fair value measurements were developed in accordance with ASC Topic 820. The Corporate Treasury unit also substantiates the inputs used by validating the prices with other broker-dealers, whenever possible.

The significant unobservable inputs used in the fair value measurement of the Corporation's mortgage servicing rights are constant prepayment rates and discount rates. Increases in interest rates may result in lower prepayments. Discount rates vary according to products and / or portfolios depending on the perceived risk. Increases in discount rates result in a lower fair value measurement. The Corporation's Corporate Comptroller's unit is responsible for determining the fair value of MSR's, which is based on discounted

Table of Contents

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

Table of Contents**Note 27 Fair value of financial instruments**

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

The fair values reflected herein have been determined based on the prevailing rate environment at June 30, 2016 and December 31, 2015, as applicable. In different interest rate environments, fair value estimates can differ significantly, especially for certain fixed rate financial instruments. In addition, the fair values presented do not attempt to estimate the value of the Corporation's fee generating businesses and anticipated future business activities, that is, they do not represent the Corporation's value as a going concern.

The following tables present the carrying amount, or notional amounts, as applicable, and estimated fair values of financial instruments with their corresponding level in the fair value hierarchy. The aggregate fair value amounts of the financial instruments disclosed do not represent management's estimate of the underlying value of the Corporation.

(In thousands)	Carrying amount	June 30, 2016			Fair value
		Level 1	Level 2	Level 3	
Financial Assets:					
Cash and due from banks	\$ 365,308	\$ 365,308	\$	\$	\$ 365,308
Money market investments	2,785,500	2,687,458	98,042		2,785,500
Trading account securities, excluding derivatives ^[1]	72,530		65,127	7,403	72,530
Investment securities available-for-sale ^[1]	7,242,676	399	7,240,879	1,398	7,242,676
Investment securities held-to-maturity:					
Obligations of Puerto Rico, States and political subdivisions	\$ 97,444	\$	\$	\$ 79,419	\$ 79,419
Collateralized mortgage obligation-federal agency	81			85	85
Other	2,000		1,744	221	1,965
Total investment securities held-to-maturity	\$ 99,525	\$	\$ 1,744	\$ 79,725	\$ 81,469
Other investment securities:					
FHLB stock	\$ 59,459	\$	\$ 59,459	\$	\$ 59,459
FRB stock	93,983		93,983		93,983
Trust preferred securities	13,198		13,198		13,198
Other investments	1,923			4,929	4,929

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Total other investment securities	\$ 168,563	\$	\$ 166,640	\$ 4,929	\$ 171,569
Loans held-for-sale	\$ 122,338	\$	\$ 469	\$ 124,526	\$ 124,995
Loans not covered under loss sharing agreement with the FDIC	22,022,522			20,405,987	20,405,987
Loans covered under loss sharing agreements with the FDIC	576,589			570,791	570,791
FDIC loss share asset	214,029			228,561	228,561
Mortgage servicing rights	203,577			203,577	203,577
Derivatives	13,154		13,154		13,154

Table of Contents

(In thousands)	Carrying amount	June 30, 2016			Fair value
		Level 1	Level 2	Level 3	
Financial Liabilities:					
Deposits:					
Demand deposits	\$ 20,783,110	\$	\$ 20,783,110	\$	\$ 20,783,110
Time deposits	7,954,746		7,943,768		7,943,768
Total deposits	\$ 28,737,856	\$	\$ 28,726,878	\$	\$ 28,726,878
Federal funds purchased and assets sold under agreements to repurchase					
	\$ 821,604	\$	\$ 823,288	\$	\$ 823,288
Other short-term borrowings ^[2]	\$ 31,200	\$	\$ 31,200	\$	\$ 31,200
Notes payable:					
FHLB advances	\$ 674,342	\$	\$ 717,262	\$	\$ 717,262
Unsecured senior debt securities	443,747		444,191		444,191
Junior subordinated deferrable interest debentures (related to trust preferred securities)	439,309		379,349		379,349
Others	18,550			18,550	18,550
Total notes payable	\$ 1,575,948	\$	\$ 1,540,802	\$ 18,550	\$ 1,559,352
Derivatives	\$ 11,879	\$	\$ 11,879	\$	\$ 11,879
Contingent consideration	\$ 128,511	\$	\$	\$ 128,511	\$ 128,511
(In thousands)	Notional amount	Level 1	Level 2	Level 3	Fair value
Commitments to extend credit	\$ 7,322,699	\$	\$	\$ 554	\$ 554
Letters of credit	36,530			611	611

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

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

Table of Contents

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

Table of Contents

(In thousands)	Carrying amount	December 31, 2015			Fair value
		Level 1	Level 2	Level 3	
Financial Liabilities:					
Deposits:					
Demand deposits	\$ 19,044,355	\$	\$ 19,044,355	\$	\$ 19,044,355
Time deposits	8,165,368		8,134,029		8,134,029
Total deposits	\$ 27,209,723	\$	\$ 27,178,384	\$	\$ 27,178,384
Federal funds purchased and assets sold under agreements to repurchase					
	\$ 762,145	\$	\$ 764,599	\$	\$ 764,599
Other short-term borrowings ^[2]	\$ 1,200	\$	\$ 1,200	\$	\$ 1,200
Notes payable:					
FHLB advances	761,501		780,411		780,411
Unsecured senior debt	442,704		435,186		435,186
Junior subordinated deferrable interest debentures (related to trust preferred securities)	439,295		352,673		352,673
Others	19,008			19,008	19,008
Total notes payable	\$ 1,662,508	\$	\$ 1,568,270	\$ 19,008	\$ 1,587,278
Derivatives	\$ 14,343	\$	\$ 14,343	\$	\$ 14,343
Contingent consideration	\$ 120,380	\$	\$	\$ 120,380	\$ 120,380
(In thousands)	Notional amount	Level 1	Level 2	Level 3	Fair value
Commitments to extend credit	\$ 7,434,108	\$	\$	\$ 1,080	\$ 1,080
Letters of credit	51,710			572	572

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

[2] Refer to Note 18 to the consolidated financial statements for the composition of other short-term borrowings. Following is a description of the Corporation's valuation methodologies and inputs used to estimate the fair values for each class of financial assets and liabilities not measured at fair value, but for which the fair value is disclosed.

Cash and due from banks

Cash and due from banks include cash on hand, cash items in process of collection, and non-interest bearing deposits due from other financial institutions. The carrying amount of cash and due from banks is a reasonable estimate of its fair value. Cash and due from banks are classified as Level 1.

Money market investments

Investments in money market instruments include highly liquid instruments with an average maturity of three months or less. For this reason, they carry a low risk of changes in value as a result of changes in interest rates, and the carrying amount approximates their fair value. Money market investments include federal funds sold, securities purchased under agreements to resell, time deposits with other banks, and cash balances, including those held at the Federal Reserve. These money market investments are classified as Level 2, except for cash balances which generate interest, including those held at the Federal Reserve, which are classified as Level 1.

Investment securities held-to-maturity

Obligations of Puerto Rico, States and political subdivisions: Municipal bonds include Puerto Rico public municipalities debt and bonds collateralized by second mortgages under the Home Purchase Stimulus Program. Puerto Rico public

Table of Contents

municipalities debt was valued internally based on benchmark treasury notes and a credit spread derived from comparable Puerto Rico government trades and recent issuances. Puerto Rico public municipalities debt is classified as Level 3. Given that the fair value of municipal bonds collateralized by second mortgages was based on internal yield and prepayment speed assumptions, these municipal bonds are classified as Level 3.

Agency collateralized mortgage obligation: The fair value of the agency collateralized mortgage obligation (CMO), which is guaranteed by GNMA, was based on internal yield and prepayment speed assumptions. This agency CMO is classified as Level 3.

Other: Other securities include foreign debt and a private non-profit institution security. Given that the fair value was based on quoted prices for similar instruments, foreign debt is classified as Level 2. Since the fair value of the private non-profit institution security was internally derived using a price/yield methodology, in which the spread was defined based on the obligor risk rating and the corresponding transfer price, this security is classified as Level 3.

Other investment securities

Federal Home Loan Bank capital stock: Federal Home Loan Bank (FHLB) capital stock represents an equity interest in the FHLB of New York. It does not have a readily determinable fair value because its ownership is restricted and it lacks a market. Since the excess stock is repurchased by the FHLB at its par value, the carrying amount of FHLB capital stock approximates fair value. Thus, these stocks are classified as Level 2.

Federal Reserve Bank capital stock: Federal Reserve Bank (FRB) capital stock represents an equity interest in the FRB of New York. It does not have a readily determinable fair value because its ownership is restricted and it lacks a market. Since the canceled stock is repurchased by the FRB for the amount of the cash subscription paid, the carrying amount of FRB capital stock approximates fair value. Thus, these stocks are classified as Level 2.

Trust preferred securities: These securities represent the equity-method investment in the common stock of these trusts. Book value is the same as fair value for these securities since the fair value of the junior subordinated debentures is the same amount as the fair value of the trust preferred securities issued to the public. The equity-method investment in the common stock of these trusts is classified as Level 2.

Other investments: Other investments include private equity method investments and Visa Class B common stock held by the Corporation. Since there are no observable market values, private equity method investments are classified as Level 3. The Visa Class B common stock was priced by applying the quoted price of Visa Class A common stock, net of a liquidity adjustment, to the as converted number of Class A common shares since these Class B common shares are restricted and not convertible to Class A common shares until pending litigation is resolved. Thus, these stocks are classified as Level 3.

Loans held-for-sale

For loans held-for-sale originated with the intent to sell in the secondary market, its fair value was determined using similar characteristics of loans and secondary market prices assuming the conversion to mortgage-backed securities. Given that the valuation methodology uses internal assumptions based on loan level data, these loans are classified as Level 3. The fair value of certain other loans held-for-sale is based on bids received from potential buyers; binding offers; or external appraisals, net of internal adjustments and estimated costs to sell. Loans held-for-sale based on binding offers are classified as Level 2. Loans held-for-sale based on indicative offers and/or external appraisals are classified as Level 3.

Loans held-in-portfolio

The fair values of the loans held-in-portfolio have been determined for groups of loans with similar characteristics. Loans were segregated by type such as commercial, construction, residential mortgage, consumer, and credit cards. Each loan category was further segmented based on loan characteristics, including interest rate terms, credit quality and vintage. Generally, fair values were estimated based on an exit price by discounting expected cash flows for the segmented groups of loans using a discount rate that considers interest, credit and expected return by market participant under current market conditions. Additionally, prepayment, default and recovery assumptions have been applied in the mortgage loan portfolio valuations. Generally accepted accounting principles do not require a fair valuation of the lease financing portfolio, therefore it is included in the loans total at its carrying amount. Loans held-in-portfolio are classified as Level 3.

Table of Contents

FDIC loss share asset

Fair value of the FDIC loss share asset was estimated using projected net losses related to the loss sharing agreements, which are expected to be reimbursed by the FDIC. The projected net losses were discounted using the U.S. Government agency curve. The loss share asset is classified as Level 3.

Deposits

Demand deposits: The fair value of demand deposits, which have no stated maturity, was calculated based on the amount payable on demand as of the respective dates. These demand deposits include non-interest bearing demand deposits, savings, NOW, and money market accounts. Thus, these deposits are classified as Level 2.

Time deposits: The fair value of time deposits was calculated based on the discounted value of contractual cash flows using interest rates being offered on time deposits with similar maturities. The non-performance risk was determined using internally-developed models that consider, where applicable, the collateral held, amounts insured, the remaining term, and the credit premium of the institution. For certain 5-year certificates of deposit in which customers may withdraw their money anytime with no penalties or charges, the fair value of these certificates of deposit incorporate an early cancellation estimate based on historical experience. Time deposits are classified as Level 2.

Assets sold under agreements to repurchase

Securities sold under agreements to repurchase: Securities sold under agreements to repurchase with short-term maturities approximate fair value because of the short-term nature of those instruments. Resell and repurchase agreements with long-term maturities were valued using discounted cash flows based on the three-month LIBOR. In determining the non-performance credit risk valuation adjustment, the collateralization levels of these long-term securities sold under agreements to repurchase were considered. Securities sold under agreements to repurchase are classified as Level 2.

Other short-term borrowings

The carrying amount of other short-term borrowings approximate fair value because of the short-term maturity of those instruments or because they carry interest rates which approximate market. Thus, these other short-term borrowings are classified as Level 2.

Notes payable

FHLB advances: The fair value of FHLB advances was based on the discounted value of contractual cash flows over their contractual term. In determining the non-performance credit risk valuation adjustment, the collateralization levels of these advances were considered. These advances are classified as Level 2.

Unsecured senior debt securities: The fair value of publicly-traded unsecured senior debt securities was determined using recent trades of similar transactions. Publicly-traded unsecured senior debt securities are classified as Level 2.

Junior subordinated deferrable interest debentures (related to trust preferred securities): The fair value of junior subordinated interest debentures was determined using recent trades of similar transactions. Thus, these junior subordinated deferrable interest debentures are classified as Level 2.

Others: The other category includes capital lease obligations. Generally accepted accounting principles do not require a fair valuation of capital lease obligations, therefore; it is included at its carrying amount.

Capital lease obligations are classified as Level 3.

Commitments to extend credit and letters of credit

Commitments to extend credit were valued using the fees currently charged to enter into similar agreements. For those commitments where a future stream of fees is charged, the fair value was estimated by discounting the projected cash flows of fees on commitments. Since the fair value of commitments to extend credit varies depending on the undrawn amount of the credit facility,

Table of Contents

fees are subject to constant change, and cash flows are dependent on the creditworthiness of borrowers, commitments to extend credit are classified as Level 3. The fair value of letters of credit was based on fees currently charged on similar agreements. Given that the fair value of letters of credit constantly vary due to fees being subject to constant change and whether the fees are received depends on the creditworthiness of the account parties, letters of credit are classified as Level 3.

Table of Contents**Note 28 Net income per common share**

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

(In thousands, except per share information)	Quarters ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income from continuing operations	\$ 88,987	\$ 597,437	\$ 173,986	\$ 670,922
Net income from discontinued operations		15		1,356
Preferred stock dividends	(931)	(931)	(1,862)	(1,861)
Net income applicable to common stock	\$ 88,056	\$ 596,521	\$ 172,124	\$ 670,417
Average common shares outstanding	103,245,717	102,859,591	103,217,266	102,899,537
Average potential dilutive common shares	97,769	243,127	80,441	213,743
Average common shares outstanding - assuming dilution	103,343,486	103,102,718	103,297,707	103,113,280
Basic EPS from continuing operations	\$ 0.85	\$ 5.80	\$ 1.67	\$ 6.51
Basic EPS from discontinued operations	\$	\$	\$	\$ 0.01
Total Basic EPS	\$ 0.85	\$ 5.80	\$ 1.67	\$ 6.52
Diluted EPS from continuing operations	\$ 0.85	\$ 5.79	\$ 1.67	\$ 6.49
Diluted EPS from discontinued operations	\$	\$	\$	\$ 0.01
Total Diluted EPS	\$ 0.85	\$ 5.79	\$ 1.67	\$ 6.50

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

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

Table of Contents**Note 29 Other service fees**

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

(In thousands)	Quarters ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Debit card fees	\$ 11,382	\$ 11,995	\$ 22,669	\$ 23,120
Insurance fees	13,885	13,606	26,735	25,647
Credit card fees	17,700	17,611	34,558	33,760
Sale and administration of investment products	5,417	6,601	10,256	12,531
Trust fees	4,827	4,914	9,063	9,516
Other fees	3,734	4,694	7,046	8,473
Total other services fees	\$ 56,945	\$ 59,421	\$ 110,327	\$ 113,047

Table of Contents**Note 30 FDIC loss share (expense) income**

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

(In thousands)	Quarters ended		Six months ended June 30,	
	June 30, 2016	2015	2016	2015
Amortization of loss-share indemnification asset	\$ (4,036)	\$ (31,065)	\$ (8,078)	\$ (58,381)
80% mirror accounting on credit impairment losses (reversal) ^[1]	475	7,647	(1,618)	15,893
80% mirror accounting on reimbursable expenses	2,235	42,730	6,185	64,275
80% mirror accounting on recoveries on covered assets, including rental income on OREOs, subject to reimbursement to the FDIC	(3,956)	(5,203)	(4,601)	(7,822)
Change in true-up payment obligation	(7,688)	3,672	(8,131)	7,836
Other	394	1,294	521	1,413
Total FDIC loss-share (expense) income	\$ (12,576)	\$ 19,075	\$ (15,722)	\$ 23,214

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

Table of Contents**Note 31 Pension and postretirement benefits**

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

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

(In thousands)	Pension Plan		Benefit Restoration Plans	
	Quarters ended June 30, 2016	2015	Quarters ended June 30, 2016	2015
Interest cost	\$ 6,291	\$ 7,403	\$ 348	\$ 407
Expected return on plan assets	(9,623)	(11,056)	(538)	(589)
Amortization of net loss	4,880	4,465	332	311
Total net periodic pension cost (benefit)	\$ 1,548	\$ 812	\$ 142	\$ 129

(In thousands)	Pension Plans		Benefit Restoration Plans	
	Six months ended June 30, 2016	2015	Six months ended June 30, 2016	2015
Interest Cost	\$ 12,583	\$ 14,806	\$ 696	\$ 814
Expected return on plan assets	(19,246)	(22,112)	(1,076)	(1,178)
Amortization of net loss	9,760	8,930	663	622
Total net periodic pension cost (benefit)	\$ 3,097	\$ 1,624	\$ 283	\$ 258

During the quarter ended June 30, 2016 the Corporation made a contribution to the benefit restoration plans of \$43 thousand. The total contributions expected to be paid during the year 2016 for the pension and benefit restoration plans amount to approximately \$45.2 million.

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

(In thousands)	Postretirement Benefit Plan			
	Quarters ended June 30, 2016	2015	Six months ended June 30, 2016	2015
Service cost	\$ 289	\$ 368	\$ 578	\$ 735
Interest cost	1,505	1,589	3,010	3,178
Amortization of prior service cost	(950)	(950)	(1,900)	(1,900)
Amortization of net loss	275	249	550	498
Total net periodic postretirement benefit cost	\$ 1,119	\$ 1,256	\$ 2,238	\$ 2,511

Contributions made to the postretirement benefit plan for the quarter ended June 30, 2016 amounted to approximately \$1.8 million. The total contributions expected to be paid during the year 2016 for the postretirement benefit plan amount to approximately \$6.4 million.

Table of Contents**Note 32 - Stock-based compensation**

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

Stock Option Plan

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

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

Incentive Plan

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

Under the *Incentive Plan*, the Corporation has issued restricted shares, which become vested based on the employees continued service with Popular. Unless otherwise stated in an agreement, the compensation cost associated with the shares of restricted stock is determined based on a two-prong vesting schedule. The first part is vested ratably over five years commencing at the date of grant and the second part is vested at termination of employment after attainment of 55 years of age and 10 years of service. The five-year vesting part is accelerated at termination of employment after attaining 55 years of age and 10 years of service. The vesting schedule for restricted shares granted on 2014 and thereafter was modified as follows, the first part ratably over four years commencing at the date of the grant and the second part is vested at termination of employment after attaining the earlier of 55 years of age and 10 years of service or 60 years of age and 5 years of service. The four year vesting part is accelerated at termination of employment after attaining the earlier of 55 years of age and 10 years of service or 60 years of age and 5 years of service. The restricted shares granted consistent with the requirements of the TARP Interim Final Rule vest in two years from grant date.

Table of Contents

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

(Not in thousands)	Shares	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2014	628,009	\$ 27.13
Granted	323,814	33.37
Vested	(430,646)	30.45
Forfeited	(25,446)	28.65
Non-vested at December 31, 2015	495,731	\$ 28.25
Granted	344,488	25.86
Quantity adjusted by TSR factor	10,315	26.45
Vested	(403,654)	27.09
Non-vested at June 30, 2016	446,880	\$ 26.86

During the quarter ended June 30, 2016 118,390 shares of restricted stock (June 30, 2015 231,830) were awarded to management under the Incentive Plan. For the six-month period ended June 30, 2016, 279,890 shares of restricted stock (June 30, 2015 231,830) were awarded to management under the Incentive Plan, from which no shares were awarded to management consistent with the requirements of the TARP Interim Final Rule.

Beginning in 2015, the Corporation authorized the issuance of performance shares, in addition to restricted shares, under the Incentive Plan. The performance share awards consist of the opportunity to receive shares of Popular, Inc.'s common stock provided that the Corporation achieves certain goals during a three-year performance cycle. The goals will be based on two metrics weighted equally: the Relative Total Shareholder Return (TSR) and the Absolute Earnings per Share (EPS) goals. The TSR metric is considered to be a market condition under ASC 718. For equity settled awards based on a market condition, the fair value is determined as of the grant date and is not subsequently revised based on actual performance. The EPS performance metric is considered to be a performance condition under ASC 718. The fair value is determined based on the probability of achieving the EPS goal as of each reporting period. The TSR and EPS metrics are equally weighted and work independently. The number of shares that will ultimately vest ranges from 50% to a 150% of target based on both market (TSR) and performance (EPS) conditions. The performance shares vest at the end of the three-year performance cycle. The vesting is accelerated at termination of employment after attaining the earlier of 55 years of age and 10 years of service or 60 years of age and 5 years of service. For the quarter ended June 30, 2016 64,598 (June 30, 2015 - 91,984) performance shares were granted. For the six-month period ended June 30, 2016, 64,598 (June 30, 2015 - 91,984) performance shares were granted under this plan.

During the quarter ended June 30, 2016, the Corporation recognized \$ 1.9 million of restricted stock expense related to management incentive awards, with a tax benefit of \$ 0.4 million (June 30, 2015 - \$ 5.5 million, with a tax benefit of \$ 0.8 million). For the six-month period ended June 30, 2016, the Corporation recognized \$ 5.6 million of restricted stock expense related to management incentive awards, with a tax benefit of \$ 1.0 million (June 30, 2015 - \$ 7.4 million, with a tax benefit of \$ 1.1 million). For the six-month period ended June 30, 2016, the fair market value of the restricted stock vested was \$6.8 million at grant date and \$6.5 million at vesting date. This triggers a shortfall of

\$0.1 million of which \$30 thousand was recorded as a windfall pool in additional paid in capital. No windfall pool was recorded for the remaining \$87 thousand due to the valuation allowance of the deferred tax asset. During the quarter ended June 30, 2016 the Corporation recognized \$0.1 million of performance shares expense, with a tax benefit of \$11 thousand (June 30, 2015 - \$2.0 million, with a tax benefit of \$0.2 million). For the six-month period ended June 30, 2016, the Corporation recognized \$1.2 million of performance shares expense, with a tax benefit of \$0.1 million (June 30, 2015 - \$2.0 million, with a tax benefit of \$0.2 million). The total unrecognized compensation cost related to non-vested restricted stock awards and performance shares to members of management at June 30, 2016 was \$ 9.7 million and is expected to be recognized over a weighted-average period of 2.4 years.

Table of Contents

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

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

During the quarter ended June 30, 2016, the Corporation granted 38,179 shares of restricted stock to members of the Board of Directors of Popular, Inc., which became vested at grant date (June 30, 2015 - 15,386). During this period, the Corporation recognized \$0.3 million of restricted stock expense related to these restricted stock grants, with a tax benefit of \$32 thousand (June 30, 2015 - \$0.1 million, with a tax benefit of \$18 thousand). For the six-month period ended June 30, 2016, the Corporation granted 40,517 shares of restricted stock to members of the Board of Directors of Popular, Inc., which became vested at grant date (June 30, 2015 - 18,029). During this period, the Corporation recognized \$0.5 million of restricted stock expense related to these restricted stock grants, with a tax benefit of \$53 thousand (June 30, 2015 - \$0.3 million, with a tax benefit of \$34 thousand). The fair value at vesting date of the restricted stock vested during the six months ended June 30, 2016 for directors was \$ 1.2 million.

Table of Contents**Note 33 Income taxes**

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

(In thousands)	Quarters ended			
	June 30, 2016		June 30, 2015	
	Amount	% of pre-tax income	Amount	% of pre-tax income
Computed income tax expense at statutory rates	\$ 47,359	39%	\$ 24,923	39%
Net benefit of tax exempt interest income	(15,890)	(13)	(16,141)	(25)
Deferred tax asset valuation allowance	3,436	3	(542,706)	(849)
Difference in tax rates due to multiple jurisdictions	(1,113)	(1)	(542)	
Effect of income subject to preferential tax rate	(4,722)	(4)	593	1
State and local taxes	2,158	2	1,388	2
Others	1,218	1	(1,048)	(2)
Income tax expense (benefit)	\$ 32,446	27%	\$ (533,533)	(834)%

(In thousands)	Six months ended			
	June 30, 2016		June 30, 2015	
	Amount	% of pre-tax income	Amount	% of pre-tax income
Computed income tax expense at statutory rates	\$ 93,092	39%	\$ 66,283	39%
Net benefit of tax exempt interest income	(31,474)	(13)	(31,169)	(18)
Deferred tax asset valuation allowance	8,709	3	(537,067)	(316)
Difference in tax rates due to multiple jurisdictions	(1,977)	(1)	(817)	(1)
Effect of income subject to preferential tax rate	(8,136)	(3)	(1,878)	(1)
State and local taxes	5,085	2	2,719	1
Others	(588)		965	1
Income tax expense (benefit)	\$ 64,711	27%	\$ (500,964)	(295)%

Income tax expense amounted to \$32.4 million for the quarter ended June 30, 2016, compared with an income tax benefit of \$533.5 million for the same quarter of 2015. During the second quarter of 2015, the Corporation recorded a partial reversal of the valuation allowance on the deferred tax asset from the U.S. operations amounting to \$544.9 million.

Table of Contents

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

(In thousands)	June 30, 2016	December 31, 2015
Deferred tax assets:		
Tax credits available for carryforward	\$ 13,651	\$ 13,651
Net operating loss and other carryforward available	1,254,304	1,262,197
Postretirement and pension benefits	113,395	116,036
Deferred loan origination fees	5,944	6,420
Allowance for loan losses	649,374	670,592
Deferred gains	5,410	5,966
Accelerated depreciation	8,092	8,335
Intercompany deferred gains	2,421	2,743
Difference in outside basis from pass-through entities	10,972	12,684
Other temporary differences	31,614	29,208
Total gross deferred tax assets	2,095,177	2,127,832
Deferred tax liabilities:		
FDIC-assisted transaction	92,321	90,778
Indefinite-lived intangibles	68,775	63,573
Unrealized net gain on trading and available-for-sale securities	44,633	22,281
Other temporary differences	7,647	6,670
Total gross deferred tax liabilities	213,376	183,302
Valuation allowance	638,791	642,727
Net deferred tax asset	\$ 1,243,010	\$ 1,301,803

The net deferred tax asset shown in the table above at June 30, 2016 is reflected in the consolidated statements of financial condition as \$1.2 billion in net deferred tax assets in the Other assets caption (December 31, 2015 - \$1.3 billion) and \$772 thousand in deferred tax liabilities in the Other liabilities caption (December 31, 2015 - \$649 thousand), reflecting the aggregate deferred tax assets or liabilities of individual tax-paying subsidiaries of the Corporation.

A deferred tax asset should be reduced by a valuation allowance if based on the weight of all available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or the entire deferred tax asset will not be realized. The valuation allowance should be sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized. The determination of whether a deferred tax asset is realizable is based on weighting all available evidence, including both positive and negative evidence. The realization of deferred tax assets, including carryforwards and deductible temporary differences, depends upon the existence of sufficient taxable income of the same character during the carryback or carryforward period. The analysis considers all sources of taxable income

available to realize the deferred tax asset, including the future reversal of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in prior carryback years and tax-planning strategies.

During the year ended December 31, 2015, after weighting all positive and negative evidence, the Corporation concluded that it is more likely than not that a portion of the total deferred tax asset from the U.S. operations, amounting to \$1.1 billion and comprised mainly of net operating losses, will be realized. The Corporation based this determination on its estimated earnings for the remaining carryforward period of eighteen years beginning with the 2016 fiscal year, available to utilize the deferred tax asset, to reduce its income tax obligations. The recent historical level of book income adjusted by permanent differences, together with the estimated earnings after the reorganization of the U.S. operations and additional estimated earnings from the Doral Bank Transaction were objective positive evidence considered by the Corporation. As of June 30, 2016 the U.S. operations are not in a three year cumulative loss position, taking into account taxable income exclusive of reversing temporary differences. All of these factors lead management to conclude that it is more likely than not that a portion of the deferred tax asset from its U.S. operations will be realized. Management will continue to evaluate the realization of the deferred tax asset each quarter and adjust as deemed necessary. At June 30, 2016 a valuation allowance is recorded on the deferred tax asset of the U.S. operation in the amount of \$600 million.

At June 30, 2016, the Corporation's net deferred tax assets related to its Puerto Rico operations amounted to \$706 million.

Table of Contents

The Corporation's Puerto Rico Banking operation is not in a cumulative three year loss position, taking into account taxable income exclusive of reversing temporary differences, and has sustained profitability for the three year period ended June 30, 2016. This is considered a strong piece of objectively verifiable positive evidence that outweighs any negative evidence considered by management in the evaluation of the realization of the deferred tax asset. Based on this evidence and management's estimate of future taxable income, the Corporation has concluded that it is more likely than not that such net deferred tax asset of the Puerto Rico Banking operations will be realized.

The Holding Company operation is not in a cumulative loss taking into account taxable income exclusive of reversing temporary differences, for the three year period ended June 30, 2016. However, it has sustained losses for year ended December 31, 2015 and the period ended June 30, 2016. Management expect these losses will be a trend in early future years. The losses in recent periods together with the expected losses in future years is considered by management a strong negative evidence that will suggest that income in future years will be insufficient to support the realization of all deferred tax asset. After weighting of all positive and negative evidence management concluded, as of the reporting date, that it is more likely than not that the Holding Company will not be able to realize any portion of the deferred tax assets, considering the criteria of ASC Topic 740. Accordingly, a full valuation allowance is recorded on the deferred tax asset at the Holding Company, which amounted to \$39 million as of June 30, 2016.

The reconciliation of unrecognized tax benefits was as follows:

(In millions)	2016	2015
Balance at January 1	\$ 9.0	\$ 8.0
Additions for tax positions - January through March	0.4	0.3
Reduction as a result of settlements - January through March		(0.5)
Balance at March 31	\$ 9.4	\$ 7.8
Additions for tax positions - April through June	0.3	0.3
Balance at June 30	\$ 9.7	\$ 8.1

At June 30, 2016, the total amount of interest recognized in the statement of financial condition approximated \$3.9 million (December 31, 2015 - \$3.2 million). The total interest expense recognized at June 30, 2016 was \$694 thousand (December 31, 2015 - \$57 thousand). Management determined that at June 30, 2016 and December 31, 2015 there was no need to accrue for the payment of penalties. The Corporation's policy is to report interest related to unrecognized tax benefits in income tax expense, whiles the penalties, if any, are reported in other operating expenses in the consolidated statements of operations.

After consideration of the effect on U.S. federal tax of unrecognized U.S. state tax benefits, the total amount of unrecognized tax benefits, including U.S. and Puerto Rico, that if recognized, would affect the Corporation's effective tax rate, was approximately \$12.5 million at June 30, 2016 (December 31, 2015 - \$11.2 million).

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

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The Corporation and its subsidiaries file income tax returns in Puerto Rico, the U.S. federal jurisdiction, various U.S. states and political subdivisions, and foreign jurisdictions. At June 30, 2016, the following years remain subject to examination in the U.S. Federal jurisdiction: 2012 and thereafter; and in the Puerto Rico jurisdiction, 2010 and thereafter. The Corporation anticipates a reduction in the total amount of unrecognized tax benefits within the next 12 months, which could amount to approximately \$3.3 million.

Table of Contents**Note 34 Supplemental disclosure on the consolidated statements of cash flows**

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

(In thousands)	June 30, 2016	June 30, 2015
Non-cash activities:		
Loans transferred to other real estate	\$ 62,409	\$ 67,199
Loans transferred to other property	15,442	19,103
Total loans transferred to foreclosed assets	77,851	86,302
Transfers from loans held-in-portfolio to loans held-for-sale		61,290
Transfers from loans held-for-sale to loans held-in-portfolio	4,220	8,523
Account receivable from sale of loan	14,477	
Transfers from trading securities to available-for-sale securities		5,523
Loans securitized into investment securities ^[1]	383,441	517,265
Trades receivable from brokers and counterparties	78,994	111,964
Trades payable to brokers and counterparties	43,142	73,155
Recognition of mortgage servicing rights on securitizations or asset transfers	5,023	7,302

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

As previously disclosed in Note 5, Business Combination, on February 27, 2015, the Corporation's Puerto Rico banking subsidiary, BPPR, in an alliance with co-bidders, including the Corporation's U.S. mainland banking subsidiary, BPNA, acquired certain assets and all deposits (other than certain brokered deposits) of Doral Bank from the FDIC as receiver. As part of this transaction, BPPR received as of June 30, 2015 net cash proceeds of approximately \$ 738 million for consideration of the assets and liabilities acquired.

Table of Contents**Note 35 Segment reporting**

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

Management determined the reportable segments based on the internal reporting used to evaluate performance and to assess where to allocate resources. The segments were determined based on the organizational structure, which focuses primarily on the markets the segments serve, as well as on the products and services offered by the segments.

Banco Popular de Puerto Rico:

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

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

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

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

Banco Popular North America:

Banco Popular North America's reportable segment consists of the banking operations of BPNA, E-LOAN, Popular Equipment Finance, Inc. and Popular Insurance Agency, U.S.A. BPNA operates through a retail branch network in the U.S. mainland under the name of Popular Community Bank, while E-LOAN supports BPNA's deposit gathering through its online platform. All direct lending activities at E-LOAN were ceased during 2008. During the third quarter of 2015, BPNA and E-LOAN completed an asset purchase and sale transaction in which E-LOAN sold to BPNA all of its outstanding loan portfolio, including residential mortgage loans and home equity lines of credit, which had a carrying value of approximately \$213 million. Prior to this transaction, the Corporation provided additional disclosures for the BPNA reportable segment related to E-LOAN. After the close of the above mentioned asset

purchase and sale transaction, additional disclosures with respect to E-LOAN are no longer considered relevant to the financial statements and accordingly are not presented. Popular Equipment Finance, Inc. also holds a running-off loan portfolio as this subsidiary ceased originating loans during 2009. Popular Insurance Agency, U.S.A. offers investment and insurance services across the BPNA branch network.

The Corporate group consists primarily of the holding companies: Popular, Inc., Popular North America, Popular International Bank and certain of the Corporation's investments accounted for under the equity method, including EVERTEC and Centro Financiero BHD, Leon. The Corporate group also includes the expenses of certain corporate areas that are identified as critical to the organization: Finance, Risk Management and Legal.

The accounting policies of the individual operating segments are the same as those of the Corporation. Transactions between reportable segments are primarily conducted at market rates, resulting in profits that are eliminated for reporting consolidated results of operations.

Table of Contents

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

2016

(In thousands)	For the quarter ended June 30, 2016		
	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	\$ 310,361	\$ 65,505	\$
Provision for loan losses	39,123	1,317	
Non-interest income	98,241	5,250	
Amortization of intangibles	2,931	166	
Depreciation expense	9,915	1,344	
Other operating expenses	234,704	44,398	
Income tax expense	31,295	11,103	
Net income	\$ 90,634	\$ 12,427	\$
Segment assets	\$ 29,190,397	\$ 8,223,781	\$ (15,239)

(In thousands)	For the quarter ended June 30, 2016			
	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	\$ 375,866	\$ (15,202)	\$ (113)	\$ 360,551
Provision for loan losses	40,440	32		40,472
Non-interest income	103,491	8,062	(1,050)	110,503
Amortization of intangibles	3,097			3,097
Depreciation expense	11,259	176		11,435
Other operating expenses	279,102	16,717	(1,202)	294,617
Income tax expense (benefit)	42,398	(9,979)	27	32,446
Net income (loss)	\$ 103,061	\$ (14,086)	\$ 12	\$ 88,987
Segment assets	\$ 37,398,939	\$ 4,953,432	\$ (4,746,223)	\$ 37,606,148

(In thousands)	For the six months ended June 30, 2016		
	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	\$ 615,711	\$ 127,762	\$
Provision for loan losses	79,924	5,386	

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Non-interest income	196,808	10,200	
Amortization of intangibles	5,879	332	
Depreciation expense	20,111	2,677	
Other operating expenses	459,373	85,728	
Income tax expense	63,172	19,560	
Net income	\$ 184,060	\$ 24,279	\$
Segment assets	\$ 29,190,397	\$ 8,223,781	\$ (15,239)

For the six months ended June 30, 2016

(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	\$ 743,473	\$ (30,397)	\$ (113)	\$ 712,963
Provision (reversal of provision) for loan losses	85,310	(3)		85,307
Non-interest income	207,008	16,239	(1,114)	222,133
Amortization of intangibles	6,211			6,211
Depreciation expense	22,788	353		23,141
Other operating expenses	545,101	38,449	(1,810)	581,740
Income tax expense (benefit)	82,732	(18,260)	239	64,711
Net income (loss)	\$ 208,339	\$ (34,697)	\$ 344	\$ 173,986
Segment assets	\$ 37,398,939	\$ 4,953,432	(4,746,223)	\$ 37,606,148

Table of Contents**2015**

For the quarter ended June 30, 2015

(In thousands)	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	\$ 316,085	\$ 61,932	\$
Provision (reversal of provision) for loan losses	76,068	(61)	
Non-interest income	125,735	5,670	125
Amortization of intangibles	2,563	318	
Depreciation expense	10,103	1,746	
Other operating expenses	279,887	48,472	
Income tax expense (benefit)	17,312	(543,833)	
Net income	\$ 55,887	\$ 560,960	\$ 125
Segment assets	\$ 29,669,355	\$ 7,458,709	\$ (589,902)

For the quarter ended June 30, 2015

(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	\$ 378,017	\$ (15,464)	\$	\$ 362,553
Provision for loan losses	76,007	227		76,234
Non-interest income	131,530	10,483	(1,254)	140,759
Amortization of intangibles	2,881			2,881
Depreciation expense	11,849	181		12,030
Other operating expenses	328,359	20,604	(700)	348,263
Income tax benefit	(526,521)	(6,796)	(216)	(533,533)
Net income (loss)	\$ 616,972	\$ (19,197)	\$ (338)	\$ 597,437
Segment assets	\$ 36,538,162	\$ 4,909,006	\$ (4,697,055)	\$ 36,750,113

For the six months ended June 30, 2015

(In thousands)	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	\$ 622,696	\$ 114,033	\$
	118,305	(2,263)	

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Provision (reversal of provision) for loan losses

Non-interest income	229,265	11,836	125
Amortization of intangibles	4,562	423	
Depreciation expense	20,211	3,363	
Other operating expenses	507,463	102,957	
Income tax expense (benefit)	54,761	(542,896)	
Net income	\$ 146,659	\$ 564,285	\$ 125
Segment assets	29,669,355	7,458,709	(589,902)

For the six months ended June 30, 2015

(In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	\$ 736,729	\$ (30,981)	\$	\$ 705,748
Provision for loan losses	116,042	227		116,269
Non-interest income	241,226	16,125	(1,357)	255,994
Amortization of intangibles	4,985			4,985
Depreciation expense	23,574	375		23,949
Other operating expenses	610,420	37,592	(1,431)	646,581
Income tax benefit	(488,135)	(12,858)	29	(500,964)
Net income (loss)	\$ 711,069	\$ (40,192)	\$ 45	\$ 670,922
Segment assets	36,538,162	4,909,006	(4,697,055)	36,750,113

Table of Contents

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

2016

For the quarter ended June 30, 2016

Banco Popular de Puerto Rico

(In thousands)	Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	\$ 122,430	\$ 185,216	\$ 1,680	\$ 1,035	\$ 310,361
Provision for loan losses	(1,669)	40,792			39,123
Non-interest income	17,598	55,606	25,128	(91)	98,241
Amortization of intangibles	49	1,810	1,072		2,931
Depreciation expense	4,245	5,447	223		9,915
Other operating expenses	63,919	154,036	16,840	(91)	234,704
Income tax expense	23,228	5,137	2,930		31,295
Net income	\$ 50,256	\$ 33,600	\$ 5,743	\$ 1,035	\$ 90,634
Segment assets	\$ 12,894,262	\$ 17,664,592	\$ 474,482	\$ (1,842,939)	\$ 29,190,397

For the six months ended June 30, 2016

Banco Popular de Puerto Rico

(In thousands)	Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	\$ 237,333	\$ 372,411	\$ 3,295	\$ 2,672	\$ 615,711
Provision for loan losses	13,240	66,684			79,924
Non-interest income	39,330	111,214	46,439	(175)	196,808
Amortization of intangibles	71	3,646	2,162		5,879
Depreciation expense	8,520	11,138	453		20,111
Other operating expenses	121,151	304,248	34,149	(175)	459,373
Income tax expense	41,397	17,516	4,259		63,172
Net income	\$ 92,284	\$ 80,393	\$ 8,711	\$ 2,672	\$ 184,060
Segment assets	\$ 12,894,262	\$ 17,664,592	\$ 474,482	\$ (1,842,939)	\$ 29,190,397

2015

For the quarter ended June 30, 2015

Banco Popular de Puerto Rico

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(In thousands)	Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	\$ 119,205	\$ 194,737	\$ 2,143	\$	\$ 316,085
Provision for loan losses	66,792	9,276			76,068
Non-interest income	35,992	66,436	23,407	(100)	125,735
Amortization of intangibles	(23)	1,912	674		2,563
Depreciation expense	4,703	5,104	296		10,103
Other operating expenses	101,717	160,871	17,399	(100)	279,887
Income tax (benefit) expense	(13,395)	27,530	3,177		17,312
Net (loss) income	\$ (4,597)	\$ 56,480	\$ 4,004	\$	\$ 55,887
Segment assets	\$ 10,038,389	\$ 19,853,299	\$ 744,519	\$ (966,852)	\$ 29,669,355

Table of Contents

For the six months ended June 30, 2015

Banco Popular de Puerto Rico

(In thousands)	Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	\$ 237,680	\$ 380,989	\$ 4,023	\$ 4	\$ 622,696
Provision for loan losses	63,236	55,069			118,305
Non-interest income	63,142	122,440	43,878	(195)	229,265
Amortization of intangibles	6	3,684	872		4,562
Depreciation expense	9,023	10,616	572		20,211
Other operating expenses	167,573	305,939	34,146	(195)	507,463
Income tax expense	12,658	37,308	4,795		54,761
Net income	\$ 48,326	\$ 90,813	\$ 7,516	\$ 4	\$ 146,659
Segment assets	\$ 10,038,389	\$ 19,853,299	\$ 744,519	\$ (966,852)	\$ 29,669,355

Geographic Information

(in thousands)	Quarter ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenues:				
Puerto Rico	\$ 384,902	\$ 415,972	\$ 764,938	\$ 801,026
United States	67,543	67,235	132,183	123,945
Other	18,609	20,105	37,975	36,771
Total consolidated revenues	\$ 471,054	\$ 503,312	\$ 935,096	\$ 961,742

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

Selected Balance Sheet Information:

(In thousands)	June 30, 2016	December 31, 2015
Puerto Rico		
Total assets	\$ 28,210,388	\$ 26,764,184
Loans	17,126,140	17,477,070
Deposits	22,124,865	20,893,232
United States		
Total assets	\$ 8,491,277	\$ 7,859,217

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Loans	5,397,679	4,873,504
Deposits	5,503,937	5,288,886
Other		
Total assets	\$ 904,483	\$ 1,138,332
Loans	746,350	778,656
Deposits ^[1]	1,109,054	1,027,605

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

Table of Contents

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

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

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

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

Table of Contents**Condensed Consolidating Statement of Financial Condition (Unaudited)**

(In thousands)	At June 30, 2016		All other		Popular, Inc. Consolidated
	Popular Inc. Holding Co.	PNA Holding Co.	subsidiaries and eliminations	Elimination entries	
Assets:					
Cash and due from banks	\$ 37,306	\$ 595	\$ 365,034	\$ (37,627)	\$ 365,308
Money market investments	262,285	18,488	2,785,215	(280,488)	2,785,500
Trading account securities, at fair value	2,271		70,349	(90)	72,530
Investment securities available-for-sale, at fair value	258		7,242,418		7,242,676
Investment securities held-to-maturity, at amortized cost			99,525		99,525
Other investment securities, at lower of cost or realizable value	9,850	4,492	154,221		168,563
Investment in subsidiaries	5,775,328	1,838,488		(7,613,816)	
Loans held-for-sale, at lower of cost or fair value			122,338		122,338
Loans held-in-portfolio:					
Loans not covered under loss-sharing agreements with the FDIC	1,159		22,654,718		22,655,877
Loans covered under loss-sharing agreements with the FDIC			607,170		607,170
Less - Unearned income			115,216		115,216
Allowance for loan losses	34		548,686		548,720
Total loans held-in-portfolio, net	1,125		22,597,986		22,599,111
FDIC loss-share asset			214,029		214,029
Premises and equipment, net	3,077		532,788		535,865
Other real estate not covered under loss-sharing agreements with the FDIC	283		176,742		177,025
Other real estate covered under loss-sharing agreements with the FDIC			37,984		37,984
Accrued income receivable	103	145	120,819	(88)	120,979
Mortgage servicing assets, at fair value			203,577		203,577
Other assets	57,937	23,292	2,113,461	(15,630)	2,179,060
Goodwill			631,095		631,095
Other intangible assets	554		50,429		50,983
Total assets	\$ 6,150,377	\$ 1,885,500	\$ 37,518,010	\$ (7,947,739)	\$ 37,606,148

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Liabilities and Stockholders Equity

Liabilities:					
Deposits:					
Non-interest bearing	\$	\$	\$ 6,568,735	\$ (37,627)	\$ 6,531,108
Interest bearing			22,487,236	(280,488)	22,206,748
Total deposits			29,055,971	(318,115)	28,737,856
Federal funds purchased and assets sold under agreements to repurchase					
			821,604		821,604
Other short-term borrowings					
			31,200		31,200
Notes payable	734,557	148,498	692,893		1,575,948
Other liabilities	55,898	6,262	1,031,686	(15,952)	1,077,894
Liabilities from discontinued operations					
			1,815		1,815
Total liabilities	790,455	154,760	31,635,169	(334,067)	32,246,317
Stockholders equity:					
Preferred stock	50,160				50,160
Common stock	1,040	2	56,306	(56,309)	1,039
Surplus	4,224,309	4,111,207	5,698,606	(9,801,287)	4,232,835
Retained earnings (accumulated deficit)	1,237,505	(2,400,493)	271,530	2,120,437	1,228,979
Treasury stock, at cost	(7,480)			(90)	(7,570)
Accumulated other comprehensive loss, net of tax					
	(145,612)	20,024	(143,601)	123,577	(145,612)
Total stockholders equity	5,359,922	1,730,740	5,882,841	(7,613,672)	5,359,831
Total liabilities and stockholders equity	\$ 6,150,377	\$ 1,885,500	\$ 37,518,010	\$ (7,947,739)	\$ 37,606,148

Table of Contents**Condensed Consolidating Statement of Financial Condition (Unaudited)**

(In thousands)	At December 31, 2015				
	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Assets:					
Cash and due from banks	\$ 24,298	\$ 600	\$ 363,620	\$ (24,844)	\$ 363,674
Money market investments	262,204	23,931	2,179,887	(285,930)	2,180,092
Trading account securities, at fair value	2,020		69,639		71,659
Investment securities available-for-sale, at fair value	216		6,062,776		6,062,992
Investment securities held-to-maturity, at amortized cost			100,903		100,903
Other investment securities, at lower of cost or realizable value	9,850	4,492	157,906		172,248
Investment in subsidiaries	5,539,325	1,789,512		(7,328,837)	
Loans held-for-sale, at lower of cost or fair value			137,000		137,000
Loans held-in-portfolio:					
Loans not covered under loss-sharing agreements with the FDIC	1,176		22,452,637		22,453,813
Loans covered under loss-sharing agreements with the FDIC			646,115		646,115
Less - Unearned income			107,698		107,698
Allowance for loan losses	3		537,108		537,111
Total loans held-in-portfolio, net	1,173		22,453,946		22,455,119
FDIC loss-share asset			310,221		310,221
Premises and equipment, net	2,823		499,788		502,611
Other real estate not covered under loss-sharing agreements with the FDIC	532		154,699		155,231
Other real estate covered under loss-sharing agreements with the FDIC			36,685		36,685
Accrued income receivable	85	115	124,070	(36)	124,234
Mortgage servicing assets, at fair value			211,405		211,405
Other assets	54,908	23,596	2,132,616	(17,958)	2,193,162
Goodwill			626,388		626,388
Other intangible assets	554		57,555		58,109
Total assets	\$ 5,897,988	\$ 1,842,246	\$ 35,679,104	\$ (7,657,605)	\$ 35,761,733

Liabilities and Stockholders Equity

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Liabilities:					
Deposits:					
Non-interest bearing	\$	\$	\$ 6,426,359	\$ (24,844)	\$ 6,401,515
Interest bearing			21,094,138	(285,930)	20,808,208
Total deposits			27,520,497	(310,774)	27,209,723
Federal funds purchased and assets sold under agreements to repurchase			762,145		762,145
Other short-term borrowings			1,200		1,200
Notes payable	733,516	148,483	780,509		1,662,508
Other liabilities	59,148	6,659	971,429	(18,218)	1,019,018
Liabilities from discontinued operations			1,815		1,815
Total liabilities	792,664	155,142	30,037,595	(328,992)	30,656,409
Stockholders' equity:					
Preferred stock	50,160				50,160
Common stock	1,038	2	56,307	(56,309)	1,038
Surplus	4,220,629	4,111,208	5,712,635	(9,815,316)	4,229,156
Retained earnings (accumulated deficit)	1,096,484	(2,416,251)	128,459	2,279,265	1,087,957
Treasury stock, at cost	(6,101)				(6,101)
Accumulated other comprehensive loss, net of tax	(256,886)	(7,855)	(255,892)	263,747	(256,886)
Total stockholders' equity	5,105,324	1,687,104	5,641,509	(7,328,613)	5,105,324
Total liabilities and stockholders' equity	\$ 5,897,988	\$ 1,842,246	\$ 35,679,104	\$ (7,657,605)	\$ 35,761,733

Table of Contents**Condensed Consolidating Statement of Operations (Unaudited)**

	Quarter ended June 30, 2016				
	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
(In thousands)					
Interest and dividend income:					
Dividend income from subsidiaries	\$ 24,200	\$	\$	\$ (24,200)	\$
Loans	20		369,701		369,721
Money market investments	323	30	3,889	(353)	3,889
Investment securities	143	81	36,501		36,725
Trading account securities			1,875		1,875
Total interest and dividend income	24,686	111	411,966	(24,553)	412,210
Interest expense:					
Deposits			30,952	(353)	30,599
Short-term borrowings			2,058		2,058
Long-term debt	13,118	2,692	3,192		19,002
Total interest expense	13,118	2,692	36,202	(353)	51,659
Net interest income (expense)	11,568	(2,581)	375,764	(24,200)	360,551
Provision for loan losses- non-covered loans	31		39,637		39,668
Provision for loan losses- covered loans			804		804
Net interest income (expense) after provision for loan losses	11,537	(2,581)	335,323	(24,200)	320,079
Service charges on deposit accounts			40,296		40,296
Other service fees			58,224	(1,279)	56,945
Mortgage banking activities			16,227		16,227
Net gain on sale of investment securities	1,583				1,583
Other-than-temporary impairment losses on investment securities			(209)		(209)
Trading account profit	35		1,082		1,117
Adjustments (expense) to indemnity reserves on loans sold			(5,746)		(5,746)
FDIC loss-share expense			(12,576)		(12,576)
Other operating income	1,812	(1,636)	12,701	(11)	12,866
Total non-interest income	3,430	(1,636)	109,999	(1,290)	110,503
Operating expenses:					

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Personnel costs	10,634		106,074		116,708
Net occupancy expenses	845		20,869		21,714
Equipment expenses	643		14,618		15,261
Other taxes	47		10,123		10,170
Professional fees	2,331	30	78,491	(227)	80,625
Communications	140		5,872		6,012
Business promotion	486		13,219		13,705
FDIC deposit insurance			5,362		5,362
Other real estate owned (OREO) expenses	68		12,912		12,980
Other operating expenses	(15,950)	4	39,998	(537)	23,515
Amortization of intangibles			3,097		3,097
Total operating expenses	(756)	34	310,635	(764)	309,149
Income (loss) before income tax and equity in earnings of subsidiaries	15,723	(4,251)	134,687	(24,726)	121,433
Income tax (benefit) expense		(1,488)	34,140	(206)	32,446
Income (loss) before equity in earnings of subsidiaries	15,723	(2,763)	100,547	(24,520)	88,987
Equity in undistributed earnings of subsidiaries	73,264	12,176		(85,440)	
Net Income	\$ 88,987	\$ 9,413	\$ 100,547	\$ (109,960)	\$ 88,987
Comprehensive income, net of tax	\$ 125,125	\$ 16,343	\$ 137,225	\$ (153,568)	\$ 125,125

Table of Contents**Condensed Consolidating Statement of Operations (Unaudited)**

Six months ended June 30, 2016

(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Interest and dividend income:					
Dividend income from subsidiaries	\$ 53,900	\$	\$	\$ (53,900)	\$
Loans	39		732,879		732,918
Money market investments	578	51	6,752	(629)	6,752
Investment securities	381	161	72,454		72,996
Trading account securities			3,564		3,564
Total interest and dividend income	54,898	212	815,649	(54,529)	816,230
Interest expense:					
Deposits			61,102	(629)	60,473
Short-term borrowings			3,919		3,919
Long-term debt	26,235	5,385	7,255		38,875
Total interest expense	26,235	5,385	72,276	(629)	103,267
Net interest income (expense)	28,663	(5,173)	743,373	(53,900)	712,963
Provision for loan losses- non-covered loans	(3)		87,611		87,608
Provision for loan losses- covered loans			(2,301)		(2,301)
Net interest income (expense) after provision for loan losses	28,666	(5,173)	658,063	(53,900)	627,656
Service charges on deposit accounts			80,158		80,158
Other service fees			111,663	(1,336)	110,327
Mortgage banking activities			26,778		26,778
Net gain on sale of investment securities	1,583				1,583
Other-than-temporary impairment losses on investment securities			(209)		(209)
Trading account profit	59		896		955
Net loss on sale of loans, including valuation adjustments on loans held-for-sale			(304)		(304)
Adjustments (expense) to indemnity reserves on loans sold			(9,844)		(9,844)
FDIC loss-share expense			(15,722)		(15,722)
Other operating income	5,068	(2,939)	26,300	(18)	28,411
Total non-interest income	6,710	(2,939)	219,716	(1,354)	222,133

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Operating expenses:					
Personnel costs	26,055		217,744		243,799
Net occupancy expenses	1,761		40,383		42,144
Equipment expenses	1,088		28,721		29,809
Other taxes	94		20,271		20,365
Professional fees	5,212	60	151,096	(284)	156,084
Communications	277		12,055		12,332
Business promotion	951		23,864		24,815
FDIC deposit insurance			12,732		12,732
Other real estate owned (OREO) expenses	68		22,053		22,121
Other operating expenses	(36,378)	43	78,104	(1,089)	40,680
Amortization of intangibles			6,211		6,211
Total operating expenses	(872)	103	613,234	(1,373)	611,092
Income (loss) before income tax and equity in earnings of subsidiaries					
Income tax expense (benefit)	3	(2,875)	67,576	7	64,711
Income (loss) before equity in earnings of subsidiaries					
Equity in undistributed earnings of subsidiaries	137,741	21,099		(158,840)	
Net Income	\$ 173,986	\$ 15,759	\$ 196,969	\$ (212,728)	\$ 173,986
Comprehensive income, net of tax	\$ 285,260	\$ 43,638	\$ 309,260	(352,898)	\$ 285,260

Table of Contents**Condensed Consolidating Statement of Operations (Unaudited)**

(In thousands)	Quarter ended June 30, 2015				
	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Interest and dividend income:					
Dividend income from subsidiaries	\$ 1,500	\$	\$	\$ (1,500)	\$
Loans	169	2	374,109	(147)	374,133
Money market investments	2	1	1,844	(2)	1,845
Investment securities	190	80	31,027		31,297
Trading account securities			3,026		3,026
Total interest and dividend income	1,861	83	410,006	(1,649)	410,301
Interest expense:					
Deposits			26,260	(2)	26,258
Short-term borrowings		127	1,883	(147)	1,863
Long-term debt	13,117	2,695	3,815		19,627
Total interest expense	13,117	2,822	31,958	(149)	47,748
Net interest (expense) income	(11,256)	(2,739)	378,048	(1,500)	362,553
Provision for loan losses- non-covered loans	227		60,241		60,468
Provision for loan losses- covered loans			15,766		15,766
Net interest (expense) income after provision for loan losses	(11,483)	(2,739)	302,041	(1,500)	286,319
Service charges on deposit accounts			40,138		40,138
Other service fees			60,661	(1,240)	59,421
Mortgage banking activities			21,325		21,325
Net gain on sale of investment securities			5		5
Other-than-temporary impairment losses on investment securities			(14,445)		(14,445)
Trading account loss	(18)		(3,090)		(3,108)
Net gain on sale of loans, including valuation adjustments on loans held-for-sale			681		681
Adjustments (expense) to indemnity reserves on loans sold			419		419
FDIC loss-share income			19,075		19,075
Other operating income	3,423	524	13,315	(14)	17,248
Total non-interest income	3,405	524	138,084	(1,254)	140,759

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Operating expenses:					
Personnel costs	14,470		106,507		120,977
Net occupancy expenses	787		22,499		23,286
Equipment expenses	472		15,453		15,925
Other taxes	652		10,461		11,113
Professional fees	2,323	32	76,154	(60)	78,449
Communications	108		6,045		6,153
Business promotion	408		13,368		13,776
FDIC deposit insurance			8,542		8,542
Other real estate owned (OREO) expenses			44,816		44,816
Other operating expenses	(15,184)	109	46,795	(638)	31,082
Amortization of intangibles			2,881		2,881
Restructuring cost			6,174		6,174
Total operating expenses	4,036	141	359,695	(698)	363,174
(Loss) income before income tax and equity in earnings of subsidiaries					
	(12,114)	(2,356)	80,430	(2,056)	63,904
Income tax benefit	(47)		(533,270)	(216)	(533,533)
(Loss) income before equity in earnings of subsidiaries					
	(12,067)	(2,356)	613,700	(1,840)	597,437
Equity in undistributed earnings of subsidiaries	609,504	559,026		(1,168,530)	
Income from continuing operations	597,437	556,670	613,700	(1,170,370)	597,437
Income from discontinued operations, net of tax			15		15
Equity in undistributed earnings of discontinued operations	15	15		(30)	
Net Income	\$ 597,452	\$ 556,685	\$ 613,715	\$ (1,170,400)	\$ 597,452
Comprehensive income, net of tax	\$ 572,821	\$ 545,987	\$ 589,116	\$ (1,135,103)	\$ 572,821

Table of Contents**Condensed Consolidating Statement of Operations (Unaudited)**

(In thousands)	Six months ended June 30, 2015				Popular, Inc. Consolidated
	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	
Interest and dividend income:					
Dividend income from subsidiaries	\$ 3,000	\$	\$	\$ (3,000)	\$
Loans	309	2	729,722	(269)	729,764
Money market investments	4	3	3,288	(4)	3,291
Investment securities	333	161	61,104		61,598
Trading account securities			5,722		5,722
Total interest and dividend income	3,646	166	799,836	(3,273)	800,375
Interest expense:					
Deposits			52,126	(4)	52,122
Short-term borrowings		228	3,638	(269)	3,597
Long-term debt	26,235	5,390	7,283		38,908
Total interest expense	26,235	5,618	63,047	(273)	94,627
Net interest (expense) income	(22,589)	(5,452)	736,789	(3,000)	705,748
Provision for loan losses- non-covered loans	227		89,952		90,179
Provision for loan losses- covered loans			26,090		26,090
Net interest (expense) income after provision for loan losses	(22,816)	(5,452)	620,747	(3,000)	589,479
Service charges on deposit accounts			79,155		79,155
Other service fees			114,375	(1,328)	113,047
Mortgage banking activities			34,177		34,177
Net gain on sale of investment securities			5		5
Other-than temporary impairment losses on investment securities			(14,445)		(14,445)
Trading account profit (loss)	22		(2,716)		(2,694)
Net gain on sale of loans, including valuation adjustments on loans held-for-sale			602		602
Adjustments (expense) to indemnity reserves on loans sold			(4,107)		(4,107)
FDIC loss-share expense			23,214		23,214
Other operating income (loss)	6,391	(305)	20,984	(30)	27,040

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Total non-interest income (loss)	6,413	(305)	251,244	(1,358)	255,994
Operating expenses:					
Personnel costs	26,378		211,057		237,435
Net occupancy expenses	1,767		43,228		44,995
Equipment expenses	1,017		28,319		29,336
Other taxes	(806)		20,493		19,687
Professional fees	5,097	442	148,586	(148)	153,977
Communications	225		12,104		12,329
Business promotion	844		23,745		24,589
FDIC deposit insurance			14,940		14,940
Other real estate owned (OREO) expenses			67,885		67,885
Other operating expenses	(32,119)	218	81,614	(1,283)	48,430
Amortization of intangibles			4,985		4,985
Restructuring costs			16,927		16,927
Total operating expenses	2,403	660	673,883	(1,431)	675,515
(Loss) income before income tax and equity in earnings of subsidiaries	(18,806)	(6,417)	198,108	(2,927)	169,958
Income tax (benefit) expense			(500,993)	29	(500,964)
(Loss) income before equity in earnings of subsidiaries	(18,806)	(6,417)	699,101	(2,956)	670,922
Equity in undistributed earnings of subsidiaries	689,728	560,295		(1,250,023)	
Income from continuing operations	670,922	553,878	699,101	(1,252,979)	670,922
Income from discontinued operations, net of tax			1,356		1,356
Equity in undistributed earnings of discontinued operations	1,356	1,356		(2,712)	
Net Income	\$ 672,278	\$ 555,234	\$ 700,457	\$ (1,255,691)	\$ 672,278
Comprehensive income, net of tax	\$ 683,119	\$ 557,827	711,194	\$ (1,269,021)	\$ 683,119

Table of Contents**Condensed Consolidating Statement of Cash Flows (Unaudited)**

(In thousands)	Six months ended June 30, 2016				
	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Cash flows from operating activities:					
Net income	\$ 173,986	\$ 15,759	\$ 196,969	\$ (212,728)	\$ 173,986
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Equity in undistributed earnings of subsidiaries	(137,741)	(21,099)		158,840	
Provision (reversal) for loan losses	(3)		85,310		85,307
Amortization of intangibles			6,211		6,211
Depreciation and amortization of premises and equipment	353		22,788		23,141
Net accretion of discounts and amortization of premiums and deferred fees	1,043	15	(25,782)		(24,724)
Other-than-temporary impairment on investment securities			209		209
Fair value adjustments on mortgage servicing rights			12,817		12,817
FDIC loss-share expense			15,722		15,722
Adjustments (expense) to indemnity reserves on loans sold			9,844		9,844
(Earnings) losses from investments under the equity method	(5,069)	2,939	(11,551)		(13,681)
Deferred income tax expense (benefit)	3	(2,875)	52,180	8	49,316
(Gain) loss on:					
Disposition of premises and equipment and other productive assets	(1)		2,425		2,424
Sale and valuation adjustments of investment securities	(1,583)				(1,583)
Sale of loans, including valuation adjustments on loans held for sale and mortgage banking activities			(15,577)		(15,577)
Sale of foreclosed assets, including write-downs	68		9,503		9,571
Acquisitions of loans held-for-sale			(148,725)		(148,725)
Proceeds from sale of loans held-for-sale			43,110		43,110
Net originations on loans held-for-sale			(247,287)		(247,287)
Net (increase) decrease in:					

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Trading securities	(251)		393,339	90	393,178
Accrued income receivable	(17)	(30)	3,252	50	3,255
Other assets	839	35	(19,889)	(2,336)	(21,351)
Net (decrease) increase in:					
Interest payable			(1,158)	(50)	(1,208)
Pension and other postretirement benefits obligations			2,300		2,300
Other liabilities	(3,244)	(397)	7,635	2,316	6,310
Total adjustments	(145,603)	(21,412)	196,676	158,918	188,579
Net cash provided by (used in) operating activities					
	28,383	(5,653)	393,645	(53,810)	362,565
Cash flows from investing activities:					
Net (increase) decrease in money market investments					
	(82)	5,442	(605,325)	(5,442)	(605,407)
Purchases of investment securities:					
Available-for-sale			(1,682,199)		(1,682,199)
Other			(70,302)		(70,302)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:					
Available-for-sale			632,284		632,284
Held-to-maturity			2,209		2,209
Other			47,859		47,859
Proceeds from sale of investment securities:					
Other	1,583		26,127		27,710
Net repayments (disbursements) on loans					
	17		(61,216)		(61,199)
Proceeds from sale of loans					
			95,940		95,940
Acquisition of loan portfolios					
			(308,949)		(308,949)
Net payments from FDIC under loss-sharing agreements					
			88,588		88,588
Return of capital from equity method investments					
	118	206			324
Return of capital from wholly-owned subsidiaries					
	14,000			(14,000)	
Acquisition of premises and equipment					
	(651)		(60,093)		(60,744)
Proceeds from sale of:					
Premises and equipment and other productive assets					
	46		2,793		2,839
Foreclosed assets					
	216		28,679		28,895
Net cash provided by (used in) investing activities					
	15,247	5,648	(1,863,605)	(19,442)	(1,862,152)
Cash flows from financing activities:					
Net increase (decrease) in:					
Deposits					
			1,537,432	(7,341)	1,530,091

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Federal funds purchased and assets sold under agreements to repurchase			59,460		59,460
Other short-term borrowings			30,000		30,000
Payments of notes payable			(216,501)		(216,501)
Proceeds from issuance of notes payable			128,883		128,883
Proceeds from issuance of common stock	3,710				3,710
Dividends paid to parent company			(53,900)	53,900	
Dividends paid	(32,953)				(32,953)
Net payments for repurchase of common stock	(1,379)			(90)	(1,469)
Return of capital to parent company			(14,000)	14,000	
Net cash (used in) provided by financing activities	(30,622)		1,471,374	60,469	1,501,221
Net increase (decrease) in cash and due from banks	13,008	(5)	1,414	(12,783)	1,634
Cash and due from banks at beginning of period	24,298	600	363,620	(24,844)	363,674
Cash and due from banks at end of period	\$ 37,306	\$ 595	\$ 365,034	\$ (37,627)	\$ 365,308

During the six months ended June 30, 2016 there have not been any cash flows associated with discontinued operations.

Table of Contents**Condensed Consolidating Statement of Cash Flows (Unaudited)**

(In thousands)	Six months ended June 30, 2015				
	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Cash flows from operating activities:					
Net income	\$ 672,278	\$ 555,234	\$ 700,457	\$(1,255,691)	\$ 672,278
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Equity in undistributed earnings of subsidiaries	(691,084)	(561,651)		1,252,735	
Provision for loan losses	227		116,042		116,269
Amortization of intangibles			4,985		4,985
Depreciation and amortization of premises and equipment	374		23,575		23,949
Net accretion of discounts and amortization of premiums and deferred fees			(42,167)		(42,167)
Other-than-temporary impairment on investment securities			14,445		14,445
Fair value adjustments on mortgage servicing rights			6,846		6,846
FDIC loss-share income			(23,214)		(23,214)
Adjustments (expense) to indemnity reserves on loans sold			4,107		4,107
(Earnings) losses from investments under the equity method	(6,391)	305	(3,720)		(9,806)
Deferred income tax benefit			(511,157)	29	(511,128)
(Gain) loss on:					
Disposition of premises and equipment	(1)		(1,428)		(1,429)
Sale and valuation adjustments of investment securities			(5)		(5)
Sale of loans, including valuation adjustments on loans held for sale and mortgage banking activities			(15,034)		(15,034)
Sale of foreclosed assets, including write-downs			54,711		54,711
Acquisitions of loans held-for-sale			(249,059)		(249,059)
Proceeds from sale of loans held-for-sale			51,062		51,062
Net originations on loans held-for-sale			(379,264)		(379,264)
Net (increase) decrease in:					
Trading securities	(117)		481,388		481,271
Accrued income receivable	(183)	(1)	(655)	183	(656)

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Other assets	2,298	55	31,314	(115)	33,552
Net increase (decrease) in:					
Interest payable		183	475	(183)	475
Pension and other postretirement benefits obligations			1,641		1,641
Other liabilities	(10,443)	(61)	(30,976)	42	(41,438)
Total adjustments	(705,320)	(561,170)	(466,088)	1,252,691	(479,887)
Net cash (used in) provided by operating activities	(33,042)	(5,936)	234,369	(3,000)	192,391
Cash flows from investing activities:					
Net decrease (increase) in money market investments	18,481	(933)	(1,451,033)	933	(1,432,552)
Purchases of investment securities:					
Available-for-sale			(985,427)		(985,427)
Held-to-maturity			(250)		(250)
Other			(12,805)		(12,805)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:					
Available-for-sale			867,168		867,168
Held-to-maturity			2,389		2,389
Other			31,592		31,592
Proceeds from sale of investment securities:					
Available for sale			70,005		70,005
Other			8,399		8,399
Net repayments on loans	22,400	1	374,209	(22,386)	374,224
Proceeds from sale of loans			27,780		27,780
Acquisition of loan portfolios		(350)	(140,492)	171	(140,671)
Net payments from FDIC under loss-sharing agreements			164,423		164,423
Net cash received and acquired from business combination			738,296		738,296
Acquisition of servicing assets			(3,897)		(3,897)
Cash paid related to business acquisitions			(17,250)		(17,250)
Mortgage servicing rights purchased			(2,400)		(2,400)
Acquisition of premises and equipment	(677)		(30,140)		(30,817)
Proceeds from sale of:					
Premises and equipment	4		7,897		7,901
Foreclosed assets			98,287		98,287
Net cash provided by (used in) investing activities	40,208	(1,282)	(253,249)	(21,282)	(235,605)
Cash flows from financing activities:					
Net increase (decrease) in:					
Deposits			752,959	(7,172)	745,787
Federal funds purchased and assets sold under agreements to repurchase			(150,413)		(150,413)
Other short-term borrowings		7,214	(77,815)	22,386	(48,215)

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Payments of notes payable			(430,003)		(430,003)
Proceeds from issuance of notes payable			103,231		103,231
Proceeds from issuance of common stock	2,536				2,536
Dividends paid to parent company			(3,000)	3,000	
Dividends paid	(1,861)				(1,861)
Net payments for repurchase of common stock	(1,696)		1		(1,695)
Return of capital to parent company			171	(171)	
Net cash (used in) provided by financing activities	(1,021)	7,214	195,131	18,043	219,367
Net increase (decrease) in cash and due from banks	6,145	(4)	176,251	(6,239)	176,153
Cash and due from banks at beginning of period	20,448	608	380,890	(20,851)	381,095
Cash and due from banks at end of period	\$ 26,593	\$ 604	\$ 557,141	\$ (27,090)	\$ 557,248

The Condensed Consolidating Statements of Cash Flows include the cash flows from operating, investing and financing activities associated with discontinued operations.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report includes management's discussion and analysis (MD&A) of the consolidated financial position and financial performance of Popular, Inc. (the Corporation or Popular). All accompanying tables, financial statements and notes included elsewhere in this report should be considered an integral part of this analysis.

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 (U.S.) mainland, and the U.S. and British Virgin Islands. In Puerto Rico, the Corporation provides retail, including residential mortgage loan originations, and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico (BPPR), as well as investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. 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, under the name Popular Community Bank (PCB), operates branches in New York, New Jersey and Southern Florida. Note 35 to the consolidated financial statements presents information about the Corporation's business segments. As of June 30, 2016, the Corporation had a 15.74% interest in the holding company of EVERTEC, which provides transaction processing services throughout the Caribbean and Latin America, including servicing many of the Corporation's system infrastructures and transaction processing businesses. During the quarter ended June 30, 2016 the Corporation recorded \$1.6 million in earnings from its investment in EVERTEC which had a carrying amount of \$35.1 million as of the end of the quarter. Also, the Corporation had a 15.84% stake in Centro Financiero BHD Leon, S.A. (BHD Leon), one of the largest banking and financial services groups in the Dominican Republic. During the quarter ended June 30, 2016 the Corporation recorded \$6.3 million in earnings from its investment in BHD Leon, which had a carrying amount of \$116.0 million, as of the end of the quarter.

Table of Contents

QUARTERLY HIGHLIGHTS

The Corporation's results for the second quarter of 2016, include the sale of commercial and construction loans with a carrying value of approximately \$100 million and OREO with a carrying value of \$9 million acquired in 2010 from the FDIC as receiver for Westernbank (WB). The sale resulted in a net benefit before taxes of approximately \$8 million from the sale of the loans and a loss of \$5.1 million from the sale of OREOs. Additionally, the Corporation incurred \$1.8 million in fees for professional services directly associated with this transaction.

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

OVERVIEW

Table 1 provides selected financial data and performance indicators for the quarters and six months ended June 30, 2016 and 2015.

Table of Contents**Table 1 - Financial Highlights****Financial Condition Highlights****Financial Condition Highlights**

(In thousands)	Ending balances at			Average for the six months ended		
	June 30, 2016	December 31, 2015	Variance	June 30, 2016	June 30, 2015	Variance
Money market investments	\$ 2,785,500	\$ 2,180,092	\$ 605,408	\$ 2,594,697	\$ 2,231,909	\$ 362,788
Investment and trading securities	7,583,294	6,407,802	1,175,492	7,024,039	5,941,278	1,082,761
Loans	23,270,169	23,129,230	140,939	23,064,939	22,949,753	115,186
Earning assets	33,638,963	31,717,124	1,921,839	32,683,676	31,122,940	1,560,736
Total assets	37,606,148	35,761,733	1,844,415	36,629,755	34,696,180	1,933,575
Deposits*	28,737,856	27,209,723	1,528,133	28,093,043	26,459,216	1,633,827
Borrowings	2,428,752	2,425,853	2,899	2,374,022	2,866,035	(492,013)
Stockholders equity	5,359,831	5,105,324	254,507	5,226,895	4,363,634	863,261
Liabilities from discontinued operations	1,815	1,815		1,815	2,384	(569)

* Average deposits exclude average derivatives.

Operating Highlights

(In thousands, except per share

information)	Quarters ended June 30,			Six months ended June 30,		
	2016	2015	Variance	2016	2015	Variance
Net interest income	\$ 360,551	\$ 362,553	\$ (2,002)	\$ 712,963	\$ 705,748	\$ 7,215
Provision for loan losses - non-covered loans	39,668	60,468	(20,800)	87,608	90,179	(2,571)
Provision (reversal) for loan losses - covered loans	804	15,766	(14,962)	(2,301)	26,090	(28,391)
Non-interest income	110,503	140,759	(30,256)	222,133	255,994	(33,861)
Operating expenses	309,149	363,174	(54,025)	611,092	675,515	(64,423)
Income from continuing operations before income tax	121,433	63,904	57,529	238,697	169,958	68,739
Income tax expense (benefit)	32,446	(533,533)	565,979	64,711	(500,964)	565,675
Income from continuing operations	\$ 88,987	\$ 597,437	\$ (508,450)	\$ 173,986	\$ 670,922	\$ (496,936)
Income from discontinued operations, net of tax		15	(15)		1,356	(1,356)
Net income	\$ 88,987	\$ 597,452	\$ (508,465)	\$ 173,986	\$ 672,278	\$ (498,292)

Net income applicable to common stock	\$ 88,056	\$ 596,521	\$ (508,465)	\$ 172,124	\$ 670,417	\$ (498,293)
Net income from continuing operations	\$ 0.85	\$ 5.80	\$ (4.95)	\$ 1.67	\$ 6.51	\$ (4.84)
Net income from discontinued operations	\$	\$	\$	\$	\$ 0.01	\$ (0.01)
Net income per Common Share Basic	\$ 0.85	\$ 5.80	(4.95)	\$ 1.67	\$ 6.52	\$ (4.85)
Net income from continuing operations	\$ 0.85	\$ 5.79	\$ (4.94)	\$ 1.67	\$ 6.49	\$ (4.82)
Net income from discontinued operations	\$	\$	\$	\$	\$ 0.01	\$ (0.01)
Net income per Common Share Diluted	\$ 0.85	\$ 5.79	\$ (4.94)	\$ 1.67	\$ 6.50	\$ (4.83)

Table of Contents

Selected Statistical Information	Quarters ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Common Stock Data				
Market price				
High	\$ 31.34	\$ 35.45	\$ 31.34	\$ 35.58
Low	26.66	28.86	22.62	28.86
End	29.30	28.86	29.30	28.86
Book value per common share at period end	51.20	47.34	51.52	47.34
Profitability Ratios				
Return on assets	0.96%	6.74%	0.96%	3.91%
Return on common equity	6.80	54.93	6.69	31.34
Net interest spread (taxable equivalent) - Non-GAAP	4.35	4.60	4.41	4.62
Net interest margin (taxable equivalent) - Non-GAAP	4.57	4.80	4.64	4.83
Capitalization Ratios				
Average equity to average assets	14.08%	12.38%	14.27%	12.58%
Tier I capital	16.29	15.93	16.29	15.93
Total capital	19.29	18.50	19.29	18.50
Tier 1 leverage	11.29	11.59	11.29	11.59

Adjusted results of operations Non-GAAP financial measure

The Corporation prepares its Consolidated Financial Statements using accounting principles generally accepted in the U.S. (U.S. GAAP), the (reported basis). In addition to analyzing the Corporation's results on a reported basis, management monitors the performance of the Corporation on an adjusted basis and excludes the impact of certain transactions on the results of its operations. Throughout this MD&A, the Corporation presents a discussion of its financial results excluding the impact of these events to arrive at the adjusted results. Management believes that the adjusted results provide meaningful information about the underlying performance of the Corporation's ongoing operations. The adjusted results are a Non-GAAP financial measure. Refer to tables 42 to 47 for a reconciliation of the reported results for the quarter and six months ended June 30, 2016 and June 30, 2015.

Net interest income on a taxable equivalent basis-Non-GAAP financial measure

Net interest income, on a taxable equivalent basis, is presented with its different components on Tables 2 and 3 for the quarter and six-months ended June 30, 2016 as compared with the same periods in 2015, segregated by major categories of interest earning assets and interest bearing liabilities.

The interest earning assets include investment securities and loans that are exempt from income tax, principally in Puerto Rico. The main sources of tax-exempt interest income are certain investments in obligations of the U.S. Government, its agencies and sponsored entities, and certain obligations of the Commonwealth of Puerto Rico and its agencies and assets held by the Corporation's international banking entities. To facilitate the comparison of all interest related to these assets, the interest income has been converted to a taxable equivalent basis, using the applicable statutory income tax rates for each period. The taxable equivalent computation considers the interest expense and other related expense disallowances required by the Puerto Rico tax law. Under this law, the exempt interest can be deducted up to the amount of taxable income. Net interest income on a taxable equivalent basis is a non-GAAP financial measure. Management believes that this presentation provides meaningful information since it facilitates the comparison of revenues arising from taxable and exempt sources.

Non-GAAP financial measures used by the Corporation may not be comparable to similarly named Non-GAAP financial measures used by other companies.

Table of Contents*Financial highlights for the quarter ended June 30, 2016*

For the quarter ended June 30, 2016, the Corporation recorded net income of \$89.0 million, compared to a net income of \$597.5 million for the same quarter of the previous year. The results for the second quarter of 2015 include a tax benefit of \$544.9 million as a result of the partial reversal of the valuation allowance on the Corporation's deferred tax asset from the U.S. operations. The adjusted net income for the second quarter of 2016 was \$90.6 million, compared to \$90.1 million for the same quarter of 2015. Refer to tables 42 to 44 for a detail of the adjustments to arrive at the adjusted net income.

Net interest income, on a taxable equivalent basis, was \$382.5 million, relatively flat when compared to the same quarter of 2015. Excluding the benefit of the \$2.1 million in income related to the bulk loan sale of WB loans, detailed in table 42, net interest income was \$380.4 million for the second quarter of 2016, a decrease of \$2.3 million when compared to the same quarter of 2015 driven by lower income from WB loans as this portfolio continues its expected run-off, the impact of lower mortgage loans originations and higher expense from deposits due to higher volumes; partially offset by higher income from investment securities and income from commercial and consumer loans at the BPNA segment. Net interest margin, on a taxable equivalent basis, for the second quarter of 2016 was 4.59%, compared to 4.80% for the same quarter of 2015. The adjusted net interest margin for the second quarter of 2016 was 4.57%, a decrease of 23 basis points when compared to the 4.80% for the same quarter of 2015.

Non-interest income decreased by \$30.3 million for the quarter ended June 30, 2016, compared with the same quarter of the previous year. The FDIC loss share income (expense) reflected an unfavorable variance of \$31.7 million mainly from mirror accounting income of \$17.6 million related to the loss on a bulk sale of covered OREO and an unfavorable fair value adjustment on the true up payment obligation, offset by lower amortization of the indemnification asset. The results for the second quarter of 2016 include an unfavorable adjustment of \$2.2 million that represents the Corporation's proportionate share of the impact of the restatement of EVERTEC's financial statements, as described in Note 25 to the financial statements in this form 10Q. The results for the second quarter of 2015 include an other-than-temporary impairment of \$14.4 million on the portfolio of securities classified as Obligations from the Puerto Rico Government. On an adjusted basis, non-interest income declined by \$35.2 million.

The total provision for loan losses was \$40.5 million, compared to \$76.2 million for the same quarter of 2015, reflecting lower loss trends and lower reserves for impairment losses in P.R. Credit metrics for the BPNA segment continued strong, while reflecting the impact of loan growth. The results for the second quarter of 2016, include recoveries of \$5.4 million from the bulk sale of WB loans. On an adjusted basis, the total provision for loan losses reflected a decrease of \$30.3 million compared to the same quarter of 2015.

Total non-performing assets, including covered, were \$836 million at June 30, 2016, a decline of \$7 million, or 1% from December 31, 2015. The decline reflects lower non-performing loans by \$30 million, offset by an increase in OREO of \$23 million, mainly residential properties. At June 30, 2016, NPLs to total loans held-in-portfolio was 2.6% compared to 2.7% in December 31, 2015. Refer to the Credit Risk Management and Loan Quality section of this MD&A for an explanation of the main factors impacting the provision for

loan losses and a detailed analysis of net charge-offs, non-performing assets, the allowance for loan losses and selected loan losses statistics.

Operating expenses decreased by \$54.0 million for the quarter ended June 30, 2016, compared to the same quarter of the previous year, mainly due to lower OREO expenses by \$31.8 million due to the loss of \$22.0 million from the bulk sale of covered OREO completed in 2015, lower other operating expenses and lower restructuring costs from the reorganization of BPNA. On an adjusted basis, operating expenses decreased by \$20.0 million.

The income tax expense for the second quarter of 2016 was \$32.4 million, compared to an income tax benefit of \$533.5 million for the same quarter of the previous year, which reflected the tax benefit of \$544.9 million as a result of the partial reversal of the valuation allowance on the Corporation's deferred tax asset from the U.S. operations. On an adjusted basis, the income tax expense for the second quarter of 2016 was \$32.1 million, compared to \$21.5 million for the same quarter of 2015.

The Corporation's total assets at June 30, 2016 amounted to \$37.6 billion, compared to \$35.8 billion at December 31, 2015. Money market and investment securities increased by \$605.4 million, due mainly to increase in cash balances from deposits. Investment securities available-for-sale increased by \$1.1 billion due to purchases of MBS and U.S. Treasury securities. Total deposits increased by \$1.5 billion, mainly from government deposit accounts at BPPR, NOW accounts and commercial checking accounts, offset by lower brokered CDs.

Table of Contents

Stockholders' equity totalled \$5.4 billion at June 30, 2016, compared with \$5.1 billion at December 31, 2015. The increase resulted mainly from the Corporation's net income of \$174.0 million, a favorable variance of \$108 million in unrealized gains on securities available-for-sale, partially offset by payments of dividends of \$31.1 million on common stock of \$0.15 per share and \$1.9 million in dividends on preferred stock.

Refer to the Financial Condition Analysis section of this MD&A for additional information.

Capital ratios continued to be strong. As of June 30, 2016 the Corporation's Common equity Tier 1 Capital ratio was 16.29% while the tangible common equity ratio was 12.53%. Refer to Table 14 for capital ratios and Table 15 for Non-GAAP reconciliations.

As a financial services company, the Corporation's earnings are significantly affected by general business and economic conditions. Lending and deposit activities and fee income generation are influenced by the level of business spending and investment, consumer income, spending and savings, capital market activities, competition, customer preferences, interest rate conditions and prevailing market rates on competing products.

The Corporation continuously monitors general business and economic conditions, industry-related indicators and trends, competition, interest rate volatility, credit quality indicators, loan and deposit demand, operational and systems efficiencies, revenue enhancements and changes in the regulation of financial services companies.

The Corporation operates in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations. Also, competition with other financial institutions could adversely affect its profitability.

The description of the Corporation's business contained in Item 1 of the Corporation's 2015 Form 10-K, while not all inclusive, discusses additional information about the business of the Corporation and risk factors, many beyond the Corporation's control that, in addition to the other information in this Form 10-Q, readers should consider.

The Corporation's common stock is traded on the NASDAQ Global Select Market under the symbol BPOP.

CRITICAL ACCOUNTING POLICIES / ESTIMATES

The accounting and reporting policies followed by the Corporation and its subsidiaries conform to generally accepted accounting principles in the United States of America and general practices within the financial services industry. Various elements of the Corporation's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. These estimates are made under facts and circumstances at a point in time and changes in those facts and circumstances could produce actual results that differ from those estimates.

Management has discussed the development and selection of the critical accounting policies and estimates with the Corporation's Audit Committee. The Corporation has identified as critical accounting policies those related to: (i) Fair Value Measurement of Financial Instruments; (ii) Loans and Allowance for Loan Losses; (iii) Acquisition Accounting for Loans and Related Indemnification Asset; (iv) Income Taxes; (v) Goodwill, and (vi) Pension and Postretirement Benefit Obligations. For a summary of these critical accounting policies and estimates, refer to that particular section in the MD&A included in Popular, Inc.'s 2015 Form 10-K. Also, refer to Note 2 to the consolidated financial statements included in the 2015 Form 10-K for a summary of the Corporation's significant accounting policies.

Table of Contents

OPERATING RESULTS ANALYSIS

NET INTEREST INCOME

Average outstanding securities balances are based on amortized cost excluding any unrealized gains or losses on securities available-for-sale. Non-accrual loans have been included in the respective average loans and leases categories. Loan fees collected and costs incurred in the origination of loans are deferred and amortized over the term of the loan as an adjustment to interest yield. Prepayment penalties, late fees collected and the amortization of premiums / discounts on purchased loans are also included as part of the loan yield. Excluding the discount accretion on covered loans accounted for under Subtopic ASC 310-30, interest income for the quarter and six-months ended June 30, 2016 included a favorable impact for the amortization of these items, of \$3.4 million and \$8.2 million, respectively, compared with a favorable impact of \$4.9 million and \$6.5 million in the same periods in 2015.

Taxable equivalent net interest income was \$382.5 million for the second quarter of 2016, compared to \$382.7 million for the same quarter of the previous year. Net interest margin, on a taxable equivalent basis, for the second quarter of 2016 was 4.59%, compared to 4.80% for the same quarter of 2015.

Excluding the impact of the \$2.1 million in income related to the bulk loan sale, net interest income on a taxable equivalent basis was \$380.4 million for the second quarter of 2016, a decrease of \$2.3 million when compared to the \$382.7 million for same quarter of 2015. The adjusted net interest margin for the second quarter of 2016 was 4.57%, a decrease of 23 basis points when compared to the 4.80% for the same quarter of 2015. The main reasons for the decrease are described below:

Lower interest income from WB loans related to a lower volume as part of the normal portfolio run-off.

Lower income from mortgage loans mainly from lower volumes at both P.R. and U.S. due to slower origination activity.

Higher interest expense on deposits mainly due to higher average volumes in most categories mainly higher volume of deposits from the public sector and higher volumes in the U.S. to fund the loan growth. These increases were partially offset by a decrease in the average volume of brokered CDs. The increase in deposit cost is mostly related to a higher cost of time deposits and money markets in the U.S.

These negative variances were partially offset by:

Higher interest income from investment securities due mainly to higher volumes of mortgage backed securities; partially offset by lower yields on acquired investments.

Higher income from commercial loans mainly due to higher volume of loans in the U.S. at lower yields.

Higher interest income from consumer loans due to higher volume of personal loans related to acquired loans mainly in the BPNA segment, partially offset by lower income from credit cards mainly due to lower average volume in the portfolio.

Table of Contents**Table 2 - Analysis of Levels & Yields on a Taxable Equivalent Basis for Continuing Operations****Quarters ended June 30,**

2016	Average Volume		Average Yields /Costs				Interest			Variance	
	2015	Variance	2016	2015	Variance		2016	2015	Variance	Rate	Volume
	(\$ in millions)								(In thousands)		
\$ 3,003	\$ 2,530	\$ 473	0.52%	0.29%	0.23%	Money market investments	\$ 3,889	\$ 1,845	\$ 2,044	\$ 1,767	\$ 277
7,147	5,812	1,335	2.72	2.66	0.06	Investment securities	48,661	38,591	10,070	(794)	10,864
136	233	(97)	7.13	6.25	0.88	Trading securities	2,415	3,635	(1,220)	447	(1,667)
						Total money market, investment and trading securities	54,965	44,071	10,894	1,420	9,474
						Loans:					
9,150	8,776	374	5.05	5.19	(0.14)	Commercial	114,925	113,515	1,410	(3,346)	4,756
723	682	41	5.43	6.02	(0.59)	Construction	9,747	10,247	(500)	(1,084)	584
651	583	68	6.73	6.93	(0.20)	Leasing	10,951	10,100	851	(302)	1,153
6,743	7,175	(432)	5.53	5.44	0.09	Mortgage	93,145	97,561	(4,416)	1,534	(5,950)
3,865	3,823	42	10.47	10.45	0.02	Consumer	100,628	99,587	1,041	(481)	1,522
21,132	21,039	93	6.26	6.30	(0.04)	Sub-total loans	329,396	331,010	(1,614)	(3,679)	2,065
2,013	2,350	(337)	9.53	9.44	0.09	WB loans [1]	47,737	55,335	(7,598)	(12)	(7,586)
23,145	23,389	(244)	6.54	6.62	(0.08)	Total loans	377,133	386,345	(9,212)	(3,691)	(5,521)
						Total earning assets	\$ 432,098	\$ 430,416	\$ 1,682	\$ (2,271)	\$ 3,953
						Interest bearing deposits:					
						NOW and money market [2]	\$ 6,596	\$ 4,911	\$ 1,685	\$ 720	\$ 965
7,023	\$ 5,507	\$ 1,516	0.38%	0.36%	0.02%	Savings	4,447	4,102	345	(5)	350
7,487	7,040	447	0.24	0.23	0.01	Time deposits	19,556	17,245	2,311	3,373	(1,062)
7,866	8,530	(664)	1.00	0.81	0.19	Total deposits	30,599	26,258	4,341	4,088	253
22,376	21,077	1,299	0.55	0.50	0.05						

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801	1,052	(251)	1.03	0.71	0.32	Short-term borrowings	2,058	1,864	194	647	(453)
1,506	1,803	(297)	5.07	4.36	0.71	Other medium and long-term debt	19,002	19,626	(624)	1,412	(2,036)
24,683	23,932	751	0.84	0.80	0.04	Total interest bearing liabilities	51,659	47,748	3,911	6,147	(2,236)
6,481	6,247	234				Non-interest bearing demand deposits					
2,267	1,785	482				Other sources of funds					
\$ 33,431	\$ 31,964	\$ 1,467	0.62%	0.60%	0.02%	Total source of funds	51,659	47,748	3,911	6,147	(2,236)
			4.57%	4.80%	(0.23)%	Adjusted net interest margin/income on a taxable equivalent basis	380,439	382,668	(2,229)	\$ (8,418)	\$ 6,189
			4.35%	4.60%	(0.25)%	Adjusted net interest spread					
						Impact of bulk loan sale	2,057		2,057		
			4.59%	4.80%	(0.21)%	Net interest margin/ income on a taxable equivalent basis	\$ 382,496	\$ 382,668	\$ (172)		
						Taxable equivalent adjustment	21,945	20,115	1,830		
						Net interest income	\$ 360,551	\$ 362,553	\$ (2,002)		

Note: The changes that are not due solely to volume or rate are allocated to volume and rate based on the proportion of the change in each category.

[1] Including the impact of the WB loans bulk sale, the yield for WB loans would have been 9.94%.

[2] Includes interest bearing demand deposits corresponding to certain government entities in Puerto Rico.

Table of Contents

Taxable equivalent net interest income was \$756.4 million for the six-month period ended June 30, 2016, compared to \$746.9 million for the same period of 2015. Net interest margin for the six-month period ended June 30, 2016 was 4.65%, compared to 4.83% for the same period of the previous year.

Excluding the impact of the \$2.1 million in income related to the bulk loan sale, net interest income on a taxable equivalent basis was \$754.4 million for the six-month period ended June 30, 2016, an increase of \$7.5 million when compared to the \$746.9 million for the same period of 2015. The adjusted net interest margin for the six-month period ended June 30, 2016 was 4.64%, a decrease of 19 basis points when compared to the 4.83% for the same period of 2015. The main reasons for the increase are described below:

Higher interest income from investment securities mainly due to higher volumes of mortgage backed securities and money market investments; partially offset by lower yields on acquired investments.

Higher income from commercial, consumer and leasing as a result of higher average volume of loans mainly in the U.S.

These positive variances were partially offset by:

Lower interest income from WB loans related to a lower volume as part of the normal portfolio run-off.

Higher interest expense on deposits mainly due a higher cost of time deposits and money markets in the U.S. to fund loan growth.

Table of Contents**Table 3 - Analysis of Levels & Yields on a Taxable Equivalent Basis from Continuing Operations (Non-GAAP)****Six months ended June 30,**

Average Volume			Average Yields /Costs				Interest			Attributable to							
2016	2015	Variance	2016	2015	Variance		2016	2015	Variance	Rate	Volume						
(In millions)							(In thousands)										
						Money market investments	\$ 2,595	\$ 2,232	\$ 363	0.52%	0.30%	0.22%	\$ 6,752	\$ 3,291	\$ 3,461	\$ 3,105	\$ 356
						Investment securities	6,894	5,724	1,170	2.81	2.67	0.14	96,778	76,234	20,544	(541)	21,085
						Trading securities	130	217	(87)	7.11	6.49	0.62	4,586	6,979	(2,393)	631	(3,024)
						Total money market, investment and trading securities	9,619	8,173	1,446	2.25	2.12	0.13	108,116	86,504	21,612	3,195	18,417
						Loans:											
						Commercial	9,054	8,581	473	5.09	5.18	(0.09)	229,016	220,402	8,614	(3,379)	11,993
						Construction	713	559	154	5.37	5.89	(0.52)	19,035	16,324	2,711	(1,498)	4,209
						Leasing	641	576	65	6.75	6.97	(0.22)	21,626	20,074	1,552	(640)	2,192
						Mortgage	6,786	6,955	(169)	5.51	5.39	0.12	187,041	187,602	(561)	4,042	(4,603)
						Consumer	3,836	3,834	2	10.49	10.41	0.08	200,148	197,837	2,311	1,271	1,040
						Sub-total loans	21,030	20,505	525	6.27	6.30	(0.03)	656,866	642,239	14,627	(204)	14,831
						WB loans [1]	2,035	2,445	(410)	9.14	9.29	(0.15)	92,641	112,765	(20,124)	4,769	(24,893)
						Total loans	23,065	22,950	115	6.52	6.62	(0.10)	749,507	755,004	(5,497)	4,565	(10,062)
						Total earning assets	\$ 32,684	\$ 31,123	\$ 1,561	5.27%	5.44%	(0.17)%	\$ 857,623	\$ 841,508	\$ 16,115	\$ 7,760	\$ 8,355
						Interest bearing deposits:											
						NOW and money market [2]	\$ 6,367	\$ 5,246	\$ 1,121	0.39%	0.35%	0.04%	\$ 12,203	\$ 9,130	\$ 3,073	\$ 1,374	\$ 1,699
						Savings	7,381	6,966	415	0.24	0.23	0.01	8,695	8,026	669	40	629

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7,962	8,141	(179)	1.00	0.87	0.13	Time deposits	39,575	34,966	4,609	5,314	(705)
21,710	20,353	1,357	0.56	0.52	0.04	Total deposits	60,473	52,122	8,351	6,728	1,623
807	1,083	(276)	0.98	0.67	0.31	Short-term borrowings	3,919	3,597	322	1,453	(1,131)
1,567	1,783	(216)	4.97	4.37	0.60	Other medium and long-term debt	38,875	38,908	(33)	2,744	(2,777)
24,084	23,219	865	0.86	0.82	0.04	Total interest bearing liabilities	103,267	94,627	8,640	10,925	(2,285)
6,387	6,106	281				Demand deposits					
2,213	1,798	415				Other sources of funds					
\$ 32,684	\$ 31,123	\$ 1,561	0.63%	0.61%	0.02%	Total source of funds	103,267	94,627	8,640	10,925	(2,285)
			4.64%	4.83%	(0.19)%	Adjusted net interest margin/ income on a taxable equivalent basis	754,356	746,881	7,475	\$ (3,165)	\$ 10,640
			4.41%	4.62%	(0.21)%	Adjusted net interest spread					
						Impact of bulk loan sale	2,057		2,057		
			4.65%	4.83%	(0.18)%	Net interest margin/ income on a taxable equivalent basis	\$ 756,413	\$ 746,881	\$ 9,532		
						Taxable equivalent	43,450	41,133	2,317		

adjustment

Net interest			
income	\$ 712,963	\$ 705,748	\$ 7,215

Note: The changes that are not due solely to volume or rate are allocated to volume and rate based on the proportion of the change in each category.

[1] Including the impact of the WB loans bulk sale, the yield for WB loans would have been 9.34%.

[2] Includes interest bearing demand deposits corresponding to certain government entities in Puerto Rico.

Table of Contents

Provision for Loan Losses

The Corporation's total provision for loan losses was \$40.5 million for the quarter ended June 30, 2016, compared to \$76.2 million for the quarter ended June 30, 2015, a decrease of \$35.7 million.

The provision for loan losses for the non-covered loan portfolio totaled \$39.7 million, compared to \$60.5 million for the same quarter in 2015, a decrease of \$20.8 million, mostly related to lower provision in the BPPR segment. Despite challenging operating conditions in Puerto Rico credit metrics continued to be stable. Net charge-offs, excluding net recoveries of \$5.4 million related to the bulk sale of commercial and construction loans acquired in 2010 from the FDIC as receiver of Westernbank, decreased by \$11.0 million when compared with the same quarter in 2015.

The provision for loan losses for the non-covered loan portfolio at the BPPR segment decreased by \$22.2 million, mainly driven by lower loss trends and lower reserve for impaired loans. The net recoveries of \$5.4 million related to the bulk sale defined earlier had a positive impact on the provision for the same amount. The adjusted provision for the BPPR segment for the second quarter of 2016 was \$43.8 million. During the quarter ended June 30, 2015, the aggregate write-down of \$30.5 million on loans transferred to held-for-sale had minimal impact on the provision as \$29.0 million were previously reserved.

The provision for loan losses for the BPNA segment amounted to \$1.3 million, compared to a release of \$61 thousand for the same quarter in 2015. Provision increase was mainly driven by loan growth. Credit trends for the BPNA segment continued to be strong with low levels of non-performing loans and net charge-offs.

The provision for covered loan portfolio totaled \$804 thousand in the second quarter of 2016, compared to \$15.8 million for the same quarter in 2015, decreasing by \$15.0 million, mostly reflective of the reclassification at the end of the second quarter of 2015 to non-covered loans of the non-single family loans that were previously covered by the commercial loss agreement with the FDIC.

For the six months ended June 30, 2016, the Corporation's total provision for loan losses totaled \$85.3 million, compared with \$116.3 million for the same period in 2015, decreasing by \$31.0 million mostly driven by lower provision for covered loans.

For the six months period ended June 30, 2016, the provision for loan losses for the non-covered loan portfolio decreased by \$2.6 million when compared to the same period of 2015. This decrease was driven by a decrease of \$10.2 million in the BPPR segment, which includes \$5.4 million positive impact related to the bulk sale of WB loans, offset by an increase of \$7.6 million in the BPNA segment driven in part by reserve releases of \$2.3 million during the six month period ended June 30, 2015.

The provision for the covered portfolio decreased by \$28.4 million for the six month period ended June 30, 2016. This decrease was mainly due to the reclassification to non-covered loans of the non-single family loans that were previously covered by the commercial loss agreement with the FDIC at the end of the second quarter of 2015, as mentioned above.

Refer to the Credit Risk Management and Loan Quality sections of this MD&A for a detailed analysis of net charge-offs, non-performing assets, the allowance for loan losses and selected loan losses statistics.

NON-INTEREST INCOME

Non-interest income decreased by \$30.3 million during the quarter ended June 30, 2016, compared with the same quarter of the previous year. The decrease in non-interest income was principally due to:

Lower other service fees by \$2.5 million mainly in the BPPR segment due to a decrease in investment management fees and other fees;

Lower income from mortgage banking activities by \$5.1 million due to an unfavorable variance in the valuation adjustment on mortgage servicing rights and higher realized losses on closed derivative positions;

Unfavorable variance in adjustments to indemnity reserves by \$6.2 million due to an increase of \$2.5 million in the reserve, during the second quarter of 2016, related to the residential mortgage loans bulk sale completed during 2013; the reversal of \$1.8 million during the second quarter of 2015 related to the reserve established during 2013 in connection with the bulk sale of commercial and construction loans and OREO; and to a provision reversal during the second quarter of 2015 of the reserve for representations and warranties;

Table of Contents

Unfavorable variance in the FDIC loss share (expense) income of \$31.7 million due to lower mirror accounting on reimbursable expenses in part due to the impact of a \$17.6 million loss related to the commercial OREO bulk sale completed during the second quarter of 2015, an unfavorable change in the true-up payment obligation due to the fair value adjustment of this liability mainly as a result of the improvement in the Corporation's credit spreads and lower mirror accounting on credit impairment losses, partially offset by lower amortization of the indemnification asset in part due to the \$10.9 million expense during the second quarter of 2015 related to losses that were not claimed to the FDIC prior to the expiration of the loss-share agreement on June 30, 2015. Refer to Table 4 for a breakdown of FDIC loss share income (expenses) by major categories; and

Lower other operating income by \$4.4 million in part related to the unfavorable adjustment of \$2.2 million resulting from the EVERTEC restatement.

These decreases were partially offset by:

Higher net gain on investment securities by \$1.6 million related to the redemption of an investment at the Corporate segment;

Lower other-than-temporary impairment losses on investment securities by \$14.2 million due to the other-than-temporary impairment charge during the second quarter of 2015 on the portfolio of Puerto Rico government investment securities available-for-sale of \$14.4 million; and

Higher trading account profit by \$4.2 million principally resulting from favorable fair value adjustments of P.R. municipal bonds and higher unrealized gains on MBS outstanding.

Non-interest income decreased by \$33.9 million during the six months ended June 30, 2016, compared with the same period of the previous year. The decrease in non-interest income was mainly due to lower income from mortgage banking activities by \$7.4 million due to an unfavorable variance in the valuation adjustment on mortgage servicing rights, which was partially offset by higher mortgage servicing fees, including those from the portfolio acquired from Doral Bank; an unfavorable variance in adjustments to indemnity reserves by \$5.7 million which includes the reversal of \$5.0 million during the six month period ended June 30, 2015 related to the reserve established in connection with BPPR's bulk sale; and an unfavorable variance in FDIC loss share (expense) income of \$38.9 million; partially offset by lower other-than-temporary impairment losses on investment securities by \$14.2 million as previously discussed; and higher trading account profit by \$3.6 million.

Excluding the impact of certain events detailed in Tables 42 to 44 Adjusted Results (Non-GAAP), non-interest income decreased by \$35.2 million during the second quarter of 2016. Excluding the impact of certain events detailed in Tables 45 to 47 Adjusted Results (Non-GAAP), non-interest income decreased \$37.7 million during the six months ended June 30, 2016.

The following table provides a summary of the revenues and expenses derived from the assets acquired in the FDIC-assisted transaction during the quarters and six months ended June 30, 2016 and 2015.

Table of Contents**Table 4 - Financial Information - Westernbank FDIC-Assisted Transaction**

(In thousands)	Quarters ended June 30,			Six months ended June 30,		
	2016	2015	Variance	2016	2015	Variance
Interest income on WB loans	\$ 49,794	\$ 55,335	\$ (5,541)	\$ 94,698	\$ 112,766	\$ (18,068)
FDIC loss-share (expense) income:						
Amortization of loss-share indemnification asset	(4,036)	(31,065)	27,029	(8,078)	(58,381)	50,303
80% mirror accounting on credit impairment losses (reversal) ^[1]	475	7,647	(7,172)	(1,618)	15,893	(17,511)
80% mirror accounting on reimbursable expenses	2,235	42,730	(40,495)	6,185	64,275	(58,090)
80% mirror accounting on recoveries on covered assets, including rental income on OREOs, subject to reimbursement to the FDIC	(3,956)	(5,203)	1,247	(4,601)	(7,822)	3,221
Change in true-up payment obligation	(7,688)	3,672	(11,360)	(8,131)	7,836	(15,967)
Other	394	1,294	(900)	521	1,413	(892)
Total FDIC loss-share (expense) income	(12,576)	19,075	(31,651)	(15,722)	23,214	(38,936)
Total revenues	37,218	74,410	(37,192)	78,976	135,980	(57,004)
Provision for loan losses	(7,282)	15,766	(23,048)	(7,638)	26,090	(33,728)
Total revenues less provision for loan losses	\$ 44,500	\$ 58,644	\$ (14,144)	\$ 86,614	\$ 109,890	\$ (23,276)

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

Average balances

(In millions)	Quarters ended June 30,			Six months ended June 30,		
	2016	2015	Variance	2016	2015	Variance
WB Loans	\$ 2,013	\$ 2,350	\$ (337)	\$ 2,035	\$ 2,444	\$ (409)
FDIC loss-share asset	211	391	(180)	222	410	(188)

Operating Expenses

Operating expenses decreased by \$54.0 million for the quarter ended June 30, 2016, compared with the same quarter of the previous year. Refer to Table 5 for a breakdown of operating expenses by major categories. The decrease in operating expenses was driven primarily by:

Lower personnel cost by \$4.3 million due to the grant of employees restricted stock and performance shares awarded during the second quarter of 2015, while for 2016 performance shares were awarded during the first quarter;

Lower FDIC deposit insurance by \$3.2 million due to improvements in the risk profile of the Corporation;

Lower OREO expenses by \$31.8 million mainly due to a loss on a bulk sale of covered commercial properties during the second quarter of 2015 of \$22.0 million and lower commercial and construction write-downs by \$16.1 million;

Lower other operating expenses by \$7.6 million mainly due to property tax payments on covered assets at BPPR by \$6.0 million during the second quarter of 2015, most of which was related to loss sharing expense reimbursable by the FDIC; and

Lower restructuring cost by \$6.2 million, expenses incurred during 2015 in connection with the reorganization of BPNA.

Excluding the impact of certain transactions, as detailed in the Adjusted Results Non-GAAP Tables 42 through 44, operating expenses decreased by \$20.0 million compared to the same quarter of the previous year.

Operating expenses decreased by \$64.4 million for the six months ended June 30, 2016, when compared to the same period in 2015. The decrease in operating expenses was driven primarily by:

Lower OREO expenses by \$45.8 million mainly due to lower write-downs on commercial and construction properties by \$30.7 million and as a result of higher loss on the bulk sale during 2015 mentioned above;

Lower other operating expenses by \$7.8 million mainly due to property tax payments at BPPR during 2015; and

Lower restructuring cost incurred during 2015 in connection with the reorganization of BPNA by \$16.9 million.

Table of Contents

These decreases were partially offset by:

Higher personnel cost by \$6.4 million due to higher salaries impacted by higher headcount as a result of the Doral Bank Transaction, and higher pension cost due to changes in actuarial assumptions; Excluding the impact of certain transactions, as detailed in the Adjusted Results Non-GAAP Tables 45 through 47; operating expenses decreased by \$9.6 million, when compared to the same period in 2015.

Table 5 - Operating Expenses

(In thousands)	Quarters ended June 30,			Six months ended June 30,		
	2016	2015	Variance	2016	2015	Variance
Personnel costs:						
Salaries	\$ 75,792	\$ 76,453	\$ (661)	\$ 153,090	\$ 148,847	\$ 4,243
Commissions, incentives and other bonuses	16,983	24,214	(7,231)	37,751	42,672	(4,921)
Pension, postretirement and medical insurance	12,279	9,075	3,204	25,390	21,088	4,302
Other personnel costs, including payroll taxes	11,654	11,235	419	27,568	24,828	2,740
Total personnel costs	116,708	120,977	(4,269)	243,799	237,435	6,364
Net occupancy expenses	21,714	23,286	(1,572)	42,144	44,995	(2,851)
Equipment expenses	15,261	15,925	(664)	29,809	29,336	473
Other taxes	10,170	11,113	(943)	20,365	19,687	678
Professional fees:						
Collections, appraisals and other credit related fees	4,974	7,688	(2,714)	9,474	13,611	(4,137)
Programming, processing and other technology services	50,232	49,405	827	100,096	94,566	5,530
Other professional fees	25,419	21,356	4,063	46,514	45,800	714
Total professional fees	80,625	78,449	2,176	156,084	153,977	2,107
Communications	6,012	6,153	(141)	12,332	12,329	3
Business promotion	13,705	13,776	(71)	24,815	24,589	226
FDIC deposit insurance	5,362	8,542	(3,180)	12,732	14,940	(2,208)
Other real estate owned (OREO) expenses	12,980	44,816	(31,836)	22,121	67,885	(45,764)
Other operating expenses:						
Credit and debit card processing, volume and interchange expenses	6,616	5,762	854	12,339	10,583	1,756
Transportation and travel	1,916	1,887	29	3,365	3,626	(261)
Printing and supplies	848	1,059	(211)	1,472	1,878	(406)
Operational losses	7,146	2,674	4,472	9,807	5,924	3,883

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All other	6,989	19,700	(12,711)	13,697	26,419	(12,722)
Total other operating expenses	23,515	31,082	(7,567)	40,680	48,430	(7,750)
Amortization of intangibles	3,097	2,881	216	6,211	4,985	1,226
Restructuring costs		6,174	(6,174)		16,927	(16,927)
Total operating expenses	\$ 309,149	\$ 363,174	\$ (54,025)	\$ 611,092	\$ 675,515	\$ (64,423)

INCOME TAXES

For the quarter ended June 30, 2016, the Corporation recorded an income tax expense of \$32.4 million, compared to an income tax benefit of \$533.5 million for the same quarter of the previous year. During the quarter ended June 30, 2015, the Corporation recorded a tax benefit of \$544.9 million as a result of the partial reversal of the valuation allowance on the Corporation's deferred tax asset from the U.S. operations.

The effective income tax rate for the second quarter of 2016 was 27%. The effective tax rate is impacted by the composition and source of the taxable income.

Adjusting for the tax effect of certain transactions detailed in Tables 43 and 44, Non-GAAP results, the income tax expense for the second quarter of 2016 was \$32.1 million, compared to \$21.5 million for the same quarter of 2015. The adjusted effective income tax rate for the second quarter of 2016 was 26%, compared to 19% for the same quarter of 2015.

The increase in the adjusted income tax expense for the second quarter of 2016 was primarily due to the increase in the income tax expense at the U.S. operations and an increase in income before tax at the P.R operations partially offset by higher income subject to preferential tax rates. The Corporation is subject to a 39% statutory income tax rate in Puerto Rico. For the second quarter 2016, the adjusted effective tax rate of 26% reflects the impact of net exempt interest income and other items which reduce the rate. The impact of these was partially offset by an effective tax rate for the U.S. operations of approximately 45%.

Table of Contents

For the six months ended June 30, 2016 the Corporation recorded an income tax expense of \$64.7 million, compared to an income tax benefit of \$501.0 million for the same period of the previous year, driven by the above mentioned partial release of the valuation allowance of the deferred tax asset at the U.S. operations.

Adjusting for the tax effect of certain transactions detailed in Tables 46 and 47, Non-GAAP results, the income tax expense for the six months ended June 30, 2016 was \$64.4 million, compared to \$57.0 million for the same quarter of 2015. The adjusted effective income tax rate for the six months ended June 30, 2016 was 27%, compared to 24% for the same period of 2015. As discussed above, the adjusted tax rate reflects the impact of exempt income and other items that reduce the effective tax rate.

Refer to Note 33 to the consolidated financial statements for a reconciliation of the statutory income tax rate to the effective tax rate and additional information on income taxes.

REPORTABLE SEGMENT RESULTS

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

A Corporate group has been defined to support the reportable segments. For managerial reporting purposes, the costs incurred by the Corporate group are not allocated to the reportable segments.

For a description of the Corporation's reportable segments, including additional financial information and the underlying management accounting process, refer to Note 35 to the consolidated financial statements.

The Corporate group reported a net loss of \$14.1 million for the quarter ended June 30, 2016, compared with a net loss of \$19.2 million for the quarter ended June 30, 2015. For the six months ended June 30, 2016, the Corporate group reported a net loss of \$34.7 million, compared with a net loss of \$40.2 million for the same period of the previous year.

Highlights on the earnings results for the reportable segments are discussed below:

Banco Popular de Puerto Rico

The Banco Popular de Puerto Rico reportable segment's net income amounted to \$90.6 million for the quarter ended June 30, 2016, compared with a net income of \$55.9 million for the same quarter of the previous year. The principal factors that contributed to the variance in the financial results included the following:

Lower net interest income by \$5.7 million mostly due to:

A decrease of \$5.5 million in income from the WB loans portfolio due mainly to lower average balances by \$337 million as part of the normal portfolio run-off and loan resolutions;

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Lower income from mortgage loans by \$3.2 million due mainly to lower volume of originations;
and

Partially offset by:
Lower income from commercial loans by \$2.6 million due to lower average volumes;

Higher income from investment securities by \$4.9 million mostly due to higher levels of
mortgage-backed securities; and

Lower cost of funds by \$2.0 million due to lower levels of borrowings and lower levels of
brokered deposits.

Table of Contents

The net interest margin was 4.71% for the quarter ended June 30, 2016, compared to 4.92% for the same period in 2015.

Provision for loan losses of \$39.1 million, a decrease of \$36.9 million, driven by a decline of \$22.0 million for the non-covered portfolio due to lower loss trends and lower reserve for impaired loans. The net recoveries of \$5.4 million related to the bulk sale defined earlier had a positive impact on the provision for the same amount. The provision for the covered portfolio declined by approximately \$15.0 million, mostly reflective of the reclassification at the end of the second quarter of 2015 to non-covered loans of the non-single family loans that were previously covered by the commercial loss-sharing agreement with the FDIC;

Lower non-interest income by \$27.5 million mainly due to:

Lower mortgage banking activities revenues by \$5.1 million due to an unfavorable variance in the MSR's valuation and higher realized losses on closed derivative positions;

Unfavorable variance in adjustments to indemnity reserves by \$7.3 million due to an increase of \$2.5 million in the reserve, during the second quarter of 2016, related to the residential mortgage loans bulk sale completed during 2013; the reversal of \$1.8 million during the second quarter of 2015 related to the reserve established during 2013 in connection with the bulk sale of commercial and construction loans and OREO; and to a provision reversal during the second quarter of 2015 of the reserve for representations and warranties; and

Unfavorable variance in the FDIC loss share (expense) income of \$31.7 million due to lower mirror accounting on reimbursable expenses in part due to the impact of a \$17.6 million loss related to the commercial OREO bulk sale completed during the second quarter of 2015, an unfavorable change in the true-up payment obligation due to the fair value adjustment of this liability mainly as a result of the improvement in the Corporation's credit spreads and lower mirror accounting on credit impairment losses, partially offset by lower amortization of the indemnification asset in part due to the \$10.9 million expense during the second quarter of 2015 related to losses that were not claimed to the FDIC prior to the expiration of the loss-share agreement on June 30, 2015.

Partially offset by:

Lower other-than-temporary impairment losses on investment securities by \$14.2 million due to the other-than-temporary impairment charge during the second quarter of 2015 on the portfolio of Puerto Rico government investment securities available-for-sale of \$14.4 million.

Operating expenses were lower by \$45.0 million mainly due to:

Lower FDIC deposit insurance expense by \$2.1 million due to improvements in the risk profile of BPPR;

Lower OREO expenses by \$31.2 million mainly due to a loss on a bulk sale of covered commercial properties during the second quarter of 2015 of \$22.0 million and lower commercial and construction write-downs; and

Lower other operating expenses by \$9.6 million mainly due to property tax payments on covered assets of \$6.0 million during the second quarter of 2015, most of which was related to loss sharing expense reimbursable by the FDIC.

Higher income tax expense by \$14.0 million due to higher taxable income.

Table of Contents

Net income for the six months ended June 30, 2016 amounted to \$184.1 million, compared to \$146.7 million for the same period of the previous year. The principal factors that contributed to the variance in the financial results included the following:

Lower net interest income by \$7.0 million mostly due to:

A decrease of \$18.1 million in income from the WB loans portfolio due mainly to lower average balances by \$409 million as part of the normal portfolio run-off and loan resolutions; and

Lower income from commercial loans by \$2.7 million due to lower average volumes.

Partially offset by:

Higher income from investment securities by \$10.6 million mostly due to higher average balances of mortgage-backed securities;

Higher income from mortgage loans by \$2.0 million due mainly to higher yields; and

Lower cost of funds by \$2.5 million due to lower levels of borrowings and lower levels of brokered deposits.

Lower provision for loan losses by \$38.4 million, mainly due to lower loss trends and reserves for impaired loans and the impact of the net recoveries of \$5.4 million related to the bulk sale defined earlier;

Lower non-interest income by \$32.5 million, mainly due to lower income from mortgage banking activities by \$7.5 million due to an unfavorable variance in the MSR's valuation adjustment, which was partially offset by higher mortgage servicing fees, including those from the portfolio acquired from Doral Bank; lower provision for indemnity reserves by \$6.8 million and an unfavorable variance in the FDIC loss share (expense) income of \$38.9 million; partially offset by lower other-than-temporary impairment losses on investment securities by \$14.2 million as previously discussed;

Lower operating expenses by \$46.9 million, mainly due to lower OREO expenses by \$41.7 million, reflecting the loss of \$22.0 million on the bulk sale mentioned earlier and lower write-downs; lower other operating expenses by \$10.6 million due mainly to the property tax payments in 2015 mentioned above; partially offset by higher personnel cost by \$6.7 million due to higher salaries impacted by higher headcount as a result of the Doral Bank Transaction, and higher pension cost due to changes in actuarial assumptions; and

Higher income tax expense by \$8.4 million due to higher taxable income.

Banco Popular North America

For the quarter ended June 30, 2016, the reportable segment of Banco Popular North America reported net income of \$12.4 million, compared to net income from continuing operations of \$561.0 million for the same quarter of the previous year, impacted by the previously mentioned partial reversal of the valuation allowance of the deferred tax asset of \$544.9 million. Other factors that contributed to the variance in the financial results included the following:

Net interest income was \$65.5 million, an increase of \$3.6 million compared to the same quarter of the previous year. The net interest income improvement is mostly due to higher income from loans by \$8.3 million, mainly from commercial and consumer loans due to higher volumes as a result of purchases and originations. A higher level of mortgage-backed securities also contributed to the increase in the net interest income by \$1.6 million. This increase was partially offset by higher cost of funds by \$6.2 million driven by a higher volume of non-brokered time deposits and borrowings to fund loan growth. Net interest margin was 3.80% compared to 4.03% for the same quarter of the previous year;

Provision for loan losses was \$1.3 million, an increase of \$1.4 million compared to the reserve release of \$61 thousand for 2015;

Lower non-interest income by \$0.4 million, reflecting lower service fees and higher losses on sales of loans, partially offset by a favorable variance in the provision for indemnity reserve;

Lower operating expenses by \$4.6 million mainly due to restructuring costs of \$6.2 million in the second quarter of 2015 and lower FDIC insurance expense by \$1.1 million due to the improved risk profile of BPNA, partially offset by higher professional fees by \$1.9 million due to intercompany shared services fees, loan servicing fees and technology services charged by BPPR; and

Table of Contents

Unfavorable variance in income tax expense of \$554.9 million due to the above mentioned tax benefit of \$544.9 million recorded during the second quarter of 2015 as a result of the partial reversal of the valuation allowance on the deferred tax asset.

Net income from continuing operations for the six months ended June 30, 2016 amounted to \$24.3 million, compared to \$564.3 million for the same period of the previous year, largely due to the previously mentioned partial reversal of the valuation allowance of the deferred tax asset of \$544.9 million. Other factors that contributed to the variance in the financial results included the following:

Net interest income was \$127.8 million, an increase of \$13.7 million compared to the same period of the previous year. The increase in the net interest income is mostly due to higher income from loans by \$23.4 million, mainly from higher levels of commercial, construction and consumer loans, impacted by the loans acquired as part of the Doral Bank transaction on February 27, 2015, and other purchases as well as originations. Income from investment securities was also higher by \$2.1 million, mainly from higher levels of mortgage-backed securities. This increase was partially offset by higher cost of funds by \$11.7 million driven by a higher volume of non-brokered time deposits and borrowings to fund loan growth. Net interest margin was 3.76% compared to 3.94% for the same period of the previous year;

Provision for loan losses was \$5.4 million, an increase of \$7.6 million compared to the reserve release of \$2.3 million for 2015;

Lower non-interest income by \$1.6 million, reflecting lower service fees, lower other operating income and higher losses on sales of loans, partially offset by a favorable variance in the provision for indemnity reserve;

Lower operating expenses by \$18.0 million mainly due to restructuring costs of \$16.9 million during 2015 and lower OREO expenses by \$4.1 million due to lower write-downs; and

Unfavorable variance in income tax expense of \$562.5 million due to the above mentioned tax benefit of \$544.9 million recorded during the second quarter of 2015 as a result of the partial reversal of the valuation allowance on the deferred tax asset.

FINANCIAL CONDITION ANALYSIS

Assets

The Corporation's total assets were \$37.6 billion at June 30, 2016 compared to \$35.8 billion at December 31, 2015. Refer to the consolidated financial statements included in this report for the Corporation's consolidated statements of financial condition as of such dates.

Money market investments, trading and investment securities

Money market investments totaled \$2.8 billion at June 30, 2016, compared to \$2.2 billion at December 31, 2015. The increase was mainly at BPPR due to an increase in cash balances from deposits, partially offset by purchases of MBS and U.S. Treasury securities, as discussed below.

Trading account securities amounted to \$73 million at June 30, 2016, relatively flat when compared to \$72 million at December 31, 2015. Refer to the Market Risk section of this MD&A for a table that provides a breakdown of the trading portfolio by security type.

Investment securities available-for-sale and held-to-maturity amounted to \$7.3 billion at June 30, 2016, compared with \$6.2 billion at December 31, 2015. The increase of \$1.1 billion was mainly due to purchases of MBS at both BPPR and BPNA and purchases of U.S. Treasury securities at BPPR.

Table 6 provides a breakdown of the Corporation's portfolio of investment securities available-for-sale (AFS) and held-to-maturity (HTM) on a combined basis. Also, Notes 7 and 8 to the consolidated financial statements provide additional information with respect to the Corporation's investment securities AFS and HTM. The portfolio of obligations of the Puerto Rico Government is mainly comprised of securities with specific sources of income or revenues identified for repayments.

Table of Contents**Table 6 - Breakdown of Investment Securities Available-for-Sale and Held-to-Maturity**

(In thousands)	June 30, 2016	December 31, 2015
U.S. Treasury securities	\$ 1,624,776	\$ 1,183,328
Obligations of U.S. Government sponsored entities	773,841	939,641
Obligations of Puerto Rico, States and political subdivisions	123,079	121,176
Collateralized mortgage obligations	1,438,802	1,560,923
Mortgage-backed securities	3,367,243	2,344,196
Equity securities	2,520	2,398
Others	11,940	12,233
Total investment securities AFS and HTM	\$ 7,342,201	\$ 6,163,895

Loans

Refer to Table 7 for a breakdown of the Corporation's loan portfolio, the principal category of earning assets. Loans covered under the FDIC loss sharing agreements are presented separately in Table 7. The risks on covered loans are significantly different as a result of the loss protection provided by the FDIC. As of June 30, 2016, the Corporation's covered loans portfolio amounted to \$607 million, comprised mainly of residential mortgage loans.

Refer to Note 9 for detailed information about the Corporation's loan portfolio composition and loan purchases and sales.

The Corporation's total loan portfolio amounted to \$23.3 billion at June 30, 2016, compared to \$23.1 billion at December 31, 2015.

Table of Contents**Table 7 - Loans Ending Balances**

(In thousands)	June 30, 2016	December 31, 2015	Variance
Loans not covered under FDIC loss sharing agreements:			
Commercial	\$ 10,359,815	\$ 10,099,163	\$ 260,652
Construction	717,332	681,106	36,226
Legacy ^[1]	49,709	64,436	(14,727)
Lease financing	664,094	627,650	36,444
Mortgage	6,864,118	7,036,081	(171,963)
Consumer	3,885,593	3,837,679	47,914
Total non-covered loans held-in-portfolio	22,540,661	22,346,115	194,546
Loans covered under FDIC loss sharing agreements:			
Mortgage	589,256	627,102	(37,846)
Consumer	17,914	19,013	(1,099)
Total covered loans held-in-portfolio	607,170	646,115	(38,945)
Total loans held-in-portfolio	23,147,831	22,992,230	155,601
Loans held-for-sale:			
Commercial	39,544	45,074	(5,530)
Construction		95	(95)
Mortgage	82,794	91,831	(9,037)
Total loans held-for-sale	122,338	137,000	(14,662)
Total loans	\$ 23,270,169	\$ 23,129,230	\$ 140,939

[1] 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.

Non-covered loans

The non-covered loans held-in-portfolio increased by \$195 million to \$22.5 billion at June 30, 2016. The increase was mainly at BPNA by \$438 million, driven by growth in the commercial, construction and consumer loan portfolios, partially offset by a decrease of \$243 million at BPPR mainly due to lower originations of residential mortgages and the bulk sale of WB loans with a carrying value of approximately \$100 million.

The loans held-for-sale portfolio decreased by \$15 million from December 31, 2015, mainly at BPPR due mostly to lower originations of mortgage loans held-for-sale.

Covered loans

The covered loans portfolio amounted to \$607 million at June 30, 2016, compared to \$646 million at December 31, 2015. The decrease of \$39 million is mostly from residential mortgage loans due to loan resolutions and the normal portfolio run-off. Refer to Table 7 for a breakdown of the covered loans by major loan type categories.

Tables 8 and 9 provide the activity in the carrying amount and outstanding discount on the Westernbank loans accounted for under ASC 310-30. The outstanding accretable discount is impacted by increases in cash flow expectations on the loan pool based on quarterly revisions of the portfolio. The increase in the accretable discount is recognized as interest income using the effective yield method over the estimated life of each applicable loan pool.

Table of Contents**Table 8 - Activity in the Carrying Amount of Westernbank Loans Accounted for Under ASC 310-30**

(In thousands)	Quarter ended June 30,		Six months ended June 30,	
	2016 [1]	2015	2016	2015
Beginning balance	\$ 1,935,441	\$ 2,367,096	\$ 1,974,501	\$ 2,444,172
Accretion	48,476	53,994	92,009	109,691
Collections/loan sales/charge-offs ^[2]	(183,974)	(284,012)	(266,567)	(416,785)
Ending balance	\$ 1,799,943	\$ 2,137,078	\$ 1,799,943	\$ 2,137,078
Allowance for loan losses (ALLL)	(66,995)	(47,049)	(66,995)	(47,049)
Ending balance, net of ALLL	\$ 1,732,948	\$ 2,090,029	\$ 1,732,948	\$ 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.

Table 9 - Activity in the Accretable Yield on Westernbank Loans Accounted for Under ASC 310-30

(In thousands)	Quarter ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Beginning balance	\$ 1,128,808	\$ 1,258,948	\$ 1,112,458	\$ 1,271,337
Accretion [1]	(48,476)	(53,994)	(92,009)	(109,691)
Change in expected cash flows	(8,652)	40,970	51,231	84,278
Ending balance	\$ 1,071,680	\$ 1,245,924	\$ 1,071,680	\$ 1,245,924

[1] Positive to earnings, which is included in interest income.

FDIC loss share asset

Table 10 sets forth the activity in the FDIC loss share asset for the quarters and six months ended June 30, 2016 and 2015.

Table 10 Activity of Loss Share Asset

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(In thousands)	Quarters ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Balance at beginning of period	\$ 219,448	\$ 409,844	\$ 310,221	\$ 542,454
Amortization of loss-share indemnification asset	(4,036)	(31,065)	(8,078)	(58,381)
Credit impairment losses (reversal) to be covered under loss-sharing agreements	475	7,647	(1,618)	15,893
Reimbursable expenses	2,235	42,730	6,185	64,275
Recoveries on covered assets	(4,093)		(4,093)	
Net payments from FDIC under loss-sharing agreements		(32,158)	(88,588)	(164,423)
Other adjustments attributable to FDIC loss-sharing agreements		(4,051)		(6,871)
Balance at end of period	\$ 214,029	\$ 392,947	\$ 214,029	\$ 392,947

The FDIC loss share indemnification asset is recognized on the same basis as the assets subject to the loss share protection from the FDIC, except that the amortization / accretion terms differ. Decreases in expected reimbursements from the FDIC due to improvements in expected cash flows to be received from borrowers, as compared with the initial estimates, are recognized as a reduction to non-interest income prospectively over the life of the loss share agreements. This is because the indemnification asset balance is being reduced to the expected reimbursement amount from the FDIC. Table 11 presents the activity associated with the outstanding balance of the FDIC loss share asset amortization (or negative discount) for the periods presented.

Table of Contents**Table 11 - Activity in the Remaining FDIC Loss-Share Asset Discount**

(In thousands)	Quarters ended		Six months ended June 30,	
	June 30, 2016	2015	2016	2015
Balance at beginning of period ^[1]	\$ 25,205	\$ 38,687	\$ 26,100	\$ 53,095
Amortization of negative discount ^[2]	(4,036)	(31,065)	(8,078)	(58,381)
Impact of lower projected losses	2,022	20,871	5,169	33,779
Balance at end of period	\$ 23,191	\$ 28,493	\$ 23,191	\$ 28,493

[1] Positive balance represents negative discount (debit to assets), while a negative balance represents a discount (credit to assets).

[2] Amortization results in a negative impact to non-interest income, while a positive balance results in a positive impact to non-interest income, particularly FDIC loss-share (expense) income.

The Corporation revises its expected cash flows and estimated credit losses on a quarterly basis. The lowered loss estimates requires the Corporation to amortize the loss share asset to its currently lower expected collectible balance, thus resulting in negative accretion. Due to the shorter life of the indemnity asset compared with the expected life of the covered loans, this negative accretion temporarily offsets the benefit of higher cash flows accounted through the accretable yield on the loans.

Other real estate owned

Other real estate owned represents real estate property received in satisfaction of debt. At June 30, 2016, OREO increased to \$215 million from \$192 million at December 31, 2015 mainly at BPPR on residential properties, partially offset by the bulk sale of WB commercial OREOs with a book value of \$9 million during the second quarter of 2016. Refer to Note 14 to the consolidated financial statements for the activity in other real estate owned. The amounts included as covered other real estate are subject to the FDIC loss sharing agreements.

Other assets

Refer to Note 15 for a breakdown of the principal categories that comprise the caption of Other Assets in the consolidated statements of financial condition at June 30, 2016 and December 31, 2015. Other assets decreased by \$14 million from December 31, 2015 to June 30, 2016, due mostly to a decrease in the deferred tax asset, partially offset by an increase in guaranteed mortgage loan claims.

Goodwill

Goodwill increased by \$5 million from December 31, 2015 to June 30, 2016, due to a goodwill adjustment related to the Doral Bank Transaction. Refer to Note 16 to the consolidated financial statements for detailed information on the Corporation's goodwill.

Liabilities

The Corporation's total liabilities were \$32.2 billion at June 30, 2016 compared to \$30.7 billion at December 31, 2015. Refer to the Corporation's consolidated statements of financial condition included in this Form 10-Q.

Deposits and Borrowings

The composition of the Corporation's financing sources to total assets at June 30, 2016 and December 31, 2015 is included in Table 12.

Table of Contents**Table 12 - Financing to Total Assets**

(In millions)	June 30, 2016	December 31, 2015	% increase (decrease) from 2015 to 2016	% of total assets	
				2016	2015
Non-interest bearing deposits	\$ 6,531	\$ 6,402	2.0%	17.4%	17.9%
Interest-bearing core deposits	17,278	15,641	10.5	45.9	43.7
Other interest-bearing deposits	4,929	5,167	(4.6)	13.1	14.4
Fed funds purchased and repurchase agreements	821	762	7.7	2.2	2.1
Other short-term borrowings	31	1	N.M.	0.1	
Notes payable	1,576	1,663	(5.2)	4.2	4.7
Other liabilities	1,078	1,019	5.8	2.9	2.9
Liabilities from discontinued operations	2	2			
Stockholders equity	5,360	5,105	5.0	14.2	14.3

N.M. - Not meaningful.

Deposits

The Corporation's deposits totaled \$28.7 billion at June 30, 2016 compared to \$27.2 billion at December 31, 2015. The deposits increase of \$1.5 billion was mainly at BPPR by \$1.2 billion largely due to increases in government deposit accounts, NOW accounts and commercial checking accounts, partially offset by a decline in brokered CDs. Refer to Table 13 for a breakdown of the Corporation's deposits at June 30, 2016 and December 31, 2015.

Table 13 - Deposits Ending Balances

(In thousands)	June 30, 2016	December 31, 2015	Variance
Demand deposits [1]	\$ 8,106,291	\$ 7,221,238	\$ 885,053
Savings, NOW and money market deposits (non-brokered)	12,289,793	11,440,693	849,100
Savings, NOW and money market deposits (brokered)	387,026	382,424	4,602
Time deposits (non-brokered)	7,570,673	7,274,157	296,516
Time deposits (brokered CDs)	384,073	891,211	(507,138)
Total deposits	\$ 28,737,856	\$ 27,209,723	\$ 1,528,133

[1] Includes interest and non-interest bearing demand deposits.

Borrowings

The Corporation's borrowings remained flat at \$2.4 billion at June 30, 2016 and December 31, 2015. Refer to Note 18 to the consolidated financial statements for detailed information on the Corporation's borrowings. Also, refer to the Liquidity section in this MD&A for additional information on the Corporation's funding sources.

Stockholders' Equity

Stockholders' equity totaled \$5.4 billion at June 30, 2016, compared with \$5.1 billion at December 31, 2015. The increase resulted from the Corporation's net income of \$174 million for the six months ended June 30, 2016, a favorable variance of \$108 million in unrealized gains on securities available-for-sale, partially offset by payments of dividends of \$31.1 million on common stock of \$0.15 per share and \$1.9 million in dividends on preferred stock. Refer to the consolidated statements of financial condition, comprehensive income and of changes in stockholders' equity for information on the composition of stockholders' equity.

Table of Contents**REGULATORY CAPITAL**

The Corporation, BPPR and BPNA are subject to Basel III capital requirements, which are effective since January 1, 2015. Basel III capital requirements include a revised minimum and well capitalized regulatory capital ratios and compliance with the standardized approach for determining risk-weighted assets. As of June 30, 2016, the Corporation continues to exceed the well-capitalized adequacy requirements promulgated by the U.S. federal bank regulatory agencies.

Basel III capital rules require the phase out of non-qualifying Tier 1 capital instruments such as trust preferred securities. At June 30, 2016, the Corporation had \$427 million in trust preferred securities outstanding which no longer qualified for Tier 1 capital treatment, but instead qualify for Tier 2 capital treatment. At December 31, 2015, approximately \$107 million of these trust preferred securities outstanding still qualified as Tier I capital.

As part of the adoption of Basel III Capital Rules, the Corporation, as well as its banking subsidiaries, made the one-time permanent election to exclude the effects on regulatory capital computations of certain accumulated other comprehensive income (loss) (AOCI) items as permitted under the Basel III capital rules.

Risk-based capital ratios presented in Table 14, which include common equity tier 1, Tier 1 capital, total capital and leverage capital as of June 30, 2016, are calculated based on the Basel III regulatory guidance related to the measurement of capital, risk-weighted assets and average assets.

Table 14 - Capital Adequacy Data

(Dollars in thousands)	June 30, 2016	December 31, 2015
Common equity tier 1 capital:		
Common stockholders equity - GAAP basis	\$ 5,309,671	\$ 5,055,164
AOCI related adjustments due to opt-out election	107,542	220,956
Goodwill, net of associated deferred tax liability (DTL)	(563,661)	(564,323)
Intangible assets, net of associated DTLs	(29,222)	(22,222)
Deferred tax assets and other deductions	(755,566)	(639,999)
Common equity tier 1 capital	\$ 4,068,764	\$ 4,049,576
Additional tier 1 capital:		
Preferred stock	50,160	50,160
Trust preferred securities subject to phase out of additional tier 1		106,650
Other additional tier 1 capital deductions	(50,160)	(156,810)
Tier 1 capital	\$ 4,068,764	\$ 4,049,576
Tier 2 capital:		
	426,602	319,952

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Trust preferred securities subject to phase in
as tier 2

Other inclusions (deductions), net	321,549	322,881
Tier 2 capital	\$ 748,151	\$ 642,833
Total risk-based capital	\$ 4,816,915	\$ 4,692,409
Minimum total capital requirement to be well capitalized	\$ 2,497,201	\$ 2,498,714
Excess total capital over minimum well capitalized	\$ 2,319,714	\$ 2,193,695
Total risk-weighted assets	\$ 24,972,007	\$ 24,987,144
Total assets for leverage ratio	\$ 36,031,888	\$ 34,253,625
Risk-based capital ratios:		
Common equity tier 1 capital	16.29%	16.21%
Tier 1 capital	16.29	16.21
Total capital	19.29	18.78
Tier 1 leverage	11.29	11.82

Table of Contents

The Basel III Capital Rules provide that a depository institution will be deemed to be well capitalized if it maintains a leverage ratio of at least 5%, a common equity Tier 1 ratio of at least 6.5%, a Tier 1 capital ratio of at least 8% and a total risk-based ratio of at least 10%. Management has determined that as of June 30, 2016, the Corporation, BPPR and BPNA were well-capitalized under Basel III Capital Rules.

The slight increase in the common equity tier I capital ratio and tier I capital ratio on June 30, 2016 as compared to December 31, 2015 was mostly due to the six months period earnings partially offset by the complete phase out of the trust preferred securities under Basel III which at December 31, 2015 allowed approximately \$107 million to be included as tier I capital. Total capital ratio was not negatively impacted by the phase out of the trust preferred securities because they qualified as tier 2 capital and therefore continued to be included as part of the total capital ratio. The decrease in leverage ratio was mainly due to the increase in average total assets. Refer to Table 1, Financial Condition Highlights, for information of average assets and to the Financial Condition Analysis section of this MD&A for a discussion of significant variances in assets.

Non-GAAP financial measures

The tangible common equity ratio, tangible assets and tangible book value per common share, which are presented in the table that follows, are non-GAAP measures. Management and many stock analysts use the tangible common equity ratio and tangible book value per common share in conjunction with more traditional bank capital ratios to compare the capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, typically stemming from the use of the purchase accounting method of accounting for mergers and acquisitions. Neither tangible common equity nor tangible assets or related measures should be considered in isolation or as a substitute for stockholders' equity, total assets or any other measure calculated in accordance with generally accepted accounting principles in the United States of America (GAAP). Moreover, the manner in which the Corporation calculates its tangible common equity, tangible assets and any other related measures may differ from that of other companies reporting measures with similar names.

Table 15 provides a reconciliation of total stockholders' equity to tangible common equity and total assets to tangible assets as of June 30, 2016, and December 31, 2015.

Table 15 - Reconciliation of Tangible Common Equity and Tangible Assets

(In thousands, except share or per share information)	June 30, 2016	December 31, 2015
Total stockholders' equity	\$ 5,359,831	\$ 5,105,324
Less: Preferred stock	(50,160)	(50,160)
Less: Goodwill	(631,095)	(626,388)
Less: Other intangibles	(50,983)	(58,109)
Total tangible common equity	\$ 4,627,593	\$ 4,370,667
Total assets	\$ 37,606,148	\$ 35,761,733
Less: Goodwill	(631,095)	(626,388)
Less: Other intangibles	(50,983)	(58,109)
Total tangible assets	\$ 36,924,070	\$ 35,077,236

Tangible common equity to tangible assets	12.53%	12.46%
Common shares outstanding at end of period	103,703,041	103,618,976
Tangible book value per common share	\$ 44.62	\$ 42.18

OFF-BALANCE SHEET ARRANGEMENTS AND OTHER COMMITMENTS

In the ordinary course of business, the Corporation engages in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different than the full contract or notional amount of the transaction. As a provider of financial services, the Corporation routinely enters into commitments with off-balance sheet risk to meet the financial needs of its customers. These commitments may include loan commitments and standby letters of credit. These commitments are subject to the same credit policies and approval process used for on-balance sheet instruments. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position.

Table of Contents

Other types of off-balance sheet arrangements that the Corporation enters in the ordinary course of business include derivatives, operating leases and provision of guarantees, indemnifications, and representation and warranties. Refer to Note 22 for a detailed discussion related to the Corporation's obligations under credit recourse and representation and warranties arrangements.

Contractual Obligations and Commercial Commitments

The Corporation has various financial obligations, including contractual obligations and commercial commitments, which require future cash payments on debt and lease agreements. Also, in the normal course of business, the Corporation enters into contractual arrangements whereby it commits to future purchases of products or services from third parties. Obligations that are legally binding agreements, whereby the Corporation agrees to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time, are defined as purchase obligations.

Purchase obligations include major legal and binding contractual obligations outstanding at June 30, 2016, primarily for services, equipment and real estate construction projects. Services include software licensing and maintenance, facilities maintenance, supplies purchasing, and other goods or services used in the operation of the business. Generally, these contracts are renewable or cancelable at least annually, although in some cases the Corporation has committed to contracts that may extend for several years to secure favorable pricing concessions. Purchase obligations amounted to \$211 million at June 30, 2016 of which approximately 68% mature in 2016, 16% in 2017, 8% in 2018 and 8% thereafter.

The Corporation also enters into derivative contracts under which it is required either to receive or pay cash, depending on changes in interest rates. These contracts are carried at fair value on the consolidated statement of financial condition with the fair value representing the net present value of the expected future cash receipts and payments based on market rates of interest as of the statement of condition date. The fair value of the contract changes daily as interest rates change. The Corporation may also be required to post additional collateral on margin calls on the derivatives and repurchase transactions.

Refer to Note 18 for a breakdown of long-term borrowings by maturity.

The Corporation utilizes lending-related financial instruments in the normal course of business to accommodate the financial needs of its customers. The Corporation's exposure to credit losses in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit and commercial letters of credit is represented by the contractual notional amount of these instruments. The Corporation uses credit procedures and policies in making those commitments and conditional obligations as it does in extending loans to customers. Since many of the commitments may expire without being drawn upon, the total contractual amounts are not representative of the Corporation's actual future credit exposure or liquidity requirements for these commitments.

Table 16 presents the contractual amounts related to the Corporation's off-balance sheet lending and other activities at June 30, 2016.

Table 16 - Off-Balance Sheet Lending and Other Activities

(In millions)	Amount of commitment - Expiration Period	Total
Table of Contents		289

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	Remaining 2016	Years 2017 - 2018	Years 2019 - 2020	Years 2021 - thereafter	
Commitments to extend credit	\$ 5,796	\$ 1,341	\$ 109	\$ 76	\$ 7,322
Commercial letters of credit	2				2
Standby letters of credit	17	18			35
Commitments to originate or fund mortgage loans	20	5			25
Total	\$ 5,835	\$ 1,364	\$ 109	\$ 76	\$ 7,384

At June 30, 2016 and December 31, 2015, the Corporation maintained a reserve of approximately \$9 million and \$10 million, respectively, for probable losses associated with unfunded loan commitments related to commercial and consumer lines of credit. The estimated reserve is principally based on the expected draws on these facilities using historical trends and the application of the corresponding reserve factors determined under the Corporation's allowance for loan losses methodology. This reserve for unfunded loan commitments remains separate and distinct from the allowance for loan losses and is reported as part of other liabilities in the consolidated statement of financial condition.

Table of Contents

Refer to Note 23 to the consolidated financial statements for additional information on credit commitments and contingencies.

MARKET RISK

The financial results and capital levels of the Corporation are constantly exposed to market risk. Market risk represents the risk of loss due to adverse movements in market rates or financial asset prices, which include interest rates, foreign exchange rates, and bond and equity security prices; the failure to meet financial obligations coming due because of the inability to liquidate assets or obtain adequate funding; and the inability to easily unwind or offset specific exposures without significantly lowering prices because of inadequate market depth or market disruptions.

While the Corporation is exposed to various business risks, the risks relating to interest rate risk and liquidity are major risks that can materially impact future results of operations and financial condition due to their complexity and dynamic nature.

The Asset Liability Management Committee (ALCO) and the Corporate Finance Group are responsible for planning and executing the Corporation's market, interest rate risk, funding activities and strategy, and for implementing the policies and procedures approved by the Corporation's Risk Management Committee. In addition, the Risk Management Group independently monitors and reports adherence with established market and liquidity policies and recommends actions to enhance and strengthen controls surrounding interest, liquidity, and market risks. The ALCO generally meets on a weekly basis and reviews the Corporation's current and forecasted asset and liability levels as well as desired pricing strategies and other relevant financial management and interest rate and risks topics. Also, on a monthly basis the ALCO reviews various interest rate risk sensitivity metrics, ratios and portfolio information, including but not limited to, the Corporation's liquidity positions, projected sources and uses of funds, interest rate risk positions and economic conditions.

Interest rate risk (IRR), a component of market risk, is considered by management as a predominant market risk in terms of its potential impact on profitability or market value. Management utilizes various tools to assess IRR, including simulation modeling, static gap analysis, and Economic Value of Equity (EVE). The three methodologies complement each other and are used jointly in the evaluation of the Corporation's IRR. Simulation modeling is prepared for a five year period, which in conjunction with the EVE analysis, provides Management a better view of long term IRR.

Net interest income simulation analysis performed by legal entity and on a consolidated basis is a tool used by the Corporation in estimating the potential change in net interest income resulting from hypothetical changes in interest rates. Sensitivity analysis is calculated using a simulation model which incorporates actual balance sheet figures detailed by maturity and interest yields or costs. It is performed under a static balance sheet assumption, and the Corporation also runs scenarios that incorporate assumptions on balance sheet growth and expected changes in its composition, estimated prepayments in accordance with projected interest rates, pricing and maturity expectations on new volumes and other non-interest related data. It is a dynamic process, emphasizing future performance under diverse economic conditions.

Management assesses interest rate risk by comparing various net interest income simulations under different interest rate scenarios that differ in direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. For example, the types of rate scenarios processed during the year included economic most likely scenarios, flat rates, yield curve twists, parallel ramps and parallel shocks. Management also performs analyses to isolate and measure basis and prepayment risk exposures.

The asset and liability management group performs validation procedures on various assumptions used as part of the sensitivity analysis as well as validations of results on a monthly basis. In addition, the model and processes used to assess IRR are subject to third-party validations according to the guidelines established in the Model Governance and Validation policy. Due to the importance of critical assumptions in measuring market risk, the risk models incorporate third-party developed data for critical assumptions such as prepayment speeds on mortgage loans and mortgage-backed securities, estimates on the duration of the Corporation's deposits and interest rate scenarios.

The Corporation processes net interest income simulations under interest rate scenarios in which the yield curve is assumed to rise and decline instantaneously by the same amount. The rising rate scenarios considered in these market risk simulations reflect parallel changes of 200 and 400 basis points during the twelve-month period ending June 30, 2017. Under a 200 basis points rising rate scenario, 2016 projected net interest income increases by \$118 million, while under a 400 basis points rising rate scenario,

Table of Contents

2016 projected net interest income increases by \$230 million. These scenarios were compared against the Corporation's flat or unchanged interest rates forecast scenario. Simulation analyses are based on many assumptions, including relative levels of market interest rates, interest rate spreads, loan prepayments and deposit decay. Thus, they should not be relied upon as indicative of actual results. Further, the estimates do not contemplate actions that management could take to respond to changes in interest rates. By their nature, these forward-looking computations are only estimates and may be different from what may actually occur in the future.

The Corporation estimates the sensitivity of economic value of equity (EVE) to changes in interest rates. EVE is equal to the estimated present value of the Corporation's assets minus the estimated present value of the liabilities. This sensitivity analysis is a useful tool to measure long-term IRR because it captures the impact of up or down rate changes in expected cash flows, including principal and interest, from all future periods.

EVE sensitivity calculated using interest rate shock scenarios is estimated on a quarterly basis. The shock scenarios consist of a +/- 200 and 400 basis point parallel shocks. Management has defined limits for the increases/decreases in EVE sensitivity resulting from the shock scenarios.

The Corporation maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in net interest income or market value that are caused by interest rate volatility. The market value of these derivatives is subject to interest rate fluctuations and counterparty credit risk adjustments which could have a positive or negative effect in the Corporation's earnings.

The Corporation's loan and investment portfolios are subject to prepayment risk, which results from the ability of a third-party to repay debt obligations prior to maturity. Prepayment risk also could have a significant impact on the duration of mortgage-backed securities and collateralized mortgage obligations, since prepayments could shorten (or lower prepayments could extend) the weighted average life of these portfolios.

Trading

The Corporation engages in trading activities in the ordinary course of business at its subsidiaries, Banco Popular de Puerto Rico (BPPR) and Popular Securities. Popular Securities' trading activities consist primarily of market-making activities to meet expected customers' needs related to its retail securities brokerage business and purchases and sales of U.S. Government and government sponsored securities with the objective of realizing gains from expected short-term price movements. BPPR's trading activities consist primarily of holding U.S. Government sponsored mortgage-backed securities classified as trading and hedging the related market risk with TBA (to-be-announced) market transactions. The objective is to derive spread income from the portfolio and not to benefit from short-term market movements. In addition, BPPR uses forward contracts or TBAs to hedge its securitization pipeline. Risks related to variations in interest rates and market volatility is hedged with TBAs that have characteristics similar to that of the forecasted security and its conversion timeline.

At June 30, 2016, the Corporation held trading securities with a fair value of \$73 million, representing approximately 0.2% of the Corporation's total assets, compared with \$72 million and 0.2% at December 31, 2015. As shown in Table 17, the trading portfolio consists principally of mortgage-backed securities relating to BPPR's mortgage activities described above, which at June 30, 2016 were investment grade securities. As of June 30, 2016, the trading portfolio also included \$6.3 million in Puerto Rico government obligations and shares of Closed-end funds that invest primarily in Puerto Rico government obligations (December 31, 2015 - \$6.0 million). Trading instruments are recognized at fair value, with changes resulting from fluctuations in market prices, interest rates or exchange rates reported in current period earnings. The Corporation recognized a net trading account gain of \$1.1 million for the quarter ended June 30, 2016 and a trading account loss of \$3.1 million for the quarter ended June 30, 2015.

Table of Contents**Table 17 - Trading Portfolio**

(Dollars in thousands)	June 30, 2016		December 31, 2015	
	Amount	Weighted Average Yield [1]	Amount	Weighted Average Yield [1]
Mortgage-backed securities	\$ 52,370	4.72%	\$ 51,155	5.22%
Collateralized mortgage obligations	1,399	5.31	2,054	5.06
Puerto Rico government obligations	4,815	5.33	4,590	5.41
Interest-only strips	640	11.73	687	12.10
Other	13,306	2.39	13,173	3.31
Total	\$ 72,530	4.41%	\$ 71,659	4.94%

[1] Not on a taxable equivalent basis.

The Corporation's trading activities are limited by internal policies. For each of the two subsidiaries, the market risk assumed under trading activities is measured by the 5-day net value-at-risk (VAR), with a confidence level of 99%. The VAR measures the maximum estimated loss that may occur over a 5-day holding period, given a 99% probability.

The Corporation's trading portfolio had a 5-day VAR of approximately \$0.4 million for the last week in June 2016. There are numerous assumptions and estimates associated with VAR modeling, and actual results could differ from these assumptions and estimates. Backtesting is performed to compare actual results against maximum estimated losses, in order to evaluate model and assumptions accuracy.

In the opinion of management, the size and composition of the trading portfolio does not represent a significant source of market risk for the Corporation.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Corporation currently measures at fair value on a recurring basis its trading assets, available-for-sale securities, derivatives, mortgage servicing rights and contingent consideration. Occasionally, the Corporation may be required to record at fair value other assets on a nonrecurring basis, such as loans held-for-sale, impaired loans held-in-portfolio that are collateral dependent and certain other assets. These nonrecurring fair value adjustments typically result from the application of lower of cost or fair value accounting or write-downs of individual assets.

The fair value of assets and liabilities may include market or credit related adjustments, where appropriate. During the quarter ended June 30, 2016, inclusion of credit risk in the fair value of the derivatives resulted in a net gain of \$0.2 million recorded in the other operating income and interest expense captions of the consolidated statement of operations, which consisted of a gain of \$0.1 million resulting from the Corporation's own credit standing adjustment and a gain of \$0.1 million from the assessment of the counterparties' credit risk. During the six months ended June 30, 2016, inclusion of credit risk in the fair value of the derivatives resulted in a net gain of \$0.2 million recorded in the other operating income and interest expense captions of the consolidated statement of operations, which consisted of a gain of \$0.1 million resulting from the Corporation's own credit standing adjustment and a gain of \$0.1 million from the assessment of the counterparties' credit risk.

The Corporation categorizes its assets and liabilities measured at fair value under the three-level hierarchy. The level within the hierarchy is based on whether the inputs to the valuation methodology used for fair value measurement are observable.

Refer to Note 26 to the consolidated financial statements for information on the Corporation's fair value measurement disclosures required by the applicable accounting standard. At June 30, 2016, approximately \$ 7.3 billion, or 97%, of the assets measured at fair value on a recurring basis used market-based or market-derived valuation inputs in their valuation methodology and, therefore, were classified as Level 1 or Level 2. The majority of instruments measured at fair value were classified as Level 2, including U.S. Treasury securities, obligations of U.S. Government sponsored entities, obligations of Puerto Rico, States and political subdivisions, most mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs), and derivative instruments.

Broker quotes used for fair value measurements inherently reflect any lack of liquidity in the market since they represent an exit price from the perspective of the market participants. Financial assets that were fair valued using broker quotes amounted to \$ 16 million at June 30, 2016, of which \$ 7 million were Level 3 assets and \$ 9 million were Level 2 assets. Level 3 assets consisted

Table of Contents

principally of tax-exempt GNMA mortgage-backed securities. Fair value for these securities was based on an internally-prepared matrix derived from an average of two indicative local broker quotes. The main input used in the matrix pricing was non-binding local broker quotes obtained from limited trade activity. Therefore, these securities were classified as Level 3.

Refer to Note 34 to the consolidated financial statements in the 2015 Form 10-K for a description of the Corporation's valuation methodologies used for the assets and liabilities measured at fair value. Also, refer to the Critical Accounting Policies / Estimates in the 2015 Form 10-K for additional information on the accounting guidance and the Corporation's policies or procedures related to fair value measurements.

Inputs are evaluated to ascertain that they consider current market conditions, including the relative liquidity of the market. When a market quote for a specific security is not available, the pricing service provider generally uses observable data to derive an exit price for the instrument, such as benchmark yield curves and trade data for similar products. To the extent trading data is not available, the pricing service provider relies on specific information including dialogue with brokers, buy side clients, credit ratings, spreads to established benchmarks and transactions on similar securities, to draw correlations based on the characteristics of the evaluated instrument. If for any reason the pricing service provider cannot observe data required to feed its model, it discontinues pricing the instrument. During the quarter and six months ended June 30, 2016, none of the Corporation's investment securities were subject to pricing discontinuance by the pricing service providers. The pricing methodology and approach of our primary pricing service providers is concluded to be consistent with the fair value measurement guidance. In addition, during the quarter and six months ended June 30, 2016 the Corporation did not adjust any prices obtained from pricing service providers or broker dealers for its trading account securities and investment securities available-for-sale.

Furthermore, management assesses the fair value of its portfolio of investment securities at least on a quarterly basis, which includes analyzing changes in fair value that have resulted in losses that may be considered other-than-temporary. Factors considered include, for example, the nature of the investment, severity and duration of possible impairments, industry reports, sector credit ratings, economic environment, creditworthiness of the issuers and any guarantees.

Securities are classified in the fair value hierarchy according to product type, characteristics and market liquidity. At the end of each period, management assesses the fair value hierarchy for each asset or liability measured. The fair value measurement analysis performed by the Corporation includes validation procedures with alternate pricing sources when available and review of market changes, pricing methodology, assumption and level hierarchy changes, and evaluation of distressed transactions. Management has established materiality thresholds according to the investment class to monitor and investigate material deviations in prices obtained from the primary pricing service provider and the secondary pricing source used as support for the valuation results.

LIQUIDITY

The objective of effective liquidity management is to ensure that the Corporation has sufficient liquidity to meet all of its financial obligations, finance expected future growth and maintain a reasonable safety margin for cash commitments under both normal and stressed market conditions. The Board is responsible for establishing the Corporation's tolerance for liquidity risk, including approving relevant risk limits and policies. The Board has delegated the monitoring of these risks to the RMC and the ALCO. The management of liquidity risk, on a long-term and day-to-day basis, is the responsibility of the Corporate Treasury Division. The Corporation's Corporate Treasurer is responsible for implementing the policies and procedures approved by the Board and for monitoring the Corporation's liquidity position on an ongoing basis. Also, the Corporate Treasury Division coordinates corporate wide liquidity management strategies and activities with the reportable segments, oversees policy breaches and manages the

escalation process. The Financial and Operational Risk Management Division is responsible for the independent monitoring and reporting of adherence with established policies.

An institution's liquidity may be pressured if, for example, its credit rating is downgraded, it experiences a sudden and unexpected substantial cash outflow, or some other event causes counterparties to avoid exposure to the institution. Factors that the Corporation does not control, such as the economic outlook, adverse ratings of its principal markets and regulatory changes, could also affect its ability to obtain funding.

Liquidity is managed by the Corporation at the level of the holding companies that own the banking and non-banking subsidiaries. It is also managed at the level of the banking and non-banking subsidiaries. The Corporation has adopted policies and limits to monitor more effectively the Corporation's liquidity position and that of the banking subsidiaries. Additionally, contingency funding

Table of Contents

plans are used to model various stress events of different magnitudes and affecting different time horizons that assist management in evaluating the size of the liquidity buffers needed if those stress events occur. However, such models may not predict accurately how the market and customers might react to every event, and are dependent on many assumptions.

During the six months ended June 30, 2016, the Corporation declared quarterly dividends on its common stock of \$ 0.15 per share, for a total of \$ 31.1 million. The quarterly dividend declared to shareholders of record as of the close of business on June 10, 2016, which amounted to \$15.6 million, was paid on July 1, 2016.

As discussed in Note 5 - Business Combinations, on February 27, 2015 the Corporation acquired certain assets and all deposits (except brokered deposits) from Doral Bank. This included approximately \$ 1.5 billion in loans, approximately \$ 173 million in securities available for sale and \$ 2.2 billion in deposits.

Deposits, including customer deposits, brokered deposits and public funds deposits, continue to be the most significant source of funds for the Corporation, funding 76% of the Corporation's total assets at June 30, 2016 and December 31, 2015. The ratio of total ending loans to deposits was 81% at June 30, 2016, compared to 85% at December 31, 2015. In addition to traditional deposits, the Corporation maintains borrowing arrangements. At June 30, 2016, these borrowings consisted primarily of \$ 822 million in assets sold under agreement to repurchase, \$704 million in advances with the FHLB, \$439 million in junior subordinated deferrable interest debentures (net of debt issuance cost) related to trust preferred securities and \$ 444 million in term notes (net of debt issuance cost) issued to partially fund the repayment of TARP funds. A detailed description of the Corporation's borrowings, including their terms, is included in Note 18 to the consolidated financial statements. Also, the consolidated statements of cash flows in the accompanying consolidated financial statements provide information on the Corporation's cash inflows and outflows.

The following sections provide further information on the Corporation's major funding activities and needs, as well as the risks involved in these activities. A detailed description of the Corporation's borrowings and available lines of credit, including its terms, is included in Note 18 to the consolidated financial statements. Also, the consolidated statements of cash flows in the accompanying consolidated financial statements provide information on the Corporation's cash inflows and outflows.

Banking Subsidiaries

Primary sources of funding for the Corporation's banking subsidiaries (BPPR and BPNA), or the banking subsidiaries, include retail and commercial deposits, brokered deposits, unpledged investment securities, and, to a lesser extent, loan sales. In addition, the Corporation maintains borrowing facilities with the FHLB and at the discount window of the Fed, and has a considerable amount of collateral pledged that can be used to quickly raise funds under these facilities.

The principal uses of funds for the banking subsidiaries include loan originations, investment portfolio purchases, loan purchases and repurchases, repayment of outstanding obligations (including deposits), and operational expenses. Also, the banking subsidiaries assume liquidity risk related to collateral posting requirements for certain activities mainly in connection with contractual commitments, recourse provisions, servicing advances, derivatives, credit card licensing agreements and support to several mutual funds administered by BPPR.

During the six months ended June 30, 2016, BPPR declared a cash dividend of \$39.4 million, a portion of which was used by Popular, Inc. for the payment of the quarterly cash dividend on its outstanding common stock, as mentioned above.

Note 36 to the consolidated financial statements provides a consolidating statement of cash flows which includes the Corporation's banking subsidiaries as part of the "All other subsidiaries and eliminations" column.

The banking subsidiaries maintain sufficient funding capacity to address large increases in funding requirements such as deposit outflows. This capacity is comprised mainly of available liquidity derived from secured funding sources, as well as on-balance sheet liquidity in the form of cash balances maintained at the Federal Reserve and unused secured lines held at the Fed and FHLB, in addition to liquid unpledged securities. The Corporation has established liquidity guidelines that require the banking subsidiaries to have sufficient liquidity to cover all short-term borrowings and a portion of deposits.

The Corporation's ability to compete successfully in the marketplace for deposits, excluding brokered deposits, depends on various factors, including pricing, service, convenience and financial stability as reflected by operating results, credit ratings (by nationally recognized credit rating agencies), and importantly, FDIC deposit insurance. Although a downgrade in the credit ratings of the Corporation's banking subsidiaries may impact their ability to raise retail and commercial deposits or the rate that it is required to pay on such deposits, management does not believe that the impact should be material. Deposits at all of the Corporation's banking subsidiaries are federally insured (subject to FDIC limits) and this is expected to mitigate the potential effect of a downgrade in the credit ratings.

Table of Contents

Deposits are a key source of funding as they tend to be less volatile than institutional borrowings and their cost is less sensitive to changes in market rates. Refer to Table 13 for a breakdown of deposits by major types. Core deposits are generated from a large base of consumer, corporate and institutional customers. Core deposits include all non-interest bearing deposits, savings deposits and certificates of deposit under \$100,000, excluding brokered deposits with denominations under \$100,000. Core deposits have historically provided the Corporation with a sizable source of relatively stable and low-cost funds. Core deposits totaled \$ 23.8 billion, or 83% of total deposits, at June 30, 2016, compared with \$22.0 billion, or 81% of total deposits, at December 31, 2015. Core deposits financed 71% of the Corporation's earning assets at June 30, 2016, compared with 69% at December 31, 2015.

Certificates of deposit with denominations of \$100,000 and over at June 30, 2016 totaled \$ 4.2 billion, or 15% of total deposits (December 31, 2015 - \$4.2 billion, or 15% of total deposits). Their distribution by maturity at June 30, 2016 is presented in the table that follows:

Table 18 - Distribution by Maturity of Certificate of Deposits of \$100,000 and Over

(In thousands)	
3 months or less	\$ 1,673,787
3 to 6 months	485,353
6 to 12 months	638,152
Over 12 months	1,434,944
Total	\$ 4,232,236

At June 30, 2016 approximately 2% of the Corporation's assets were financed by brokered deposits, as compared to 4% at December 31, 2015. The Corporation had \$ 771 million in brokered deposits at June 30, 2016, compared with \$1.3 billion at December 31, 2015. In the event that any of the Corporation's banking subsidiaries' regulatory capital ratios fall below those required by a well-capitalized institution or are subject to capital restrictions by the regulators, that banking subsidiary faces the risk of not being able to raise or maintain brokered deposits and faces limitations on the rate paid on deposits, which may hinder the Corporation's ability to effectively compete in its retail markets and could affect its deposit raising efforts.

To the extent that the banking subsidiaries are unable to obtain sufficient liquidity through core deposits, the Corporation may meet its liquidity needs through short-term borrowings by pledging securities for borrowings under repurchase agreements, by pledging additional loans and securities through the available secured lending facilities, or by selling liquid assets. These measures are subject to availability of collateral.

The Corporation's banking subsidiaries have the ability to borrow funds from the FHLB. At June 30, 2016 and December 31, 2015, the banking subsidiaries had credit facilities authorized with the FHLB aggregating to \$4.1 billion and \$3.9 billion, respectively, based on assets pledged with the FHLB at those dates. Outstanding borrowings under these credit facilities totaled \$704 million at June 30, 2016 and \$762 million at December 31, 2015. Such advances are collateralized by loans held-in-portfolio, do not have restrictive covenants and do not have any callable features. At June 30, 2016 the credit facilities authorized with the FHLB were collateralized by \$5.0 billion in loans held-in-portfolio, compared with \$4.7 billion at December 31, 2015. Refer to Note 18 to the consolidated financial statements for additional information on the terms of FHLB advances outstanding.

At June 30, 2016 and December 31, 2015, the Corporation's borrowing capacity at the Fed's Discount Window amounted to approximately \$1.3 billion which remained unused as of both dates. This facility is a collateralized source of credit that is highly reliable even under difficult market conditions. The amount available under this borrowing facility is dependent upon the balance of performing loans, securities pledged as collateral and the haircuts assigned to such collateral. At June 30, 2016 and December 31, 2015, this credit facility with the Fed was collateralized by \$2.4 billion and \$2.5 billion, respectively, in loans held-in-portfolio.

At June 30, 2016, management believes that the banking subsidiaries had sufficient current and projected liquidity sources to meet their anticipated cash flow obligations, as well as special needs and off-balance sheet commitments, in the ordinary course of business and have sufficient liquidity resources to address a stress event. Although the banking subsidiaries have historically been able to replace maturing deposits and advances if desired, no assurance can be given that they would be able to replace those funds in the future if the Corporation's financial condition or general market conditions were to deteriorate. The Corporation's financial flexibility will be severely constrained if its banking subsidiaries are unable to maintain access to funding or if adequate financing is not available to accommodate future financing needs at acceptable interest rates. The banking subsidiaries also are

Table of Contents

required to deposit cash or qualifying securities to meet margin requirements. To the extent that the value of securities previously pledged as collateral declines because of market changes, the Corporation will be required to deposit additional cash or securities to meet its margin requirements, thereby adversely affecting its liquidity. Finally, if management is required to rely more heavily on more expensive funding sources to meet its future growth, revenues may not increase proportionately to cover costs. In this case, profitability would be adversely affected.

Bank Holding Companies

The principal sources of funding for the holding companies include cash on hand, investment securities, dividends received from banking and non-banking subsidiaries (subject to regulatory limits and authorizations) asset sales, credit facilities available from affiliate banking subsidiaries and proceeds from potential securities offerings.

The principal use of these funds include the repayment of debt, and interest payments to holders of senior debt and junior subordinated deferrable interest (related to trust preferred securities) and capitalizing its banking subsidiaries.

During six months ended June 30, 2016, PIHC received \$39.4 million in dividends from BPPR and \$ 2.3 million in dividends from EVERTEC's parent company. PIHC also received \$14.5 million in dividends from its non-banking subsidiaries. In addition, during the six months ended June 30, 2016 the holding companies received \$12.1 million in dividends from its investment in BHD Leon.

Another use of liquidity at the parent holding company is the payment of dividends on its outstanding stock. During the six months ended June 30, 2016, the Corporation declared quarterly dividends on its common stock of \$ 0.15 per share, for a total of \$ 31.1 million. The dividends for the Corporation's Series A and Series B preferred stock amounted to \$ 1.9 million for the six months ended June 30, 2016.

The BHC's have in the past borrowed in the money markets and in the corporate debt market primarily to finance their non-banking subsidiaries, however, the cash needs of the Corporation's non-banking subsidiaries other than to repay indebtedness and interest are now minimal. These sources of funding have become more costly due to the reductions in the Corporation's credit ratings. The Corporation's principal credit ratings are below investment grade which affects the Corporation's ability to raise funds in the capital markets. The Corporation has an automatic shelf registration statement filed and effective with the Securities and Exchange Commission, which permits the Corporation to issue an unspecified amount of debt or equity securities.

Note 36 to the consolidated financial statements provides a statement of condition, of operations and of cash flows for the two BHC's. The loans held-in-portfolio in such financial statements is principally associated with intercompany transactions.

The outstanding balance of notes payable at the BHC's amounted to \$883 million at June 30, 2016 and \$882 million at December 31, 2015, net of debt issuance cost. The repayment of the BHC's obligations represents a potential cash need which is expected to be met with a combination of internal liquidity resources stemming mainly from future dividend receipts and new borrowings.

The contractual maturities of the BHC's notes payable at June 30, 2016 are presented in Table 19.

Table 19 - Distribution of BHC's Notes Payable by Contractual Maturity

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Year	(In thousands)
2016	\$
2017	
2018	
2019	443,746
2020	
Later years	439,310
Total	\$ 883,056

As indicated previously, the BHC did not issue new registered debt in the capital markets during the quarter ended June 30, 2016.

The BHCs liquidity position continues to be adequate with sufficient cash on hand, investments and other sources of liquidity which are expected to be enough to meet all BHCs obligations during the foreseeable future.

Non-banking subsidiaries

The principal sources of funding for the non-banking subsidiaries include internally generated cash flows from operations, loan sales, repurchase agreements, and borrowed funds from their direct parent companies or the holding companies. The principal uses

Table of Contents

of funds for the non-banking subsidiaries include repayment of maturing debt, operational expenses and payment of dividends to the BHCs. The liquidity needs of the non-banking subsidiaries are minimal since most of them are funded internally from operating cash flows or from intercompany borrowings from their holding companies, BPPR or BPNA.

Other Funding Sources and Capital

The investment securities portfolio provides an additional source of liquidity, which may be realized through either securities sales or repurchase agreements. The Corporation's investment securities portfolio consists primarily of liquid U.S. government investment securities, sponsored U.S. agency securities, government sponsored mortgage-backed securities, and collateralized mortgage obligations that can be used to raise funds in the repo markets. The availability of the repurchase agreement would be subject to having sufficient unpledged collateral available at the time the transactions are to be consummated, in addition to overall liquidity and risk appetite of the various counterparties. The Corporation's unpledged investment and trading securities, excluding other investment securities, amounted to \$ 2.8 billion at June 30, 2016 and \$3.0 billion at December 31, 2015. A substantial portion of these securities could be used to raise financing quickly in the U.S. money markets or from secured lending sources.

Additional liquidity may be provided through loan maturities, prepayments and sales. The loan portfolio can also be used to obtain funding in the capital markets. In particular, mortgage loans and some types of consumer loans, have secondary markets which the Corporation could use.

Risks to Liquidity

Total lines of credit outstanding are not necessarily a measure of the total credit available on a continuing basis. Some of these lines could be subject to collateral requirements, standards of creditworthiness, leverage ratios and other regulatory requirements, among other factors. Derivatives, such as those embedded in long-term repurchase transactions or interest rate swaps, and off-balance sheet exposures, such as recourse, performance bonds or credit card arrangements, are subject to collateral requirements. As their fair value increases, the collateral requirements may increase, thereby reducing the balance of unpledged securities.

The importance of the Puerto Rico market for the Corporation is an additional risk factor that could affect its financing activities. In the case of a deterioration in economic conditions in Puerto Rico, the credit quality of the Corporation could be affected and result in higher credit costs. The Puerto Rico economy continues to face various challenges, including significant pressures in some sectors of the residential real estate market. Refer to the Geographic and Government Risk section of this MD&A for some highlights on the current status of the Puerto Rico economy.

Factors that the Corporation does not control, such as the economic outlook and credit ratings of its principal markets and regulatory changes, could also affect its ability to obtain funding. In order to prepare for the possibility of such scenario, management has adopted contingency plans for raising financing under stress scenarios when important sources of funds that are usually fully available are temporarily unavailable. These plans call for using alternate funding mechanisms, such as the pledging of certain asset classes and accessing secured credit lines and loan facilities put in place with the FHLB and the Fed.

The credit ratings of Popular's debt obligations are a relevant factor for liquidity because they impact the Corporation's ability to borrow in the capital markets, its cost and access to funding sources. Credit ratings are based on the financial strength, credit quality and concentrations in the loan portfolio, the level and volatility of earnings, capital adequacy, the quality of management, the liquidity of the balance sheet, the availability of a significant base of core retail and commercial deposits, and the Corporation's ability to access a broad array of wholesale funding sources, among other

factors.

The Corporation's banking subsidiaries have historically not used unsecured capital market borrowings to finance its operations, and therefore are less sensitive to the level and changes in the Corporation's overall credit ratings. At the BHCs, the volume of capital market borrowings has declined substantially, as the non-banking lending businesses that it had historically funded have been shut down and the need to raise unsecured senior debt has been substantially reduced.

Obligations Subject to Rating Triggers or Collateral Requirements

The Corporation's banking subsidiaries currently do not use borrowings that are rated by the major rating agencies, as these banking subsidiaries are funded primarily with deposits and secured borrowings. The banking subsidiaries had \$20 million in deposits at June 30, 2016 that are subject to rating triggers.

Some of the Corporation's derivative instruments include financial covenants tied to the bank's well-capitalized status and certain formal regulatory actions. These agreements could require exposure collateralization, early termination or both. The fair value of derivative instruments in a liability position subject to financial covenants approximated \$2 million at June 30, 2016, with the Corporation providing collateral totaling \$4 million to cover the net liability position with counterparties on these derivative instruments.

Table of Contents

In addition, certain mortgage servicing and custodial agreements that BPPR has with third parties include rating covenants. In the event of a credit rating downgrade, the third parties have the right to require the institution to engage a substitute cash custodian for escrow deposits and/or increase collateral levels securing the recourse obligations. Also, as discussed in the Guarantees section of this MD&A, the Corporation services residential mortgage loans subject to credit recourse provisions. Certain contractual agreements require the Corporation to post collateral to secure such recourse obligations if the institution's required credit ratings are not maintained. Collateral pledged by the Corporation to secure recourse obligations amounted to approximately \$71 million at June 30, 2016. The Corporation could be required to post additional collateral under the agreements. Management expects that it would be able to meet additional collateral requirements if and when needed. The requirements to post collateral under certain agreements or the loss of escrow deposits could reduce the Corporation's liquidity resources and impact its operating results.

CREDIT RISK MANAGEMENT AND LOAN QUALITY***Non-Performing Assets***

Non-performing assets include primarily past-due loans that are no longer accruing interest, renegotiated loans, and real estate property acquired through foreclosure. A summary, including certain credit quality metrics, is presented in Table 20.

On June 30, 2015, the shared-loss arrangement under the commercial loss share agreement with the FDIC related to the loans acquired from Westernbank as part of the FDIC assisted transaction in 2010 expired. Loans and OREOs that remain covered under the terms of the single-family loss share agreement continue to be presented as covered assets in the accompanying tables and credit metrics as of June 30, 2016.

Because of the application of ASC Subtopic 310-30 to the Westernbank acquired loans and the loss protection provided by the FDIC which limits the risks on the covered loans, the Corporation has determined to provide certain quality metrics in this MD&A that exclude such covered loans to facilitate the comparison between loan portfolios and across periods. The Corporation believes the inclusion of these loans in certain asset quality ratios in the numerator or denominator (or both) would result in a distortion to these ratios. In addition, because charge-offs related to the acquired loans are recorded against the non-accretable balance, the net charge-off ratio including the acquired loans is lower for the single-family loan portfolios which includes covered loans. The inclusion of these loans in the asset quality ratios could result in a lack of comparability across periods, and could negatively impact comparability with other portfolios that were not impacted by acquisition accounting. The Corporation believes that the presentation of asset quality measures, excluding covered loans and related amounts from both the numerator and denominator, provides a better perspective into underlying trends related to the quality of its loan portfolio.

Despite challenging economic and fiscal conditions in Puerto Rico, non-performing assets remained stable during the second quarter of 2016. Total non-performing assets, including covered, were \$836 million at June 30, 2016, decreasing by \$7 million, or 1%, from December 31, 2015, driven by lower non-performing loans, including held-for-sale, by \$30 million, in part offset by higher OREOs by \$23 million. Non-covered non-performing loans held-in-portfolio decreased by \$24 million when compared to December 31, 2015, mainly driven by lower mortgage and commercial non-performing loans by \$13 million and \$6 million, respectively. Non-performing mortgage loans decrease was mostly driven by improvements in the BPPR mortgage portfolio due to the improved collection efforts. At June 30, 2016, NPLs to total loans held-in-portfolio was 2.6% compared to 2.7% in December 31, 2015.

At June 30, 2016, non-performing loans secured by real estate held-in-portfolio, excluding covered loans, amounted to \$485 million in the Puerto Rico operations and \$23 million in the U.S. operations. These figures compare to \$504

million in the Puerto Rico operations and \$22 million in the U.S. operations at December 31, 2015. In addition to the non-performing loans included in Table 20 at June 30, 2016, there were \$159 million of non-covered performing loans, mostly commercial loans, which in management's opinion, are currently subject to potential future classification as non-performing and are considered impaired, compared with \$160 million at December 31, 2015.

Table of Contents**Table 20 - Non-Performing Assets**

(Dollars in thousands)	June 30, 2016	As a % of loans HIP by category [4]	December 31, 2015	As a % of loans HIP by category [4]
Commercial	\$ 175,615	1.7%	\$ 181,816	1.8%
Construction	2,523	0.4	3,550	0.5
Legacy ^[1]	3,839	7.7	3,649	5.7
Leasing	3,019	0.5	3,009	0.5
Mortgage	338,048	4.9	351,471	5.0
Consumer	54,695	1.4	58,304	1.5
Total non-performing loans held-in- portfolio, excluding covered loans	577,739	2.6%	601,799	2.7%
Non-performing loans held-for-sale ^[2]	39,544		45,169	
Other real estate owned (OREO), excluding covered OREO	177,025		155,231	
Total non-performing assets, excluding covered assets	\$ 794,308		\$ 802,199	
Covered loans and OREO ^[3]	41,466		40,571	
Total non-performing assets	\$ 835,774		\$ 842,770	
Accruing loans past due 90 days or more ^{[5] [6]}	\$ 413,319		\$ 446,725	
Ratios excluding covered loans:^[7]				
Non-performing loans held-in-portfolio to loans held-in-portfolio	2.56%		2.69%	
Allowance for loan losses to loans held-in-portfolio	2.30		2.25	
Allowance for loan losses to non-performing loans, excluding held-for-sale	89.68		83.57	
Ratios including covered loans:				
Non-performing assets to total assets	2.22%		2.36%	
Non-performing loans held-in-portfolio to loans held-in-portfolio	2.51		2.63	
Allowance for loan losses to loans held-in-portfolio	2.37		2.34	
Allowance for loan losses to non-performing loans, excluding held-for-sale	94.41		88.68	

HIP = held-in-portfolio

- [1] 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.
- [2] Non-performing loans held-for-sale consist \$40 million in commercial loans as of June 30, 2016 (December 31, 2015 - \$45 million in commercial loans and \$95 thousand in construction loans).
- [3] The amount consists of \$3 million in non-performing covered loans accounted for under ASC Subtopic 310-20 and \$38 million in covered OREO as of June 30, 2016 (December 31, 2015 - \$4 million and \$37 million, respectively). It excludes covered loans accounted for under ASC Subtopic 310-30 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.
- [4] Loans held-in-portfolio used in the computation exclude \$607 million in covered loans at June 30, 2016 (December 31, 2015 - \$646 million).
- [5] The carrying value of loans accounted for under ASC Sub-topic 310-30 that are contractually 90 days or more past due was \$280 million at June 30, 2016 (December 31, 2015 - \$349 million). This amount is excluded from the above table as the loans' accretable yield interest recognition is independent from the underlying contractual loan delinquency status.
- [6] 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 insured by FHA or guaranteed by the VA that are no longer accruing interest as of June 30, 2016 (December 31, 2015 - \$164 million). Furthermore, the Corporation has approximately \$63 million in reverse mortgage loans 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 (December 31, 2015 - \$70 million).
- [7] These asset quality ratios have been adjusted to remove the impact of covered loans and covered foreclosed property. Appropriate adjustments to the numerator and denominator have been reflected in the calculation of these ratios. Management believes the inclusion of acquired loans in certain asset quality ratios that include non-performing assets, past due loans or net charge-offs in the numerator and denominator results in distortions of these ratios and they may not be comparable to other periods presented or to other portfolios that were not impacted by purchase accounting.

Table of Contents**Table 21 - Activity in Non-Performing Loans Held-in-Portfolio (Excluding Consumer and Covered Loans)**

(Dollars in thousands)	For the quarter ended June 30, 2016			For the six months ended June 30, 2016		
	BPPR	BPNA	Popular, Inc.	BPPR	BPNA	Popular, Inc.
Beginning balance	\$ 508,747	\$ 31,778	\$ 540,525	\$ 519,385	\$ 21,101	\$ 540,486
Plus:						
New non-performing loans	105,903	9,338	115,241	206,446	32,597	239,043
Advances on existing non-performing loans		8	8		11	11
Less:						
Non-performing loans transferred to OREO	(14,336)	(445)	(14,781)	(24,969)	(445)	(25,414)
Non-performing loans charged-off	(25,875)	(438)	(26,313)	(41,823)	(1,095)	(42,918)
Loans returned to accrual status / loan collections	(75,774)	(18,881)	(94,655)	(160,374)	(30,809)	(191,183)
Ending balance NPLs	\$ 498,665	\$ 21,360	\$ 520,025	\$ 498,665	\$ 21,360	\$ 520,025

Table 22 - Activity in Non-Performing Loans Held-in-Portfolio (Excluding Consumer and Covered Loans)

(Dollars in thousands)	For the quarter ended June 30, 2015			For the six months ended June 30, 2015		
	BPPR	BPNA	Popular, Inc.	BPPR	BPNA	Popular, Inc.
Beginning balance	\$ 597,999	\$ 20,556	\$ 618,555	\$ 567,351	\$ 13,144	\$ 580,495
Plus:						
New non-performing loans	102,647	16,991	119,638	237,914	32,253	270,167
Advances on existing non-performing loans		397	397		430	430
Other	8,075		8,075	8,075		8,075
Less:						
Non-performing loans transferred to OREO	(11,865)	(314)	(12,179)	(17,779)	(314)	(18,093)
Non-performing loans charged-off	(59,802)	(1,151)	(60,953)	(76,335)	(1,841)	(78,176)
Loans returned to accrual status / loan collections	(89,130)	(8,179)	(97,309)	(171,302)	(17,410)	(188,712)
Loans transferred to held-for-sale	(44,996)		(44,996)	(44,996)	2,038	(42,958)
Ending balance NPLs	\$ 502,928	\$ 28,300	\$ 531,228	\$ 502,928	\$ 28,300	\$ 531,228

For the quarter ended June 30, 2016, total non-performing loan inflows, excluding consumer loans, decreased by \$5 million, or 4%, when compared to the inflows for the same quarter in 2015. Inflows of non-performing loans held-in-portfolio at the BPPR segment remained stable, increasing slightly by \$3 million, or 3%, compared to the inflows for the second quarter of 2015, mostly related to higher commercial inflows by \$9 million, in part offset by

lower mortgage inflows by \$6 million. Inflows of non-performing loans held-in-portfolio at the BPNA segment decreased by \$8 million or 46%, from the same period in 2015, mostly due to lower mortgage inflows by \$5 million. Refer to Tables 21 and 22 for more information in the non-performing loans activity for the quarters and six months periods ended June 30, 2016 and 2015.

Table of Contents

Refer to Table 23 for a summary of the activity in the allowance for loan losses and selected loan losses statistics for the quarters ended June 30, 2016 and 2015.

Table 23 - Allowance for Loan Losses and Selected Loan Losses Statistics - Quarterly Activity

(Dollars in thousands)	Quarters ended June 30,					
	2016 Non-covered loans	2016 Covered loans	2016 Total	2015 Non-covered loans	2015 Covered loans	2015 Total
Balance at beginning of period	\$ 508,427	\$ 30,045	\$ 538,472	\$ 516,224	\$ 72,473	\$ 588,697
Provision for loan losses	39,668	804	40,472	60,468	15,766	76,234
	548,095	30,849	578,944	576,692	88,239	664,931
Charged-offs:						
Commercial	24,879		24,879	23,755	23,697	47,452
Construction	1,531		1,531	2,194	16,040	18,234
Leases	879		879	1,693		1,693
Legacy ^[1]	134		134	480		480
Mortgage	14,082	884	14,966	11,701	520	12,221
Consumer	28,673	(427)	28,246	27,157	767	27,924
	70,178	457	70,635	66,980	41,024	108,004
Recoveries:						
Commercial	20,497		20,497	7,575	3,864	11,439
Construction	4,757		4,757	473	1,425	1,898
Leases	445		445	720		720
Legacy ^[1]	1,027		1,027	450		450
Mortgage	602	185	787	786	342	1,128
Consumer	7,449	4	7,453	10,534	88	10,622
	34,777	189	34,966	20,538	5,719	26,257
Net loans charged-offs (recovered):						
Commercial	4,382		4,382	16,180	19,833	36,013
Construction	(3,226)		(3,226)	1,721	14,615	16,336
Leases	434		434	973		973
Legacy ^[1]	(893)		(893)	30		30
Mortgage	13,480	699	14,179	10,915	178	11,093
Consumer	21,224	(431)	20,793	16,623	679	17,302
	35,401	268	35,669	46,442	35,305	81,747
Allowance transferred from covered to non-covered loans ^[2]				13,037	(13,037)	

Net recoveries (write-downs) ^[3]	5,445	5,445	(30,548)	(1,823)	(32,371)	
Balance at end of period	\$ 518,139	\$ 30,581	\$ 548,720	\$ 512,739	\$ 38,074	\$ 550,813
Ratios:						
Annualized net charge-offs to average loans held-in-portfolio ^[4]	0.63%	0.62%	0.89%		1.41%	
Provision for loan losses to net charge-offs ^[4]	1.27x	1.29x	1.28x		0.92x	

[1] 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.

[2] Represents the allowance transfer of covered to non-covered loans at June 30, 2015.

[3] Net recoveries (write-downs) are related to loans sold or reclassified to held-for-sale.

[4] Excluding provision for loan losses and net recoveries (write-downs) related to loans sold or reclassified to held-for-sale.

Table of Contents

Refer to Table 24 for a summary of the activity in the allowance for loan losses and selected loan losses statistics for the six months ended June 30, 2016 and 2015.

Table 24 - Allowance for Loan Losses and Selected Loan Losses Statistics - Year-to-date Activity

(Dollars in thousands)	Six months ended June 30,					
	2016 Non-covered loans	2016 Covered loans	2016 Total	2015 Non-covered loans	2015 Covered loans	2015 Total
Balance at beginning of period	\$ 502,935	\$ 34,176	\$ 537,111	\$ 519,719	\$ 82,073	\$ 601,792
Provision (reversal) for loan losses	87,608	(2,301)	85,307	90,179	26,090	116,269
	590,543	31,875	622,418	609,898	108,163	718,061
Charged-offs:						
Commercial	34,342		34,342	33,777	37,936	71,713
Construction	2,075		2,075	2,194	25,086	27,280
Leases	3,006		3,006	2,930		2,930
Legacy ^[1]	243		243	954		954
Mortgage	30,495	2,105	32,600	22,895	3,905	26,800
Consumer	58,700	(394)	58,306	59,374	767	60,141
	128,861	1,711	130,572	122,124	67,694	189,818
Recoveries:						
Commercial	27,051		27,051	13,274	6,504	19,778
Construction	4,990		4,990	3,398	4,700	8,098
Leases	934		934	1,188		1,188
Legacy ^[1]	1,383		1,383	2,752		2,752
Mortgage	2,089	410	2,499	1,353	446	1,799
Consumer	14,565	7	14,572	17,831	815	18,646
	51,012	417	51,429	39,796	12,465	52,261
Net loans charged-off (recovered):						
Commercial	7,291		7,291	20,503	31,432	51,935
Construction	(2,915)		(2,915)	(1,204)	20,386	19,182
Leases	2,072		2,072	1,742		1,742
Legacy ^[1]	(1,140)		(1,140)	(1,798)		(1,798)
Mortgage	28,406	1,695	30,101	21,542	3,459	25,001
Consumer	44,135	(401)	43,734	41,543	(48)	41,495
	77,849	1,294	79,143	82,328	55,229	137,557
Allowance transferred from covered to non-covered loans ^[2]				13,037	(13,037)	

Net recoveries (write-downs) ^[3]	5,445		5,445	(27,868)	(1,823)	(29,691)
Balance at end of period	\$ 518,139	\$ 30,581	\$ 548,720	\$ 512,739	\$ 38,074	\$ 550,813
Ratios:						
Annualized net charge-offs to average loans held-in-portfolio ^[4]	0.70%		0.69%	0.81%		1.20%
Provision for loan losses to net charge-offs ^[4]	1.20x		1.15x	1.08x		0.84x

[1] 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.

[2] Represents the allowance transfer of covered to non-covered loans at June 30, 2015.

[3] Net recoveries (write-downs) are related to loans sold or reclassified to held-for-sale.

[4] Excluding provision for loan losses and net recoveries (write-down) related to loans sold or reclassified to held-for-sale.

Table of Contents

Refer to the Allowance for Loan Losses subsection in this MD&A for tables detailing the composition of the allowance for loan losses between general and specific reserves, and for qualitative information on the main factors driving the variances.

The following table presents annualized net charge-offs to average loans held-in-portfolio (HIP) for the non-covered portfolio by loan category for the quarters and six months ended June 30, 2016 and 2015.

Table 25 - Annualized Net Charge-offs (Recoveries) to Average Loans Held-in-Portfolio (Non-covered loans)

	Quarters ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Commercial	0.17%	0.74%	0.14%	0.48%
Construction	(1.78)	1.03	(0.82)	(0.44)
Leases	0.27	0.67	0.65	0.61
Legacy	(6.71)	0.16	(4.03)	(4.78)
Mortgage	0.79	0.62	0.83	0.63
Consumer	2.19	1.74	2.29	2.17
Total annualized net charge-offs to average loans held-in-portfolio	0.63%	0.89%	0.70%	0.81%

Net charge-offs, excluding covered loans, for the quarter ended June 30, 2016, decreased by \$11.0 million, excluding the recoveries of \$5.4 million resulting from the bulk sale of WB loans, when compared to the second quarter of 2015, mainly driven by the BPPR segment with lower commercial and construction net charge-offs of \$11.4 million and \$4.9 million, respectively, offset in part by higher consumer net charge-offs of \$5.2 million.

The Corporation continued to exhibit a stable credit performance despite a challenging operating environment in Puerto Rico. The shift in the risk profile of the credit portfolios over the last few years has better positioned the Corporation to operate in this complex environment. The Corporation continues attentive to changes in credit quality trends and is focused in taking measures to minimize risks. The U.S. operation continued to reflect strong credit quality with low level of charge-offs and non-performing loans.

The discussions in the sections that follow assess credit quality performance for the second quarter of 2016 for most of the Corporation's non-covered loan portfolios.

Commercial loans

Non-covered non-performing commercial loans held-in-portfolio decreased by \$6 million, or 3%, from December 31, 2015, mainly driven by a reduction of \$5 million in the BPPR segment. The percentage of non-performing commercial loans held-in-portfolio to commercial loans held-in-portfolio decreased to 1.70% at June 30, 2016 from 1.80% at December 31, 2015.

Tables 26 and 27 present the changes in the non-performing commercial loans held-in-portfolio for the quarters and six months periods ended June 30, 2016 and 2015 for the BPPR (excluding covered loans) and BPNA segments. For the quarter ended June 30, 2016, inflows of commercial non-performing loans held-in-portfolio at the BPPR segment increased by \$9 million, when compared to inflows for the same period in 2015. Inflows of commercial

non-performing loans held-in-portfolio at the BPNA segment remained flat at approximately \$2 million, compared to inflows for the same quarter in 2015.

Table of Contents**Table 26 - Activity in Non-Performing Commercial Loans Held-in-Portfolio (Excluding Covered Loans)**

(Dollars in thousands)	For the quarter ended June 30, 2016			For the six months ended June 30, 2016		
	BPPR	BPNA	Popular, Inc.	BPPR	BPNA	Popular, Inc.
Beginning balance	\$ 182,639	\$ 14,992	\$ 197,631	\$ 177,902	\$ 3,914	\$ 181,816
Plus:						
New non-performing loans	26,029	2,254	28,283	47,686	17,318	65,004
Advances on existing non-performing loans		8	8		9	9
Less:						
Non-performing loans transferred to OREO	(1,815)		(1,815)	(2,918)		(2,918)
Non-performing loans charged-off	(15,219)	(254)	(15,473)	(20,168)	(635)	(20,803)
Loans returned to accrual status / loan collections	(19,050)	(13,969)	(33,019)	(29,918)	(17,575)	(47,493)
Ending balance NPLs	\$ 172,584	\$ 3,031	\$ 175,615	\$ 172,584	\$ 3,031	\$ 175,615

Table 27 - Activity in Non-Performing Commercial Loans Held-in-Portfolio (Excluding Covered Loans)

(Dollars in thousands)	For the quarter ended June 30, 2015			For the six months ended June 30, 2015		
	BPPR	BPNA	Popular, Inc.	BPPR	BPNA	Popular, Inc.
Beginning balance	\$ 264,631	\$ 9,807	\$ 274,438	\$ 257,910	\$ 2,315	\$ 260,225
Plus:						
New non-performing loans	17,092	1,386	18,478	44,518	9,416	53,934
Advances on existing non-performing loans		383	383		383	383
Reclassification from covered loans	7,395		7,395	7,395		7,395
Less:						
Non-performing loans transferred to OREO	(3,568)		(3,568)	(4,637)		(4,637)
Non-performing loans charged-off	(51,804)	(399)	(52,203)	(60,179)	(825)	(61,004)
Loans returned to accrual status / loan collections	(9,351)	(282)	(9,633)	(20,612)	(394)	(21,006)
Loans transferred to held-for-sale	(44,996)		(44,996)	(44,996)		(44,996)
Ending balance NPLs	\$ 179,399	\$ 10,895	\$ 190,294	\$ 179,399	\$ 10,895	\$ 190,294

Table of Contents**Table 28 - Non-Performing Commercial Loans and Net Charge-offs (Excluding Covered Loans)**

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	December 31, June 30, 2016	December 31, 2015	December 31, June 30, 2016	December 31, 2015	December 31, June 30, 2016	December 31, 2015
Non-performing commercial loans	\$ 172,584	\$ 177,902	\$ 3,031	\$ 3,914	\$ 175,615	\$ 181,816
Non-performing commercial loans to commercial loans HIP	2.39%	2.41%	0.10%	0.14%	1.70%	1.80%

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	For the quarters ended June 30, 2016		For the quarters ended June 30, 2016		For the quarters ended June 30, 2016	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Commercial loan net charge-offs (recoveries)	\$ 5,647	\$ 17,059	\$ (1,265)	\$ (879)	\$ 4,382	\$ 16,180
Commercial loan net charge-offs (recoveries) (annualized) to average commercial loans HIP	0.31%	1.07%	(0.17)%	(0.15)%	0.17%	0.74%

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	For the six months ended June 30, 2016		For the six months ended June 30, 2015		For the six months ended June 30, 2016	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Commercial loan net charge-offs (recoveries)	\$ 8,351	\$ 21,861	(1,060)	\$ (1,358)	\$ 7,291	\$ 20,503
Commercial loan net charge-offs (recoveries) (annualized) to average commercial loans HIP	0.23%	0.69%	(0.07)%	(0.13)%	0.14%	0.48%

There was one commercial loan relationship greater than \$10 million in non-accrual status at June 30, 2016 and December 31, 2015, with an outstanding aggregate balance of \$34 million and \$36 million, respectively.

Commercial loan net charge-offs, excluding net charge-offs for covered loans and the net recoveries of \$4.4 million resulting from the bulk sale of WB loans, decreased by \$11.8 million, when compared to the second quarter of 2015, mostly driven by lower net charge-offs in the BPPR segment of \$11.4 million. For the quarter ended June 30, 2016, the charge-offs associated with collateral dependent impaired commercial loans amounted to approximately \$9.2 million at the BPPR segment. The BPNA segment continued to show low levels of charge-offs reflective of improvements in credit quality.

The Corporation's commercial loan portfolio secured by real estate (CRE), excluding covered loans, amounted to \$6.9 billion at June 30, 2016, of which \$2.1 billion was secured with owner occupied properties, compared with \$6.6 billion and \$2.1 billion, respectively, at December 31, 2015. CRE non-performing loans, excluding covered loans, amounted to \$140 million at June 30, 2016, compared with \$142 million at December 31, 2015. The CRE non-performing loans ratios for the BPPR and BPNA segments were 3.01% and 0.06%, respectively, at June 30, 2016, compared with 3.00% and 0.03%, respectively, at December 31, 2015.

Construction loans

Non-covered non-performing construction loans held-in-portfolio decreased by \$1 million when compared with December 31, 2015, mostly concentrated in the BPPR segment. Stable credit trends in the construction portfolio are the result of de-risking strategies executed by the Corporation over the past several years. The ratio of non-performing construction loans to construction loans held-in-portfolio, excluding covered loans, decreased to 0.35% at June 30, 2016 from 0.52% at December 31, 2015.

Tables 29 and 30 present changes in non-performing construction loans held-in-portfolio for the quarters and six months periods ended June 30, 2016 and 2015 for the BPPR (excluding covered loans) and BPNA segments.

Table of Contents**Table 29 - Activity in Non-Performing Construction Loans Held-in-Portfolio (Excluding Covered Loans)**

(Dollars in thousands)	For the quarter ended June 30, 2016			For the six months ended June 30, 2016		
	BPPR	BPNA	Popular, Inc.	BPPR	BPNA	Popular, Inc.
Beginning balance	\$ 3,270	\$ 671	\$ 3,941	\$ 3,550	\$	\$ 3,550
Plus:						
New non-performing loans	186		186	393	671	1,064
Less:						
Non-performing loans transferred to OREO				(304)		(304)
Non-performing loans charged-off	(8)		(8)	(118)		(118)
Loans returned to accrual status / loan collections	(1,025)	(571)	(1,596)	(1,098)	(571)	(1,669)
Ending balance NPLs	\$ 2,423	\$ 100	\$ 2,523	\$ 2,423	\$ 100	\$ 2,523

Table 30 - Activity in Non-Performing Construction Loans Held-in-Portfolio (Excluding Covered Loans)

(Dollars in thousands)	For the quarter ended June 30, 2015			For the six months ended June 30, 2015		
	BPPR	BPNA	Popular, Inc.	BPPR	BPNA	Popular, Inc.
Beginning balance	\$ 13,214	\$	\$ 13,214	\$ 13,812	\$	\$ 13,812
Plus:						
New non-performing loans		671	671	456	671	1,127
Reclassification from covered loans	112		112	112		112
Less:						
Non-performing loans transferred to OREO	(2,194)		(2,194)	(2,194)		(2,194)
Loans returned to accrual status / loan collections	(6,376)		(6,376)	(7,430)		(7,430)
Ending balance NPLs	\$ 4,756	\$ 671	\$ 5,427	\$ 4,756	\$ 671	\$ 5,427

Construction loan net charge-offs (recoveries), excluding net charge-offs for covered loans and net recoveries of approximately \$1 million resulting from the bulk sale of WB loans, amounted to net recoveries of \$3.2 million for the quarter ended June 30, 2016, improving by \$4.9 million from the quarter ended June 30, 2015.

Table 31 provides information on construction non-performing loans and net charge-offs for the BPPR and BPNA (excluding the covered loan portfolio) segments.

Table of Contents**Table 31 - Non-Performing Construction Loans and Net Charge-offs (Excluding Covered Loans)**

(Dollars in thousands)	BPPR December 31,		BPNA December 31,		Popular, Inc. December 31,	
	June 30, 2016	2015	June 30, 2016	2015	June 30, 2016	2015
Non-performing construction loans	\$ 2,423	\$ 3,550	\$ 100	\$	\$ 2,523	\$ 3,550
Non-performing construction loans to construction loans HIP	2.34%	3.52%	0.02%	%	0.35%	0.52%

(Dollars in thousands)	BPPR For the quarters ended		BPNA For the quarters ended		Popular, Inc. For the quarters ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Construction loan net charge-offs (recoveries)	\$ (3,226)	\$ 1,721	\$	\$	\$ (3,226)	\$ 1,721
Construction loan net charge-offs (recoveries) (annualized) to average construction loans HIP	(12.25)%	8.02%	%	%	(1.78)%	1.03%

(Dollars in thousands)	BPPR For the six months ended		BPNA For the six months ended		Popular, Inc. For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Construction loan net charge-offs (recoveries)	\$ (2,915)	\$ (1,204)	\$	\$	\$ (2,915)	\$ (1,204)
Construction loan net charge-offs (recoveries) (annualized) to average construction loans HIP	(5.41)%	(2.04)%	%	%	(0.82)%	(0.44)%

Mortgage loans

Non-covered non-performing mortgage loans held-in-portfolio decreased by \$13 million from December 31, 2015, driven by improvements in the BPPR segment, reflective of the improved risk profile of the portfolio, as well as aggressive loss mitigation and collection efforts.

The percentage of non-performing mortgage loans held-in-portfolio to mortgage loans held-in-portfolio decreased to 4.92% at June 30, 2016 from 5.00% at December 31, 2015. Tables 32 and 33 present changes in non-performing mortgage loans held-in-portfolio for the BPPR (excluding covered loans) and BPNA segments.

Table 32 - Activity in Non-Performing Mortgage Loans Held-in-Portfolio (Excluding Covered Loans)

(Dollars in thousands)	For the quarter ended June 30, 2016			For the six months ended June 30, 2016		
	BPPR	BPNA	Popular, Inc.	BPPR	BPNA	Popular, Inc.
Beginning balance	\$ 322,838	\$ 12,069	\$ 334,907	\$ 337,933	\$ 13,538	\$ 351,471

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Plus:						
New non-performing loans	79,688	6,532	86,220	158,367	13,452	171,819
Less:						
Non-performing loans transferred to OREO	(12,521)	(445)	(12,966)	(21,747)	(445)	(22,192)
Non-performing loans charged-off	(10,648)	(130)	(10,778)	(21,537)	(406)	(21,943)
Loans returned to accrual status / loan collections	(55,699)	(3,636)	(59,335)	(129,358)	(11,749)	(141,107)
Ending balance NPLs	\$ 323,658	\$ 14,390	\$ 338,048	\$ 323,658	\$ 14,390	\$ 338,048

Table of Contents**Table 33 - Activity in Non-Performing Mortgage loans Held-in-Portfolio (Excluding Covered Loans)**

(Dollars in thousands)	For the quarter ended June 30,			For the six months ended June 30,		
	2015			2015		
	BPPR	BPNA	Popular, Inc.	BPPR	BPNA	Popular, Inc.
Beginning balance	\$ 320,154	\$ 8,461	\$ 328,615	\$ 295,629	\$ 9,284	\$ 304,913
Plus:						
New non-performing loans	85,555	11,857	97,412	192,940	18,089	211,029
Reclassification from covered loans	568		568	568		568
Less:						
Non-performing loans transferred to OREO	(6,103)	(314)	(6,417)	(10,948)	(314)	(11,262)
Non-performing loans charged-off	(7,998)	(319)	(8,317)	(16,156)	(442)	(16,598)
Loans returned to accrual status / loan collections	(73,403)	(7,637)	(81,040)	(143,260)	(16,607)	(159,867)
Loans transferred to held-for-sale					2,038	2,038
Ending balance NPLs	\$ 318,773	\$ 12,048	\$ 330,821	\$ 318,773	\$ 12,048	\$ 330,821

For the quarter ended June 30, 2016, inflows of mortgage non-performing loans held-in-portfolio at the BPPR segment decreased by \$6 million, or 7%, when compared to inflows for the same period in 2015. Inflows of mortgage non-performing loans held-in-portfolio at the BPNA segment decreased by \$5 million, or 45%, when compared to inflows for the same period in 2015.

Mortgage loan net charge-offs, excluding net charge-offs for covered loans, increased by \$2.6 million when compared with the quarter ended June 30, 2015. Net charge-off activity derived mainly from loans in the BPPR segment. The net charge-offs in the BPNA segment continued at low levels, reflective of the improved risk profile of the portfolio, strengthened by the sale of certain non-performing and classified assets during the year 2014. For the quarter ended June 30, 2016, charge-offs associated with mortgage loans individually evaluated for impairment amounted to \$3.3 million in the BPPR segment.

Table 34 provides information on mortgage non-performing loans and net charge-offs for the BPPR and BPNA (excluding the covered loan portfolio).

Table of Contents**Table 34 - Non-Performing Mortgage Loans and Net Charge-Offs (Excluding Covered Loans)**

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	December 31,		December 31,		December 31,	
	June 30, 2016	2015	June 30, 2016	2015	June 30, 2016	2015
Non-performing mortgage loans	\$ 323,658	\$ 337,933	\$ 14,390	\$ 13,538	\$ 338,048	\$ 351,471
Non-performing mortgage loans to mortgage loans HIP	5.38%	5.52%	1.71%	1.49%	4.92%	5.00%

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	For the quarters ended		For the quarters ended		For the quarters ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Mortgage loan net charge-offs	\$ 13,464	\$ 10,739	\$ 16	\$ 176	\$ 13,480	\$ 10,915
Mortgage loan net charge-offs (annualized) to average mortgage loans HIP	0.91%	0.71%	0.01%	0.07%	0.79%	0.62%

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	For the six months ended		For the six months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Mortgage loan net charge-offs	\$ 28,160	\$ 21,212	246	\$ 330	\$ 28,406	\$ 21,542
Mortgage loan net charge-offs (annualized) to average mortgage loans HIP	0.95%	0.73%	0.06%	0.06%	0.83%	0.63%

Consumer loans

Non-covered non-performing consumer loans held-in-portfolio decreased by \$4 million when compared to December 31, 2015, primarily driven by reductions in the BPPR segment.

For the quarter ended June 30, 2016, the BPPR segment inflows of consumer non-performing loans held-in-portfolio amounted to \$18 million, decreasing by \$2 million when compared to the same period of 2015. Inflows of consumer non-performing loans held-in-portfolio at the BPNA segment amounted to \$4 million, increasing by \$1 million when compared to inflows for the same period of 2015.

The Corporation's consumer net charge-offs, excluding recoveries resulting from the bulk sale of WB loans, increased by \$4.6 million, when compared with the same period of 2015. For the quarter ended June 30, 2016, charge-offs associated with consumer loans individually evaluated for impairment amounted to \$3.3 million in the BPPR segment.

Table 35 provides information on consumer non-performing loans and net charge-offs by segments.

Table of Contents**Table 35 - Non-Performing Consumer Loans and Net Charge-Offs (Excluding Covered Loans)**

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	December 31,		December 31,		December 31,	
	June 30, 2016	2015	June 30, 2016	2015	June 30, 2016	2015
Non-performing consumer loans	\$ 48,948	\$ 52,440	\$ 5,747	\$ 5,864	\$ 54,695	\$ 58,304
Non-performing consumer loans to consumer loans HIP	1.47%	1.57%	1.02%	1.19%	1.41%	1.52%

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	For the quarters ended		For the quarters ended		For the quarters ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Consumer loan net charge-offs	\$ 19,903	\$ 14,654	\$ 1,321	\$ 1,969	\$ 21,224	\$ 16,623
Consumer loan net charge-offs (annualized) to average consumer loans HIP	2.40%	1.74%	0.95%	1.72%	2.19%	1.74%

(Dollars in thousands)	BPPR		BPNA		Popular, Inc.	
	For the six months ended		For the six months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Consumer loan net charge-offs	\$ 41,201	\$ 38,307	\$ 2,934	\$ 3,236	\$ 44,135	\$ 41,543
Consumer loan net charge-offs (annualized) to average consumer loans HIP	2.48%	2.27%	1.10%	1.39%	2.29%	2.17%

Troubled debt restructurings

The Corporation's TDR loans, excluding covered loans, increased by \$47 million, or 4%, from December 31, 2015. TDRs in accruing status increased by \$63 million from December 31, 2015, due to sustained borrower performance, while non-accruing TDRs decreased by \$15 million.

At June 30, 2016, commercial loan TDRs, excluding covered loans, for the BPPR segment amounted to \$254 million, of which \$87 million were in non-performing status. This compares with \$255 million, of which \$88 million were in non-performing status at December 31, 2015.

At June 30, 2016, construction loan TDRs, excluding covered loans, for the BPPR segment amounted to \$1 million, of which \$1 million were in non-performing status. This compares with \$2 million, which were in non-performing status at December 31, 2015.

At June 30, 2016, the mortgage loan TDRs for the BPPR and BPNA segments amounted to \$817 million (including \$392 million guaranteed by U.S. sponsored entities) and \$9 million, respectively, of which \$115 million and \$2

million, respectively, were in non-performing status. This compares with \$768 million (including \$359 million guaranteed by U.S. sponsored entities) and \$7 million, respectively, of which \$128 million and \$2 million were in non-performing status at December 31, 2015.

At June 30, 2016, the consumer loan TDRs for the BPPR and BPNA segments amounted to \$113 million and \$2 million, respectively, of which \$13 million and \$106 thousand, respectively, were in non-performing status, compared with \$115 million and \$2 million, respectively, of which \$12 million and \$239 thousand, respectively, were in non-performing status at December 31, 2015.

Refer to Note 10 to the consolidated financial statements for additional information on modifications considered troubled debt restructurings, including certain qualitative and quantitative data about troubled debt restructurings performed in the past twelve months.

Table of Contents

Allowance for Loan Losses

Non-Covered Loan Portfolio

The allowance for loan losses, which represents management's estimate of credit losses inherent in the loan portfolio, is maintained at a sufficient level to provide for estimated credit losses on individually evaluated loans as well as estimated credit losses inherent in the remainder of the loan portfolio. The Corporation's management evaluates the adequacy of the allowance for loan losses on a quarterly basis. In this evaluation, management considers current economic conditions and the resulting impact on Popular Inc.'s loan portfolio, the composition of the portfolio by loan type and risk characteristics, historical loss experience, results of periodic credit reviews of individual loans, regulatory requirements and loan impairment measurement, among other factors.

The Corporation must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown, such as economic developments affecting specific customers, industries or markets. Other factors that can affect management's estimates are the years of historical data when estimating losses, changes in underwriting standards, financial accounting standards and loan impairment measurements, among others. Changes in the financial condition of individual borrowers, in economic conditions, in historical loss experience and in the condition of the various markets in which collateral may be sold may all affect the required level of the allowance for loan losses. Consequently, the business financial condition, liquidity, capital and results of operations could also be affected. Refer to the Corporation's 2015 Annual Report on Form 10K for a description of the Corporation's allowance for loan losses methodology.

The following tables set forth information concerning the composition of the Corporation's allowance for loan losses (ALLL) at June 30, 2016 and December 31, 2015 by loan category and by whether the allowance and related provisions were calculated individually pursuant to the requirements for specific impairment or through a general valuation allowance.

Table of Contents**Table 36 - Composition of ALLL**

(Dollars in thousands)	June 30, 2016						
	Commercial	Construction	Legacy [2]	Leasing	Mortgage	Consumer	Total ^[3]
Specific ALLL	\$ 53,350	\$ 116	\$	\$ 548	\$ 43,909	\$ 24,898	\$ 122,821
Impaired loans ^[1]	\$ 335,881	\$ 1,036	\$	\$ 2,110	\$ 484,725	\$ 111,610	\$ 935,362
Specific ALLL to impaired loans ^[1]	15.88%	11.20%	%	25.97%	9.06%	22.31%	13.13%
General ALLL	\$ 156,331	\$ 10,949	\$ 1,852	\$ 9,546	\$ 97,577	\$ 119,063	\$ 395,318
Loans held-in-portfolio, excluding impaired loans ^[1]	\$ 10,023,934	\$ 716,296	\$ 49,709	\$ 661,984	\$ 6,379,393	\$ 3,773,983	\$ 21,605,299
General ALLL to loans held-in-portfolio, excluding impaired loans ^[1]	1.56%	1.53%	3.73%	1.44%	1.53%	3.15%	1.83%
Total ALLL	\$ 209,681	\$ 11,065	\$ 1,852	\$ 10,094	\$ 141,486	\$ 143,961	\$ 518,139
Total non-covered loans held-in-portfolio ^[1]	\$ 10,359,815	\$ 717,332	\$ 49,709	\$ 664,094	\$ 6,864,118	\$ 3,885,593	\$ 22,540,661
ALLL to loans held-in-portfolio ^[1]	2.02%	1.54%	3.73%	1.52%	2.06%	3.70%	2.30%

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

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

[3] Excludes covered loans acquired on the Westernbank FDIC-assisted transaction. At June 30, 2016, the general allowance on the covered loans amounted to \$30.6 million.

Table 37 - Composition of ALLL

(Dollars in thousands)	December 31, 2015						
	Commercial	Construction	Legacy ^[2]	Leasing	Mortgage	Consumer	Total ^[3]
Specific ALLL	\$ 49,243	\$ 264	\$	\$ 573	\$ 44,029	\$ 23,963	\$ 118,072
Impaired loans ^[1]	\$ 337,133	\$ 2,481	\$	\$ 2,404	\$ 471,932	\$ 111,836	\$ 925,786
Specific ALLL to impaired loans ^[1]	14.61%	10.64%	%	23.84%	9.33%	21.43%	12.75%

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General ALLL Loans held-in-portfolio, excluding impaired loans ^[1]	\$ 147,590	\$ 8,605	\$ 2,687	\$ 10,420	\$ 89,283	\$ 126,278	\$ 384,863
General ALLL to loans held-in-portfolio, excluding impaired loans ^[1]	1.51%	1.27%	4.17%	1.67%	1.36%	3.39%	1.80%
Total ALLL	\$ 196,833	\$ 8,869	\$ 2,687	\$ 10,993	\$ 133,312	\$ 150,241	\$ 502,935
Total non-covered loans held-in-portfolio ^[1]	\$ 10,099,163	\$ 681,106	\$ 64,436	\$ 627,650	\$ 7,036,081	\$ 3,837,679	\$ 22,346,115
ALLL to loans held-in-portfolio ^[1]	1.95%	1.30%	4.17%	1.75%	1.89%	3.91%	2.25%

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

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

[3] Excludes covered loans acquired on the Westernbank FDIC-assisted transaction. At December 31, 2015, the general allowance on the covered loans amounted to \$34.2 million.

At June 30, 2016, the allowance for loan losses, excluding covered loans, increased by \$15 million when compared with December 31, 2015, mostly driven by higher reserves for the BPPR portfolios of \$11 million.

At June 30, 2016, the allowance for loan losses for non-covered loans at the BPPR segment increased to \$481 million, or 2.77% of non-covered loans held-in-portfolio, compared with \$470 million, or 2.67% of non-covered loans held-in-portfolio, at December 31, 2015. The ratio of the allowance to non-performing loans held-in-portfolio was 87.30% at June 30, 2016, compared with 81.75% at December 31, 2015.

Table of Contents

The allowance for loan losses at the BPNA segment increased to \$37 million, or 0.72% of loans held-in-portfolio, compared with \$33 million, or 0.69% of loans held-in-portfolio, at December 31, 2015. The ratio of the allowance to non-performing loans held-in-portfolio was 138.04% at June 30, 2016, compared with 122.43% at December 31, 2015.

The allowance for loan losses for commercial loans held-in-portfolio, excluding covered loans, increased by \$13 million from December 31, 2015. The allowance for loan losses for the commercial loan portfolio in the BPPR segment, excluding the allowance for covered loans, totaled \$200 million, or 2.77% of non-covered commercial loans held-in-portfolio at June 30, 2016, compared with \$187 million, or 2.54%, at December 31, 2015. At the BPNA segment, the allowance for loan losses of the commercial loan portfolio amounted to \$10 million at June 30, 2016, flat when compared to December 31, 2015. The allowance for loan losses for commercial loans held-in-portfolio at the BPNA segment was 0.31% of commercial loans held-in-portfolio, at June 30, 2016, compared with 0.36%, at December 31, 2015. The Corporation's ratio of allowance to non-performing loans held-in-portfolio in the commercial loan category was 119.40% at June 30, 2016, compared with 108.26% at December 31, 2015.

The allowance for loan losses for construction loans held-in-portfolio, excluding covered loans, increased by \$2 million from December 31, 2015. The allowance for loan losses corresponding to the construction loan portfolio for the BPPR segment, excluding the allowance for covered loans, totaled \$4 million, or 3.48% of non-covered construction loans held-in-portfolio, at June 30, 2016, compared with \$5 million, or 4.91%, at December 31, 2015. At the BPNA segment, the allowance for loan losses of the construction loan portfolio totaled \$7 million, or 1.22% of construction loans held-in-portfolio, at June 30, 2016, compared with \$4 million, or 0.67%, at December 31, 2015. The Corporation's ratio of allowance to non-performing loans held-in portfolio in the construction loan category was 438.57% at June 30, 2016, compared with 249.83% at December 31, 2015.

The allowance for loan losses for mortgage loans held-in-portfolio, excluding covered loans, increased by \$8 million from December 31, 2015. The allowance for loan losses corresponding to the mortgage loan portfolio at the BPPR segment totaled \$137 million, or 2.27% of mortgage loans held-in-portfolio, excluding covered loans, at June 30, 2016, compared with \$128 million, or 2.09%, respectively, at December 31, 2015. At the BPNA segment, the allowance for loan losses corresponding to the mortgage loan portfolio remained unchanged at \$5 million, or 0.56% of mortgage loans held-in-portfolio, at June 30, 2016, compared to 0.55% of mortgage loans held-in-portfolio, at December 31, 2015.

The allowance for loan losses for the consumer portfolio, excluding covered loans, decreased by \$6 million from December 31, 2015. The allowance for loan losses of the non-covered consumer loan portfolio in the BPPR segment totaled \$130 million, or 3.93% of that portfolio, at June 30, 2016, compared with \$139 million, or 4.15%, at December 31, 2015. At the BPNA segment, the allowance for loan losses of the consumer loan portfolio totaled \$13 million, or 2.39% of consumer loans, at June 30, 2016, compared with \$12 million, or 2.34%, at December 31, 2015.

Table 38 - Impaired Loans (Non-Covered Loans) and the Related Valuation Allowance

(In millions)	June 30, 2016		December 31, 2015	
	Recorded Investment	Valuation Allowance	Recorded Investment	Valuation Allowance
Impaired loans:				
Valuation allowance	\$ 803.0	\$ 122.8	\$ 807.4	\$ 118.1
No valuation allowance required	132.4		118.4	

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Total impaired loans	\$ 935.4	\$ 122.8	\$ 925.8	\$ 118.1
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184

Table of Contents

The following tables set forth the activity in the specific reserves for non-covered impaired loans for the quarters ended June 30, 2016 and 2015.

Table 39 - Activity in Specific ALLL for the Quarter Ended June 30, 2016

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Leasing	Total
Beginning balance	\$ 55,098	\$ 172	\$ 43,252	\$	\$ 24,907	\$ 608	\$ 124,037
Provision for impaired loans	7,486	(48)	3,923		3,278	5	14,644
Less: Net charge-offs	(9,234)	(8)	(3,266)		(3,287)	(65)	(15,860)
Specific allowance for loan losses at June 30, 2016	\$ 53,350	\$ 116	\$ 43,909	\$	\$ 24,898	\$ 548	\$ 122,821

Table 40 - Activity in Specific ALLL for the Quarter Ended June 30, 2015

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Leasing	Total
Beginning balance	\$ 69,946	\$ 158	\$ 42,570	\$	\$ 25,604	\$ 687	\$ 138,965
Provision for impaired loans	38,492	4,949	4,080	34	3,761	(39)	51,277
Less: Net charge-offs	(9,985)	(4,382)	(2,488)		(4,338)	(41)	(21,234)
Net write-downs	(29,997)						(29,997)
Specific allowance for loan losses at June 30, 2015	\$ 68,456	\$ 725	\$ 44,162	\$ 34	\$ 25,027	\$ 607	\$ 139,011

For the quarter ended June 30, 2016, total net charge-offs for individually evaluated impaired loans amounted to approximately \$15.8 million related to the BPPR segment.

The tables that follow present the approximate amount and percentage of non-covered commercial impaired loans for which the Corporation relied on appraisals dated more than one year old for purposes of impairment requirements at June 30, 2016 and December 31, 2015.

Table 41 - Non-Covered Impaired Loans with Appraisals Dated 1 year or Older

(In thousands)	June 30, 2016		
	Loan Count	Total Impaired Loans (HIP) Outstanding Principal Balance	Held-in-portfolio Impaired Loans with Appraisals Over One-Year Old [1]
Commercial	118	\$ 282,171	24%

[1] Based on outstanding balance of total impaired loans.

(In thousands)	December 31, 2015		
	Total Impaired Loans (HIP) Loan Count	Held-in-portfolio Outstanding Principal Balance	Impaired Loans with Appraisals Over One- Year Old [1] Year Old [1]
Commercial	118	\$ 281,478	29%

[1] Based on outstanding balance of total impaired loans.

Allowance for loan losses – Covered loan portfolio

The Corporation's allowance for loan losses for the covered loan portfolio acquired in the Westernbank FDIC-assisted transaction amounted to \$31 million at June 30, 2016, compared to \$34 million at December 31, 2015. This allowance covers the estimated credit loss exposure primarily related to acquired loans accounted for under ASC Subtopic 310-30.

Table of Contents

Decreases in expected cash flows after the acquisition date for loans (pools) accounted for under ASC Subtopic 310-30 are recognized by recording an allowance for loan losses in the current period. For purposes of loans accounted for under ASC Subtopic 310-20 and new loans originated as a result of loan commitments assumed, the Corporation's assessment of the allowance for loan losses is determined in accordance with the accounting guidance of loss contingencies in ASC Subtopic 450-20 (general reserve for inherent losses) and loan impairment guidance in ASC Section 310-10-35 for loans individually evaluated for impairment. Concurrently, the Corporation records an increase in the FDIC loss share asset for the expected reimbursement from the FDIC under the loss sharing agreements.

Geographic and government risk

The Corporation is exposed to geographic and government risk. The Corporation's assets and revenue composition by geographical area and by business segment reporting are presented in Note 35 to the consolidated financial statements. A significant portion of our financial activities and credit exposure is concentrated in Puerto Rico, which entered into recession in the second quarter of 2006. Puerto Rico's gross national product contracted in real terms in every year between fiscal year 2007 and fiscal year 2011 (inclusive), grew by 0.5% in fiscal year 2012 and decreased by 0.2% and 0.9% in fiscal years 2013 and 2014, respectively. The change in the gross national product in fiscal year 2012 likely responds to the large amount of governmental stimulus and deficit spending in that fiscal year. According to the Puerto Rico Planning Board's baseline scenario projections, for fiscal years 2015 and 2016, gross national product is projected to further contract by 0.9% and 1.2%, respectively. The latest Government Development Bank for Puerto Rico (GDB) Economic Activity Index, which is an indicator of general economic activity and not a direct measurement of gross national product, reflected a 1.6% reduction in the average for fiscal year 2015 (July 2014 to June 2015), compared to the prior fiscal year. During the first ten months of fiscal year 2016, the Economic Activity Index reflected a 1.4% reduction in the average when compared to the same period of the prior fiscal year. The annual growth rate of the Economic Activity Index is not the same as the annual growth rate of real gross national product.

The Commonwealth of Puerto Rico (the Commonwealth) is experiencing a severe fiscal crisis resulting from persistent and significant budget deficits, a high debt burden, the continuing economic contraction and lack of access to the capital markets, among other factors. Budget deficits were historically covered with bond financings, loans from GDB and extraordinary one-time revenue measures. As a result of multiple downgrades of the Commonwealth and its instrumentalities' obligations to below investment grade ratings since February 2014 and ongoing liquidity constraints at the Commonwealth's central government and GDB, the Commonwealth's ability to finance future budget deficits is expected to be very limited, if any.

For fiscal year 2016, the Government approved a \$9.8 billion budget, which is \$235 million higher than the approved budget for fiscal year 2015 due primarily to a significant increase in debt service payments and special pension contributions. In July 2016, however, the Government revised its revenue estimate for fiscal year 2016 downward by \$625 million, to approximately \$9.175 billion.

The Government has indicated that it has been forced to implement certain extraordinary measures in order to confront its liquidity constraints and this decrease in revenues, while continuing to provide essential services and comply, in part, with constitutional obligations for the payment of general obligation bonds. These measures have included, among others: (i) requiring advance payment to the Treasury Department from the two largest government retirement systems of funds required for the payment of retirement benefits to participants (instead of the usual reimbursements made by the retirement systems to the Treasury Department for pension benefit payments made by the Treasury Department on behalf of the retirement systems); (ii) placing \$400 million of tax and revenue anticipation notes with certain Commonwealth instrumentalities to fund fiscal year 2016 working capital needs; (iii) suspending Commonwealth set-asides required by Act No. 39 of May 13, 1976, as amended, for the payment of its

general obligation debt during fiscal year 2016; (iv) retaining certain tax revenues that were assigned to particular public corporations and redirecting those revenues to pay general obligation debt of the Commonwealth (commonly referred to as the exercise of the clawback of revenues); (v) delaying the payment of third-party payables or amounts due to public corporations; (vi) deferring the disbursement of certain budgetary appropriations; and (vii) delaying the payment of income tax refunds. The Government has stated that some of these measures are unsustainable and have significant negative economic effects. Also, since these measures are not sufficient to address the Commonwealth's liquidity needs, the Commonwealth has indicated it will need to implement additional measures.

The Commonwealth also did not appropriate in the approved budget for fiscal year 2016 the funds necessary to pay principal of and interest on bonds issued by the Puerto Rico Public Finance Corporation (PFC), a subsidiary of GDB, which reflects the Commonwealth's serious liquidity constraints. As a result, in fiscal year 2016, PFC has not paid debt service on approximately \$1.1 billion of bonds payable solely from Commonwealth legislative appropriations. As of July 1, 2016, missed payments amount to approximately \$93 million. In addition, as a result of the clawback of revenues mentioned above, other public corporations (including the Infrastructure Financing Authority, the Highways and Transportation Authority and the Convention Center District Authority) were not able to meet their debt obligations due on January 1, 2016 and July 1, 2016 or did so using moneys previously held by the bond indenture trustees in reserves or other accounts. On May 1, 2016, Governor Alejandro García Padilla declared a moratorium on a \$422 million debt payment due on May 2, 2016 by GDB, resulting in a default on its obligations. GDB reached an agreement with a group of local credit unions to defer until May 2017 approximately \$39 million of debt payments due on May 1, 2016.

Table of Contents

Further in response to the fiscal crisis, the Commonwealth has also enacted various revenue raising and expense reduction measures, including an increase in the sales and use tax (SUT) rate pursuant to Act 72-2015, enacted on May 29, 2015. Effective July 1, 2015, transactions that were subject to the 7% SUT have been subject to an 11.5% SUT (10.5% collected on behalf of the Puerto Rico Sales Tax Financing Corporation (COFINA) and the Commonwealth, of which 0.5% goes to a special fund for the benefit of the municipalities, and 1% is collected by the municipalities). In addition, from October 1, 2015: (i) business-to-business transactions that were taxable prior to July 1, 2015 are subject to an 11.5% SUT, (ii) certain business-to-business services and designated professional services that were previously exempt from SUT are subject to a Commonwealth SUT of 4% (but no municipal SUT will apply to these services), and (iii) specific services are exempt from SUT.

On the expense side, the measures have included a comprehensive reform of the principal pension system of the Commonwealth, which is severely underfunded and faces asset depletion in the near future, and the enactment of a fiscal emergency law that freezes benefits under collective bargaining agreements and formula appropriations to various governmental entities and other branches of the central government, among various expense control measures. As further explained below, these measures were insufficient to allow the Commonwealth to meet its debt service obligations while continuing to provide essential services to the residents of Puerto Rico.

In response to the continued fiscal and economic challenges, the Government of Puerto Rico engaged a group of former International Monetary Fund economists to analyze the Commonwealth's economic and financial stability and growth prospects. The group's final report, commonly known as the Krueger Report, was delivered to the Governor of Puerto Rico on June 28, 2015 and states that Puerto Rico faces an acute crisis in the face of faltering economic activity, fiscal solvency and debt sustainability, and institutional credibility. Some of the report's principal conclusions are as follows: (i) the economic problems of Puerto Rico are structural, not cyclical, and are not going away without structural reforms, (ii) fiscal deficits are much larger than assumed and are set to deteriorate, (iii) the central government deficits (as measured in the report) over the coming years imply an unsustainable trajectory of large financing gaps, and (iv) Puerto Rico's public debt cannot be made sustainable without growth, nor can growth occur in the face of structural obstacles and doubts about debt sustainability.

The report concludes that, even after factoring in a substantial fiscal effort, a large residual financing gap persists into the next decade, implying a need for debt relief. To close the financing gap, the government would need to seek relief from a significant but progressively declining proportion of principal and interest due during fiscal years 2016-2024. The report acknowledges that any debt restructuring would be challenging as there is no precedent of this scale and scope, but concludes that, from an economic perspective, the fact remains that the central government faces large financing gaps even with substantial adjustment efforts (as there are limits to how much expenditures can be cut or taxes raised).

On June 29, 2015, the Governor of Puerto Rico issued an Executive Order to create the Puerto Rico Fiscal and Economic Recovery Working Group (the Working Group). The Working Group was created to consider the measures necessary, including the measures recommended in the Krueger Report, to address the fiscal crisis of the Commonwealth and to develop and recommend to the Governor of Puerto Rico a fiscal and economic adjustment plan.

On September 9, 2015, the Working Group presented a draft of the Fiscal and Economic Growth Plan (the FEGP), which was subsequently updated on January 18, 2016. The FEGP projects that, absent further corrective action, the Commonwealth's cumulative five-year financing gap for fiscal years 2016 to 2020 will be approximately \$27.9 billion (\$63.4 billion for the ten-year projection period), and that this financing gap could be reduced to approximately \$16.1 billion (\$23.9 billion for the ten-year projection period) through a combination of identified revenue increases and expense reduction measures and assuming a level of economic growth. With approximately \$33 billion of debt service

over the next ten years, the FEGP concludes that the Commonwealth will not have sufficient projected surplus to pay its scheduled debt service and that a debt restructuring is necessary to avoid a disorderly default and allow the Commonwealth to implement the structural reforms and growth initiatives identified in the FEGP. The FEGP also concludes that, unless economic growth can be achieved, the Commonwealth's debt is not sustainable. The FEGP also states that without the emergency measures taken in fiscal year 2016, which have significantly increased the economic burden on taxpayers and third party suppliers, the Commonwealth would have already exhausted its liquidity and that, in any case, it will not have sufficient resources at the end of the fiscal year to meet its debt obligations. The FEGP does not include

Table of Contents

the debt of Puerto Rico's municipalities. The FEGP contemplates, however, as part of the expense reduction measures, that the central government will gradually reduce subsidies provided to the municipalities. The FEGP is publicly available in GDB's website.

On January 2016, Government officials and advisors met with the advisors to the Commonwealth's creditors to present the Commonwealth's initial restructuring proposal, which was subsequently made public. Following the release of such initial proposal, certain bondholder groups have made various proposals for the restructuring of their bonds and the Commonwealth has presented various counterproposals. The Commonwealth presented its latest formal proposal on June 14, 2016, which was followed by discussions with certain bondholder groups, which then presented separate counterproposals regarding their own credits. On June 17, 2016, the Commonwealth informally responded to such counterproposals. A summary of the terms of the Commonwealth's last proposal is as follows:

GO holders would receive an 83.5% recovery of their principal in the form of a mandatorily payable bond (Base Bond).

Senior COFINA holders would receive an 80% recovery of their principal in the form of a Base Bond.

Subordinated COFINA holders would receive a 60% recovery of their principal in the form of a Base Bond.

COFINA creditors would consent to the release of the Sales and Use Tax Fund during the first half of the fiscal year, on terms to be agreed upon.

The Base Bond given to COFINA and GO holders in a potential exchange would receive a 5% interest coupon to be paid as a combination of cash and in kind, with variations depending on the credit and with the cash portion increasing incrementally over a five-year period until paid entirely in cash.

There can be no assurance, that the Commonwealth will be able to successfully consummate its proposal or any other voluntary debt restructuring without the involvement of the oversight board created under PROMESA (defined below), in particular given the large amount of targeted debt and extremely complex nature of these credits.

In August 2014, as a result of PREPA's inability to comply with certain scheduled debt payments, PREPA entered into forbearance agreements with certain bondholders, municipal bond insurers, and lenders (including BPPR) pursuant to which the forbearing creditors agreed to forbear from exercising certain rights and remedies under their applicable debt instruments. On November 5, 2015, PREPA announced that it had entered into a restructuring support agreement with certain creditors setting forth the economic terms of a recovery plan. Execution of the transactions set forth in the restructuring support agreement was subject to a number of material conditions, including the enactment of legislation by January 22, 2016. When such condition was not met, the restructuring support agreement automatically terminated. On January 27, 2016, PREPA and certain creditors, including monoline bond insurers that were not party to the original restructuring support agreement, entered into a new restructuring support agreement, also subject to various material conditions, including the approval of legislation by February 16, 2016. With respect to PREPA's credit facilities, the restructuring support agreement contemplates that the lenders, which hold approximately \$700 million of matured debt, would convert their existing credit facilities into term loans to be repaid over six years in accordance

with an amortization schedule.

On June 30, 2016, PREPA executed a bond purchase agreement with a group of institutional creditors and thereby avoided default on July 1, 2016. The utility used the proceeds from \$264 million in new bonds to supplement other available funds to make a larger \$418 million debt service payment. PREPA also announced an extension of the Restructuring Support Agreement (RSA) to December 15, 2016. At June 30, 2016, BPPR is a lender in PREPA 's syndicated credit facility and BPPR 's exposure was of \$39.6 million, as shown in Note 23 to the consolidated financial statements.

On April 6, 2016, the Governor of Puerto Rico signed an emergency bill entitled the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act . The Act, among other things, allows the Governor to declare a moratorium on any debt payments through January 31, 2017 (subject to being extended until March 31, 2017). The Act applies to debt issued by the Commonwealth and its instrumentalities, including COFINA. Among other things, the Act (a) grants the Governor (i) authority to declare a moratorium on debt service payments (including principal) for the Commonwealth and certain of its instrumentalities; (ii) discretion to pay interest owed on the obligations and, if interest is not paid during the covered period, such interest will accrue at the contractual rate; (iii) the authorization to create a bridge bank in the event GDB is placed in receivership to carry out some of its liabilities, including deposits, and continue certain of the existing functions; and (b) creates a new entity called the Puerto Rico Fiscal Agency and Financial Advisory Authority to assume GDB 's role as the Commonwealth 's fiscal agent and financial advisor, and oversee the Commonwealth 's debt restructuring efforts. The Act also provides for the expropriation of property or property interests through eminent domain without the requirement that funds be deposited in court prior to the acquisition of title and a stay on litigation during the emergency period.

Table of Contents

Shortly after the approval of Act 21, the Governor of Puerto Rico declared a state of emergency at GDB and provided that, among other things, only withdrawals to fund necessary costs for essential services would be allowed. At that time, the Governor's order did not declare a moratorium on GDB's principal and interest payments in order to continue negotiations with creditors.

On June 30, 2016, President Obama signed into law the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA). The legislation establishes a seven-member oversight board with powers to approve the Commonwealth's budget and carry on negotiations with creditors. The legislation also includes a judicial process for the restructuring of the debt obligations of the Commonwealth and its instrumentalities. Among other things, PROMESA provides for: a stay on litigation to enforce remedies or rights related to outstanding liabilities of the Commonwealth, its political subdivisions, including municipalities, instrumentalities and public corporations, the creation of a committee to provide recommendations on economic development initiatives and an amendment to the Fair Labor Standards Act that would allow for a lower minimum wage for young workers in Puerto Rico subject to the satisfaction of certain conditions, including oversight board approval. PROMESA requires the Commonwealth to create a fiscal plan to bring the island back from its current financial situation and such fiscal plan must look forward at least five years, respect existing legal priorities and liens, and provide a method to achieve fiscal responsibility and access to the capital markets. The oversight board shall remain in place until market access is restored and balanced budgets are produced for four consecutive years.

On June 30, 2016, the Governor of Puerto Rico declared a moratorium on the payment of principal and interest on obligations issued or guaranteed by the Commonwealth of Puerto Rico (GO debt) and debt issued by certain other instrumentalities due on July 1, 2016. This triggered a default on approximately \$911 million of bonds, including \$779 million related to GO debt. Holders of insured bonds may receive some portion of the amounts due from insurers that issued the policies insuring their bonds, if available. The Governor also warned that he will implement extraordinary liquidity measures in the next six months to continue providing essential services to the Commonwealth's residents.

On June 30, 2016 the Puerto Rico House and Senate approved an \$8.7 billion budget for Fiscal Year 2017. Consistent with the provisions of Act 21 and the executive orders issued thereunder, the approved budget does not allocate funds for the payment of debt service on the Commonwealth GO debt or other debt payable from Commonwealth appropriations.

The lingering effects of the prolonged recession are still reflected in limited loan demand, an increase in the rate of foreclosures and delinquencies on mortgage loans granted in Puerto Rico. If global or local economic conditions worsen or the Government of Puerto Rico is unable to manage its fiscal crisis, including consummating an orderly restructuring of its debt obligations while continuing to provide essential services, those adverse effects could continue or worsen in ways that we are not able to predict. Any reduction in consumer spending as a result of these issues may also adversely impact our interest and non-interest revenues.

At June 30, 2016, the Corporation's direct exposure to the Puerto Rico government and its instrumentalities and municipalities amounted to \$ 609 million, of which approximately \$ 582 million is outstanding (\$669 million and \$ 578 million, respectively, at December 31, 2015). Of the amount outstanding, \$ 505 million consists of loans and \$ 77 million are securities (\$ 502 million and \$ 76 million, respectively, at December 31, 2015). Of the amount outstanding, \$ 62 million represents obligations from the Government of Puerto Rico and public corporations that have a specific source of income or revenues identified for their repayment (\$ 76 million at December 31, 2015). Some of these obligations consist of senior and subordinated loans to public corporations that obtain revenues from rates charged for services or products, such as public utilities. Public corporations have varying degrees of independence from the central Government and many receive appropriations or other payments from it. The remaining

\$ 520 million represents obligations from various municipalities in Puerto Rico for which, in most cases, the good faith, credit and unlimited taxing power of the applicable municipality has been pledged to their repayment (\$ 502 million at December 31, 2015). These municipalities are required by law to levy special property taxes in such amounts as shall be required for the payment of all of its general obligation bonds and loans. These loans have seniority to the payment of operating cost and expenses of the municipality. The Corporation performs periodic credit quality reviews on these issuers.

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 the events described above, led management to conclude that the unrealized losses on this security were 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.

Table of Contents

In addition, at June 30, 2016, the Corporation had \$418 million in indirect exposure to loans or securities that are payable by non-governmental entities, but which carry a government guarantee to cover any shortfall in collateral in the event of borrower default (\$394 million at December 31, 2015). These included \$334 million in residential mortgage loans that are guaranteed by the Puerto Rico Housing Finance Authority (December 31, 2015 - \$316 million). These mortgage loans are secured by the underlying properties and the guarantees serve to cover shortfalls in collateral in the event of a borrower default. Also, the Corporation had \$51 million in Puerto Rico pass-through housing bonds backed by FNMA, GNMA or residential loans CMOs, and \$33 million of industrial development notes (\$50 million and \$28 million, respectively, at December 31, 2015).

As further detailed in Notes 7 and 8 to the consolidated financial statements, a substantial portion of the Corporation's investment securities represented exposure to the U.S. Government in the form of U.S. Government sponsored entities, as well as agency mortgage-backed and U.S. Treasury securities. In addition, \$869 million of residential mortgages and \$101 million in commercial loans were insured or guaranteed by the U.S. Government or its agencies at June 30, 2016. The Corporation does not have any exposure to European sovereign debt.

ADOPTION OF NEW ACCOUNTING STANDARDS AND ISSUED BUT NOT YET EFFECTIVE ACCOUNTING STANDARDS

Refer to Note 3, New Accounting Pronouncements to the consolidated financial statements.

Table of Contents**Adjusted results of operations Non-GAAP Financial Measure**

The Corporation prepares its Consolidated Financial Statements using accounting principles generally accepted in the U.S. (U.S. GAAP or the reported basis). In addition to analyzing the Corporation s results on a reported basis, management monitors the performance of the Corporation on an adjusted basis and excludes the impact of certain transactions on the results of its operations. Throughout this MD&A, the Corporation presents a discussion of its financial results excluding the impact of these events to arrive at the adjusted results . Management believes that the adjusted basis provides meaningful information about the underlying performance of the Corporation s ongoing operations. The adjusted results are a Non-GAAP financial measure. Refer to the following tables for a reconciliation of the reported results to the adjusted results for the quarters and six months ended June 30, 2016, and 2015.

Table 42 - Adjusted Consolidated Statement of Operations for the Quarter Ended June 30, 2016 (Non-GAAP)

(Unaudited)	Quarter ended June 30, 2016			
(In thousands)	Actual Results (US GAAP)	Impact of EVERTEC s Restatement [2]	Bulk Sale of WB loans and OREO [3]	Adjusted Results (Non-GAAP)
Net interest income	\$ 360,551	\$	\$ 2,057	\$ 358,494
Provision for loan losses non-covered loans	39,668		(5,445)	45,113
Provision for loan losses covered loans [1]	804			804
Net interest income after provision for loan losses	320,079		7,502	312,577
Other-than-temporary impairment losses on investment securities	(209)			(209)
FDIC loss-share (expense) income	(12,576)		291	(12,867)
Other non-interest income	123,288	(2,173)		125,461
Total non-interest income	110,503	(2,173)	291	112,385
Personnel costs	116,708			116,708
Net occupancy expenses	21,714			21,714
Equipment expenses	15,261			15,261
Professional fees	80,625		1,812	78,813
Communications	6,012			6,012
Business promotion	13,705			13,705
Other real estate owned (OREO) expenses	12,980		5,090	7,890
Other operating expenses	42,144			42,144
Total operating expenses	309,149		6,902	302,247
Income before income tax	121,433	(2,173)	891	122,715
Income tax expense	32,446		347	32,099

Net income	\$ 88,987	\$ (2,173)	\$ 544	\$ 90,616
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- [1] Covered loans represent loans acquired in the Westernbank FDIC-assisted transaction that are covered under an FDIC loss-sharing agreement.
- [2] Represents Popular Inc s. proportionate share of the cumulative impact of EVERTEC s restatement and other corrective adjustments to its financial statements, as disclosed in EVERTEC s 2015 Annual Report on Form 10K.
- [3] Represent the impact of the bulk sale of Westernbank loans and OREO.

Table of Contents**Table 43 - Adjusted Consolidated Statement of Operations for the Quarter Ended June 30, 2015 (Non-GAAP)**

(Unaudited)	Quarter ended June 30, 2015							Adjusted Results (Non-GAAP)
	Actual Results (U.S. GAAP)	BPNA Reorganization [2]	Doral Transaction [3]	OTTI [4]	Reversal of DTA - U.S. Operations [5]	Loss on Bulk Sale of Covered OREOs [6]	Adjustment to FDIC Indemnification Assets [7]	
(In thousands)								
Net interest income	\$ 362,553	\$	\$	\$	\$	\$	\$	\$ 362,553
Provision for loan losses non-covered loans	60,468							60,468
Provision for loan losses covered loans [1]	15,766							15,766
Net interest income after provision for loan losses	286,319							286,319
Other-than-temporary impairment losses on investment securities	(14,445)			(14,445)				
FDIC loss-share income	19,075					17,566	(10,887)	12,396
Other non-interest income	136,129		961					135,168
Total non-interest income	140,759		961	(14,445)		17,566	(10,887)	147,564
Personnel costs	120,977		3,865					117,112
Net occupancy expenses	23,286		2,309					20,977
Equipment expenses	15,925		725					15,200
Professional fees	78,449		4,885					73,564
Communications	6,153		70					6,083
Business promotion	13,776		401					13,375
Other real estate owned (OREO) expenses	44,816					21,957		22,859
Restructuring costs	6,174	6,174						
Other operating expenses	53,618		509					53,109
	363,174	6,174	12,764			21,957		322,279

Total operating expenses

Income from continuing operations before income tax	63,904	(6,174)	(11,803)	(14,445)		(4,391)	(10,887)	111,604
Income (benefit) tax expense	(533,533)		(3,744)	(2,486)	(544,927)	(1,712)	(2,177)	21,513
Income from continuing operations	\$ 597,437	\$ (6,174)	\$ (8,059)	\$ (11,959)	\$ 544,927	\$ (2,679)	\$ (8,710)	\$ 90,091
Income from discontinued operations, net of tax	\$ 15	\$ 15	\$	\$	\$	\$	\$	\$
Net income	\$ 597,452	\$ (6,159)	\$ (8,059)	\$ (11,959)	\$ 544,927	\$ (2,679)	\$ (8,710)	\$ 90,091

- [1] Covered loans represent loans acquired in the Westernbank FDIC-assisted transaction that are covered under an FDIC loss-sharing agreement.
- [2] Represents restructuring charges associated with the reorganization of BPNA.
- [3] Includes approximately \$1.0 million of fees charged for services provided to the alliance co-bidders, including loan servicing and other interim services, personnel costs related to former Doral Bank employees retained on a temporary basis and incentive compensation for an aggregate of \$3.9 million, building rent expense of Doral Bank's administrative offices for \$2.3 million, professional fees and business promotion expenses directly associated with the Doral Bank Transaction and systems conversion for \$5.3 million and other expenses, including equipment, business promotions and communications, of \$1.3 million.
- [4] Represents an other than temporary impairment (OTTI) recorded on Puerto Rico government investment securities available-for-sale. These securities had an amortized cost of approximately \$41.1 million and a market value of \$26.6 million. Based on the fiscal and economic situation in Puerto Rico, together with the government's recent announcements regarding its ability to pay its debt, the Corporation determined that the unrealized loss, a portion of which had been in an unrealized loss for a period exceeding twelve months, was other than temporary.
- [5] Represents the partial reversal of the valuation allowance of a portion of the deferred tax asset amounting to approximately \$1.2 billion, at the U.S. operations.
- [6] Represents the loss on a bulk sale of covered OREOs completed in the second quarter and the related mirror accounting of the 80% reimbursable from the FDIC.

Table of Contents

[7] The quarter's negative amortization of the FDIC's Indemnification Asset included a \$10.9 million expense related to losses incurred by the corporation that were not claimed to the FDIC before the expiration of the loss-share portion of the agreement on June 30, 2015, and that are not subject to the ongoing arbitrations.

Table 44 - Adjusted Consolidated Statement of Operations (Non-GAAP) - Comparative Quarters

(Unaudited) (In thousands)	Adjusted Results (Non-GAAP)		
	For the quarters ended		Variance
	June 30, 2016	June 30, 2015	
Net interest income	\$ 358,494	\$ 362,553	\$ (4,059)
Provision for loan losses non-covered loans	45,113	60,468	(15,355)
Provision for loan losses covered loans [1]	804	15,766	(14,962)
Net interest income after provision for loan losses	312,577	286,319	26,258
Other-than-temporary impairment losses on investment securities	(209)		(209)
FDIC loss-share (expense) income	(12,867)	12,396	(25,263)
Other non-interest income	125,461	135,168	(9,707)
Total non-interest income	112,385	147,564	(35,179)
Personnel costs	116,708	117,112	(404)
Net occupancy expenses	21,714	20,977	737
Equipment expenses	15,261	15,200	61
Professional fees	78,813	73,564	5,249
Communications	6,012	6,083	(71)
Business promotion	13,705	13,375	330
Other real estate owned (OREO) expenses	7,890	22,859	(14,969)
Other operating expenses	42,144	53,109	(10,965)
Total operating expenses	302,247	322,279	(20,032)
Income before income tax	122,715	111,604	11,111
Income tax expense	32,099	21,513	10,586
Net income	\$ 90,616	\$ 90,091	\$ 525

[1] Covered loans represent loans acquired in the Westernbank FDIC-assisted transaction that are covered under an FDIC loss-sharing agreement.

Table of Contents**Table 45 - Adjusted Consolidated Statement of Operations for the Six Months Ended June 30, 2016 (Non-GAAP)**

(In thousands)	For the six months ended June 30, 2016			
	Actual Results (U.S. GAAP)	Impact of EVERTEC's Restatement [2]	Bulk Sale of WB loans and OREO [3]	Adjusted Results (Non-GAAP)
Net interest income	\$ 712,963	\$	\$ 2,057	\$ 710,906
Provision for loan losses - non-covered loans	87,608		(5,445)	93,053
Provision (reversal) for loan losses covered loans [1]	(2,301)			(2,301)
Net interest income after provision for loan losses	627,656		7,502	620,154
Other-than-temporary impairment losses on investment securities	(209)			(209)
FDIC loss share (expense) income	(15,722)		291	(16,013)
Other non-interest income	238,064	(2,173)		240,237
Total non-interest income	222,133	(2,173)	291	224,015
Personnel costs	243,799			243,799
Net occupancy expenses	42,144			42,144
Equipment expenses	29,809			29,809
Professional fees	156,084		1,812	154,272
Communications	12,332			12,332
Business promotion	24,815			24,815
Other real estate owned (OREO) expenses	22,121		5,090	17,031
Other operating expenses	79,988			79,988
Total operating expenses	611,092		6,902	604,190
Income before income tax	238,697	(2,173)	891	239,979
Income tax expense	64,711		347	64,364
Net income	\$ 173,986	\$ (2,173)	\$ 544	\$ 175,615

[1] Covered loans represent loans acquired in the Westernbank FDIC-assisted transaction that are covered under an FDIC loss-sharing agreement.

[2] Represents Popular Inc.'s proportionate share of the cumulative impact of EVERTEC's restatement and other corrective adjustments to its financial statements, as disclosed in EVERTEC's 2015 Annual Report on Form 10K.

[3] Represent the impact of the bulk sale of Westernbank loans and OREO.

Table of Contents**Table 46 - Adjusted Consolidated Statement of Operations for the Six Months Ended June 30, 2015
(Non-GAAP)**

(In thousands)	For the six months ended June 30, 2015							Adjusted Results (Non-GAAP)
	Actual Results (U.S. GAAP)	BPNA Reorganization [2]	Doral Transaction [3]	OTTI [4]	Reversal of DTA - U.S. Operations [5]	Loss on Bulk Sale of Covered OREOs [6]	Adjustment to FDIC Asset [7]	
Net interest income	\$ 705,748	\$	\$	\$	\$	\$	\$	\$ 705,748
Provision for loan losses non-covered loans	90,179							90,179
Provision for loan losses covered loans [1]	26,090							26,090
Net interest income after provision for loan losses	589,479							589,479
Other-than-temporary impairment losses on investment securities	(14,445)			(14,445)				
FDIC loss-share income (expense)	23,214					17,566	(10,887)	16,535
Other non-interest income	247,225		2,082					245,143
Total non-interest income	255,994		2,082	(14,445)		17,566	(10,887)	261,678
Personnel costs	237,435		6,297					231,138
Net occupancy expenses	44,995		2,952					42,043
Equipment expenses	29,336		725					28,611
Professional fees	153,977		11,882					142,095
Communications	12,329		70					12,259
Business promotion	24,589		401					24,188
Other real estate owned (OREO) expenses	67,885					21,957		45,928
Restructuring costs	16,927	16,927						
Other operating expenses	88,042		509					87,533

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Total operating expenses	675,515	16,927	22,836			21,957		613,795
Income (loss) from continuing operations before income tax	169,958	(16,927)	(20,754)	(14,445)		(4,391)	(10,887)	237,362
Income tax (benefit) expense	(500,964)		(6,640)	(2,486)	(544,927)	(1,712)	(2,177)	56,978
Income (loss) from continuing operations	\$ 670,922	(16,927)	(14,114)	(11,959)	544,927	(2,679)	(8,710)	\$ 180,384
Income (loss) from discontinued operations, net of tax	\$ 1,356	\$ 1,356	\$	\$	\$	\$	\$	\$
Net income (loss)	\$ 672,278	\$ (15,571)	\$ (14,114)	\$ (11,959)	\$ 544,927	\$ (2,679)	\$ (8,710)	\$ 180,384

- [1] Covered loans represent loans acquired in the Westernbank FDIC-assisted transaction that are covered under an FDIC loss-sharing agreement.
- [2] Represents restructuring charges associated with the reorganization of BPNA.
- [3] Includes approximately \$2.1 million of fees charged for services provided to the alliance co-bidders, including loan servicing and other interim services, personnel costs related to former Doral Bank employees retained on a temporary basis and incentive compensation for an aggregate of \$6.3 million, building rent expense of Doral Bank's administrative offices for \$3.0 million, professional fees and business promotion expenses directly associated with the Doral Bank Transaction and systems conversion for \$12.3 million and other expenses, including equipment, business promotions and communications, of \$1.3 million.
- [4] Represents an other than temporary impairment (OTTI) recorded on Puerto Rico government investment securities available- for-sale. These securities had an amortized cost of approximately \$41.1 million and a market value of \$26.6 million. Based on the fiscal and economic situation in Puerto Rico, together with the government's recent announcements regarding its ability to pay its debt, the Corporation determined that the unrealized loss, a portion of which had been in an unrealized loss for a period exceeding twelve months, was other than temporary.
- [5] Represents the partial reversal of the valuation allowance of a portion of the deferred tax asset amounting to approximately \$1.2 billion, at the U.S. operations.

Table of Contents

- [6] Represents the loss on a bulk sale of covered OREOs completed in the second quarter and the related mirror accounting of the 80% reimbursable from the FDIC.
- [7] The quarter's negative amortization of the FDIC's Indemnification Asset included a \$10.9 million expense related to losses incurred by the corporation that were not claimed to the FDIC before the expiration of the loss-share portion of the agreement on June 30, 2015, and that are not subject to the ongoing arbitrations.

Table 47 - Adjusted Consolidated Statement of Operations (Non-GAAP) - Comparative

(In thousands)	Adjusted Results (Non-GAAP) for the six months ended		
	June 30, 2016	June 30, 2015	Variance
Net interest income	\$ 710,906	\$ 705,748	\$ 5,158
Provision for loan losses non-covered loans	93,053	90,179	2,874
Provision for loan losses covered loans [1]	(2,301)	26,090	(28,391)
Net interest income after provision for loan losses	620,154	589,479	30,675
Other-than-temporary impairment losses on investment securities	(209)		(209)
FDIC loss share (expense) income	(16,013)	16,535	(32,548)
Other non-interest income	240,237	245,143	(4,906)
Total non-interest income	224,015	261,678	(37,663)
Personnel costs	243,799	231,138	12,661
Net occupancy expenses	42,144	42,043	101
Equipment expenses	29,809	28,611	1,198
Professional fees	154,272	142,095	12,177
Communications	12,332	12,259	73
Business promotion	24,815	24,188	627
Other real estate owned (OREO) expenses	17,031	45,928	(28,897)
Other operating expenses	79,988	87,533	(7,545)
Total operating expenses	604,190	613,795	(9,605)
Income before income tax	239,979	237,362	2,617
Income tax expense	64,364	56,978	7,386
Net income	\$ 175,615	\$ 180,384	\$ (4,769)

- [1] Covered loans represent loans acquired in the Westernbank FDIC-assisted transaction that are covered under an FDIC loss-sharing agreement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures for the current period can be found in the Market Risk section of this report, which includes changes in market risk exposures from disclosures presented in the Corporation's 2015 Form 10-K.

Item 4. Controls and Procedures
Disclosure Controls and Procedures

The Corporation's management, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the

Table of Contents

Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Corporation's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act and such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures.

Internal Control Over Financial Reporting

There have been no changes in the Corporation's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

For a discussion of Legal Proceedings, see Note 23, Commitments and Contingencies, to the Consolidated Financial Statements.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed under Part I - Item 1A - Risk Factors in our 2015 Form 10-K. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report. Also refer to the discussion in Part I Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in this report for additional information that may supplement or update the discussion of risk factors in our 2015 Form 10-K.

There have been no material changes to the risk factors previously disclosed under Item 1A of the Corporation's 2015 Form 10-K, except for the risks described below.

The risks described in our 2015 Form 10-K and in this report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds **Issuer Purchases of Equity Securities**

In April 2004, the Corporation's shareholders adopted the Popular, Inc. 2004 Omnibus Incentive Plan. The Corporation has to date used shares purchased in the market to make grants under the Plan. As of June 30, 2016 the maximum number of shares of common stock that may have been granted under this plan was 3,500,000.

In connection with the Corporation's participation in the Capital Purchase Program under the Troubled Asset Relief Program, the consent of the U.S. Department of the Treasury will be required for the Corporation to repurchase its common stock other than in connection with benefit plans consistent with past practice and certain other specified circumstances. The Corporation terminated its participation in the Troubled Asset Relief Program, after the repurchase on July 23, 2014, of the outstanding warrants issued to the U.S. Treasury.

Table of Contents

The following table sets forth the details of purchases of Common Stock during the quarter ended June 30, 2016 under the 2004 Omnibus Incentive Plan.

Issuer Purchases of Equity Securities			
Not in thousands			
Period	Total Number of Shares Purchased	Average Price Paid per Share	Maximum Number of Shares that May Yet be Purchased Under the Total Number of Shares Purchased Under the Plans or Programs
April 1- April 30	38,179	\$ 30.16	
May 1- May 31	118,390	28.96	
June 1- June 30			
Total June 30, 2016	156,569	\$ 29.25	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Table of Contents**Item 6. Exhibits**

Exhibit No.	Exhibit Description
12.1	Computation of the ratios of earnings to fixed charges and preferred stock dividends ⁽¹⁾
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ⁽¹⁾
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ⁽¹⁾
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽¹⁾
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽¹⁾
101.	INS XBRL Instance Document ⁽¹⁾
101.	SCH XBRL Taxonomy Extension Schema Document ⁽¹⁾
101.	CAL XBRL Taxonomy Extension Calculation Linkbase Document ⁽¹⁾
101.	DEF XBRL Taxonomy Extension Definitions Linkbase Document ⁽¹⁾
101.	LAB XBRL Taxonomy Extension Label Linkbase Document ⁽¹⁾
101.	PRE XBRL Taxonomy Extension Presentation Linkbase Document ⁽¹⁾

(1) Included herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POPULAR, INC.

(Registrant)

Date: August 9, 2016

By: /s/ Carlos J. Vázquez
Carlos J. Vázquez
Executive Vice President &

Chief Financial Officer

Date: August 9, 2016

By: /s/ Jorge J. García
Jorge J. García
Senior Vice President & Corporate Comptroller