POPULAR INC
Form 10-Q
May 11, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2015

Commission File Number: 001-34084

POPULAR, INC.

(Exact name of registrant as specified in its charter)

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

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

(787) 765-9800

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: Common Stock, $0.01 par value, 103,499,210 shares outstanding as of May 5, 2015.

POPULAR, INC.

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Forward-Looking Information

The information included in this Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to Popular, Inc. s (the Corporation , Popular , we , us , our) financial condition, results of operations, plans, objectives, future performanc business, including, but not limited to, statements with respect to the adequacy of the allowance for loan losses, delinquency trends, market risk and the impact of interest rate changes, capital markets conditions, capital adequacy and liquidity, and the effect of legal proceedings and new accounting standards on the Corporation s financial condition and results of operations. All statements contained herein that are not clearly historical in nature are forward-looking, and the words anticipate , believe , continues , expect , estimate , intend , project and similar and future or conditional verbs such as will , would , should , could , might , can , may or similar expressions generally intended to identify forward-looking statements.

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

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

- the rate of growth in the economy and employment levels, as well as general business and economic conditions;
- 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 on our businesses, business practices and cost of operations;
- regulatory approvals that may be necessary to undertake certain actions or consummate strategic transactions such as acquisitions and dispositions;
- the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets in Puerto Rico and the other markets in which borrowers are located;

- the performance of the stock and bond markets;
- competition in the financial services industry;
- additional Federal Deposit Insurance Corporation (FDIC) assessments;
- possible legislative, tax or regulatory changes; and
- risks related to the Doral Transaction, including (a) our ability to maintain customer relationships, including managing any potential customer confusion caused by the alliance structure, (b) risks associated with the limited amount of diligence able to be conducted by a buyer in an FDIC transaction and (c) difficulties in converting or integrating the Doral branches or difficulties in providing transition support to alliance co-bidders.

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; changes in interest rates and market liquidity which may reduce interest margins, impact funding sources and affect our ability to originate and distribute financial products in the primary and secondary markets; changes in market rates and prices which may adversely impact the value of financial assets and liabilities; liabilities resulting from litigation and regulatory investigations; changes in accounting standards, rules and interpretations; our ability to grow our core businesses; decisions to downsize, sell or close units or otherwise change our business mix; and management s ability to identify and manage these and other risks. Moreover, the outcome of legal proceedings, as discussed in Part II, Item I. Legal Proceedings, is inherently uncertain and depends on judicial interpretations of law and the findings of regulators, judges and juries. Investors should refer to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2014 as well as Part II, Item 1A of this Form 10-Q for a discussion of such factors and certain risks and uncertainties to which the Corporation is subject.

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(UNAUDITED)

(In thousands, except share information)	March 31, 2015	December 31, 2014
Assets:		
Cash and due from banks	$ 495,776	$ 381,095
Money market investments:		
Securities purchased under agreements to resell	139,422	151,134
Time deposits with other banks	2,167,793	1,671,252
Total money market investments	2,307,215	1,822,386
Trading account securities, at fair value:		
Pledged securities with creditors right to repledge	62,923	80,945
Other trading securities	71,371	57,582
Investment securities available-for-sale, at fair value:		
Pledged securities with creditors right to repledge	1,016,574	1,020,529
Other investment securities available-for-sale	4,532,129	4,294,630
Investment securities held-to-maturity, at amortized cost (fair value 2015 - $89,304; 2014 - $94,199)	101,595	103,170
Other investment securities, at lower of cost or realizable value (realizable value 2015 - $164,387; 2014 - $165,024)	163,038	161,906
Loans held-for-sale, at lower of cost or fair value	160,602	106,104
Loans held-in-portfolio:		
Loans not covered under loss sharing agreements with the FDIC	21,110,147	19,498,286
Loans covered under loss sharing agreements with the FDIC	2,456,552	2,542,662
Less Unearned income	97,217	93,835
Allowance for loan losses	588,697	601,792
Total loans held-in-portfolio, net	22,880,785	21,345,321
FDIC loss share asset	409,844	542,454
Premises and equipment, net	492,291	494,581
Other real estate not covered under loss sharing agreements with the FDIC	128,170	135,500
Other real estate covered under loss sharing agreements with the FDIC	113,557	130,266
Accrued income receivable	129,639	121,818
Mortgage servicing assets, at fair value	149,024	148,694
Other assets	1,842,934	1,646,443
Goodwill	508,310	465,676
Other intangible assets	59,063	37,595

Total assets	$ 35,624,840	$ 33,096,695
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 6,285,202	$ 5,783,748
Interest bearing	20,988,487	19,023,787
Total deposits	27,273,689	24,807,535
Federal funds purchased and assets sold under agreements to repurchase	1,132,643	1,271,657
Other short-term borrowings	1,200	21,200
Notes payable	1,757,313	1,711,828
Other liabilities	1,080,945	1,012,029
Liabilities from discontinued operations (Refer to Note 5)	1,930	5,064
Total liabilities	31,247,720	28,829,313
Commitments and contingencies (Refer to Note 26)		
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; 103,657,174 shares issued (2014 103,614,553) and 103,486,927 shares outstanding (2014 103,476,847)	1,037	1,036
Surplus	4,197,932	4,196,458
Retained earnings	327,613	253,717
Treasury stock at cost, 170,247 shares (2014 137,706)	(5,222)	(4,117)
Accumulated other comprehensive loss, net of tax	(194,400)	(229,872)
Total stockholders equity	4,377,120	4,267,382
Total liabilities and stockholders equity	$ 35,624,840	$ 33,096,695

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Quarters ended March 31,	
(In thousands, except per share information)	2015	2014
Interest income:		
Loans	$ 355,631	$ 377,602
Money market investments	1,446	973
Investment securities	30,301	35,127
Trading account securities	2,696	5,257
Total interest income	390,074	418,959
Interest expense:		
Deposits	25,864	26,858
Short-term borrowings	1,734	9,040
Long-term debt	19,281	31,890
Total interest expense	46,879	67,788
Net interest income	343,195	351,171
Provision for loan losses - non-covered loans	29,711	54,122
Provision for loan losses - covered loans	10,324	25,714
Net interest income after provision for loan losses	303,160	271,335
Service charges on deposit accounts	39,017	39,359
Other service fees (Refer to Note 32)	53,626	52,818
Mortgage banking activities (Refer to Note 14)	12,852	3,678
Trading account profit	414	1,977
Net (loss) gain on sale of loans, including valuation adjustments on loans held-for-sale	(79)	4,393
Adjustments (expense) to indemnity reserves on loans sold	(4,526)	(10,347)
FDIC loss share income (expense) (Refer to Note 33)	4,139	(24,206)
Other operating income	9,792	28,360
Total non-interest income	115,235	96,032
Operating expenses:		
Personnel costs	116,458	104,301
Net occupancy expenses	21,709	21,360
Equipment expenses	13,411	11,412
Other taxes	8,574	13,663

Professional fees	75,528	66,999
Communications	6,176	6,685
Business promotion	10,813	11,386
FDIC deposit insurance	6,398	10,978
Other real estate owned (OREO) expenses	23,069	6,440
Other operating expenses	17,349	22,349
Amortization of intangibles	2,104	2,026
Restructuring costs	10,753	
Total operating expenses	312,342	277,599
Income from continuing operations before income tax	106,053	89,768
Income tax expense	32,568	23,264
Income from continuing operations	73,485	66,504
Income from discontinued operations, net of tax	1,341	19,905
Net Income	$ 74,826	$ 86,409
Net Income Applicable to Common Stock	$ 73,896	$ 85,478
Net Income per Common Share Basic		
Net income from continuing operations	0.71	0.64
Net income from discontinued operations	0.01	0.19
Net Income per Common Share Basic	$ 0.72	$ 0.83
Net Income per Common Share Diluted		
Net income from continuing operations	0.71	0.64
Net income from discontinued operations	0.01	0.19
Net Income per Common Share Diluted	$ 0.72	$ 0.83

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)	Quarters ended March 31, 2015	2014
Net income	$ 74,826	$ 86,409
Other comprehensive income before tax:		
Foreign currency translation adjustment	(581)	(2,115)
Reclassification adjustment for losses included in net income		7,718
Amortization of net losses on pension and postretirement benefit plans	5,025	2,126
Amortization of prior service cost of pension and postretirement benefit plans	(950)	(950)
Unrealized holding gains on investments arising during the period	35,342	27,582
Unrealized net losses on cash flow hedges	(2,535)	(1,725)
Reclassification adjustment for net losses included in net income	1,358	1,824
Other comprehensive income before tax	37,659	34,460
Income tax expense	(2,187)	(1,990)
Total other comprehensive income, net of tax	35,472	32,470
Comprehensive income, net of tax	$ 110,298	$ 118,879

Tax effect allocated to each component of other comprehensive income: (In thousands)	Quarters ended March 31, 2015	2014
Amortization of net losses on pension and postretirement benefit plans	(1,960)	(829)
Amortization of prior service cost of pension and postretirement benefit plans	371	371
Unrealized holding gains on investments arising during the period	(1,057)	(1,493)
Unrealized net losses on cash flow hedges	989	672
Reclassification adjustment for net losses included in net income	(530)	(711)
Income tax expense	$ (2,187)	$ (1,990)

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(UNAUDITED)

(In thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance at December 31, 2013	$ 1,034	$ 50,160	$ 4,170,152	$ 594,430	$ (881)	$ (188,745)	$ 4,626,150
Net income				86,409			86,409
Issuance of stock	1		1,665				1,666
Dividends declared:							
Preferred stock				(931)			(931)
Common stock purchases					(17)		(17)
Other comprehensive income, net of tax						32,470	32,470
Balance at March 31, 2014	$ 1,035	$ 50,160	$ 4,171,817	$ 679,908	$ (898)	$ (156,275)	$ 4,745,747
Balance at December 31, 2014	$ 1,036	$ 50,160	$ 4,196,458	$ 253,717	$ (4,117)	$ (229,872)	$ 4,267,382
Net income				74,826			74,826
Issuance of stock	1		1,405				1,406
Tax windfall benefit on vesting of restricted stock			69				69
Common stock purchases							
Dividends declared:							
Preferred stock				(930)			(930)
Common stock purchases					(1,123)		(1,123)
Common stock reissuance					18		18
Other comprehensive income, net of tax						35,472	35,472
Balance at March 31, 2015	$ 1,037	$ 50,160	$ 4,197,932	$ 327,613	$ (5,222)	$ (194,400)	$ 4,377,120

Disclosure of changes in number of shares:	March 31, 2015	March 31, 2014
Preferred Stock:		
Balance at beginning and end of period	2,006,391	2,006,391
Common Stock Issued:		
Balance at beginning of period	103,614,553	103,435,967

Issuance of stock	42,621	58,463
Balance at end of the period	103,657,174	103,494,430
Treasury stock	(170,247)	(38,895)
Common Stock Outstanding	103,486,927	103,455,535

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Quarter ended March 31, 2015	2014
Cash flows from operating activities:		
Net income	$ 74,826	$ 86,409
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses	40,035	73,072
Amortization of intangibles	2,104	2,504
Depreciation and amortization of premises and equipment	11,919	11,965
Net accretion of discounts and amortization of premiums and deferred fees	(19,100)	(39,571)
Fair value adjustments on mortgage servicing rights	4,929	8,096
FDIC loss share (income) expense	(4,139)	24,206
Adjustments (expense) to indemnity reserves on loans sold	4,526	10,347
Earnings from investments under the equity method	(2,301)	(16,930)
Deferred income tax expense	23,380	13,898
(Gain) loss on:		
Disposition of premises and equipment	(978)	(1,671)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	(7,222)	(18,953)
Sale of foreclosed assets, including write-downs	14,851	(1,199)
Acquisitions of loans held-for-sale	(121,929)	(76,125)
Proceeds from sale of loans held-for-sale	27,547	45,115
Net originations on loans held-for-sale	(179,604)	(179,057)
Net (increase) decrease in:		
Trading securities	177,942	218,997
Accrued income receivable	(13)	5,641
Other assets	(28,027)	(1,463)
Net increase (decrease) in:		
Interest payable	(10,216)	(2,680)
Pension and other postretirement benefits obligation	1,019	(1,562)
Other liabilities	(19,377)	(1,193)
Total adjustments	(84,654)	73,437
Net cash (used in) provided by operating activities	(9,828)	159,846
Cash flows from investing activities:		
Net increase in money market investments	(484,829)	(763,980)
Purchases of investment securities:		

Available-for-sale	(411,189)	(436,233)
Held-to-maturity	(250)	
Other	(2,520)	(34,768)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	385,672	194,949
Held-to-maturity	2,231	1,888
Other	30,785	49,964
Proceeds from sale of investment securities:		
Other	1,388	
Net repayments on loans	154,794	205,660
Proceeds from sale of loans	19,127	42,238
Acquisition of loan portfolios	(49,510)	(201,385)
Net payments from FDIC under loss sharing agreements	132,265	81,327
Net cash received and acquired from business combination	711,051	
Mortgage servicing rights purchased	(2,400)	
Acquisition of premises and equipment	(10,231)	(11,017)
Proceeds from sale of:		
Premises and equipment	3,093	6,385
Foreclosed assets	40,161	38,830
Net cash provided by (used in) investing activities	519,638	(826,142)
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	265,906	559,972
Federal funds purchased and assets sold under agreements to repurchase	(139,013)	548,921
Other short-term borrowings	(148,215)	(400,000)
Payments of notes payable	(419,487)	(110,514)
Proceeds from issuance of notes payable	46,000	31,905
Proceeds from issuance of common stock	1,405	1,666
Dividends paid	(620)	(931)
Net payments for repurchase of common stock	(1,105)	(17)
Net cash (used in) provided by financing activities	(395,129)	631,002
Net increase (decrease) in cash and due from banks	114,681	(35,294)
Cash and due from banks at beginning of period	381,095	423,211
Cash and due from banks at the end of the period	$ 495,776	$ 387,917

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

The Consolidated Statements of Cash Flows for the quarters ended March 31, 2015 and 2014 include the cash flows from operating, investing and financing activities associated with discontinued operations.

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Note 1 Nature of Operations

Popular, Inc. (the Corporation) is a diversified, publicly-owned financial holding company subject to the supervision and regulation of the Board of Governors of the Federal Reserve System. The Corporation has operations in Puerto Rico, the United States and the Caribbean. In Puerto Rico, the Corporation provides retail, including mortgage loan originations, and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico (BPPR), as well as investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. In the U.S. mainland, the Corporation operates Banco Popular North America (BPNA), including its wholly-owned subsidiary E-LOAN. BPNA focuses efforts and resources on the core community banking business. BPNA operates branches in New York, New Jersey and South Florida. E-LOAN markets deposit accounts under its name for the benefit of BPNA. The BPNA branches operate under the name of Popular Community Bank (PCB). Refer to Note 5 for discussion of the sales of the California, Illinois and Central Florida regional operations during 2014. Note 38 to the consolidated financial statements presents information about the Corporation s business segments.

On February 27, 2015, BPPR, in an alliance with co-bidders, including PCB, acquired certain assets and all deposits (other than certain brokered deposits) of 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 transferred assets and deposits. The other co-bidders which formed part of the alliance led by BPPR were First Bank Puerto Rico, Centennial Bank, and a vehicle formed by J.C. Flowers III L.P. BPPR has entered into transition service agreements with each of the alliance co-bidders. Refer to Note 4 for further details on the Doral Bank transaction.

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Note 2 Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated interim financial statements have been prepared without audit. The consolidated statement of financial condition data at December 31, 2014 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 2014 consolidated financial statements and notes to the financial statements to conform with the 2015 presentation. As discussed in Note 5, current and prior periods presented in the consolidated statement of operations as well as the related note disclosures covering income and expense amounts have been retrospectively adjusted for the impact of the discontinued operations for comparative purposes. The consolidated statement of financial condition and related note disclosure for prior periods do not reflect the reclassification of BPNA s assets and liabilities to discontinued operations.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from the unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2014, included in the Corporation s 2014 Annual Report (the 2014 Annual Report). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Use of Estimates in the Preparation of Financial Statements

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

Business Combination

The Corporation determined that the acquisition of certain assets and assumption of certain liabilities in connection with the Doral Bank Transaction constitutes a business combination as defined by the Financial Accounting Standards Board (FASB) Codification (ASC) Topic 805 Business Combinations . The assets and liabilities, both tangible and intangible, were initially recorded at their estimated fair values. Fair values were determined based on the requirements of FASB Codification Topic 820 Fair Value Measurements . These fair value estimates are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair value becomes available. Acquisition-related costs are expensed as incurred. Refer to Note 4, Business Combination, for additional information of assets acquired and liabilities assumed in connection with this transaction.

Loans acquired as part of the Doral Bank Transaction

Loans acquired in a business acquisition are recorded at their fair value at the acquisition date. Credit discounts are included in the determination of fair value; therefore, an allowance for loan losses is not recorded at the acquisition date.

Approximately $162 million of residential mortgage loans acquired as part of the Doral Bank Transaction were considered impaired. Accordingly, the Corporation applied the guidance of ASC Subtopic 310-30. Under this guidance, the loans acquired from the FDIC were aggregated into pools based on similar characteristics, including factors such as loan type, interest rate type, accruing status, and amortization type. Each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Under ASC Subtopic 310-30, the difference between the undiscounted cash flows expected at acquisition and the fair value in the loans, or the accretable yield, is recognized as interest income using the effective yield method over the estimated life of the loan if the timing and amount of the future cash flows of the pool is reasonably estimable. The non-accretable difference represents the difference between contractually required principal and interest and the cash flows expected to be collected. Subsequent to the acquisition date, increases in cash flows over those expected at the acquisition date are recognized as interest income prospectively. Decreases in expected cash flows after the acquisition date are recognized by recording an allowance for loan losses.

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Note 3 New accounting pronouncements

FASB Accounting Standards Update 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investment in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2015-07)

The FASB issued ASU 2015-07 in May 2015, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at a future date. For investments that are redeemable with the investee at a future date, a reporting entity must take into account the length of time until those investments become redeemable to determine the classification within the fair value hierarchy. There is diversity in practice related to how certain investment measured at net asset value with redemption dates in the future are categorized within the fair value hierarchy.

The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient.

The amendments of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2015. Early adoption is permitted. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity s financial statements.

The adoption of this guidance impacts presentation disclosures only and will not have an impact on the Corporation s consolidated financial statements.

FASB Accounting Standards Update 2015-05, Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer s Accounting for Fees Paid in a Cloud Computing Arrangement (ASU 2015-05)

The FASB issued ASU 2015-05 in April 2015, which provides guidance about a customer s accounting for fees paid in a cloud computing arrangement. The amendments in this ASU provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance will not change the accounting for service contracts. All software licenses within the scope of ASC Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2015. Early adoption is permitted. An entity can adopt the amendments either prospectively to all arrangements entered into or materially modified after the effective date, or retrospectively.

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

FASB Accounting Standards Update 2015-04, Compensation Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer s Defined Benefit Obligation and Plan Assets (ASU 2015-04)

The FASB issued ASU 2015-04 in April 2015, which simplifies the measurement of benefit plan assets and obligations. For an entity with a fiscal year-end that does not coincide with a month-end, the amendments in this ASU provides a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity s fiscal year-end and apply that practical expedient from year to year. The practical expedient should be applied consistently to all plans if an entity has more than one plan.

For an entity that has a significant event in an interim period that calls for a remeasurement of defined benefit plan assets and obligation, the amendments in this ASU also provide a practical expedient that permits the entity to remeasure define plan assets and obligations using the month-end that is closest to the date of the significant event.

An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments of this ASU. Employee benefit plans are not within the scope of these amendments.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2015. Early adoption is permitted. The amendments in this ASU should be applied prospectively.

The Corporation does not expect that the adoption of this accounting pronouncement will have a significant impact on its financial statements.

FASB Accounting Standards Update 2015-03, Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03)

The FASB issued ASU 2015-03 in April 2015, which simplifies the presentation of debt issuance costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. Having different balance sheet presentation requirements for debt issuance costs and debt discount and premium creates unnecessary complexity. The recognition and measurement guidance for debt issuance costs are not affected by the amendments of this Update.

The amendments of this Update are effective for financial statements issued for fiscal years beginning after December 31, 2015, and interim periods within fiscal years beginning after December 31, 2016. Early adoption is permitted for financial statements that have not been previously issued.

An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle.

The Corporation s current policy is to record debt issuance costs as a deferred asset, and accordingly, it will need to reclassify this balance upon adoption. However, this balance sheet reclassification is not expected to have a material impact in the Corporation s consolidated financial statements.

FASB Accounting Standards Update 2015-02, Consolidation (Topic 810): Amendment to the Consolidation Analysis (ASU 2015-02)

The FASB issued ASU 2015-02 in February 2015, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments:

1) Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities

2) Eliminate the presumption that a general partner should consolidate a limited partnership

3) Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships

4) Provide a scope exception from consolidation guidance for reporting entities with interest in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustment should be reflected as of the beginning of the fiscal year of that includes that interim period.

The amendments may be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity may also apply the amendments of this ASU retrospectively.

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

FASB Accounting Standards Update 2015-01, Income Statement Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items (ASU 2015-01)

The FASB issued ASU 2015-01 in January 2015, which eliminates from GAAP the concept of extraordinary items. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports the classification as an extraordinary item. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity is also required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item.

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Eliminating the concept of extraordinary items will save time and reduce costs for preparers because they will not have to assess whether a particular event or transaction event is extraordinary. This will alleviate uncertainty for preparers, auditors, and regulators because auditors and regulators no longer will need to evaluate whether a preparer treated an unusual and/or infrequent item appropriately.

The presentation and disclosure guidance for items that are unusual in nature and occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring.

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2015. The amendments may be applied prospectively or retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided is applied from the beginning of the fiscal year of adoption.

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 or presentation and disclosures.

FASB Accounting Standards Update 2014-16, Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is more Akin to Debt or to Equity (ASU 2014-16)

The FASB issued ASU 2014-16 in November 2014, which intends to eliminate the use of different methods in practice and thereby reduce existing diversity under GAAP in the accounting for hybrid financial instruments issued in the form of a share. An entity should determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. In evaluating the stated and implied substantive terms and features, the existence or omission of any single term or feature does not necessarily determine the economic characteristics and risks of the host contract. Although an individual term or feature may weigh more heavily in the evaluation on the basis of facts and circumstances, an entity should use judgment based on an evaluation of all relevant terms and features.

The amendment in this ASU does not change the current criteria in GAAP for determining when separation of certain embedded derivative features in a hybrid financial instrument is required. An entity will continue to evaluate whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria.

The amendments in the ASU are effective for annual periods, and interim periods within those annual periods, beginning in the first quarter of 2016. Early adoption is permitted. The effects of initially adopting the amendments of this ASU should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year for which the amendments are effective. Retrospective application is permitted to all relevant prior periods.

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 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability as a Going Concern (ASU 2014-15)

The FASB issued ASU 2014-15 in August 2014, which provides guidance in GAAP about management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide the related footnote disclosures. These amendments should reduce diversity in the timing and content of footnote disclosures.

In connection with preparing financial statements for each annual and interim reporting period, an entity s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

When management identifies conditions or events that raise substantial doubt about an entity s ability to continue as a going concern, management should consider whether its plans that are intended to mitigate those relevant conditions or events will alleviate the substantial doubt. The mitigating effect of management s plans should be considered only to the extent that (1) it is probable that the plans will be effectively implemented and, if so, (2) it is probable that the plans will mitigate the conditions or events that raise substantial doubt about the entity s ability to continue as a going concern.

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The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted.

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

FASB Accounting Standards Update 2014-14, Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (ASU 2014-14)

The FASB issued ASU 2014-14 in August 2014, which intends to resolve the diversity in practice related to how creditors classify government-guaranteed mortgage loans, including FHA or VA guaranteed loans, upon foreclosure. Some creditors reclassify those loans to real estate consistent with other foreclosed loans that do not have guarantees; others reclassify the loans to receivables. This ASU address the classification of certain foreclosed mortgage loans held by creditors that are either fully or partially guaranteed under government programs.

The amendments of the ASU require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met:

1- The loan has a government guarantee that is not separable from the loan before foreclosure.

2- At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim.

3- At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed.

Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance expected to be recovered from the guarantor.

The amendments in the ASU are effective for annual periods, and interim periods within those annual periods, beginning in the first quarter of 2015. The amendments of this ASU can be applied using either a prospective transition method or a modified retrospective transition method. For prospective transition, an entity should apply the amendments in this Update to foreclosures that occur after the date of adoption. For modified retrospective transition, an entity should apply the amendments in this Update by means of a cumulative-effect adjustment as of the beginning of the annual period of adoption. Prior periods should not be adjusted. However, a reporting entity must apply the same method of transition as elected under ASU 2014-04.

The Corporation adopted this guidance in the first quarter of 2015 and it did not have a material effect on its consolidated statements of financial condition or results of operations.

FASB Accounting Standards Update 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financial Entity (ASU 2014-13)

The FASB issued ASU 2014-13 in August 2014, which intends to clarify that when a reporting entity that consolidates a collateralized financing entity may elect to measure the financial assets and the financial liabilities of that collateralized financing entity using either the measurement alternative included in this Update or Topic 820 on fair value measurement. When the measurement alternative is not elected, the amendments of this Update clarify that the fair value of the financial assets and the fair value of the financial liabilities of the consolidated collateralized financing entity should be measured using the requirements of Topic 820 and any differences in the fair value of the financial assets and the fair value of the financial liabilities of that entity should be reflected in earnings and attributed to the reporting entity in the consolidated statement of income.

When a reporting entity elects the measurement alternative included in this Update for a collateralized financing entity, the reporting entity should measure both the financial assets and the financial liabilities of that entity in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities.

The amendments in the ASU are effective in the first quarter of 2016. Early adoption is permitted as of the beginning of an annual period. The amendments of this ASU can be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the annual period of adoption. A reporting entity also may apply the amendments retrospectively to all relevant prior periods beginning with the annual period in which the amendments of ASU 2009-17 were initially adopted.

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

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

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

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

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

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

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

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

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

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

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

The Corporation adopted this guidance on the first quarter of 2015 and did not have a material effect on its consolidated statements of financial condition or results of operations. Refer to note 20, Borrowings, for additional disclosures provided upon the adoption of this accounting pronouncement.

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

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

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

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

The amendments in this ASU were originally effective in the first quarter of 2017, however, on April 1, 2015, the FASB voted to propose a deferral of the effective date of this new revenue standard by one year until January 1, 2018, but to permit entities to adopt the standard as of the original effective date.

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

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

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

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

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

The amendments in the ASU are effective in the first quarter of 2015.

The Corporation adopted the provisions of this guidance in the first quarter of 2015 and its adoption did not have a material effect on its consolidated statement of financial condition or result of operations.

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

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

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

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

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

The Corporation adopted this guidance on the first quarter of 2015 and the adoption of this ASU did not have a material effect on its consolidated statements of financial condition or results of operations.

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Note 4 Business combination

On February 27, 2015, the Corporation s Puerto Rico banking subsidiary, Banco Popular de Puerto Rico (BPPR), in an alliance with co-bidders, including the Corporation s U.S. mainland banking subsidiary, Banco Popular North America, doing business as Popular Community Bank (PCB), had acquired certain assets and all deposits (other than certain brokered deposits) of Doral Bank from the Federal Deposit Insurance Corporation (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 to be 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 transferred assets and deposits. The other co-bidders that formed part of the alliance led by BPPR are FirstBank Puerto Rico, Centennial Bank, and a vehicle formed by J.C. Flowers III LP. BPPR has entered into transition service agreements with each of the alliance co-bidders.

After taking into account the transfers to the unaffiliated alliance co-bidders, BPPR and PCB together assumed approximately $2.2 billion in deposits and acquired approximately $1.7 billion in commercial and residential loans.

BPPR assumed approximately $574 million in deposits associated with eight Puerto Rico branches of Doral Bank and approximately $425 million from its online deposit platform, and approximately $827 million in Puerto Rico residential and commercial loans.

PCB assumed approximately $1.2 billion in deposits in three New York branches of Doral Bank, and acquired approximately $891 million in commercial loans primarily in the New York metropolitan area.

On February 27, 2015, the FDIC, as receiver for Doral Bank, accepted BPPR s bid for the purchase of the mortgage servicing rights on three pools of residential mortgage loans of approximately $5.0 billion in unpaid principal balance, for a purchase price currently estimated at $48.6 million. The transfers of the mortgage servicing rights are subject to a number of specified closing conditions, including the consent of each of Ginnie Mae, Fannie Mae and Freddie Mac in a form acceptable to BPPR, and other customary closing conditions.

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 the February 27, 2015 acquisition date.

(In thousands)	Book value prior to purchase accounting adjustments	Fair value adjustments	Additional consideration[1]	As recorded by Popular, Inc. on February 27, 2015
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	1,718,208	(52,452)		1,665,756
Accrued income receivable	7,808			7,808
Receivable from the FDIC			439,112	439,112

Core deposit intangible	23,572			23,572
Other assets	67,676	9,688		77,364
Total assets	$ 2,360,388	$ (42,764)	$ 439,112	$ 2,756,736
Liabilities:				
Deposits	$ 2,193,404	$ 8,051	$	$ 2,201,455
Advances from the Federal Home Loan Bank	542,000	5,187		547,187
Other liabilities	50,728			50,728
Total liabilities	$ 2,786,132	$ 13,238	$	$ 2,799,370
Excess of liabilities assumed over assets acquired	$ 425,744			
Aggregate fair value adjustments		$ (56,002)		
Additional consideration			$ 439,112	
Goodwill on acquisition				$ 42,634

[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.

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Other assets recorded as part of the Doral Bank Transaction include the fair value estimate of the contingent asset for the probable acquisition of approximately $57.6 million from the FDIC of mortgage servicing rights on three pools of residential mortgage loans of approximately $5.0 billion in unpaid principal balance. As discussed above, at March 31, 2015, these mortgage servicing rights were subject to a number of closing conditions. On April 23, 2015, BPPR closed the acquisition of Ginnie Mae mortgage servicing rights for a loan portfolio of approximately $2.7 billion in unpaid principal balance. BPPR is in negotiations for the transfers of the Fannie Mae and Freddie Mac mortgage servicing rights which are expected to be completed during the second quarter of 2015.

The fair values initially assigned to the assets acquired and liabilities assumed were preliminary and subject to refinement for up to one year after the closing date of the acquisition as new information relative to closing date fair values becomes available. Because of the short time period between the February 27, 2015 closing of the transaction and the March 31, 2015 reporting date, the Corporation continues to analyze its estimates of fair value on loans and other assets acquired as well as the deposits and other liabilities assumed. As the Corporation finalizes its analyses of these assets and liabilities, there may be adjustments to the recorded carrying values, and thus the recognized goodwill may increase or decrease.

The following is a description of the methods used to determine the fair values of significant assets acquired and liabilities assumed on the Doral Bank Transaction:

Loans

Fair values for loans were based on a discounted cash flow methodology. Certain loans were valued individually, while other loans were valued as pools. Aggregation into pools considered characteristics such as loan type, payment term, rate type and accruing status. Principal and interest projections considered prepayment rates and credit loss expectations. The discount rates were developed based on the relative risk of the cash flows, taking into account principally the loan type, market rates as of the valuation date, liquidity expectations, and the expected life of the loans.

Goodwill

The amount of goodwill is the residual difference in the fair value of liabilities assumed and net consideration paid to the FDIC over the fair value of the assets acquired. The goodwill created by this transaction is driven by the deployment of capital with meaningful earnings accretion and significant cost savings opportunities. In addition to strengthening the Corporation s Puerto Rico franchise, the transaction grows the U.S. business through the addition of an attractive commercial platform. The goodwill is deductible for income tax purposes. The goodwill from the Doral Bank Transaction was assigned to the BPPR and BPNA reportable segments based on the relative fair value of the assets acquired and liabilities assumed.

Core deposit intangible

This intangible asset represents the value of the relationships that Doral Bank had with its deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the core deposit base, interest costs, and the net maintenance cost attributable to customer deposits, and the cost of alternative funds. The core deposit intangible asset will be amortized over a period of fifteen years.

Deposits

The fair values used for the demand deposits that comprise the transaction accounts acquired, which have no stated maturity and include non-interest bearing demand deposits, savings, NOW, and money market accounts, by definition equal the amount payable on demand at the reporting date. The fair values for time deposits were estimated using a discounted cash flow calculation that applies interest rates currently offered to comparable time deposits with similar maturities, and also accounts for the non-performance risk by using internally-developed models that consider, where applicable, the remaining term and the credit premium of the institution.

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Deferred taxes

Deferred taxes relate to a difference between the financial statement and tax basis of the assets acquired and liabilities assumed in the transaction. Deferred taxes were reported based upon the principles in ASC Topic 740 Income Taxes , and were measured using the enacted statutory income tax rate to be in effect for BPPR and BPNA at the time the deferred tax is expected to reverse.

For income tax purposes, the Doral Bank Transaction was accounted for as an asset purchase and the tax bases of assets acquired were allocated based on fair values using a modified residual method. Under this method, the purchase price was allocated among the assets in order of liquidity (the most liquid first) up to its fair market value.

The operating results of the Corporation for the quarter March 31, 2015 include the operating results produced by the acquired assets and liabilities assumed for the period of February 28, 2015 to March 31, 2015. This includes approximately $14.0 million in gross revenues and approximately $14.5 million in operating expenses. The Corporation believes that given the amount of assets and liabilities assumed, the size of the operations acquired in relation to Popular s operations and the significant amount of fair value adjustments, the historical results of Doral Bank are not meaningful to Popular s results, and thus no pro forma information is presented.

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Note 5 Discontinued operations

During the year ended December 31, 2014, the Corporation completed the sale of its California, Illinois and Central Florida regional operations to three different buyers.

In connection with these transactions, the Corporation is relocating certain back office operations to Puerto Rico and New York. The Corporation incurred restructuring charges of $10.8 million during the quarter ended March 31, 2015. Additional restructuring charges amounting to approximately $12.6 million are expected to be incurred in the year 2015. Refer to Note 6, for restructuring charges incurred during the quarter ended March 31, 2015.

The regional operations sold constituted a business, as defined in ASC 805-10-55. Accordingly, the decision to sell these businesses resulted in the discontinuance of each of these respective operations and classification as held-for-sale. For financial reporting purposes, the results of the discontinued operations are presented as Assets / Liabilities from discontinued operations in the consolidated statement of condition and (Loss) income from discontinued operations, net of tax in the consolidated statement of operations. As required by ASC 205-20, current and prior periods presented in the consolidated statement of operations as well as the related note disclosures covering income and expense amounts have been retrospectively adjusted for the impact of the discontinued operations for comparative purposes. The consolidated statement of financial condition and related note disclosure for prior periods do not reflect the reclassification of these assets and liabilities to discontinued operations.

During the quarter ended June 30, 2014, the Corporation recorded non-cash impairment charge of $187 million related to the goodwill allocated, on a relative fair value basis, to these operations. However, this non-cash charge had no impact on the Corporation s tangible capital or regulatory capital ratios.

After the sale of these three regions, at March 31, 2015, there were no assets held within the discontinued operations. Liabilities within discontinued operations amounted to approximately $1.9 million, mainly comprised of the indemnity reserve related to the California regional sale.

The following table provides the components of net income from the discontinued operations for the quarters ended March 31, 2015 and 2014.

	Quarters ended March 31,	
(In thousands)	2015	2014
Net interest income	$	$ 21,797
Provision (reversal) for loan losses		(6,764)
Other non-interest income		10,533
Total non-interest income		10,533
Operating expenses:		
Personnel costs		8,852
Net occupancy expenses		4,331
Professional fees (reversal)	(1,341)	2,793
Goodwill impairment charge		
Other operating expenses		3,213

Total operating expenses	(1,341)	19,189
Net income from discontinued operations	$ 1,341	$ 19,905

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Note 6 Restructuring plan

As discussed in Note 5, in connection with the sale of the operations of the California, Illinois and Central Florida regions, the Corporation is relocating certain back office operations, previously conducted in these regions, to Puerto Rico and New York. The Corporation has undertaken a restructuring plan (the PCB Restructuring Plan) to eliminate and re-locate employment positions, terminate contracts and incur other costs associated with moving the operations to Puerto Rico and New York. The Corporation estimates that it will incur restructuring charges of approximately $50.1 million, of which approximately $26.7 million were incurred during 2014; $10.8 million during the first quarter of 2015 and the remaining $12.6 million are expected to be incurred during 2015. The remaining costs for 2015 are primarily related to $10.6 million in personnel related costs and $2.0 million in lease cancellations and other restructuring costs.

The following table details the expenses recorded by the Corporation that were associated with the PCB Restructuring Plan:

(In thousands)	Quarter ended March 31, 2015
Personnel costs	$ 9,366
Net occupancy expenses	386
Equipment expenses	158
Professional fees	466
Other operating expenses	377
Total restructuring costs	$ 10,753

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

(In thousands)	
Balance at January 1, 2015	$ 13,536
Charges expensed during the period	6,297
Payments made during the period	(9,030)
Balance at March 31, 2015	$ 10,803

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Note 7 - 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 March 31, 2015 (December 31, 2014 - $ 1.0 billion). Cash and due from banks, as well as other short-term, highly liquid securities, are used to cover the required average reserve balances.

At March 31, 2015, the Corporation held $42 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, 2014 - $45 million). The amounts held in trading account securities and investment securities available for sale consist primarily of restricted assets held for the Corporation s non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

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Note 8 Pledged assets

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

(In thousands)	March 31, 2015	December 31, 2014
Investment securities available-for-sale, at fair value	$ 1,835,849	$ 1,700,820
Investment securities held-to-maturity, at amortized cost	58,660	60,515
Loans held-in-portfolio covered under loss sharing agreements with the FDIC	459,577	480,441
Loans held-in-portfolio not covered under loss sharing agreements with the FDIC	8,908,657	8,820,204
Total pledged assets	$ 11,262,743	$ 11,061,980

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

At March 31, 2015, the Corporation had $ 0.8 billion in investment securities available-for-sale and $ 0.7 billion in loans that served as collateral to secure public funds (December 31, 2014 - $ 0.7 billion and $ 0.7 billion, respectively).

At March 31, 2015, the Corporation s banking subsidiaries had short-term and long-term credit facilities authorized with the Federal Home Loan Bank system (the FHLB) aggregating to $3.6 billion (December 31, 2014 - $3.7 billion). Refer to Note 20 to the consolidated financial statements for borrowings outstanding under these credit facilities. At March 31, 2015, the credit facilities authorized with the FHLB were collateralized by $ 4.5 billion in loans held-in-portfolio (December 31, 2014 - $ 4.5 billion). Also, at March 31, 2015, the Corporation s banking subsidiaries had a borrowing capacity at the Federal Reserve (Fed) discount window of $2.1 billion, which remained unused as of such date (December 31, 2014 - $2.1 billion). The amount available under these credit facilities with the Fed is dependent upon the balance of loans and securities pledged as collateral. At March 31, 2015, the credit facilities with the Fed discount window were collateralized by $ 4.2 billion in loans held-in-portfolio (December 31, 2014 - $ 4.1 billion). These pledged assets are included in the above table and were not reclassified and separately reported in the consolidated statements of financial condition.

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Note 9 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 March 31, 2015 and December 31, 2014.

	At March 31, 2015				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
After 1 to 5 years	$ 777,468	$ 6,806	$	$ 784,274	1.12%
Total U.S. Treasury securities	777,468	6,806		784,274	1.12
Obligations of U.S. Government sponsored entities					
Within 1 year	35,160	254		35,414	1.87
After 1 to 5 years	1,412,508	3,965	2,168	1,414,305	1.25
After 5 to 10 years	30,115	52	818	29,349	1.98
After 10 years	23,000	66		23,066	3.19
Total obligations of U.S. Government sponsored entities	1,500,783	4,337	2,986	1,502,134	1.31
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	2,758		1	2,757	3.83
After 1 to 5 years	7,036		189	6,847	4.10
After 5 to 10 years	16,662		3,075	13,587	6.68
After 10 years	48,843	2	14,672	34,173	6.22
Total obligations of Puerto Rico, States and political subdivisions	75,299	2	17,937	57,364	6.04
Collateralized mortgage obligations - federal agencies					
After 1 to 5 years	18,943	889		19,832	2.95
After 5 to 10 years	52,779	1,269		54,048	2.72
After 10 years	1,782,504	14,440	21,798	1,775,146	2.01
Total collateralized mortgage obligations - federal agencies	1,854,226	16,598	21,798	1,849,026	2.03
Mortgage-backed securities					

After 1 to 5 years	24,869	1,318		26,187	4.68
After 5 to 10 years	140,493	7,319	3	147,809	3.51
After 10 years	1,120,062	49,715	1,400	1,168,377	3.37
Total mortgage-backed securities	1,285,424	58,352	1,403	1,342,373	3.41
Equity securities (without contractual maturity)	1,350	1,284	3	2,631	1.37
Other					
After 1 to 5 years	9,187	12		9,199	1.69
After 5 to 10 years	1,658	44		1,702	3.62
Total other	10,845	56		10,901	1.99
Total investment securities available-for-sale	$ 5,505,395	$ 87,435	$ 44,127	$ 5,548,703	2.08%

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	At December 31, 2014				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
After 1 to 5 years	$ 698,003	$ 2,226	$ 75	$ 700,154	1.14 %
Total U.S. Treasury securities	698,003	2,226	75	700,154	1.14
Obligations of U.S. Government sponsored entities					
Within 1 year	42,140	380		42,520	1.61
After 1 to 5 years	1,603,245	1,168	9,936	1,594,477	1.26
After 5 to 10 years	67,373	58	2,271	65,160	1.72
After 10 years	23,000		184	22,816	3.18
Total obligations of U.S. Government sponsored entities	1,735,758	1,606	12,391	1,724,973	1.31
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	2,765	17		2,782	3.83
After 1 to 5 years	1,024	38		1,062	8.40
After 5 to 10 years	22,552	2	2,331	20,223	5.82
After 10 years	48,823	40	11,218	37,645	6.22
Total obligations of Puerto Rico, States and political subdivisions	75,164	97	13,549	61,712	6.04
Collateralized mortgage obligations - federal agencies					
After 1 to 5 years	3,687	87		3,774	2.66
After 5 to 10 years	25,202	985		26,187	2.93
After 10 years	1,905,763	13,109	38,803	1,880,069	2.03
Total collateralized mortgage obligations - federal agencies	1,934,652	14,181	38,803	1,910,030	2.04
Mortgage-backed securities					
After 1 to 5 years	27,339	1,597		28,936	4.68
After 5 to 10 years	147,182	7,314	1	154,495	3.51
After 10 years	676,567	45,047	683	720,931	3.93
Total mortgage-backed securities	851,088	53,958	684	904,362	3.88
Equity securities (without contractual maturity)	1,351	1,271		2,622	5.03

Other					
After 1 to 5 years	9,277	10		9,287	1.69
After 5 to 10 years	1,957	62		2,019	3.63
Total other	11,234	72		11,306	2.03
Total investment securities available-for-sale	$ 5,307,250	$ 73,411	$ 65,502	$ 5,315,159	2.04 %

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 quarters ended March 31, 2015 and 2014.

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 March 31, 2015 and December 31, 2014.

	At March 31, 2015					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	195,562	706	272,535	2,280	468,097	2,986
Obligations of Puerto Rico, States and political subdivisions	16,408	4,104	37,885	13,833	54,293	17,937
Collateralized mortgage obligations - federal agencies	137,117	988	967,570	20,810	1,104,687	21,798
Mortgage-backed securities	238,052	1,016	24,720	387	262,772	1,403
Equity securities	47	3			47	3
Total investment securities available-for-sale in an unrealized loss position	$ 587,186	$ 6,817	$ 1,302,710	$ 37,310	$ 1,889,896	$ 44,127

	At December 31, 2014					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. Treasury securities	$ 49,465	$ 75	$	$	$ 49,465	$ 75
Obligations of U.S. Government sponsored entities	888,325	6,866	429,835	5,525	1,318,160	12,391
Obligations of Puerto Rico, States and political subdivisions	14,419	3,031	41,084	10,518	55,503	13,549
Collateralized mortgage obligations - federal agencies	539,658	13,774	733,814	25,029	1,273,472	38,803
Mortgage-backed securities	457	4	25,486	680	25,943	684
Total investment securities available-for-sale in an unrealized loss position	$ 1,492,324	$ 23,750	$ 1,230,219	$ 41,752	$ 2,722,543	$ 65,502

As of March 31, 2015, the available-for-sale investment portfolio reflects gross unrealized losses of approximately $44 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 US Agencies securities, management considers the U.S. Agency guarantee.

In February 2014, the three principal nationally recognized rating agencies (Moody s Investor Services, Standard and Poor s and Fitch Ratings) downgraded the general-obligation bonds of the Commonwealth and other obligations of Puerto Rico instrumentalities to non-investment grade categories, citing concerns about financial flexibility and a reduced capacity to borrow in the financial markets. In July 2014, the Puerto Rico general obligations were further downgraded by the rating agencies, after the Commonwealth enacted a law that allowed certain Puerto Rico public corporations to restructure their debt.

On February 12, 2015, S&P further downgraded the debt rating of the Commonwealth general obligation bonds and of various public instrumentalities. S&P stated that, in their view, Puerto Rico s current economic and financial trajectory is now more susceptible to adverse financial, economic and market conditions that could ultimately impair the Commonwealth s ability to fund services and its debt commitments. S&P also cited implementation risk with respect to the value-added tax and expressed concern that, while higher taxes could improve the budget balance, there could be potential negative economic implications. On February 19, 2015, Moody s also downgraded its debt ratings for the Commonwealth general obligation bonds and of various public instrumentalities, citing similar concerns as S&P. On April 27, 2015, S&P cut General Obligation ratings to CCC+ from B with negative implications. The ratings firm attributed the downgrade to a reduced possibility of the Commonwealth accessing the bond markets and heightened budget pressures exacerbated by current weak economic trends and high debt levels. 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.

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Management evaluates investment securities for other-than-temporary (OTTI) declines in fair value on a quarterly basis. Once a decline in value is determined to be other-than-temporary, the value of a debt security is reduced and a corresponding charge to earnings is recognized for anticipated credit losses. Also, for equity securities that are considered other-than-temporarily impaired, the excess of the security s carrying value over its fair value at the evaluation date is accounted for as a loss in the results of operations. The OTTI analysis requires management to consider various factors, which include, but are not limited to: (1) the length of time and the extent to which fair value has been less than the amortized cost basis, (2) the financial condition of the issuer or issuers, (3) actual collateral attributes, (4) the payment structure of the debt security and the likelihood of the issuer being able to make payments, (5) any rating changes by a rating agency, (6) adverse conditions specifically related to the security, industry, or a geographic area, and (7) management s intent to sell the debt security or whether it is more likely than not that the Corporation would be required to sell the debt security before a forecasted recovery occurs.

At March 31, 2015, management performed its quarterly analysis of all debt securities in an unrealized loss position. Based on the analyses performed, management concluded that no individual debt security was other-than-temporarily impaired as of such date. However, further negative evidence impacting the liquidity and sources of repayment of the Obligations of Puerto Rico, States and political subdivisions , could result in a charge to earnings to recognize estimated credit losses determined to be other-than-temporary. At March 31, 2015, the Corporation did not have the intent to sell debt securities in an unrealized loss position and it is not more likely than not that the Corporation will have to sell the investment securities prior to recovery of their amortized cost basis.

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

	March 31, 2015		December 31, 2014	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	$ 2,008,358	$ 2,015,810	$ 1,746,807	$ 1,736,987
FHLB	538,493	538,874	737,149	732,894
Freddie Mac	1,161,089	1,163,815	1,117,865	1,112,485

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Note 10 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 March 31, 2015 and December 31, 2014.

	At March 31, 2015				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 2,865	$	$ 106	$ 2,759	5.88 %
After 1 to 5 years	13,400		2,296	11,104	5.97
After 5 to 10 years	20,310		6,400	13,910	6.12
After 10 years	63,429	3,906	7,400	59,935	2.14
Total obligations of Puerto Rico, States and political subdivisions	100,004	3,906	16,202	87,708	3.57
Collateralized mortgage obligations - federal agencies					
After 5 to 10 years	91	5		96	5.45
Total collateralized mortgage obligations - federal agencies	91	5		96	5.45
Other					
After 1 to 5 years	1,500			1,500	1.16
Total other	1,500			1,500	1.16
Total investment securities held-to-maturity	$ 101,595	$ 3,911	$ 16,202	$ 89,304	3.54 %

	At December 31, 2014				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 2,740	$	$ 8	$ 2,732	5.84 %
After 1 to 5 years	12,830		764	12,066	5.95
After 5 to 10 years	21,325		6,003	15,322	6.09
After 10 years	64,678	3,342	5,543	62,477	2.22

Total obligations of Puerto Rico, States and political subdivisions	101,573	3,342	12,318	92,597	3.60
Collateralized mortgage obligations - federal agencies					
After 5 to 10 years	97	5		102	5.45
Total collateralized mortgage obligations - federal agencies	97	5		102	5.45
Other					
Within 1 year	250			250	1.33
After 1 to 5 years	1,250			1,250	1.10
Total other	1,500			1,500	1.14
Total investment securities held-to-maturity	$ 103,170	$ 3,347	$ 12,318	$ 94,199	3.57 %

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

The following tables present the Corporation s fair value and gross unrealized losses of investment securities held-to-maturity, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2015 and December 31, 2014.

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	At March 31, 2015					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	$ 619	$ 6	$ 42,089	$ 16,196	$ 42,708	$ 16,202
Total investment securities held-to-maturity in an unrealized loss position	$ 619	$ 6	$ 42,089	$ 16,196	$ 42,708	$ 16,202

	At December 31, 2014					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	$ 373	$ 2	$ 45,969	$ 12,316	$ 46,342	$ 12,318
Total investment securities held-to-maturity in an unrealized loss position	$ 373	$ 2	$ 45,969	$ 12,316	$ 46,342	$ 12,318

As indicated in Note 9 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 March 31, 2015 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. This includes $59 million of securities issued by three municipalities of Puerto Rico that are payable from the real and personal property taxes collected within such municipalities. These bonds have seniority to the payment of operating cost and expenses of the municipality. The portfolio also includes approximately $41 million in securities for which the underlying source of payment is not the central government, but in which it provides a guarantee in the event of default. In February 2014, the three principal nationally recognized rating agencies (Moody s Investor Services, Standard and Poor s and Fitch Ratings) downgraded the general-obligation bonds of the Commonwealth and other obligations of Puerto Rico instrumentalities to non-investment grade categories, citing concerns about financial flexibility and a reduced capacity to borrow in the financial markets. In July 2014, the Puerto Rico general obligations were further downgraded by the rating agencies, after the Commonwealth enacted a law that allowed certain Puerto Rico public corporations to restructure their debt.

On February 12, 2015, S&P further downgraded the debt rating of the Commonwealth general obligation bonds and of various public instrumentalities. S&P stated that, in their view, Puerto Rico s current economic and financial trajectory is now more susceptible to adverse financial, economic and market conditions that could ultimately impair the Commonwealth s ability to fund services and its debt commitments. S&P also cited implementation risk with respect to the value-added tax and expressed concern that, while higher taxes could improve the budget balance, there could be potential negative economic implications. On February 19, 2015, Moody s also downgraded its debt ratings for the Commonwealth general obligation bonds and of various public instrumentalities, citing similar concerns as S&P. On April 27, 2015, S&P cut General Obligation ratings to CCC+ from B with negative implications. The ratings firm attributed the downgrade to a reduced possibility of the Commonwealth accessing the bond markets and heightened budget pressures exacerbated by current weak economic trends and high debt levels.

The Corporation performs periodic credit quality reviews on these issuers. The Corporation does not have the intent to sell securities held-to-maturity and it is not more likely than not that the Corporation will have to sell these investment securities prior to recovery of their amortized cost basis.

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Note 11 Loans

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

The risks on loans acquired in the FDIC-assisted transaction are significantly different from the risks on loans not covered under the FDIC loss sharing agreements because of the loss protection provided by the FDIC. Accordingly, the Corporation presents loans subject to the loss sharing agreements as covered loans in the information below and loans that are not subject to the FDIC loss sharing agreements as non-covered loans . The FDIC loss sharing agreements expires at the end of the quarter ending June 30, 2015 for commercial (including construction) and consumer loans, and at the end of the quarter ending June 30, 2020 for single-family residential mortgage loans, as explained in Note 13.

For a summary of the accounting policy related to loans, interest recognition and allowance for loan losses refer to the summary of significant accounting policies included in Note 2 to the consolidated financial statements included in 2014 Annual Report.

The following table presents the composition of non-covered loans held-in-portfolio (HIP), net of unearned income, at March 31, 2015 and December 31, 2014.

(In thousands)	March 31, 2015	December 31, 2014
Commercial multi-family	$ 565,736	$ 487,280
Commercial real estate non-owner occupied	2,800,673	2,526,146
Commercial real estate owner occupied	1,643,186	1,667,267
Commercial and industrial	3,643,966	3,453,574
Construction	690,728	251,820
Mortgage	7,189,227	6,502,886
Leasing	581,119	564,389
Legacy[2]	77,675	80,818
Consumer:		
Credit cards	1,128,611	1,155,229
Home equity lines of credit	357,508	366,162
Personal	1,353,594	1,375,452
Auto	782,635	767,369

Other	198,272	206,059
Total loans held-in-portfolio[1]	$ 21,012,930	$ 19,404,451

[1] Non-covered loans held-in-portfolio at March 31, 2015 are net of $97 million in unearned income and exclude $161 million in loans held-for-sale (December 31, 2014 - $94 million in unearned income and $106 million in loans held-for-sale).

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

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The following table presents the composition of covered loans at March 31, 2015 and December 31, 2014.

(In thousands)	March 31, 2015	December 31, 2014
Commercial real estate	$ 1,470,575	$ 1,511,472
Commercial and industrial	100,572	103,309
Construction	57,825	70,336
Mortgage	795,477	822,986
Consumer	32,103	34,559
Total covered loans held-in-portfolio	$ 2,456,552	$ 2,542,662

The following table provides a breakdown of loans held-for-sale (LHFS) at March 31, 2015 and December 31, 2014 by main categories.

(In thousands)	March 31, 2015	December 31, 2014
Commercial	$ 8,240	$ 309
Legacy		319
Mortgage	152,362	100,166
Consumer		5,310
Total loans held-for-sale	$ 160,602	$ 106,104

During the quarter ended March 31, 2015, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $169 million (2014 - $161 million) excluding the impact of the Doral Bank Transaction. Additionally, the Corporation did not purchase consumer and commercial loans during the quarter ended March 31, 2015 (March 31, 2014 - $92 million and $21 million, respectively). The Corporation recorded purchases amounting to $164 thousand of lease financing during the quarter ended March 31, 2015 (March 31, 2014 - $0 million).

The Corporation performed whole-loan sales involving approximately $39 million of residential mortgage loans during the quarter ended March 31, 2015 (March 31, 2014 - $43 million). Also, during the quarter ended March 31, 2015, the Corporation securitized approximately $156 million of mortgage loans into Government National Mortgage Association (GNMA) mortgage-backed securities and $47 million of mortgage loans into Federal National Mortgage Association (FNMA) mortgage-backed securities, compared to $166 million and $63 million, respectively, during the quarter ended March 31, 2014. The Corporation sold commercial and construction loans with a book value of approximately $1 million during the quarter ended March 31, 2015 (March 31, 2014 - $30 million). In addition, the Corporation sold $5 million in consumer loans during the quarter ended March 31, 2015 (March 31, 2014 - $0 million).

Non-covered loans

The following tables present non-covered loans held-in-portfolio by loan class that are in non-performing status or are accruing interest but are past due 90 days or more at March 31, 2015 and 2014. 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. Accruing loans past due 90 days or more also include 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 addition, at December 31, 2014 accruing loans past due 90 days or more include residential conventional loans purchased from another financial institution that, although delinquent, the Corporation has received timely payment from the seller / servicer, and, in some instances, have partial guarantees under recourse agreements. However, residential conventional loans purchased from another financial institution, which are in the process of foreclosure, are classified as non-performing mortgage loans.

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	At March 31, 2015					
	Puerto Rico		U.S. mainland		Popular, Inc.	
(In thousands)	Non-accrual loans [1]	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	$ 2,040	$	$ 249	$	$ 2,289	$
Commercial real estate non-owner occupied	38,888				38,888	
Commercial real estate owner occupied	91,762		778		92,540	
Commercial and industrial	131,941	466	8,780		140,721	466
Construction	13,214				13,214	
Mortgage[3]	320,154	428,827	8,461		328,615	428,827
Leasing	2,506				2,506	
Legacy			2,288		2,288	
Consumer:						
Credit cards		20,570	477		477	20,570
Home equity lines of credit		195	4,653		4,653	195
Personal	23,843		1,246		25,089	
Auto	11,108				11,108	
Other	2,561	952	4		2,565	952
Total[2]	$ 638,017	$ 451,010	$ 26,936	$	$ 664,953	$ 451,010

[1] Non-covered loans of $58 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 $ 8 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 $134 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of March 31, 2015. Furthermore, the Corporation has approximately $69 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

	At December 31, 2014					
	Puerto Rico		U.S. mainland		Popular, Inc.	
(In thousands)	Non-accrual loans [1]	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	$ 2,199	$	$	$	$ 2,199	$
Commercial real estate non-owner occupied	33,452				33,452	
	92,648		805		93,453	

Commercial real estate owner occupied						
Commercial and industrial	129,611	494	1,510		131,121	494
Construction	13,812				13,812	
Mortgage[3]	295,629	426,387	9,284		304,913	426,387
Leasing	3,102				3,102	
Legacy			1,545		1,545	
Consumer:						
Credit cards		20,368	449		449	20,368
Home equity lines of credit		21	4,090		4,090	21
Personal	25,678	10	1,410		27,088	10
Auto	11,387				11,387	
Other	3,865	682	7		3,872	682
Total[2]	$ 611,383	$ 447,962	$ 19,100	$	$ 630,483	$ 447,962

[1] Non-covered loans by $59 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 $ 19 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 $125 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, 2014. Furthermore, the Corporation has approximately $66 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

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The following tables present loans by past due status at March 31, 2015 and December 31, 2014 for non-covered loans held-in-portfolio (net of unearned income).

	March 31, 2015 Puerto Rico					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$	$	$ 2,040	$ 2,040	$ 87,493	$ 89,533
Commercial real estate non-owner occupied	44,939	2,193	39,002	86,134	2,056,220	2,142,354
Commercial real estate owner occupied	11,716	2,765	91,762	106,243	1,323,446	1,429,689
Commercial and industrial	15,412	1,651	132,407	149,470	2,590,463	2,739,933
Construction	608		13,214	13,822	84,884	98,706
Mortgage	334,537	167,235	807,018	1,308,790	4,862,457	6,171,247
Leasing	7,570	1,518	2,506	11,594	569,525	581,119
Consumer:						
Credit cards	12,504	9,359	20,570	42,433	1,072,071	1,114,504
Home equity lines of credit			195	195	11,968	12,163
Personal	13,132	6,974	24,083	44,189	1,200,892	1,245,081
Auto	31,933	7,325	11,108	50,366	732,182	782,548
Other	678	300	3,520	4,498	193,412	197,910
Total	$ 473,029	$ 199,320	$ 1,147,425	$ 1,819,774	$ 14,785,013	$ 16,604,787

	March 31, 2015 U.S. mainland					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 204	$	$ 249	$ 453	$ 475,750	$ 476,203
Commercial real estate non-owner occupied	50			50	658,269	658,319
Commercial real estate owner occupied	3,599		778	4,377	209,120	213,497
Commercial and industrial	1,276	236	8,780	10,292	893,741	904,033
Construction	671			671	591,351	592,022
Mortgage	27,211	5,043	8,461	40,715	977,265	1,017,980
Legacy	3,713	594	2,288	6,595	71,080	77,675
Consumer:						
Credit cards	267	119	477	863	13,244	14,107
Home equity lines of credit	3,858	1,081	4,653	9,592	335,753	345,345
Personal	2,008	659	1,246	3,913	104,600	108,513
Auto					87	87

Other			4	4	358	362
Total	$ 42,857	$ 7,732	$ 26,936	$ 77,525	$ 4,330,618	$ 4,408,143

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March 31, 2015						
Popular, Inc.						
	Past due					Non-covered
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	loans HIP Popular, Inc.
Commercial multi-family	$ 204	$	$ 2,289	$ 2,493	$ 563,243	$ 565,736
Commercial real estate non-owner occupied	44,989	2,193	39,002	86,184	2,714,489	2,800,673
Commercial real estate owner occupied	15,315	2,765	92,540	110,620	1,532,566	1,643,186
Commercial and industrial	16,688	1,887	141,187	159,762	3,484,204	3,643,966
Construction	1,279		13,214	14,493	676,235	690,728
Mortgage	361,748	172,278	815,479	1,349,505	5,839,722	7,189,227
Leasing	7,570	1,518	2,506	11,594	569,525	581,119
Legacy	3,713	594	2,288	6,595	71,080	77,675
Consumer:						
Credit cards	12,771	9,478	21,047	43,296	1,085,315	1,128,611
Home equity lines of credit	3,858	1,081	4,848	9,787	347,721	357,508
Personal	15,140	7,633	25,329	48,102	1,305,492	1,353,594
Auto	31,933	7,325	11,108	50,366	732,269	782,635
Other	678	300	3,524	4,502	193,770	198,272
Total	$ 515,886	$ 207,052	$ 1,174,361	$ 1,897,299	$ 19,115,631	$ 21,012,930

December 31, 2014						
Puerto Rico						
	Past due					Non-covered
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	loans HIP Puerto Rico
Commercial multi-family	$ 221	$ 69	$ 2,199	$ 2,489	$ 77,588	$ 80,077
Commercial real estate non-owner occupied	9,828	121	33,452	43,401	1,970,178	2,013,579
Commercial real estate owner occupied	8,954	7,709	92,648	109,311	1,364,051	1,473,362
Commercial and industrial	18,498	5,269	130,105	153,872	2,653,913	2,807,785
Construction	2,497		13,812	16,309	143,075	159,384
Mortgage	304,319	167,219	780,678	1,252,216	4,198,285	5,450,501
Leasing	6,779	1,246	3,102	11,127	553,262	564,389
Consumer:						
Credit cards	13,715	9,290	20,368	43,373	1,096,791	1,140,164
Home equity lines of credit	137	159	21	317	13,083	13,400
Personal	13,479	6,646	25,688	45,813	1,216,720	1,262,533
Auto	34,238	8,397	11,387	54,022	713,274	767,296
Other	1,009	209	4,547	5,765	199,879	205,644
Total	$ 413,674	$ 206,334	$ 1,118,007	$ 1,738,015	$ 14,200,099	$ 15,938,114

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December 31, 2014 U.S. mainland						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 87	$ 376	$	$ 463	$ 406,740	$ 407,203
Commercial real estate non-owner occupied	1,478			1,478	511,089	512,567
Commercial real estate owner occupied	45	3,631	805	4,481	189,424	193,905
Commercial and industrial	1,133	123	1,510	2,766	643,023	645,789
Construction	810			810	91,626	92,436
Mortgage	29,582	8,646	9,284	47,512	1,004,873	1,052,385
Legacy	929	1,931	1,545	4,405	76,413	80,818
Consumer:						
Credit cards	314	246	449	1,009	14,056	15,065
Home equity lines of credit	5,036	1,025	4,090	10,151	342,611	352,762
Personal	2,476	893	1,410	4,779	108,140	112,919
Auto					73	73
Other	10	4	7	21	394	415
Total	$ 41,900	$ 16,875	$ 19,100	$ 77,875	$ 3,388,462	$ 3,466,337

December 31, 2014 Popular, Inc.						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.
Commercial multi-family	$ 308	$ 445	$ 2,199	$ 2,952	$ 484,328	$ 487,280
Commercial real estate non-owner occupied	11,306	121	33,452	44,879	2,481,267	2,526,146
Commercial real estate owner occupied	8,999	11,340	93,453	113,792	1,553,475	1,667,267
Commercial and industrial	19,631	5,392	131,615	156,638	3,296,936	3,453,574
Construction	3,307		13,812	17,119	234,701	251,820
Mortgage	333,901	175,865	789,962	1,299,728	5,203,158	6,502,886
Leasing	6,779	1,246	3,102	11,127	553,262	564,389
Legacy	929	1,931	1,545	4,405	76,413	80,818
Consumer:						
Credit cards	14,029	9,536	20,817	44,382	1,110,847	1,155,229
Home equity lines of credit	5,173	1,184	4,111	10,468	355,694	366,162
Personal	15,955	7,539	27,098	50,592	1,324,860	1,375,452
Auto	34,238	8,397	11,387	54,022	713,347	767,369
Other	1,019	213	4,554	5,786	200,273	206,059
Total	$ 455,574	$ 223,209	$ 1,137,107	$ 1,815,890	$ 17,588,561	$ 19,404,451

The following table provides a breakdown of loans held-for-sale (LHFS) in non-performing status at March 31, 2015 and December 31, 2014 by main categories.

(In thousands)	March 31, 2015	December 31, 2014
Commercial	$ 8,179	$ 309
Mortgage	225	14,041
Consumer		4,549
Total	$ 8,404	$ 18,899

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

(In thousands)	
Contractually-required principal and interest	$ 233,987
Non-accretable difference	43,904
Cash flows expected to be collected	190,083
Accretable yield	46,150
Fair value of loans accounted for under ASC Subtopic 310-30	$ 143,933

The following table presents acquired loans 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	$ 1,521,524
Gross contractual amounts receivable (principal and interest)	$ 2,014,755
Estimate of contractual cash flows not expected to be collected	$ 39,348

The outstanding principal balance of non-covered loans accounted pursuant to ASC Subtopic 310-30, amounted to $413 million at March 31, 2015 (December 31, 2014 - $243 million). At March 31, 2015, none of the acquired non-covered loans accounted under ASC Subtopic 310-30 were considered non-performing loans. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, was recognized on all acquired loans.

Changes in the carrying amount and the accretable yield for the non-covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended March 31, 2015 and 2014 were as follows:

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

	For the quarters ended	
(In thousands)	March 31, 2015 [1]	March 31, 2014
Beginning balance	$ 116,304	$ 49,398
Additions	50,662	7,084
Accretion	(3,223)	(2,374)
Change in expected cash flows	(5,319)	13,177
Ending balance	$ 158,424	$ 67,285

[1] Includes loans acquired in the Doral Bank transaction.

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

	For the quarters ended	
(In thousands)	March 31, 2015 [1]	March 31, 2014
Beginning balance	$ 212,763	$ 173,659
Additions	157,091	20,042
Accretion	3,223	2,374
Collections and charge-offs	(9,980)	(5,859)
Ending balance	$ 363,097	$ 190,216
Allowance for loan losses ASC 310-30 non-covered loans	(16,092)	(15,078)
Ending balance, net of allowance for loan losses	$ 347,005	$ 175,138

[1] Includes loans acquired in the Doral Bank transaction.

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Covered loans

The following table presents covered loans in non-performing status and accruing loans past-due 90 days or more by loan class at March 31, 2015 and December 31, 2014.

(In thousands)	March 31, 2015 Non-accrual loans	March 31, 2015 Accruing loans past due 90 days or more	December 31, 2014 Non-accrual loans	December 31, 2014 Accruing loans past due 90 days or more
Commercial real estate	$ 7,375	$	$ 8,810	$
Commercial and industrial	4,179		1,142	
Construction	2,627		2,770	
Mortgage	5,075	25	4,376	28
Consumer	398		735	
Total[1]	$ 19,654	$ 25	$ 17,833	$ 28

[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 following tables present loans by past due status at March 31, 2015 and December 31, 2014 for covered loans held-in-portfolio. The information considers covered loans accounted for under ASC Subtopic 310-20 and ASC Subtopic 310-30.

March 31, 2015

	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP
Commercial real estate	$ 48,825	$ 3,666	$ 255,571	$ 308,062	$ 1,162,513	$ 1,470,575
Commercial and industrial	515	211	9,045	9,771	90,801	100,572
Construction		2,420	46,517	48,937	8,888	57,825
Mortgage	41,509	24,033	131,139	196,681	598,796	795,477
Consumer	1,720	1,058	2,039	4,817	27,286	32,103
Total covered loans	$ 92,569	$ 31,388	$ 444,311	$ 568,268	$ 1,888,284	$ 2,456,552

December 31, 2014

	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP

Commercial real estate	$ 98,559	$ 12,597	$ 291,010	$ 402,166	$ 1,109,306	$ 1,511,472
Commercial and industrial	512	7	7,756	8,275	95,034	103,309
Construction		384	58,665	59,049	11,287	70,336
Mortgage	45,764	23,531	143,140	212,435	610,551	822,986
Consumer	1,884	747	2,532	5,163	29,396	34,559
Total covered loans	$ 146,719	$ 37,266	$ 503,103	$ 687,088	$ 1,855,574	$ 2,542,662

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

	March 31, 2015			December 31, 2014		
	Carrying amount			Carrying amount		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Commercial real estate	$ 1,367,926	$ 80,924	$ 1,448,850	$ 1,392,482	$ 90,202	$ 1,482,684
Commercial and industrial	54,709	1,788	56,497	57,059	2,197	59,256
Construction	24,252	28,574	52,826	32,836	32,409	65,245
Mortgage	740,653	42,795	783,448	764,148	45,829	809,977
Consumer	24,241	1,234	25,475	25,617	1,393	27,010
Carrying amount	2,211,781	155,315	2,367,096	2,272,142	172,030	2,444,172
Allowance for loan losses	(49,750)	(18,636)	(68,386)	(52,798)	(26,048)	(78,846)
Carrying amount, net of allowance	$ 2,162,031	$ 136,679	$ 2,298,710	$ 2,219,344	$ 145,982	$ 2,365,326

The outstanding principal balance of covered loans accounted pursuant to ASC Subtopic 310-30, amounted to $2.9 billion at March 31, 2015 (December 31, 2014 - $3.1 billion). At March 31, 2015, 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.

Changes in the carrying amount and the accretable yield for the covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended March 31, 2015 and 2014, were as follows:

	Activity in the accretable yield Covered loans ASC 310-30 For the quarters ended					
	March 31, 2015			March 31, 2014		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,265,752	$ 5,585	$ 1,271,337	$ 1,297,725	$ 11,480	$ 1,309,205
Accretion	(53,776)	(1,921)	(55,697)	(72,552)	(6,566)	(79,118)
Change in expected cash flows	42,273	1,035	43,308	(12,467)	592	(11,875)
Ending balance	$ 1,254,249	$ 4,699	$ 1,258,948	$ 1,212,706	$ 5,506	$ 1,218,212

	Carrying amount of covered loans accounted for pursuant to ASC 310-30 For the quarters ended					
	March 31, 2015 [1]			March 31, 2014		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 2,272,142	$ 172,030	$ 2,444,172	$ 2,509,075	$ 318,872	$ 2,827,947

Accretion	53,776	1,921	55,697	72,552	6,566	79,118
Collections and charge-offs	(114,137)	(18,636)	(132,773)	(112,174)	(61,769)	(173,943)
Ending balance	$ 2,211,781	$ 155,315	$ 2,367,096	$ 2,469,453	$ 263,669	$ 2,733,122
Allowance for loan losses ASC 310-30 covered loans	(49,750)	(18,636)	(68,386)	(56,953)	(33,418)	(90,371)
Ending balance, net of ALLL	$ 2,162,031	$ 136,679	$ 2,298,710	$ 2,412,500	$ 230,251	$ 2,642,751

[1] Includes $64 million of non-covered loans accounted for pursuant to ASC 310-30.

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The Corporation accounts for lines of credit with revolving privileges under the accounting guidance of ASC Subtopic 310-20, which requires that any differences between the contractually required loans payment receivable in excess of the initial investment in the loans be accreted into interest income over the life of the loans, if the loan is accruing interest. Covered loans accounted for under ASC Subtopic 310-20 amounted to $0.1 billion at March 31, 2015 (December 31, 2014 - $0.1 billion).

Note 12 Allowance for loan losses

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

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

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

Base net loss rates, which are based on the moving average of annualized net loss rates computed over a 3-year historical loss period for the commercial and construction loan portfolios, and an 18-month period for the consumer and mortgage loan portfolios. The base net loss rates are applied by loan type and by legal entity.

Recent loss trend adjustment, which replaces the base loss rate with a 12-month average loss rate, when these trends are higher than the respective base loss rates. The objective of this adjustment is to allow for a more recent loss trend to be captured and reflected in the ALLL estimation process. As part of the annual review of the components of the ALLL models, as discussed in the following paragraphs and implemented as of June 30, 2014, the Corporation eliminated the use of caps in the recent loss trend adjustment for the consumer and mortgage portfolios, among other enhancements. For the period ended December 31, 2013, the recent loss trend adjustment caps for the consumer and mortgage portfolios were triggered in only one portfolio segment within the Puerto Rico consumer portfolio. Management assessed the impact of the applicable cap through a review of qualitative factors that specifically considered the drivers of recent loss trends and changes to the portfolio composition. The related effect of the aforementioned cap was immaterial for the overall level of the Allowance for Loan and Lease Losses for the Puerto Rico Consumer portfolio.

For the period ended March 31, 2015, 59% (March 31, 2014 - 34%) of the ALLL for BPPR non-covered loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was mainly concentrated in the mortgage, leasing, credit cards, personal loans and revolving loan portfolio for 2015, and in the commercial multi-family, mortgage, personal and auto loan portfolios for 2014.

For the period ended March 31, 2015, 13% (March 31, 2014 - 23%) of the ALLL for BPNA loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was mainly concentrated in the consumer loan portfolios for 2015 and in the commercial multi-family, commercial and industrial, construction and legacy loan portfolios for 2014.

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

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The following tables present the changes in the allowance for loan losses for the quarters ended March 31, 2015 and 2014.

For the quarter ended March 31, 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)	(1,321)	(6,813)	16,192	846	23,009	31,913
Charge-offs	(9,572)		(10,973)	(1,237)	(29,699)	(51,481)
Recoveries	4,770	2,925	500	468	6,046	14,709
Ending balance	$ 195,466	$ 1,595	$ 126,579	$ 7,208	$ 153,428	$ 484,276

For the quarter ended March 31, 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)	1,995	6,276	2,802		(749)	10,324
Charge-offs	(14,239)	(9,046)	(3,386)			(26,671)
Recoveries	2,640	3,275	105		727	6,747
Ending balance	$ 21,267	$ 7,707	$ 40,469	$	$ 3,030	$ 72,473

For the quarter ended March 31, 2015
U.S. Mainland

(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)	299	662	(6,127)	(1,810)	4,774	(2,202)
Charge-offs	(450)		(221)	(474)	(2,518)	(3,663)
Recoveries	929		67	2,302	1,251	4,549
Net recoveries (write-down)			6,081		(3,401)	2,680
Ending balance	$ 10,426	$ 1,849	$ 2,262	$ 2,962	$ 14,449	$ 31,948

For the quarter ended March 31, 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)	973	125	12,867	(1,810)	846	27,034	40,035
Charge-offs	(24,261)	(9,046)	(14,580)	(474)	(1,237)	(32,217)	(81,815)
Recoveries	8,339	6,200	672	2,302	468	8,024	26,005
Net recoveries (write-down)			6,081			(3,401)	2,680
Ending balance	$ 227,159	$ 11,151	$ 169,310	$ 2,962	$ 7,208	$ 170,907	$ 588,697

For the quarter ended March 31, 2014

Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 128,150	$ 5,095	$ 130,330	$ 10,622	$ 152,578	$ 426,775
Provision (reversal of provision)	11,157	(1,394)	15,982	517	27,653	53,915
Charge-offs	(22,117)	(416)	(8,726)	(967)	(29,196)	(61,422)
Recoveries	6,944	1,794	210	311	6,213	15,472
Ending balance	$ 124,134	$ 5,079	$ 137,796	$ 10,483	$ 157,248	$ 434,740

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(In thousands)	For the quarter ended March 31, 2014 Puerto Rico - Covered Loans Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 42,198	$ 19,491	$ 36,006	$	$ 4,397	$ 102,092
Provision (reversal of provision)	4,039	17,567	4,498		(390)	25,714
Charge-offs	(7,968)	(22,981)	(1,656)		295	(32,310)
Recoveries	320	1,889			68	2,277
Ending balance	$ 38,589	$ 15,966	$ 38,848	$	$ 4,370	$ 97,773

(In thousands)	For the quarter ended March 31, 2014 U.S. Mainland - Continuing Operations Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 24,930	$ 214	$ 26,599	$ 11,335	$ 19,205	$ 82,283
Allowance transferred from discontinued operations	7,984					7,984
Provision (reversal of provision)	578	(194)	(562)	(3,672)	4,057	207
Charge-offs	(4,991)		(1,538)	(2,984)	(5,076)	(14,589)
Recoveries	3,004	176	668	7,193	707	11,748
Ending balance	$ 31,505	$ 196	$ 25,167	$ 11,872	$ 18,893	$ 87,633

(In thousands)	For the quarter ended March 31, 2014 U.S. Mainland - Discontinued Operations Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 21,902	$ 33	$	$ 2,369	$ 5,101	$ 29,405
Allowance transferred to continuing operations	(7,984)					(7,984)
Provision (reversal of provision)	(2,831)	(226)		(1,812)	(1,895)	(6,764)
Charge-offs	(2,995)			(557)	(900)	(4,452)
Recoveries	8,283	220		1,400	94	9,997
Ending balance	$ 16,375	$ 27	$	$ 1,400	$ 2,400	$ 20,202

(In thousands)	For the quarter ended March 31, 2014 Popular, Inc. Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 217,180	$ 24,833	$ 192,935	$ 13,704	$ 10,622	$ 181,281	$ 640,555

Provision (reversal of provision)	12,943	15,753	19,918	(5,484)	517	29,425	73,072
Charge-offs	(38,071)	(23,397)	(11,920)	(3,541)	(967)	(34,877)	(112,773)
Recoveries	18,551	4,079	878	8,593	311	7,082	39,494
Ending balance	$ 210,603	$ 21,268	$ 201,811	$ 13,272	$ 10,483	$ 182,911	$ 640,348

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

	ASC 310-30 Covered loans For the quarters ended	
(In thousands)	March 31, 2015	March 31, 2014
Balance at beginning of period	$ 78,846	$ 93,915
Provision for loan losses	8,601	24,555
Net charge-offs	(19,061)	(28,099)
Balance at end of period	$ 68,386	$ 90,371

The following tables present information at March 31, 2015 and December 31, 2014 regarding loan ending balances and the allowance for loan losses by portfolio segment and whether such loans and the allowance pertains to loans individually or collectively evaluated for impairment.

At March 31, 2015 Puerto Rico						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 69,946	$ 158	$ 42,229	$ 687	$ 25,223	$ 138,243
General ALLL non-covered loans	125,520	1,437	84,350	6,521	128,205	346,033
ALLL - non-covered loans	195,466	1,595	126,579	7,208	153,428	484,276
Specific ALLL covered loans	1,473					1,473
General ALLL covered loans	19,794	7,707	40,469		3,030	71,000
ALLL - covered loans	21,267	7,707	40,469		3,030	72,473
Total ALLL	$ 216,733	$ 9,302	$ 167,048	$ 7,208	$ 156,458	$ 556,749
Loans held-in-portfolio:						
Impaired non-covered loans	$ 417,377	$ 9,838	$ 445,506	$ 2,924	$ 114,416	$ 990,061
Non-covered loans held-in-portfolio excluding impaired loans	5,984,132	88,868	5,725,741	578,195	3,237,790	15,614,726
Non-covered loans held-in-portfolio	6,401,509	98,706	6,171,247	581,119	3,352,206	16,604,787

Impaired covered loans	8,394	2,336				10,730
Covered loans held-in-portfolio excluding impaired loans	1,562,753	55,489	795,477		32,103	2,445,822
Covered loans held-in-portfolio	1,571,147	57,825	795,477		32,103	2,456,552
Total loans held-in-portfolio	$ 7,972,656	$ 156,531	$ 6,966,724	$ 581,119	$ 3,384,309	$ 19,061,339

At March 31, 2015 U.S. Mainland						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Specific ALLL	$	$	$ 341	$	$ 381	$ 722
General ALLL	10,426	1,849	1,921	2,962	14,068	31,226
Total ALLL	$ 10,426	$ 1,849	$ 2,262	$ 2,962	$ 14,449	$ 31,948
Loans held-in-portfolio:						
Impaired loans	$	$	$ 5,106	$	$ 2,048	$ 7,154
Loans held-in-portfolio, excluding impaired loans	2,252,052	592,022	1,012,874	77,675	466,366	4,400,989
Total loans held-in-portfolio	$ 2,252,052	$ 592,022	$ 1,017,980	$ 77,675	$ 468,414	$ 4,408,143

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At March 31, 2015 Popular, Inc.							
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 69,946	$ 158	$ 42,570	$	$ 687	$ 25,604	$ 138,965
General ALLL non-covered loans	135,946	3,286	86,271	2,962	6,521	142,273	377,259
ALLL - non-covered loans	205,892	3,444	128,841	2,962	7,208	167,877	516,224
Specific ALLL covered loans	1,473						1,473
General ALLL covered loans	19,794	7,707	40,469			3,030	71,000
ALLL - covered loans	21,267	7,707	40,469			3,030	72,473
Total ALLL	$ 227,159	$ 11,151	$ 169,310	$ 2,962	$ 7,208	$ 170,907	$ 588,697
Loans held-in-portfolio:							
Impaired non-covered loans	$ 417,377	$ 9,838	$ 450,612	$	$ 2,924	$ 116,464	$ 997,215
Non-covered loans held-in-portfolio excluding impaired loans	8,236,184	680,890	6,738,615	77,675	578,195	3,704,156	20,015,715
Non-covered loans held-in-portfolio	8,653,561	690,728	7,189,227	77,675	581,119	3,820,620	21,012,930
Impaired covered loans	8,394	2,336					10,730
Covered loans held-in-portfolio excluding impaired loans	1,562,753	55,489	795,477			32,103	2,445,822
Covered loans held-in-portfolio	1,571,147	57,825	795,477			32,103	2,456,552
Total loans held-in-portfolio	$ 10,224,708	$ 748,553	$ 7,984,704	$ 77,675	$ 581,119	$ 3,852,723	$ 23,469,482

	At December 31, 2014					
	Puerto Rico					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 64,736	$ 363	$ 45,838	$ 770	$ 27,796	$ 139,503
General ALLL non-covered loans	136,853	5,120	75,022	6,361	126,276	349,632
ALLL - non-covered loans	201,589	5,483	120,860	7,131	154,072	489,135
Specific ALLL covered loans	5					5
General ALLL covered loans	30,866	7,202	40,948		3,052	82,068
ALLL - covered loans	30,871	7,202	40,948		3,052	82,073
Total ALLL	$ 232,460	$ 12,685	$ 161,808	$ 7,131	$ 157,124	$ 571,208
Loans held-in-portfolio:						
Impaired non-covered loans	$ 356,911	$ 13,268	$ 431,569	$ 3,023	$ 115,759	$ 920,530
Non-covered loans held-in-portfolio excluding impaired loans	6,017,892	146,116	5,018,932	561,366	3,273,278	15,017,584
Non-covered loans held-in-portfolio	6,374,803	159,384	5,450,501	564,389	3,389,037	15,938,114
Impaired covered loans	4,487	2,419				6,906
Covered loans held-in-portfolio excluding impaired loans	1,610,294	67,917	822,986		34,559	2,535,756
Covered loans held-in-portfolio	1,614,781	70,336	822,986		34,559	2,542,662
Total loans held-in-portfolio	$ 7,989,584	$ 229,720	$ 6,273,487	$ 564,389	$ 3,423,596	$ 18,480,776

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At December 31, 2014

U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Specific ALLL	$	$	$ 273	$	$ 365	$ 638
General ALLL	9,648	1,187	2,189	2,944	13,978	29,946
Total ALLL	$ 9,648	$ 1,187	$ 2,462	$ 2,944	$ 14,343	$ 30,584
Loans held-in-portfolio:						
Impaired loans	$ 250	$	$ 4,255	$	$ 1,973	$ 6,478
Loans held-in-portfolio, excluding impaired loans	1,759,214	92,436	1,048,130	80,818	479,261	3,459,859
Total loans held-in-portfolio	$ 1,759,464	$ 92,436	$ 1,052,385	$ 80,818	$ 481,234	$ 3,466,337

At December 31, 2014

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 64,736	$ 363	$ 46,111	$	$ 770	$ 28,161	$ 140,141
General ALLL non-covered loans	146,501	6,307	77,211	2,944	6,361	140,254	379,578
ALLL - non-covered loans	211,237	6,670	123,322	2,944	7,131	168,415	519,719
Specific ALLL covered loans	5						5
General ALLL covered loans	30,866	7,202	40,948			3,052	82,068
ALLL - covered loans	30,871	7,202	40,948			3,052	82,073
Total ALLL	$ 242,108	$ 13,872	$ 164,270	$ 2,944	$ 7,131	$ 171,467	$ 601,792
Loans held-in-portfolio:							
Impaired non-covered loans	$ 357,161	$ 13,268	$ 435,824	$	$ 3,023	$ 117,732	$ 927,008
Non-covered loans held-in-portfolio excluding impaired	7,777,106	238,552	6,067,062	80,818	561,366	3,752,539	18,477,443

loans							
Non-covered loans held-in-portfolio	8,134,267	251,820	6,502,886	80,818	564,389	3,870,271	19,404,451
Impaired covered loans	4,487	2,419					6,906
Covered loans held-in-portfolio excluding impaired loans	1,610,294	67,917	822,986			34,559	2,535,756
Covered loans held-in-portfolio	1,614,781	70,336	822,986			34,559	2,542,662
Total loans held-in-portfolio	$ 9,749,048	$ 322,156	$ 7,325,872	$ 80,818	$ 564,389	$ 3,904,830	$ 21,947,113

Impaired loans

The following tables present loans individually evaluated for impairment at March 31, 2015 and December 31, 2014.

March 31, 2015 Puerto Rico								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$ 551	$ 551	$ 18	$	$	$ 551	$ 551	$ 18
Commercial real estate non-owner occupied	109,064	109,727	18,309	10,229	10,229	119,293	119,956	18,309
Commercial real estate owner occupied	109,604	127,531	11,902	17,274	20,884	126,878	148,415	11,902
Commercial and industrial	151,667	153,758	39,717	18,988	27,760	170,655	181,518	39,717
Construction	2,763	8,513	158	7,075	20,092	9,838	28,605	158
Mortgage	404,802	438,401	42,229	40,704	45,074	445,506	483,475	42,229
Leasing	2,924	2,924	687			2,924	2,924	687
Consumer:								
Credit cards	41,197	41,197	7,756			41,197	41,197	7,756
Personal	70,657	70,657	17,054			70,657	70,657	17,054
Auto	2,036	2,036	314			2,036	2,036	314
Other	526	526	99			526	526	99
Covered loans	5,663	5,663	1,473	5,067	10,231	10,730	15,894	1,473

Total Puerto Rico	$ 901,454	$ 961,484	$ 139,716	$ 99,337	$ 134,270	$ 1,000,791	$ 1,095,754	$ 139,716

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March 31, 2015 U.S. mainland								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Mortgage	$ 3,628	$ 4,202	$ 341	$ 1,478	$ 2,245	$ 5,106	$ 6,447	$ 341
Consumer:								
HELOCs	847	863	229	790	790	1,637	1,653	229
Personal	327	327	152	84	84	411	411	152
Total U.S. mainland	$ 4,802	$ 5,392	$ 722	$ 2,352	$ 3,119	$ 7,154	$ 8,511	$ 722

March 31, 2015 Popular, Inc.								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$ 551	$ 551	$ 18	$	$	$ 551	$ 551	$ 18
Commercial real estate non-owner occupied	109,064	109,727	18,309	10,229	10,229	119,293	119,956	18,309
Commercial real estate owner occupied	109,604	127,531	11,902	17,274	20,884	126,878	148,415	11,902
Commercial and industrial	151,667	153,758	39,717	18,988	27,760	170,655	181,518	39,717
Construction	2,763	8,513	158	7,075	20,092	9,838	28,605	158
Mortgage	408,430	442,603	42,570	42,182	47,319	450,612	489,922	42,570
Leasing	2,924	2,924	687			2,924	2,924	687
Consumer:								
Credit cards	41,197	41,197	7,756			41,197	41,197	7,756
HELOCs	847	863	229	790	790	1,637	1,653	229
Personal	70,984	70,984	17,206	84	84	71,068	71,068	17,206
Auto	2,036	2,036	314			2,036	2,036	314
Other	526	526	99			526	526	99
Covered loans	5,663	5,663	1,473	5,067	10,231	10,730	15,894	1,473

Total Popular, Inc.	$ 906,256	$ 966,876	$ 140,438	$ 101,689	$ 137,389	$ 1,007,945	$ 1,104,265	$ 140,438

December 31, 2014
Puerto Rico

	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 50,324	$ 53,154	$ 5,182	$ 7,929	$ 7,929	$ 58,253	$ 61,083	$ 5,182
Commercial real estate owner occupied	114,163	127,855	16,770	14,897	16,110	129,060	143,965	16,770
Commercial and industrial	145,633	148,204	42,784	23,965	31,722	169,598	179,926	42,784
Construction	2,575	7,980	363	10,693	28,994	13,268	36,974	363
Mortgage	395,911	426,502	45,838	35,658	39,248	431,569	465,750	45,838
Leasing	3,023	3,023	770			3,023	3,023	770
Consumer:								
Credit cards	41,477	41,477	8,023			41,477	41,477	8,023
Personal	71,825	71,825	19,410			71,825	71,825	19,410
Auto	1,932	1,932	262			1,932	1,932	262
Other	525	525	101			525	525	101
Covered loans	2,419	7,500	5	4,487	4,487	6,906	11,987	5
Total Puerto Rico	$ 829,807	$ 889,977	$ 139,508	$ 97,629	$ 128,490	$ 927,436	$ 1,018,467	$ 139,508

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December 31, 2014 U.S. mainland								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial and industrial	$	$	$	$ 250	$ 250	$ 250	$ 250	$
Mortgage	3,049	3,443	273	1,206	2,306	4,255	5,749	273
Consumer:								
HELOCs	1,095	1,095	362	791	791	1,886	1,886	362
Other	3	3	3	84		87	3	3
Total U.S. mainland	$ 4,147	$ 4,541	$ 638	$ 2,331	$ 3,347	$ 6,478	$ 7,888	$ 638

December 31, 2014 Popular, Inc.								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 50,324	$ 53,154	$ 5,182	$ 7,929	$ 7,929	$ 58,253	$ 61,083	$ 5,182
Commercial real estate owner occupied	114,163	127,855	16,770	14,897	16,110	129,060	143,965	16,770
Commercial and industrial	145,633	148,204	42,784	24,215	31,972	169,848	180,176	42,784
Construction	2,575	7,980	363	10,693	28,994	13,268	36,974	363
Mortgage	398,960	429,945	46,111	36,864	41,554	435,824	471,499	46,111
Leasing	3,023	3,023	770			3,023	3,023	770
Consumer:								
Credit cards	41,477	41,477	8,023			41,477	41,477	8,023
HELOCs	1,095	1,095	362	791	791	1,886	1,886	362
Personal	71,825	71,825	19,410			71,825	71,825	19,410
Auto	1,932	1,932	262			1,932	1,932	262
Other	528	528	104	84		612	528	104
Covered loans	2,419	7,500	5	4,487	4,487	6,906	11,987	5
	$ 833,954	$ 894,518	$ 140,146	$ 99,960	$ 131,837	$ 933,914	$ 1,026,355	$ 140,146

Total Popular,
Inc.

The following tables present the average recorded investment and interest income recognized on impaired loans for the quarters ended March 31, 2015 and 2014.

	For the quarter ended March 31, 2015					
	Puerto Rico		U.S. Mainland		Popular, Inc.	
(In thousands)	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	$ 276	$	$	$	$ 276	$
Commercial real estate non-owner occupied	88,773	1,140			88,773	1,140
Commercial real estate owner occupied	127,969	2,166			127,969	2,166
Commercial and industrial	170,127	4,432	125		170,252	4,432
Construction	11,553				11,553	
Mortgage	438,538	4,453	4,681	13	443,219	4,466
Leasing	2,974				2,974	
Consumer:						
Credit cards	41,337				41,337	
Helocs			1,762		1,762	
Personal	71,241		206		71,447	
Auto	1,984				1,984	
Other	526		44		570	
Covered loans	8,818	35			8,818	35
Total Popular, Inc.	$ 964,116	$ 12,226	$ 6,818	$ 13	$ 970,934	$ 12,239

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	For the quarter ended March 31, 2014					
	Puerto Rico		U.S. Mainland		Popular, Inc.	
(In thousands)	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	$ 3,194	$ 8	$ 5,662	$	$ 8,856	$ 8
Commercial real estate non-owner occupied	71,167	483	20,247		91,414	483
Commercial real estate owner occupied	98,389	608	13,673		112,062	608
Commercial and industrial	102,206	742	1,709		103,915	742
Construction	19,417		2,832		22,249	
Mortgage	402,700	5,183	52,593	507	455,293	5,690
Legacy			4,878		4,878	
Leasing	2,674				2,674	
Consumer:						
Credit cards	44,458				44,458	
Helocs			1,325		1,325	
Personal	77,032				77,032	
Auto	1,441		88		1,529	
Other	887		1,041		1,928	
Covered loans	13,243	140			13,243	140
Total Popular, Inc.	$ 836,808	$ 7,164	$ 104,048	$ 507	$ 940,856	$ 7,671

Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to $ 1.2 billion at March 31, 2015 (December 31, 2014 - $ 1.1 billion). The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings amounted $4 million related to the commercial loan portfolio and $1 million related to the construction loan portfolio at March 31, 2015 (December 31, 2014 - $5 million and $1 million, respectively).

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

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

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

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

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

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

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

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

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

The following tables present the non-covered and covered loans classified as TDRs according to their accruing status at March 31, 2015 and December 31, 2014.

Popular, Inc.
Non-Covered Loans

	March 31, 2015			December 31, 2014		
(In thousands)	Accruing	Non-Accruing	Total	Accruing	Non-Accruing	Total
Commercial	$ 169,883	$ 153,122	$ 323,005	$ 153,380	$ 150,069	$ 303,449
Construction	309	4,919	5,228	453	5,488	5,941
Mortgage	578,709	122,674	701,383	556,346	116,465	672,811
Leases	2,125	799	2,924	775	2,248	3,023
Consumer	106,574	14,610	121,184	107,530	14,848	122,378
Total	$ 857,600	$ 296,124	$ 1,153,724	$ 818,484	$ 289,118	$ 1,107,602

Popular, Inc.
Covered Loans

(In thousands)	March 31, 2015 Accruing	March 31, 2015 Non-Accruing	March 31, 2015 Total	December 31, 2014 Accruing	December 31, 2014 Non-Accruing	December 31, 2014 Total
Commercial	$ 2,632	$ 2,877	$ 5,509	$ 1,689	$ 3,257	$ 4,946
Construction		2,336	2,336		2,419	2,419
Mortgage	4,174	5,195	9,369	3,629	3,990	7,619
Consumer	15	6	21	26	5	31
Total	$ 6,821	$ 10,414	$ 17,235	$ 5,344	$ 9,671	$ 15,015

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The following tables present the loan count by type of modification for those loans modified in a TDR during the quarters ended March 31, 2015 and 2014.

Puerto Rico
For the quarter ended March 31, 2015

	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	2	1		
Commercial real estate owner occupied	2	3		
Commercial and industrial	5	5		
Construction	1			
Mortgage	13	19	98	15
Leasing		1	12	
Consumer:				
Credit cards	228			187
Personal	228	14		
Auto		2	2	
Other	11			
Total	490	47	112	202

U.S. mainland
For the quarter ended March 31, 2015

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Mortgage		1	8	
Consumer:				
HELOCs				1
Total		1	8	1

Popular, Inc.
For the quarter ended March 31, 2015

	Other

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	
Commercial multi-family		2		
Commercial real estate non-owner occupied	2	1		
Commercial real estate owner occupied	2	3		
Commercial and industrial	5	5		
Construction	1			
Mortgage	13	20	106	15
Leasing		1	12	
Consumer:				
Credit cards	228			187
HELOCs				1
Personal	228	14		
Auto		2	2	
Other	11			
Total	490	48	120	203

Puerto Rico
For the quarter ended March 31, 2014

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	2	1		
Commercial real estate owner occupied	9	2		
Commercial and industrial	9			
Construction		3		
Mortgage	13	14	80	24
Leasing		4	6	
Consumer:				
Credit cards	274			155
Personal	216	17		1
Auto		2		
Other	18			1
Total	541	43	86	181

U.S. mainland
For the quarter ended March 31, 2014

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Mortgage			6	
Total			6	

Popular, Inc.
For the quarter ended March 31, 2014

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

Commercial real estate non-owner occupied	2	1		
Commercial real estate owner occupied	9	2		
Commercial and industrial	9			
Construction		3		
Mortgage	13	14	86	24
Leasing		4	6	
Consumer:				
Credit cards	274			155
Personal	216	17		1
Auto		2		
Other	18			1
Total	541	43	92	181

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The following tables present by class, quantitative information related to loans modified as TDRs during the quarters ended March 31, 2015 and 2014.

Puerto Rico
For the quarter ended March 31, 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	3	18,000	17,998	2,986
Commercial real estate owner occupied	5	4,759	4,552	171
Commercial and industrial	10	5,534	5,889	224
Construction	1	268	259	(166)
Mortgage	145	15,902	16,766	1,339
Leasing	13	323	325	73
Consumer:				
Credit cards	415	3,617	4,066	629
Personal	242	4,502	4,500	967
Auto	4		51	8
Other	11	29	29	5
Total	851	$ 53,485	$ 54,986	$ 6,238

U.S. Mainland
For the quarter ended March 31, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	9	$ 468	$ 1,465	$ 82
Consumer:				
HELOCs	1		92	9
Total	10	$ 468	$ 1,557	$ 91

Popular, Inc.
For the quarter ended March 31, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded	Post-modification outstanding recorded	Increase (decrease) in the

		investment	investment	allowance for loan losses as a result of modification
Commercial multi-family	2	$ 551	$ 551	$ 2
Commercial real estate non-owner occupied	3	18,000	17,998	2,986
Commercial real estate owner occupied	5	4,759	4,552	171
Commercial and industrial	10	5,534	5,889	224
Construction	1	268	259	(166)
Mortgage	154	16,370	18,231	1,421
Leasing	13	323	325	73
Consumer:				
Credit cards	415	3,617	4,066	629
HELOCs	1		92	9
Personal	242	4,502	4,500	967
Auto	4		51	8
Other	11	29	29	5
Total	861	$ 53,953	$ 56,543	$ 6,329

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Puerto Rico
For the quarter ended March 31, 2014

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 1,376	$ 1,454	$ (63)
Commercial real estate owner occupied	11	1,629	1,617	(26)
Commercial and industrial	9	773	770	9
Construction	3	11,358	11,358	(570)
Mortgage	131	19,386	20,525	1,138
Leasing	10	206	207	63
Consumer:				
Credit cards	429	3,583	4,091	627
Personal	234	4,075	4,074	912
Auto	2	32	33	1
Other	19	37	37	6
Total	851	$ 42,455	$ 44,166	$ 2,097

U.S. Mainland
For the quarter ended March 31, 2014

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Mortgage	6	$ 925	$ 1,064	$ (5)
Total	6	$ 925	$ 1,064	$ (5)

Popular, Inc.
For the quarter ended March 31, 2014

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 1,376	$ 1,454	$ (63)
Commercial real estate owner occupied	11	1,629	1,617	(26)
Commercial and industrial	9	773	770	9
Construction	3	11,358	11,358	(570)

Mortgage	137	20,311	21,589	1,133
Leasing	10	206	207	63
Consumer:				
Credit cards	429	3,583	4,091	627
Personal	234	4,075	4,074	912
Auto	2	32	33	1
Other	19	37	37	6
Total	857	$ 43,380	$ 45,230	$ 2,092

During the quarters ended March 31, 2015 and 2014, one loan with an aggregate unpaid principal balance of $883 thousand and one loan of $1.0 million, respectively, were restructured into multiple notes (Note A / B split). The Corporation recorded $173 thousand charge-offs as part of those loan restructurings during the quarter ended March 31, 2015 (March 31, 2014 - $0 million). The restructuring of those loans was made after analyzing the borrowers capacity to repay the debt, collateral and ability to perform under the modified terms. The recorded investment on those commercial TDRs amounted to approximately $707 thousand at March 31, 2015 (March 31, 2014 - $1.1 million) with a related allowance for loan losses amounting to approximately $62 thousand (March 31, 2014 - $0 million).

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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 March 31, 2015 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 March 31, 2015

(Dollars in thousands)	Loan count	Recorded investment as of first default date	
Commercial real estate owner occupied	1	$	291
Commercial and industrial	1		90
Construction	2		1,192
Mortgage	22		1,695
Consumer:			
Credit cards	153		1,792
Personal	22		178
Auto	5		96
Other	2		2
Total [1]	208	$	5,336

[1] Excludes loans for which the Corporation has entered into liquidation agreements with borrowers and guarantors and is accepting payments which differ from the contractual payment schedule. The Corporation considers these as defaulted loans and does not intent to return them to accrual status.

For U.S. mainland for the quarter ended March 31, 2015 there were no TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date.

Popular, Inc.
Defaulted during the quarter ended March 31, 2015

(Dollars In thousands)	Loan count	Recorded investment as of first default date	
Commercial real estate owner occupied	1	$	291
Commercial and industrial	1		90
Construction	2		1,192
Mortgage	22		1,695
Consumer:			
Credit cards	153		1,792
Personal	22		178
Auto	5		96
Other	2		2

Total	208	$	5,336

Puerto Rico
Defaulted during the quarter ended March 31, 2014

(Dollars In thousands)	Loan count		Recorded investment as of first default date
Commercial real estate non-owner occupied	1	$	30
Commercial real estate owner occupied	2		333
Commercial and industrial	3		171
Mortgage	19		4,445
Leasing	2		64
Consumer:			
Credit cards	178		1,642
Personal	37		443
Auto	5		118
Other	2		4
Total [1]	249	$	7,250

[1] Exclude loans for which the Corporation has entered into liquidation agreements with borrowers and guarantors and is accepting payments which differ from the contractual payment schedule. The Corporation considers these as defaulted loans and does not intent to return them to accrual status.

U.S. mainland

Defaulted during the quarter ended March 31, 2014

(Dollars In thousands)	Loan count	Recorded investment as of first default date	
Commercial real estate non-owner occupied	1	$	907
Total	1	$	907

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Popular, Inc.
Defaulted during the quarter ended March 31, 2014

(Dollars In thousands)	Loan count	Recorded investment as of first default date	
Commercial real estate non-owner occupied	2	$	937
Commercial real estate owner occupied	2		333
Commercial and industrial	3		171
Mortgage	19		4,445
Leasing	2		64
Consumer:			
Credit cards	178		1,642
Personal	37		443
Auto	5		118
Other	2		4
Total	250	$	8,157

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

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Credit Quality

The following table presents the outstanding balance, net of unearned income, of non-covered loans held-in-portfolio based on the Corporation s assignment of obligor risk ratings as defined at March 31, 2015 and December 31, 2014.

	March 31, 2015							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 4,840	$ 1,137	$ 3,892	$	$	$ 9,869	$ 79,664	$ 89,533
Commercial real estate non-owner occupied	285,351	76,707	197,037			559,095	1,583,259	2,142,354
Commercial real estate owner occupied	170,835	146,356	301,616	3,904		622,711	806,978	1,429,689
Commercial and industrial	290,077	325,137	308,298	711	237	924,460	1,815,473	2,739,933
Total Commercial	751,103	549,337	810,843	4,615	237	2,116,135	4,285,374	6,401,509
Construction	29	6,080	13,164			19,273	79,433	98,706
Mortgage	704,588		230,199			934,787	5,236,460	6,171,247
Leasing			2,507			2,507	578,612	581,119
Consumer:								
Credit cards	3,327		21,334			24,661	1,089,843	1,114,504
HELOCs			10,527			10,527	1,636	12,163
Personal	322		3,999		163	4,484	1,240,597	1,245,081
Auto			11,003		105	11,108	771,440	782,548
Other	1,634		1,507		1,055	4,196	193,714	197,910
Total Consumer	5,283		48,370		1,323	54,976	3,297,230	3,352,206
Total Puerto Rico	$ 1,461,003	$ 555,417	$ 1,105,083	$ 4,615	$ 1,560	$ 3,127,678	$ 13,477,109	$ 16,604,787
U.S. mainland								
Commercial multi-family	$ 10,705	$ 7,303	$ 11,373	$	$	$ 29,381	$ 446,822	$ 476,203
Commercial real estate	20,198	6,971	13,601			40,770	617,549	658,319

non-owner occupied								
Commercial real estate owner occupied	24,986	4,671	4,348			34,005	179,492	213,497
Commercial and industrial	67,028	2,567	15,677			85,272	818,761	904,033
Total Commercial	122,917	21,512	44,999			189,428	2,062,624	2,252,052
Construction			7,798			7,798	584,224	592,022
Mortgage			8,462			8,462	1,009,518	1,017,980
Legacy	7,457	2,385	8,780			18,622	59,053	77,675
Consumer:								
Credit cards							14,107	14,107
HELOCs			1,938		2,714	4,652	340,693	345,345
Personal			304		936	1,240	107,273	108,513
Auto							87	87
Other					4	4	358	362
Total Consumer			2,242		3,654	5,896	462,518	468,414
Total U.S. mainland	$ 130,374	$ 23,897	$ 72,281	$	$ 3,654	$ 230,206	$ 4,177,937	$ 4,408,143
Popular, Inc.								
Commercial multi-family	$ 15,545	$ 8,440	$ 15,265	$	$	$ 39,250	$ 526,486	$ 565,736
Commercial real estate non-owner occupied	305,549	83,678	210,638			599,865	2,200,808	2,800,673
Commercial real estate owner occupied	195,821	151,027	305,964	3,904		656,716	986,470	1,643,186
Commercial and industrial	357,105	327,704	323,975	711	237	1,009,732	2,634,234	3,643,966
Total Commercial	874,020	570,849	855,842	4,615	237	2,305,563	6,347,998	8,653,561
Construction	29	6,080	20,962			27,071	663,657	690,728
Mortgage	704,588		238,661			943,249	6,245,978	7,189,227
Legacy	7,457	2,385	8,780			18,622	59,053	77,675
Leasing			2,507			2,507	578,612	581,119
Consumer:								
Credit cards	3,327		21,334			24,661	1,103,950	1,128,611
HELOCs			12,465		2,714	15,179	342,329	357,508
Personal	322		4,303		1,099	5,724	1,347,870	1,353,594

Auto			11,003		105	11,108	771,527	782,635
Other	1,634		1,507		1,059	4,200	194,072	198,272
Total Consumer	5,283		50,612		4,977	60,872	3,759,748	3,820,620
Total Popular, Inc.	$ 1,591,377	$ 579,314	$ 1,177,364	$ 4,615	$ 5,214	$ 3,357,884	$ 17,655,046	$ 21,012,930

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

Weighted average obligor risk rating	(Scales 11 and 12)	(Scales 1 through 8)
Puerto Rico:[1]	Substandard	Pass
Commercial multi-family	11.52	5.66
Commercial real estate non-owner occupied	11.40	6.82
Commercial real estate owner occupied	11.28	6.95
Commercial and industrial	11.43	6.99
Total Commercial	11.37	6.91
Construction	11.80	7.56

U.S. mainland:	Substandard	Pass
Commercial multi-family	11.02	7.18
Commercial real estate non-owner occupied	11.00	6.87
Commercial real estate owner occupied	11.18	7.08
Commercial and industrial	11.52	6.26
Total Commercial	11.20	6.72
Construction	11.00	7.09
Legacy	11.12	7.71

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

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December 31, 2014								
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 2,306	$ 5,021	$ 3,186	$	$	$ 10,513	$ 69,564	$ 80,077
Commercial real estate non-owner occupied	171,771	144,104	169,900			485,775	1,527,804	2,013,579
Commercial real estate owner occupied	212,236	144,536	306,014	3,595		666,381	806,981	1,473,362
Commercial and industrial	421,332	367,834	272,880	849	255	1,063,150	1,744,635	2,807,785
Total Commercial	807,645	661,495	751,980	4,444	255	2,225,819	4,148,984	6,374,803
Construction	4,612	6,204	16,908			27,724	131,660	159,384
Mortgage			218,680			218,680	5,231,821	5,450,501
Leasing			3,102			3,102	561,287	564,389
Consumer:								
Credit cards			21,070			21,070	1,119,094	1,140,164
HELOCs			8,186		7	8,193	5,207	13,400
Personal			8,380		77	8,457	1,254,076	1,262,533
Auto			11,348		40	11,388	755,908	767,296
Other			2,130		1,735	3,865	201,779	205,644
Total Consumer			51,114		1,859	52,973	3,336,064	3,389,037
Total Puerto Rico	$ 812,257	$ 667,699	$ 1,041,784	$ 4,444	$ 2,114	$ 2,528,298	$ 13,409,816	$ 15,938,114