POPULAR INC
Form 10-Q
May 10, 2016
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the quarterly period ended March 31, 2016**

**Commission File Number: 001-34084**

**POPULAR, INC.**

**(Exact name of registrant as specified in its charter)**

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

**Popular Center Building**

**209 Muñoz Rivera Avenue**

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

**(787) 765-9800**

**(Registrant s telephone number, including area code)**

**NOT APPLICABLE**

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: Common Stock, $0.01 par value, 103,704,084 shares outstanding as of May 4, 2016.

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# POPULAR, INC.

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**Forward-Looking Information**

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

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

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

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

- the impact of the Commonwealth of Puerto Rico s fiscal crisis, and the measures taken and to be taken by the Puerto Rico Government, on the economy and our business, and the ability of the Government to manage this crisis in an orderly manner;
- the performance of the stock and bond markets;
- competition in the financial services industry;
- additional Federal Deposit Insurance Corporation ( FDIC ) assessments;
- possible legislative, tax or regulatory changes; and
- risks related to the Doral Transaction, including (a) our ability to maintain customer relationships and (b) risks associated with the limited amount of diligence able to be conducted by a buyer in an FDIC transaction.

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

- negative economic conditions that adversely affect housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the level of non-performing assets, charge-offs and provision expense;
- risks associated with maintaining customer relationships from our acquisition of certain assets and deposits (other than certain brokered deposits) of Doral Bank from the FDIC as receiver;
- changes in interest rates and market liquidity which may reduce interest margins, impact funding sources and affect our ability to originate and distribute financial products in the primary and secondary markets;

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

liabilities resulting from litigation and regulatory investigations;

changes in accounting standards, rules and interpretations;

our ability to grow our core businesses;

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

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

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

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

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**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

**(UNAUDITED)**

| (In thousands, except share information) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Assets: | | |
| Cash and due from banks | $ 409,623 | $ 363,674 |
| Money market investments: | | |
| Securities purchased under agreements to resell | 97,830 | 96,338 |
| Time deposits with other banks | 1,819,630 | 2,083,754 |
| Total money market investments | 1,917,460 | 2,180,092 |
| Trading account securities, at fair value: | | |
| Pledged securities with creditors right to repledge | 20,085 | 19,506 |
| Other trading securities | 51,199 | 52,153 |
| Investment securities available-for-sale, at fair value: | | |
| Pledged securities with creditors right to repledge | 734,168 | 739,045 |
| Other investment securities available-for-sale | 5,915,662 | 5,323,947 |
| Investment securities held-to-maturity, at amortized cost (fair value 2016 $80,914; 2015 $82,889) | 99,216 | 100,903 |
| Other investment securities, at lower of cost or realizable value (realizable value 2016 $167,111; 2015 $175,291) | 164,024 | 172,248 |
| Loans held-for-sale, at lower of cost or fair value | 125,315 | 137,000 |
| Loans held-in-portfolio: | | |
| Loans not covered under loss-sharing agreements with the FDIC | 22,618,488 | 22,453,813 |
| Loans covered under loss-sharing agreements with the FDIC | 625,130 | 646,115 |
| Less Unearned income | 110,751 | 107,698 |
| Allowance for loan losses | 538,472 | 537,111 |
| Total loans held-in-portfolio, net | 22,594,395 | 22,455,119 |
| FDIC loss-share asset | 219,448 | 310,221 |
| Premises and equipment, net | 527,493 | 502,611 |
| Other real estate not covered under loss-sharing agreements with the FDIC | 165,960 | 155,231 |
| Other real estate covered under loss-sharing agreements with the FDIC | 36,397 | 36,685 |
| Accrued income receivable | 120,308 | 124,234 |
| Mortgage servicing assets, at fair value | 205,051 | 211,405 |
| Other assets | 2,156,030 | 2,193,162 |
| Goodwill | 631,095 | 626,388 |
| Other intangible assets | 54,080 | 58,109 |

| | | |
|---|---|---|
| Total assets | $ 36,147,009 | $ 35,761,733 |
| Liabilities and Stockholders Equity | | |
| Liabilities: | | |
| Deposits: | | |
| Non-interest bearing | $ 6,384,093 | $ 6,401,515 |
| Interest bearing | 21,142,500 | 20,808,208 |
| Total deposits | 27,526,593 | 27,209,723 |
| Federal funds purchased and assets sold under agreements to repurchase | 760,154 | 762,145 |
| Other short-term borrowings | 6,370 | 1,200 |
| Notes payable | 1,583,468 | 1,662,508 |
| Other liabilities | 1,018,309 | 1,019,018 |
| Liabilities from discontinued operations (Refer to Note 4) | 1,815 | 1,815 |
| Total liabilities | 30,896,709 | 30,656,409 |
| Commitments and contingencies (Refer to Note 23) | | |
| Stockholders equity: | | |
| Preferred stock, 30,000,000 shares authorized; 2,006,391shares issued and outstanding | 50,160 | 50,160 |
| Common stock, $0.01 par value; 170,000,000 shares authorized; 103,895,642 shares issued (2015 103,816,185) and 103,670,005 shares outstanding (2015 103,618,976) | 1,039 | 1,038 |
| Surplus | 4,231,233 | 4,229,156 |
| Retained earnings | 1,156,476 | 1,087,957 |
| Treasury stock at cost, 225,637 shares (2015 197,209) | (6,858) | (6,101) |
| Accumulated other comprehensive loss, net of tax | (181,750) | (256,886) |
| Total stockholders equity | 5,250,300 | 5,105,324 |
| Total liabilities and stockholders equity | $ 36,147,009 | $ 35,761,733 |

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

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**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(UNAUDITED)**

| (In thousands, except per share information) | Quarters ended March 31, 2016 | 2015 |
|---|---|---|
| **Interest income:** | | |
| Loans | $ 363,197 | $ 355,631 |
| Money market investments | 2,863 | 1,446 |
| Investment securities | 36,271 | 30,301 |
| Trading account securities | 1,689 | 2,696 |
| Total interest income | 404,020 | 390,074 |
| **Interest expense:** | | |
| Deposits | 29,874 | 25,864 |
| Short-term borrowings | 1,861 | 1,734 |
| Long-term debt | 19,873 | 19,281 |
| Total interest expense | 51,608 | 46,879 |
| Net interest income | 352,412 | 343,195 |
| Provision for loan losses non-covered loans | 47,940 | 29,711 |
| Provision (reversal) for loan losses covered loans | (3,105) | 10,324 |
| Net interest income after provision for loan losses | 307,577 | 303,160 |
| Service charges on deposit accounts | 39,862 | 39,017 |
| Other service fees (Refer to Note 29) | 53,382 | 53,626 |
| Mortgage banking activities (Refer to Note 12) | 10,551 | 12,852 |
| Trading account (loss) profit | (162) | 414 |
| Net loss on sale of loans, including valuation adjustments on loans held-for-sale | (304) | (79) |
| Adjustments (expense) to indemnity reserves on loans sold | (4,098) | (4,526) |
| FDIC loss share (expense) income (Refer to Note 30) | (3,146) | 4,139 |
| Other operating income | 15,545 | 9,792 |
| Total non-interest income | 111,630 | 115,235 |
| **Operating expenses:** | | |
| Personnel costs | 127,091 | 116,458 |
| Net occupancy expenses | 20,430 | 21,709 |
| Equipment expenses | 14,548 | 13,411 |
| Other taxes | 10,195 | 8,574 |
| Professional fees | 75,459 | 75,528 |

| | | | | |
|---|---|---|---|---|
| Communications | | 6,320 | | 6,176 |
| Business promotion | | 11,110 | | 10,813 |
| FDIC deposit insurance | | 7,370 | | 6,398 |
| Other real estate owned (OREO) expenses | | 9,141 | | 23,069 |
| Other operating expenses | | 17,165 | | 17,349 |
| Amortization of intangibles | | 3,114 | | 2,104 |
| Restructuring costs | | | | 10,753 |
| Total operating expenses | | 301,943 | | 312,342 |
| Income from continuing operations before income tax | | 117,264 | | 106,053 |
| Income tax expense | | 32,265 | | 32,568 |
| Income from continuing operations | | 84,999 | | 73,485 |
| Income from discontinued operations, net of tax | | | | 1,341 |
| **Net Income** | $ | 84,999 | $ | 74,826 |
| **Net Income Applicable to Common Stock** | $ | 84,068 | $ | 73,896 |
| **Net Income per Common Share Basic** | | | | |
| Net income from continuing operations | | 0.81 | | 0.71 |
| Net income from discontinued operations | | | | 0.01 |
| **Net Income per Common Share Basic** | $ | 0.81 | $ | 0.72 |
| **Net Income per Common Share Diluted** | | | | |
| Net income from continuing operations | | 0.81 | | 0.71 |
| Net income from discontinued operations | | | | 0.01 |
| **Net Income per Common Share Diluted** | $ | 0.81 | $ | 0.72 |
| **Dividends Declared per Common Share** | $ | 0.15 | $ | |

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

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**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(UNAUDITED)**

| | Quarters ended March 31, | |
|---|---|---|
| (In thousands) | 2016 | 2015 |
| Net income | $ 84,999 | $ 74,826 |
| Other comprehensive income before tax: | | |
| Foreign currency translation adjustment | (705) | (581) |
| Amortization of net losses on pension and postretirement benefit plans | 5,486 | 5,025 |
| Amortization of prior service cost of pension and postretirement benefit plans | (950) | (950) |
| Unrealized holding gains on investments arising during the period | 76,236 | 35,342 |
| Unrealized net losses on cash flow hedges | (2,000) | (2,535) |
| Reclassification adjustment for net losses included in net income | 1,545 | 1,358 |
| Other comprehensive income before tax | 79,612 | 37,659 |
| Income tax expense | (4,476) | (2,187) |
| Total other comprehensive income, net of tax | 75,136 | 35,472 |
| Comprehensive income, net of tax | $ 160,135 | $ 110,298 |

| **Tax effect allocated to each component of other comprehensive income:** | Quarters ended March 31, | |
|---|---|---|
| (In thousands) | 2016 | 2015 |
| Amortization of net losses on pension and postretirement benefit plans | $ (2,140) | $ (1,960) |
| Amortization of prior service cost of pension and postretirement benefit plans | 370 | 371 |
| Unrealized holding gains on investments arising during the period | (2,885) | (1,057) |
| Unrealized net losses on cash flow hedges | 781 | 989 |
| Reclassification adjustment for net losses included in net income | (602) | (530) |
| Income tax expense | $ (4,476) | $ (2,187) |

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)**

| thousands) | Common stock | Preferred stock | Surplus | Retained earnings | Treasury stock | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|---|---|---|
| ance at December 31, 2014 | $ 1,036 | $ 50,160 | $ 4,196,458 | $ 253,717 | $ (4,117) | $ (229,872) | $ 4,267,38 |
| income | | | | 74,826 | | | 74,82 |
| uance of stock | 1 | | 1,405 | | | | 1,40 |
| windfall benefit on vesting of restricted ck | | | 69 | | | | 6 |
| idends declared: | | | | | | | |
| ferred stock | | | | (930) | | | (93 |
| mmon stock purchases | | | | | (1,123) | | (1,12 |
| mmon stock reissuance | | | | | 18 | | 1 |
| er comprehensive income, net of tax | | | | | | 35,472 | 35,47 |
| ance at March 31, 2015 | $ 1,037 | $ 50,160 | $ 4,197,932 | $ 327,613 | $ (5,222) | $ (194,400) | $ 4,377,12 |
| ance at December 31, 2015 | $ 1,038 | $ 50,160 | $ 4,229,156 | $ 1,087,957 | $ (6,101) | $ (256,886) | $ 5,105,32 |
| income | | | | 84,999 | | | 84,99 |
| uance of stock | 1 | | 2,108 | | | | 2,10 |
| shortfall expense on vesting of restricted ck | | | (31) | | | | (3 |
| idends declared: | | | | | | | |
| mmon stock | | | | (15,549) | | | (15,54 |
| ferred stock | | | | (931) | | | (93 |
| mmon stock purchases | | | | | (764) | | (76 |
| mmon stock reissuance | | | | | 7 | | |
| er comprehensive income, net of tax | | | | | | 75,136 | 75,13 |
| ance at March 31, 2016 | $ 1,039 | $ 50,160 | $ 4,231,233 | $ 1,156,476 | $ (6,858) | $ (181,750) | $ 5,250,30 |

| **closure of changes in number of shares:** | March 31, 2016 | March 31, 2015 |
|---|---|---|
| ferred Stock: | | |
| ance at beginning and end of period | 2,006,391 | 2,006,39 |
| mmon Stock Issued: | | |
| ance at beginning of period | 103,816,185 | 103,614,55 |
| uance of stock | 79,457 | 42,62 |

| | | |
|---|---|---|
| ance at end of the period | 103,895,642 | 103,657,17 |
| asury stock | (225,637) | (170,24 |
| mmon Stock Outstanding | 103,670,005 | 103,486,92 |

*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, 2016 | 2015 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 84,999 | $ 74,826 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Provision for loan losses | 44,835 | 40,035 |
| Amortization of intangibles | 3,114 | 2,104 |
| Depreciation and amortization of premises and equipment | 11,707 | 11,919 |
| Net accretion of discounts and amortization of premiums and deferred fees | (11,158) | (19,100) |
| Fair value adjustments on mortgage servicing rights | 8,477 | 4,929 |
| FDIC loss share expense (income) | 3,146 | (4,139) |
| Adjustments (expense) to indemnity reserves on loans sold | 4,098 | 4,526 |
| Earnings from investments under the equity method | (7,089) | (2,301) |
| Deferred income tax expense | 23,218 | 23,380 |
| (Gain) loss on: | | |
| Disposition of premises and equipment and other productive assets | (1,946) | (978) |
| Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities | (7,101) | (7,222) |
| Sale of foreclosed assets, including write-downs | 2,802 | 14,851 |
| Acquisitions of loans held-for-sale | (66,451) | (121,929) |
| Proceeds from sale of loans held-for-sale | 22,253 | 27,547 |
| Net originations on loans held-for-sale | (110,528) | (179,604) |
| Net decrease (increase) in: | | |
| Trading securities | 176,598 | 177,942 |
| Accrued income receivable | 3,926 | (13) |
| Other assets | 20,996 | (28,027) |
| Net (decrease) increase in: | | |
| Interest payable | (12,261) | (10,216) |
| Pension and other postretirement benefits obligation | 1,536 | 1,019 |
| Other liabilities | (17,010) | (19,377) |
| Total adjustments | 93,162 | (84,654) |
| Net cash provided by (used in) operating activities | 178,161 | (9,828) |
| **Cash flows from investing activities:** | | |
| Net decrease (increase) in money market investments | 262,632 | (484,829) |
| Purchases of investment securities: | | |

| | | |
|---|---|---|
| Available-for-sale | (742,859) | (411,189) |
| Held-to-maturity | | (250) |
| Other | (59,786) | (2,520) |
| Proceeds from calls, paydowns, maturities and redemptions of investment securities: | | |
| Available-for-sale | 239,399 | 385,672 |
| Held-to-maturity | 2,108 | 2,231 |
| Other | 41,664 | 30,785 |
| Proceeds from sale of investment securities: | | |
| Other | 26,346 | 1,388 |
| Net repayments on loans | 13,335 | 154,794 |
| Proceeds from sale of loans | 1,128 | 19,127 |
| Acquisition of loan portfolios | (212,798) | (49,510) |
| Net payments from FDIC under loss sharing agreements | 88,588 | 132,265 |
| Net cash received and acquired from business combination | | 711,051 |
| Return of capital from equity method investments | 206 | |
| Mortgage servicing rights purchased | | (2,400) |
| Acquisition of premises and equipment | (38,819) | (10,231) |
| Proceeds from sale of: | | |
| Premises and equipment and other productive assets | 5,092 | 3,093 |
| Foreclosed assets | 14,513 | 40,161 |
| Net cash (used in) provided by investing activities | (359,251) | 519,638 |
| **Cash flows from financing activities:** | | |
| Net increase (decrease) in: | | |
| Deposits | 318,550 | 265,906 |
| Federal funds purchased and assets sold under agreements to repurchase | (1,991) | (139,013) |
| Other short-term borrowings | 5,170 | (148,215) |
| Payments of notes payable | (108,452) | (419,487) |
| Proceeds from issuance of notes payable | 28,883 | 46,000 |
| Proceeds from issuance of common stock | 2,109 | 1,405 |
| Dividends paid | (16,473) | (620) |
| Net payments for repurchase of common stock | (757) | (1,105) |
| Net cash provided by (used in) financing activities | 227,039 | (395,129) |
| Net increase in cash and due from banks | 45,949 | 114,681 |
| Cash and due from banks at beginning of period | 363,674 | 381,095 |
| Cash and due from banks at the end of the period | $ 409,623 | $ 495,776 |

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

*During the quarter ended March 31, 2016 there have not been any cash flows associated with discontinued operations. The Consolidated Statement of Cash Flows for the quarter ended March 31, 2015 includes the cash flows from operating, investing and financing activities associated with discontinued operations.*

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**Notes to Consolidated Financial Statements (Unaudited)**

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## Note 1 Nature of Operations

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

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

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## Note 2 Basis of Presentation and Summary of Significant Accounting Policies

*Principles of Consolidation and Basis of Presentation*

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

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

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

*Use of Estimates in the Preparation of Financial Statements*

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

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**Note 3 New accounting pronouncements**

*Recently Adopted Accounting Standards Updates*

*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 simplified 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.

The amendments of this Update, which are required to be applied on a retrospective basis, are effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015.

Since the Corporation s policy was to record debt issuance costs as a deferred asset, it reclassified $7.3 million (December 31, 2015 $7.8 million) of debt issuance costs as a result of the adoption of this accounting pronouncement during the first quarter of 2016 and adjusted prior periods accordingly.

Additionally, adoption of the following standards effective during the first quarter of 2016 did not have a significant impact on the presentation and disclosures in its consolidated financial statements:

*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 )*

*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 )*

*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 )*

*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 )*

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

*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 )*

*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 )*

*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 )*

*FASB Accounting Standards Update 2015-09, Insurance (Topic 944): Disclosures about Short-Duration Contracts*

*Recently Issued Accounting Standards Updates*

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

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

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 (same effective date as ASU 2015-14).

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

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

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

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

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

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

The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 (same effective date as ASU 2015-14).

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

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

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

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

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

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

The FASB issued ASU 2016-06 in March 2016, which clarifies that in assessing whether an embedded contingent put or call option is not clearly and closely related to the debt instrument, which is part of the assessment made to determine whether an embedded derivative must be bifurcated from the host contract, an entity is required to perform only the four step decision sequence. The four-step decision sequence requires an entity to consider whether (1) the payoff is adjusted based on changes in an index, (2) the payoff is indexed to an underlying other than interest rates or credit risk, (3) the debt involves a substantial premium or discount and (4) the put or call option is contingently exercisable. It does not have to separately assess whether the event that triggers its ability to exercise the contingent option itself is indexed only to interest rates and credit risk.

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

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

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

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

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

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

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

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**Note 4 Discontinued operations and restructuring plan**

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

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

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

There were no activities from the discontinued operations for the quarter ended March 31, 2016. Net income from the discontinued operations amounted to $1.3 million for the quarter ended March 31, 2015.

Also, in connection with the sale, the Corporation has undertaken a restructuring plan (the PCB Restructuring Plan ) which has been completed as of March 31, 2016. The Corporation incurred restructuring charges of $45.1 million. During the quarter ended March 31, 2015, the Corporation incurred $10.8 million in restructuring costs, mostly comprised of $9.4 million in personnel costs.

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

| | Quarters ended March 31, | |
|---|---|---|
| (In thousands) | 2016 | 2015 |
| Beginning balance | $ 620 | $ 13,536 |
| Charges expensed during the period | | 6,297 |
| Payments made during the period | (263) | (9,030) |
| Ending balance | $ 357 | $ 10,803 |

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## Note 5 Business combination

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

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

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

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

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

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

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

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

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

[a] Amounts reported include retrospective adjustments during the measurement period, in accordance with U.S. GAAP, related to the Doral Bank Transaction.
[b] Amounts are presented as previously reported as of September 30, 2015.

The impact in the results of operations for the quarter ended March 31, 2015 as a result of the recasting was an increase in net income of approximately $0.6 million as detailed in the following table:

| | Quarter ended March 31, 2015 | | |
|---|---|---|---|
| (In thousands) | As recasted | As reported | Difference |
| Net Interest Income | $ 10,306 | $ 9,768 | $ 538 |
| Non-Interest Income | 4,262 | 4,262 | |
| Operating Expenses | 14,398 | 14,488 | (90) |
| Income Before Taxes | $ 170 | $ (458) | $ 628 |

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

The Corporation s banking subsidiaries, BPPR and BPNA, are required by federal and state regulatory agencies to maintain average reserve balances with the Federal Reserve Bank of New York (the Fed ) or other banks. Those required average reserve balances amounted to $ 1.1 billion at March 31, 2016 (December 31, 2015 $ 1.1 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, 2016, the Corporation held $52 million in restricted assets in the form of funds deposited in money market accounts, trading account securities and investment securities available for sale (December 31, 2015 $44 million). The amounts held in trading account securities and investment securities available for sale consist primarily of restricted assets held for the Corporation s non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

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## Note 7 Investment securities available-for-sale

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

| | At March 31, 2016 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value | Weighted average yield |
| U.S. Treasury securities | | | | | |
| Within 1 year | $ 24,665 | $ 143 | $ | $ 24,808 | 4.92% |
| After 1 to 5 years | 1,281,481 | 6,792 | | 1,288,273 | 1.03 |
| After 5 to 10 years | 9,939 | 332 | | 10,271 | 1.99 |
| Total U.S. Treasury securities | 1,316,085 | 7,267 | | 1,323,352 | 1.11 |
| Obligations of U.S. Government sponsored entities | | | | | |
| After 1 to 5 years | 904,631 | 5,221 | 109 | 909,743 | 1.33 |
| After 5 to 10 years | 250 | 3 | | 253 | 5.64 |
| After 10 years | 23,000 | | 58 | 22,942 | 3.24 |
| Total obligations of U.S. Government sponsored entities | 927,881 | 5,224 | 167 | 932,938 | 1.38 |
| Obligations of Puerto Rico, States and political subdivisions | | | | | |
| After 1 to 5 years | 7,292 | | 176 | 7,116 | 3.88 |
| After 5 to 10 years | 5,925 | 1 | 1,963 | 3,963 | 4.02 |
| After 10 years | 18,604 | 1 | 5,954 | 12,651 | 6.99 |
| Total obligations of Puerto Rico, States and political subdivisions | 31,821 | 2 | 8,093 | 23,730 | 5.72 |
| Collateralized mortgage obligations federal agencies | | | | | |
| Within 1 year | 282 | | | 282 | 0.95 |
| After 1 to 5 years | 20,257 | 918 | | 21,175 | 2.86 |
| After 5 to 10 years | 41,078 | 818 | | 41,896 | 2.86 |
| After 10 years | 1,447,516 | 14,027 | 11,325 | 1,450,218 | 1.98 |
| Total collateralized mortgage obligations federal agencies | 1,509,133 | 15,763 | 11,325 | 1,513,571 | 2.01 |
| Mortgage-backed securities | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Within 1 year | 25 | | | 25 | 4.80 |
| After 1 to 5 years | 20,808 | 990 | 6 | 21,792 | 4.64 |
| After 5 to 10 years | 281,359 | 6,195 | 2 | 287,552 | 2.43 |
| After 10 years | 2,485,109 | 50,510 | 1,282 | 2,534,337 | 2.76 |
| Total mortgage-backed securities | 2,787,301 | 57,695 | 1,290 | 2,843,706 | 2.74 |
| Equity securities (without contractual maturity) | 1,351 | 1,090 | 2 | 2,439 | 7.82 |
| Other | | | | | |
| After 1 to 5 years | 8,819 | 10 | | 8,829 | 1.72 |
| After 5 to 10 years | 1,220 | 45 | | 1,265 | 3.62 |
| Total other | 10,039 | 55 | | 10,094 | 1.95 |
| Total investment securities available-for-sale[1] | $ 6,583,611 | $ 87,096 | $ 20,877 | $ 6,649,830 | 2.07% |

[1] Includes $2.2 billion pledged to secure public and trust deposits, assets sold under agreements to repurchase, credit facilities and loan servicing agreements that the secured parties are not permitted to sell or repledge the collateral, of which $1.3 billion serve as collateral for public funds.

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

| | | | | | |
|---|---|---|---|---|---|
| After 1 to 5 years | 8,911 | | 28 | 8,883 | 1.71 |
| After 5 to 10 years | 1,311 | 39 | | 1,350 | 3.62 |
| Total other | 10,222 | 39 | 28 | 10,233 | 1.95 |
| Total investment securities available-for-sale[1] | $ 6,073,005 | $ 53,350 | $ 63,363 | $ 6,062,992 | 2.07% |

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

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

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

There were no securities sold during the quarters ended March 31, 2016 and 2015.

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, 2016 and December 31, 2015.

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| | At March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| (In thousands) | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| Obligations of U.S. Government sponsored entities | $ 73,342 | $ 113 | $ 19,376 | $ 54 | $ 92,718 | $ 167 |
| Obligations of Puerto Rico, States and political subdivisions | 6,229 | 10 | 15,515 | 8,083 | 21,744 | 8,093 |
| Collateralized mortgage obligations federal agencies | | | 656,971 | 11,325 | 656,971 | 11,325 |
| Mortgage-backed securities | 231,705 | 816 | 80,005 | 474 | 311,710 | 1,290 |
| Equity securities | 48 | 2 | | | 48 | 2 |
| Total investment securities available-for-sale in an unrealized loss position | $ 311,324 | $ 941 | $ 771,867 | $ 19,936 | $ 1,083,191 | $ 20,877 |

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

As of March 31, 2016, the available-for-sale investment portfolio reflects gross unrealized losses of approximately $21 million, driven by U.S. Agency collateralized mortgage obligations, mortgage-backed securities and obligations of the Puerto Rico Government and its political subdivisions. As part of its analysis for all U.S. Agencies securities, management considers the U.S. Agency guarantee. The portfolio of obligations of the Puerto Rico Government is mostly comprised of securities with specific sources of income or revenues identified for repayments. The Corporation performs periodic credit quality reviews on these issuers.

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

At March 31, 2016, management performed its quarterly analysis of all debt securities in an unrealized loss position. Based on the analyses performed, management concluded that no individual debt security was other-than-temporarily impaired as of such date. However, further negative evidence impacting the factors described above with respect to 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, 2016, the Corporation did not have the intent to sell debt securities in an unrealized loss position and it is more likely than not that the Corporation will not have to sell the investment securities prior to recovery of their amortized cost basis.

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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, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| (In thousands) | Amortized cost | Fair value | Amortized cost | Fair value |
| FNMA | $ 2,799,998 | $ 2,824,458 | $ 2,649,860 | $ 2,633,899 |
| FHLB | 329,822 | 331,546 | 340,119 | 338,700 |
| Freddie Mac | 1,221,128 | 1,228,096 | 1,088,691 | 1,079,956 |

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## Note 8 Investment securities held-to-maturity

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

| | At March 31, 2016 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value | Weighted average yield |
| Obligations of Puerto Rico, States and political subdivisions | | | | | |
| Within 1 year | $ 3,050 | $ | $ 1,601 | $ 1,449 | 5.91% |
| After 1 to 5 years | 14,270 | | 5,910 | 8,360 | 6.00 |
| After 5 to 10 years | 18,930 | | 7,716 | 11,214 | 6.17 |
| After 10 years | 60,880 | 5,266 | 8,320 | 57,826 | 1.99 |
| Total obligations of Puerto Rico, States and political subdivisions | 97,130 | 5,266 | 23,547 | 78,849 | 3.52 |
| Collateralized mortgage obligations federal agencies | | | | | |
| After 5 to 10 years | 86 | 5 | | 91 | 5.45 |
| Total collateralized mortgage obligations federal agencies | 86 | 5 | | 91 | 5.45 |
| Other | | | | | |
| After 1 to 5 years | 2,000 | | 26 | 1,974 | 1.81 |
| Total other | 2,000 | | 26 | 1,974 | 1.81 |
| Total investment securities held-to-maturity[1] | $ 99,216 | $ 5,271 | $ 23,573 | $ 80,914 | 3.49% |

[1] Includes $97.5 million pledged to secure public and trust deposits that the secured parties are not permitted to sell or repledge the collateral.

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

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

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

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

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, 2016 and December 31, 2015.

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| | At March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| (In thousands) | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| Obligations of Puerto Rico, States and political subdivisions | $ | $ | $ 31,393 | $ 23,547 | $ 31,393 | $ 23,547 |
| Other | 1,724 | 26 | | | 1,724 | 26 |
| Total investment securities held-to-maturity in an unrealized loss position | $ 1,724 | $ 26 | $ 31,393 | $ 23,547 | $ 33,117 | $ 23,573 |

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

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

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at March 31, 2016 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. This includes $55 million of securities issued by three municipalities of Puerto Rico that are payable from the real and personal property taxes collected within such municipalities. These bonds have seniority to the payment of operating cost and expenses of the municipality. The portfolio also includes approximately $42 million in securities for which the underlying source of payment is not the central government, but in which it provides a guarantee in the event of default.

The Corporation performs periodic credit quality reviews on these issuers. Based on the quarterly analysis performed, management concluded that no individual debt security was other-than-temporarily impaired at March 31, 2016. Further deterioration of the fiscal crisis of the Government of Puerto Rico could further affect the value of these securities, resulting in losses to the Corporation. The Corporation does not have the intent to sell securities held-to-maturity and it is more likely than not that the Corporation will not have to sell these investment securities prior to recovery of their amortized cost basis.

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## Note 9   Loans

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

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

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

During the quarter ended March 31, 2016, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $122 million, consumer loans of $106 million and commercial loans amounting to $51 million. Excluding the impact of the Doral Bank Transaction, during the quarter ended March 31, 2015, the Corporation recorded purchases of mortgage loans amounting to $169 million. Refer to Note 5 for information on loans acquired as part of the Doral Bank Transaction.

The Corporation performed whole-loan sales involving approximately $21 million of residential mortgage loans during the quarter ended March 31, 2016 (March 31, 2015 $39 million). Also, during the quarter ended March 31, 2016, the Corporation securitized approximately $134 million of mortgage loans into Government National Mortgage Association ( GNMA ) mortgage-backed securities and $36 million of mortgage loans into Federal National Mortgage Association ( FNMA ) mortgage-backed securities, compared to $156 million and $47 million, respectively, during the quarter ended March 31, 2015.

*Non-covered loans*

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

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| | March 31, 2016 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 | $ 652 | $ 168 | $ 1,418 | $ 2,238 | $ 172,413 | $ 174,651 |
| Commercial real estate non-owner occupied | 46,119 | 3,102 | 103,719 | 152,940 | 2,506,513 | 2,659,453 |
| Commercial real estate owner occupied | 16,339 | 6,608 | 141,443 | 164,390 | 1,703,399 | 1,867,789 |
| Commercial and industrial | 7,267 | 4,297 | 39,529 | 51,093 | 2,615,305 | 2,666,398 |
| Construction | 678 | 372 | 13,133 | 14,183 | 90,961 | 105,144 |
| Mortgage | 352,313 | 134,842 | 823,440 | 1,310,595 | 4,789,164 | 6,099,759 |
| Leasing | 7,209 | 1,598 | 3,419 | 12,226 | 630,916 | 643,142 |
| Consumer: | | | | | | |
| Credit cards | 10,915 | 7,159 | 18,864 | 36,938 | 1,061,845 | 1,098,783 |
| Home equity lines of credit | 82 | 141 | 280 | 503 | 9,126 | 9,629 |
| Personal | 12,963 | 7,693 | 20,495 | 41,151 | 1,150,239 | 1,191,390 |
| Auto | 32,638 | 6,029 | 10,844 | 49,511 | 776,794 | 826,305 |
| Other | 1,337 | 282 | 19,220 | 20,839 | 162,145 | 182,984 |
| Total | $ 488,512 | $ 172,291 | $ 1,195,804 | $ 1,856,607 | $ 15,668,820 | $ 17,525,427 |

| | March 31, 2016 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 | $ 32 | $ | $ 246 | $ 278 | $ 762,276 | $ 762,554 |
| Commercial real estate non-owner occupied | 9,556 | | 11,155 | 20,711 | 969,937 | 990,648 |
| Commercial real estate owner occupied | 3,817 | | 193 | 4,010 | 219,791 | 223,801 |
| Commercial and industrial | 16,935 | 156 | 84,086 | 101,177 | 781,918 | 883,095 |
| Construction | 15,091 | | 671 | 15,762 | 613,952 | 629,714 |
| Mortgage | 18,877 | 514 | 12,069 | 31,460 | 847,982 | 879,442 |
| Legacy | 3,119 | 400 | 4,046 | 7,565 | 53,479 | 61,044 |
| Consumer: | | | | | | |
| Credit cards | 187 | 157 | 382 | 726 | 12,292 | 13,018 |
| Home equity lines of credit | 1,701 | 845 | 4,309 | 6,855 | 287,405 | 294,260 |
| Personal | 1,624 | 639 | 1,429 | 3,692 | 240,722 | 244,414 |
| Auto | | | 6 | 6 | 18 | 24 |
| Other | | | 10 | 10 | 286 | 296 |
| Total | $ 70,939 | $ 2,711 | $ 118,602 | $ 192,252 | $ 4,790,058 | $ 4,982,310 |

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| (In thousands) | March 31, 2016 Popular, Inc. Past due 30-59 days | 60-89 days | 90 days or more | Total past due | Current | Non-covered loans HIP Popular, Inc.[1] [2] |
|---|---|---|---|---|---|---|
| Commercial multi-family | $ 684 | $ 168 | $ 1,664 | $ 2,516 | $ 934,689 | $ 937,205 |
| Commercial real estate non-owner occupied | 55,675 | 3,102 | 114,874 | 173,651 | 3,476,450 | 3,650,101 |
| Commercial real estate owner occupied | 20,156 | 6,608 | 141,636 | 168,400 | 1,923,190 | 2,091,590 |
| Commercial and industrial | 24,202 | 4,453 | 123,615 | 152,270 | 3,397,223 | 3,549,493 |
| Construction | 15,769 | 372 | 13,804 | 29,945 | 704,913 | 734,858 |
| Mortgage | 371,190 | 135,356 | 835,509 | 1,342,055 | 5,637,146 | 6,979,201 |
| Leasing | 7,209 | 1,598 | 3,419 | 12,226 | 630,916 | 643,142 |
| Legacy[3] | 3,119 | 400 | 4,046 | 7,565 | 53,479 | 61,044 |
| Consumer: | | | | | | |
| Credit cards | 11,102 | 7,316 | 19,246 | 37,664 | 1,074,137 | 1,111,801 |
| Home equity lines of credit | 1,783 | 986 | 4,589 | 7,358 | 296,531 | 303,889 |
| Personal | 14,587 | 8,332 | 21,924 | 44,843 | 1,390,961 | 1,435,804 |
| Auto | 32,638 | 6,029 | 10,850 | 49,517 | 776,812 | 826,329 |
| Other | 1,337 | 282 | 19,230 | 20,849 | 162,431 | 183,280 |
| Total | $ 559,451 | $ 175,002 | $ 1,314,406 | $ 2,048,859 | $ 20,458,878 | $ 22,507,737 |

[1] Non-covered loans held-in-portfolio are net of $111 million in unearned income and exclude $125 million in loans held-for-sale.

[2] Includes $7.7 billion pledged to secure credit facilities and public funds that the secured parties are not permitted to sell or repledge the collateral, of which $4.7 billion were pledged at the FHLB as collateral for borrowings, $2.5 billion at the FRB for discount window borrowings and $0.5 billion serve as collateral for public funds.

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

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

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

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

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

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

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

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

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

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| At March 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|
| | Puerto Rico | | U.S. mainland | | Popular, Inc. | |
| (In thousands) | Non-accrual loans | Accruing loans past-due 90 days or more [1] | Non-accrual loans | Accruing loans past-due 90 days or more [1] | Non-accrual loans | Accruing loans past-due 90 days or more [1] |
| Commercial multi-family | $ 1,178 | $ | $ 246 | $ | $ 1,424 | $ |
| Commercial real estate non-owner occupied | 32,310 | | 11,155 | | 43,465 | |
| Commercial real estate owner occupied | 110,972 | | 193 | | 111,165 | |
| Commercial and industrial | 38,179 | 332 | 3,398 | | 41,577 | 332 |
| Construction | 3,270 | | 671 | | 3,941 | |
| Mortgage[3] | 322,838 | 406,327 | 12,069 | | 334,907 | 406,327 |
| Leasing | 3,419 | | | | 3,419 | |
| Legacy | | | 4,046 | | 4,046 | |
| Consumer: | | | | | | |
| Credit cards | | 18,864 | 382 | | 382 | 18,864 |
| Home equity lines of credit | | 280 | 4,309 | | 4,309 | 280 |
| Personal | 20,023 | 46 | 1,429 | | 21,452 | 46 |
| Auto | 10,844 | | 6 | | 10,850 | |
| Other | 18,579 | 588 | 10 | | 18,589 | 588 |
| Total[2] | $ 561,612 | $ 426,437 | $ 37,914 | $ | $ 599,526 | $ 426,437 |

[1] Non-covered loans of $288 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 $ 43 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 $161 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, 2016. Furthermore, the Corporation has approximately $68 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

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

| | | | | | | |
|---|---|---|---|---|---|---|
| Commercial multi-family | $ 1,062 | $ | $ | $ | $ 1,062 | $ |
| Commercial real estate non-owner occupied | 33,720 | | 253 | | 33,973 | |
| Commercial real estate owner occupied | 106,449 | | 221 | | 106,670 | |
| Commercial and industrial | 36,671 | 555 | 3,440 | | 40,111 | 555 |
| Construction | 3,550 | | | | 3,550 | |
| Mortgage[3] | 337,933 | 426,094 | 13,538 | | 351,471 | 426,094 |
| Leasing | 3,009 | | | | 3,009 | |
| Legacy | | | 3,649 | | 3,649 | |
| Consumer: | | | | | | |
| Credit cards | | 19,098 | 437 | | 437 | 19,098 |
| Home equity lines of credit | | 394 | 4,176 | | 4,176 | 394 |
| Personal | 22,102 | 523 | 1,240 | | 23,342 | 523 |
| Auto | 11,640 | | 6 | | 11,646 | |
| Other | 18,698 | 61 | 5 | | 18,703 | 61 |
| Total[2] | $ 574,834 | $ 446,725 | $ 26,965 | $ | $ 601,799 | $ 446,725 |

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

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

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

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

| (In thousands) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Commercial | $ 42,771 | $ 45,074 |
| Construction | 2 | 95 |
| Mortgage | 82,542 | 91,831 |
| Total loans held-for-sale | $ 125,315 | $ 137,000 |

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

| (In thousands) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Commercial | $ 42,741 | $ 45,074 |
| Construction | 2 | 95 |
| Total | $ 42,743 | $ 45,169 |

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

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

*Covered loans*

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

| | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Past due | | | | | |
| (In thousands) | 30-59 days | 60-89 days | 90 days or more | Total past due | Current | Covered loans HIP [1] |
| Mortgage | $ 29,539 | $ 15,953 | $ 77,968 | $ 123,460 | $ 483,251 | $ 606,711 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Consumer | 1,108 | 324 | 1,389 | 2,821 | 15,598 | 18,419 |
| Total covered loans | $ 30,647 | $ 16,277 | $ 79,357 | $ 126,281 | $ 498,849 | $ 625,130 |

[1] Includes $374 million pledged to secure credit facilities at the FHLB which are not permitted to sell or repledge the collateral.

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

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

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, 2016 and December 31, 2015.

| (In thousands) | March 31, 2016 Non-accrual loans | Accruing loans past due 90 days or more | December 31, 2015 Non-accrual loans | Accruing loans past due 90 days or more |
|---|---|---|---|---|
| Mortgage | $ 3,408 | $ | $ 3,790 | $ |
| Consumer | 111 | | 97 | |
| Total[1] | $ 3,519 | $ | $ 3,887 | $ |

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

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

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

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

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

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

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| (In thousands) | March 31, 2016 [1] Carrying amount Non-credit impaired loans | Credit impaired loans | Total | December 31, 2015 [1] Carrying amount Non-credit impaired loans | Credit impaired loans | Total |
|---|---|---|---|---|---|---|
| Commercial real estate | $ 1,104,257 | $ 30,090 | $ 1,134,347 | $ 1,114,368 | $ 35,393 | $ 1,149,761 |
| Commercial and industrial | 83,267 | 519 | 83,786 | 84,765 | 519 | 85,284 |
| Construction | 8,479 | 6,026 | 14,505 | 8,943 | 6,027 | 14,970 |
| Mortgage | 647,739 | 31,627 | 679,366 | 667,023 | 33,090 | 700,113 |
| Consumer | 22,198 | 1,239 | 23,437 | 23,047 | 1,326 | 24,373 |
| Carrying amount | 1,865,940 | 69,501 | 1,935,441 | 1,898,146 | 76,355 | 1,974,501 |
| Allowance for loan losses | (58,703) | (4,264) | (62,967) | (59,753) | (3,810) | (63,563) |
| Carrying amount, net of allowance | $ 1,807,237 | $ 65,237 | $ 1,872,474 | $ 1,838,393 | $ 72,545 | $ 1,910,938 |

[1] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remains subject to the loss sharing agreement with the FDIC amounted to approximately $615 million as of March 31, 2016 and $636 million as of December 31, 2015.

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

Changes in the carrying amount and the accretable yield for the Westernbank loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended March 31, 2016 and 2015, were as follows:

| | Activity in the accretable yield Westernbank loans ASC 310-30 For the quarters ended | | | | | |
|---|---|---|---|---|---|---|
| (In thousands) | March 31, 2016 Non-credit impaired loans | Credit impaired loans | Total | March 31, 2015 Non-credit impaired loans | Credit impaired loans | Total |
| Beginning balance | $ 1,105,732 | $ 6,726 | $ 1,112,458 | $ 1,265,752 | $ 5,585 | $ 1,271,337 |
| Accretion | (42,000) | (1,533) | (43,533) | (53,776) | (1,921) | (55,697) |
| Change in expected cash flows | 54,544 | 5,339 | 59,883 | 42,273 | 1,035 | 43,308 |
| Ending balance | $ 1,118,276 | $ 10,532 | $ 1,128,808 | $ 1,254,249 | $ 4,699 | $ 1,258,948 |

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

| | For the quarters ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2016 [1] | | | March 31, 2015 | | |
| (In thousands) | Non-credit impaired loans | Credit impaired loans | Total | Non-credit impaired loans | Credit impaired loans | Total |
| Beginning balance | $ 1,898,146 | $ 76,355 | $ 1,974,501 | $ 2,272,142 | $ 172,030 | $ 2,444,172 |
| Accretion | 42,000 | 1,533 | 43,533 | 53,776 | 1,921 | 55,697 |
| Collections and charge-offs | (74,206) | (8,387) | (82,593) | (114,137) | (18,636) | (132,773) |
| Ending balance | $ 1,865,940 | $ 69,501 | $ 1,935,441 | $ 2,211,781 | $ 155,315 | $ 2,367,096 |
| Allowance for loan losses ASC 310-30 Westernbank loans | (58,703) | (4,264) | (62,967) | (49,750) | (18,636) | (68,386) |
| Ending balance, net of ALLL | $ 1,807,237 | $ 65,237 | $ 1,872,474 | $ 2,162,031 | $ 136,679 | $ 2,298,710 |

[1] The carrying amount of loans acquired from Westernbank and accounted for under ASC 310-30 which remain subject to the loss sharing agreement with the FDIC amounted to approximately $ 615 million as of March 31, 2016.

*Other loans acquired with deteriorated credit quality*

The outstanding principal balance of other acquired loans accounted pursuant to ASC Subtopic 310-30, amounted to $713 million at March 31, 2016 (December 31, 2015 $710 million). At March 31, 2016, none of the other acquired loans accounted under ASC Subtopic 310-30 were considered non-performing loans. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, was recognized on all acquired loans.

Changes in the carrying amount and the accretable yield for the other acquired loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended March 31, 2016 and 2015 were as follows:

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

| | For the quarters ended | |
|---|---|---|
| (In thousands) | March 31, 2016 | March 31, 2015 |
| Beginning balance | $ 221,128 | $ 116,304 |
| Additions | 4,340 | 50,662 |
| Accretion | (8,555) | (3,223) |
| Change in expected cash flows | 50,855 | (5,319) |
| Ending balance | $ 267,768 | $ 158,424 |

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

For the quarters ended

(In thousands)

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Beginning balance | $ 564,050 | $ 212,763 |
| Purchase accounting adjustments related to the Doral Bank Transaction (Refer to Note 5) | (4,707) | |
| Additions | 10,051 | 157,091 |
| Accretion | 8,555 | 3,223 |
| Collections and charge-offs | (15,226) | (9,980) |
| Ending balance | $ 562,723 | $ 363,097 |
| Allowance for loan losses ASC 310-30 non-covered loans | (15,258) | (16,092) |
| Ending balance, net of allowance for loan losses | $ 547,465 | $ 347,005 |

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

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

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**Note 10 Allowance for loan losses**

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

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

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

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

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

For the period ended March 31, 2016, 44% (March 31, 2015 59%) of the ALLL for non-covered BPPR segment loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was mainly concentrated in the mortgage, commercial multi-family and commercial and industrial loan portfolios for 2016, and in the consumer and mortgage loan portfolios for 2015.

For the period ended March 31, 2016, 2% (March 31, 2015 13%) of the ALLL for BPNA segment loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was concentrated in the consumer loan portfolio for 2016 and in the consumer loan portfolio for 2015.

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

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The following tables present the changes in the allowance for loan losses, loan ending balances and whether such loans and the allowance pertain to loans individually or collectively evaluated for impairment for the quarters ended March 31, 2016 and 2015.

For the quarter ended March 31, 2016
Puerto Rico - Non-covered loans

| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 186,925 | $ 4,957 | $ 128,327 | $ 10,993 | $ 138,721 | $ 469,923 |
| Provision (reversal of provision) | 13,369 | (409) | 10,869 | 1,680 | 18,362 | 43,871 |
| Charge-offs | (8,968) | (544) | (15,972) | (2,127) | (27,379) | (54,990) |
| Recoveries | 6,264 | 233 | 1,276 | 489 | 6,081 | 14,343 |
| Ending balance | $ 197,590 | $ 4,237 | $ 124,500 | $ 11,035 | $ 135,785 | $ 473,147 |
| Specific ALLL | $ 55,098 | $ 172 | $ 41,660 | $ 608 | $ 24,326 | $ 121,864 |
| General ALLL | $ 142,492 | $ 4,065 | $ 82,840 | $ 10,427 | $ 111,459 | $ 351,283 |
| **Loans held-in-portfolio:** | | | | | | |
| Impaired non-covered loans | $ 338,980 | $ 2,020 | $ 471,183 | $ 2,391 | $ 109,920 | $ 924,494 |
| Non-covered loans held-in-portfolio excluding impaired loans | 7,029,311 | 103,124 | 5,628,576 | 640,751 | 3,199,171 | 16,600,933 |
| Total non-covered loans held-in-portfolio | $ 7,368,291 | $ 105,144 | $ 6,099,759 | $ 643,142 | $ 3,309,091 | $ 17,525,427 |

For the quarter ended March 31, 2016
Puerto Rico - Covered loans

| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ | $ | $ 33,967 | $ | $ 209 | $ 34,176 |
| Provision (reversal of provision) | | | (3,149) | | 44 | (3,105) |
| Charge-offs | | | (1,221) | | (33) | (1,254) |
| Recoveries | | | 225 | | 3 | 228 |
| Ending balance | $ | $ | $ 29,822 | $ | $ 223 | $ 30,045 |
| Specific ALLL | $ | $ | $ | $ | $ | $ |
| General ALLL | $ | $ | $ 29,822 | $ | $ 223 | $ 30,045 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Loans held-in-portfolio:** | | | | | | |
| Impaired covered loans | $ | $ | $ | $ | $ | $ |
| Covered loans held-in-portfolio excluding impaired loans | | | 606,711 | | 18,419 | 625,130 |
| Total covered loans held-in-portfolio | $ | $ | $ 606,711 | $ | $ 18,419 | $ 625,130 |

For the quarter ended March 31, 2016

U.S. Mainland

| (In thousands) | Commercial | Construction | Mortgage | Legacy | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 9,908 | $ 3,912 | $ 4,985 | $ 2,687 | $ 11,520 | $ 33,012 |
| Provision (reversal of provision) | (116) | 827 | 344 | (450) | 3,464 | 4,069 |
| Charge-offs | (495) | | (441) | (109) | (2,648) | (3,693) |
| Recoveries | 290 | | 211 | 356 | 1,035 | 1,892 |
| Ending balance | $ 9,587 | $ 4,739 | $ 5,099 | $ 2,484 | $ 13,371 | $ 35,280 |
| Specific ALLL | $ | $ | $ 1,592 | $ | $ 581 | $ 2,173 |
| General ALLL | $ 9,587 | $ 4,739 | $ 3,507 | $ 2,484 | $ 12,790 | $ 33,107 |
| **Loans held-in-portfolio:** | | | | | | |
| Impaired loans | $ | $ | $ 7,909 | $ | $ 2,247 | $ 10,156 |
| Loans held-in-portfolio excluding impaired loans | 2,860,098 | 629,714 | 871,533 | 61,044 | 549,765 | 4,972,154 |
| Total loans held-in-portfolio | $ 2,860,098 | $ 629,714 | $ 879,442 | $ 61,044 | $ 552,012 | $ 4,982,310 |

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| | For the quarter ended March 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Popular, Inc. | | | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | | |
| Beginning balance | $ 196,833 | $ 8,869 | $ 167,279 | $ 2,687 | $ 10,993 | $ 150,450 | $ 537,111 |
| Provision (reversal of provision) | 13,253 | 418 | 8,064 | (450) | 1,680 | 21,870 | 44,835 |
| Charge-offs | (9,463) | (544) | (17,634) | (109) | (2,127) | (30,060) | (59,937) |
| Recoveries | 6,554 | 233 | 1,712 | 356 | 489 | 7,119 | 16,463 |
| Ending balance | $ 207,177 | $ 8,976 | $ 159,421 | $ 2,484 | $ 11,035 | $ 149,379 | $ 538,472 |
| Specific ALLL | $ 55,098 | $ 172 | $ 43,252 | $ | $ 608 | $ 24,907 | $ 124,037 |
| General ALLL | $ 152,079 | $ 8,804 | $ 116,169 | $ 2,484 | $ 10,427 | $ 124,472 | $ 414,435 |
| **Loans held-in-portfolio:** | | | | | | | |
| Impaired loans | $ 338,980 | $ 2,020 | $ 479,092 | $ | $ 2,391 | $ 112,167 | $ 934,650 |
| Loans held-in-portfolio excluding impaired loans | 9,889,409 | 732,838 | 7,106,820 | 61,044 | 640,751 | 3,767,355 | 22,198,217 |
| Total loans held-in-portfolio | $ 10,228,389 | $ 734,858 | $ 7,585,912 | $ 61,044 | $ 643,142 | $ 3,879,522 | $ 23,132,867 |

| | 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 |
| Specific ALLL | $ 69,946 | $ 158 | $ 42,229 | $ 687 | $ 25,223 | $ 138,243 |
| General ALLL | $ 125,520 | $ 1,437 | $ 84,350 | $ 6,521 | $ 128,205 | $ 346,033 |
| **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 |
| Total non-covered loans held-in-portfolio | $ 6,401,509 | $ 98,706 | $ 6,171,247 | $ 581,119 | $ 3,352,206 | $ 16,604,787 |

| | 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 |
| Specific ALLL | $ 1,473 | $ | $ | $ | $ | $ 1,473 |
| General ALLL | $ 19,794 | $ 7,707 | $ 40,469 | $ | $ 3,030 | $ 71,000 |
| **Loans held-in-portfolio:** | | | | | | |
| 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 |
| Total covered loans held-in-portfolio | $ 1,571,147 | $ 57,825 | $ 795,477 | $ | $ 32,103 | $ 2,456,552 |

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| For the quarter ended March 31, 2015<br>U.S. Mainland - Continuing Operations | | | | | | |
|---|---|---|---|---|---|---|
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 9,648 | $ 1,187 | $ 2,462 | $ 2,944 | $ 14,343 | $ 30,584 |
| Provision (reversal of provision) | 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 |
| Specific ALLL | $ | $ | $ 341 | $ | $ 381 | $ 722 |
| General ALLL | $ 10,426 | $ 1,849 | $ 1,921 | $ 2,962 | $ 14,068 | $ 31,226 |
| **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 |

| For the quarter ended March 31, 2015<br>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 |
| Specific ALLL | $ 71,419 | $ 158 | $ 42,570 | $ | $ 687 | $ 25,604 | $ 140,438 |
| General ALLL | $ 155,740 | $ 10,993 | $ 126,740 | $ 2,962 | $ 6,521 | $ 145,303 | $ 448,259 |
| **Loans held-in-portfolio:** | | | | | | | |
| Impaired loans | $ 425,771 | $ 12,174 | $ 450,612 | $ | $ 2,924 | $ 116,464 | $ 1,007,945 |
| | 9,798,937 | 736,379 | 7,534,092 | 77,675 | 578,195 | 3,736,259 | 22,461,537 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Loans held-in-portfolio excluding impaired loans | | | | | | | |
| Total loans held-in-portfolio | $ 10,224,708 | $ 748,553 | $ 7,984,704 | $ 77,675 | $ 581,119 | $ 3,852,723 | $ 23,469,482 |

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

| | ASC 310-30 Westernbank loans For the quarters ended | |
|---|---|---|
| (In thousands) | March 31, 2016 | March 31, 2015 |
| Balance at beginning of period | $ 63,563 | $ 78,846 |
| Provision for loan losses | 1,791 | 8,601 |
| Net charge-offs | (2,387) | (19,061) |
| Balance at end of period | $ 62,967 | $ 68,386 |

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***Impaired loans***

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

| | March 31, 2016 Puerto Rico | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Impaired Loans With an Allowance | | | Impaired Loans With No Allowance | | Impaired Loans - Total | | |
| (In thousands) | Recorded investment | Unpaid principal balance | Related allowance | Recorded investment | Unpaid principal balance | Recorded investment | Unpaid principal balance | Related allowance |
| Commercial real estate non-owner occupied | $ 107,706 | $ 112,100 | $ 37,638 | $ 13,636 | $ 23,754 | $ 121,342 | $ 135,854 | $ 37,638 |
| Commercial real estate owner occupied | 120,121 | 139,841 | 10,888 | 38,763 | 63,165 | 158,884 | 203,006 | 10,888 |
| Commercial and industrial | 39,347 | 40,849 | 6,572 | 19,407 | 21,525 | 58,754 | 62,374 | 6,572 |
| Construction | 2,020 | 5,472 | 172 | | | 2,020 | 5,472 | 172 |
| Mortgage | 418,321 | 460,813 | 41,660 | 52,862 | 62,090 | 471,183 | 522,903 | 41,660 |
| Leasing | 2,391 | 2,391 | 608 | | | 2,391 | 2,391 | 608 |
| Consumer: | | | | | | | | |
| Credit cards | 37,778 | 37,778 | 5,963 | | | 37,778 | 37,778 | 5,963 |
| Personal | 67,834 | 67,834 | 17,517 | | | 67,834 | 67,834 | 17,517 |
| Auto | 3,863 | 3,863 | 771 | | | 3,863 | 3,863 | 771 |
| Other | 445 | 445 | 75 | | | 445 | 445 | 75 |