POPULAR INC
Form 10-Q
November 09, 2015
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the quarterly period ended September 30, 2015**

**Commission File Number: 001-34084**

**POPULAR, INC.**

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

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

| **Popular Center Building**<br>**209 Muñoz Rivera Avenue**<br>**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, 103,585,570 shares outstanding as of November 3, 2015.

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**Forward-Looking Information**

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

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

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

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

- the ability of the Government of Puerto Rico to manage its fiscal situation;

- the performance of the stock and bond markets;

- competition in the financial services industry;

- additional Federal Deposit Insurance Corporation ( FDIC ) assessments;

- possible legislative, tax or regulatory changes; and

- risks related to the Doral Transaction, including (a) our ability to maintain customer relationships, including managing any potential customer confusion caused by the alliance structure, (b) risks associated with the limited amount of diligence able to be conducted by a buyer in an FDIC transaction and (c) difficulties in converting or integrating the Doral branches or difficulties in providing transition support to alliance co-bidders.

Other possible events or factors that could cause results or performance to differ materially from those expressed in these forward-looking statements include the following: negative economic conditions that adversely affect housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the level of non-performing assets, charge-offs and provision expense; changes in interest rates and market liquidity which may reduce interest margins, impact funding sources and affect our ability to originate and distribute financial products in the primary and secondary markets; changes in market rates and prices which may adversely impact the value of financial assets and liabilities; liabilities resulting from litigation and regulatory investigations; changes in accounting standards, rules and interpretations; our ability to grow our core businesses; decisions to downsize, sell or close units or otherwise change our business mix; and management s ability to identify and manage these and other risks. Moreover, the outcome of legal proceedings, as discussed in Part II, Item I. Legal Proceedings, is inherently uncertain and depends on judicial interpretations of law and the findings of regulators, judges and juries. Investors should refer to the

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Corporation s Annual Report on Form 10-K for the year ended December 31, 2014 as well as Part II, Item 1A of this Form 10-Q for a discussion of such factors and certain risks and uncertainties to which the Corporation is subject.

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

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**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

**(UNAUDITED)**

| (In thousands, except share information) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Assets: | | |
| Cash and due from banks | $ 320,555 | $ 381,095 |
| Money market investments: | | |
| Securities purchased under agreements to resell | 145,263 | 151,134 |
| Time deposits with other banks | 2,263,308 | 1,671,252 |
| Total money market investments | 2,408,571 | 1,822,386 |
| Trading account securities, at fair value: | | |
| Pledged securities with creditors right to repledge | 37,825 | 80,945 |
| Other trading securities | 100,118 | 57,582 |
| Investment securities available-for-sale, at fair value: | | |
| Pledged securities with creditors right to repledge | 973,207 | 1,020,529 |
| Other investment securities available-for-sale | 4,527,724 | 4,294,630 |
| Investment securities held-to-maturity, at amortized cost (fair value 2015 - $84,036; 2014 - $94,199) | 100,295 | 103,170 |
| Other investment securities, at lower of cost or realizable value (realizable value 2015 - $176,598; 2014 - $165,024) | 173,657 | 161,906 |
| Loans held-for-sale, at lower of cost or fair value | 171,019 | 106,104 |
| Loans held-in-portfolio: | | |
| Loans not covered under loss-sharing agreements with the FDIC | 22,601,271 | 19,498,286 |
| Loans covered under loss-sharing agreements with the FDIC | 665,428 | 2,542,662 |
| Less Unearned income | 103,205 | 93,835 |
| Allowance for loan losses | 570,514 | 601,792 |
| Total loans held-in-portfolio, net | 22,592,980 | 21,345,321 |
| FDIC loss share asset | 311,946 | 542,454 |
| Premises and equipment, net | 495,103 | 494,581 |
| Other real estate not covered under loss-sharing agreements with the FDIC | 155,826 | 135,500 |
| Other real estate covered under loss-sharing agreements with the FDIC | 35,701 | 130,266 |
| Accrued income receivable | 118,044 | 121,818 |
| Mortgage servicing assets, at fair value | 210,851 | 148,694 |
| Other assets | 2,221,054 | 1,646,443 |
| Goodwill | 504,925 | 465,676 |
| Other intangible assets | 71,393 | 37,595 |

| | | |
|---|---|---|
| Total assets | $ 35,530,794 | $ 33,096,695 |
| Liabilities and Stockholders Equity | | |
| Liabilities: | | |
| Deposits: | | |
| Non-interest bearing | $ 6,070,719 | $ 5,783,748 |
| Interest bearing | 20,642,487 | 19,023,787 |
| Total deposits | 26,713,206 | 24,807,535 |
| Federal funds purchased and assets sold under agreements to repurchase | 1,085,765 | 1,271,657 |
| Other short-term borrowings | 1,200 | 21,200 |
| Notes payable | 1,674,511 | 1,711,828 |
| Other liabilities | 1,004,676 | 1,012,029 |
| Liabilities from discontinued operations (Refer to Note 4) | 1,800 | 5,064 |
| Total liabilities | 30,481,158 | 28,829,313 |
| Commitments and contingencies (Refer to Note 26) | | |
| Stockholders equity: | | |
| Preferred stock, 30,000,000 shares authorized; 2,006,391 shares issued and outstanding | 50,160 | 50,160 |
| Common stock, $0.01 par value; 170,000,000 shares authorized; 103,745,956 shares issued (2014 103,614,553) and 103,556,285 shares outstanding (2014 103,476,847) | 1,037 | 1,036 |
| Surplus | 4,200,805 | 4,196,458 |
| Retained earnings | 993,309 | 253,717 |
| Treasury stock at cost, 189,671 shares (2014 137,706) | (5,869) | (4,117) |
| Accumulated other comprehensive loss, net of tax | (189,806) | (229,872) |
| Total stockholders equity | 5,049,636 | 4,267,382 |
| Total liabilities and stockholders equity | $ 35,530,794 | $ 33,096,695 |

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

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**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(UNAUDITED)**

| (In thousands, except per share information) | Quarters ended September 30, 2015 | Quarters ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|---|---|---|---|---|
| **Interest income:** | | | | |
| Loans | $ 364,458 | $ 362,592 | $ 1,094,222 | $ 1,121,180 |
| Money market investments | 2,003 | 1,007 | 5,294 | 3,111 |
| Investment securities | 31,671 | 33,154 | 93,269 | 102,270 |
| Trading account securities | 3,150 | 4,446 | 8,872 | 15,047 |
| Total interest income | 401,282 | 401,199 | 1,201,657 | 1,241,608 |
| **Interest expense:** | | | | |
| Deposits | 28,357 | 26,533 | 80,479 | 79,614 |
| Short-term borrowings | 2,222 | 28,955 | 5,819 | 46,887 |
| Long-term debt | 19,968 | 19,290 | 58,876 | 496,896 |
| Total interest expense | 50,547 | 74,778 | 145,174 | 623,397 |
| Net interest income | 350,735 | 326,421 | 1,056,483 | 618,211 |
| Provision for loan losses - non-covered loans | 69,568 | 68,166 | 159,747 | 172,362 |
| Provision (reversal) for loan losses - covered loans | (2,890) | 12,463 | 23,200 | 49,781 |
| Net interest income after provision for loan losses | 284,057 | 245,792 | 873,536 | 396,068 |
| Service charges on deposit accounts | 40,960 | 40,585 | 120,115 | 119,181 |
| Other service fees (Refer to Note 32) | 56,115 | 54,839 | 169,162 | 164,125 |
| Mortgage banking activities (Refer to Note 14) | 24,195 | 14,402 | 58,372 | 21,868 |
| Net gain (loss) and valuation adjustments on investment securities | 136 | (1,763) | 141 | (1,763) |
| Other-than-temporary impairment losses on investment securities | | | (14,445) | |
| Trading account (loss) profit | (398) | 740 | (3,092) | 3,772 |
| Net gain on sale of loans, including valuation adjustments on loans held-for-sale | | 15,593 | 602 | 29,645 |
| Adjustments (expense) to indemnity reserves on loans sold | (5,874) | (9,480) | (9,981) | (27,281) |
| FDIC loss share-income (expense) (Refer to Note 33) | 1,207 | (4,864) | 24,421 | (84,331) |
| Other operating income | 14,768 | 14,278 | 41,808 | 57,935 |
| Total non-interest income | 131,109 | 124,330 | 387,103 | 283,151 |

| | | | | |
|---|---|---|---|---|
| **Operating expenses:** | | | | |
| Personnel costs | 120,863 | 104,542 | 358,298 | 307,943 |
| Net occupancy expenses | 21,277 | 21,203 | 66,272 | 62,830 |
| Equipment expenses | 14,739 | 12,370 | 44,075 | 35,826 |
| Other taxes | 9,951 | 15,369 | 29,638 | 42,575 |
| Professional fees | 77,154 | 67,649 | 231,131 | 201,672 |
| Communications | 6,058 | 6,455 | 18,387 | 19,565 |
| Business promotion | 12,325 | 13,062 | 36,914 | 40,486 |
| FDIC deposit insurance | 7,300 | 9,511 | 22,240 | 30,969 |
| Other real estate owned (OREO) expenses | 7,686 | 19,745 | 75,571 | 29,595 |
| Other operating expenses | 25,551 | 30,418 | 73,981 | 73,276 |
| Amortization of intangibles | 3,512 | 2,026 | 8,497 | 6,077 |
| Restructuring costs (Refer to Note 6) | 481 | 8,290 | 17,408 | 12,864 |
| Total operating expenses | 306,897 | 310,640 | 982,412 | 863,678 |
| Income (loss) from continuing operations before income tax | 108,269 | 59,482 | 278,227 | (184,459) |
| Income tax expense (benefit) | 22,620 | 26,667 | (478,344) | 45,807 |
| Income (loss) from continuing operations | 85,649 | 32,815 | 756,571 | (230,266) |
| (Loss) income from discontinued operations, net of tax (Refer to Note 4) | (9) | 29,758 | 1,347 | (132,066) |
| **Net Income (Loss)** | $ 85,640 | $ 62,573 | $ 757,918 | $ (362,332) |
| **Net Income (Loss) Applicable to Common Stock** | $ 84,709 | $ 61,643 | $ 755,126 | $ (365,124) |

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| | | | | |
|---|---|---|---|---|
| **Net Income (Loss) per Common Share Basic** | | | | |
| Net income (loss) from continuing operations | $ 0.82 | 0.31 | 7.33 | (2.27) |
| Net income (loss) from discontinued operations | | 0.29 | 0.01 | (1.28) |
| **Net Income (Loss) per Common Share Basic** | $ 0.82 | $ 0.60 | $ 7.34 | $ (3.55) |
| **Net Income (Loss) per Common Share Diluted** | | | | |
| Net income (loss) from continuing operations | $ 0.82 | 0.31 | 7.31 | (2.27) |
| Net income (loss) from discontinued operations | | 0.29 | 0.01 | (1.28) |
| **Net Income (Loss) per Common Share Diluted** | $ 0.82 | $ 0.60 | $ 7.32 | $ (3.55) |
| **Dividends Declared per Common Share** | $ 0.15 | $ | $ 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 (LOSS)**

**(UNAUDITED)**

| | Quarters ended, September 30, | | Nine months ended, September 30, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Net income (loss) | $ 85,640 | $ 62,573 | $ 757,918 | $ (362,332) |
| Other comprehensive income (loss) before tax: | | | | |
| Foreign currency translation adjustment | (31) | 98 | (1,704) | (2,620) |
| Reclassification adjustment for losses included in net income | | | | 7,718 |
| Amortization of net losses of pension and postretirement benefit plans | 5,025 | 2,127 | 15,075 | 6,379 |
| Amortization of prior service cost of pension and postretirement benefit plans | (950) | (950) | (2,850) | (2,850) |
| Unrealized holding gains (losses) on investments arising during the period | 28,669 | (20,081) | 22,820 | 34,585 |
| Other-than-temporary impairment included in net income | | | 14,445 | |
| Reclassification adjustment for gains included in net income | (136) | (1,763) | (141) | (1,763) |
| Unrealized net losses on cash flow hedges | (2,575) | (684) | (4,106) | (4,957) |
| Reclassification adjustment for net losses included in net income | 1,664 | 1,120 | 3,973 | 4,745 |
| Other comprehensive income (loss) before tax | 31,666 | (20,133) | 47,512 | 41,237 |
| Income tax (expense) benefit | (2,441) | 357 | (7,446) | (2,559) |
| Total other comprehensive income (loss) , net of tax | 29,225 | (19,776) | 40,066 | 38,678 |
| Comprehensive income (loss), net of tax | $ 114,865 | $ 42,797 | $ 797,984 | $ (323,654) |

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

| | Quarters ended September 30, | | Nine months ended, September 30, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Amortization of net losses of pension and postretirement benefit plans | $ (1,961) | $ (829) | $ (5,880) | $ (2,488) |
| Amortization of prior service cost of pension and postretirement benefit plans | 371 | 370 | 1,112 | 1,112 |
| Unrealized holding gains (losses) on investments arising during the period | (1,234) | 986 | (272) | (1,265) |
| Other-than-temporary impairment included in net income | | | (2,486) | |

| | | | | |
|---|---|---|---|---|
| Reclassification adjustment for gains included in net income | 27 | | 28 | |
| Unrealized net losses on cash flow hedges | 1,004 | 267 | 1,601 | 1,933 |
| Reclassification adjustment for net losses included in net income | (648) | (437) | (1,549) | (1,851) |
| Income tax (expense) benefit | $ (2,441) | $ 357 | $ (7,446) | $ (2,559) |

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

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**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

**(UNAUDITED)**

| (In thousands) | Common stock | Preferred stock | Surplus | Retained earnings | Treasury stock | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | $ 1,034 | $ 50,160 | $ 4,170,152 | $ 594,430 | $ (881) | $ (188,745) | $ 4,626,150 |
| Net loss | | | | (362,332) | | | (362,332) |
| Issuance of stock | 2 | | 4,321 | | | | 4,323 |
| Tax windfall benefit on vesting of restricted stock | | | 417 | | | | 417 |
| Repurchase of TARP-related warrants | | | (3,000) | | | | (3,000) |
| Dividends declared: | | | | | | | |
| Preferred stock | | | | (2,792) | | | (2,792) |
| Common stock purchases | | | | | (3,063) | | (3,063) |
| Common stock reissuance | | | | | 11 | | 11 |
| Other comprehensive income, net of tax | | | | | | 38,678 | 38,678 |
| Balance at September 30, 2014 | $ 1,036 | $ 50,160 | $ 4,171,890 | $ 229,306 | $ (3,933) | $ (150,067) | $ 4,298,392 |
| Balance at December 31, 2014 | $ 1,036 | $ 50,160 | $ 4,196,458 | $ 253,717 | $ (4,117) | $ (229,872) | $ 4,267,382 |
| Net income | | | | 757,918 | | | 757,918 |
| Issuance of stock | 1 | | 4,176 | | | | 4,177 |
| Tax windfall benefit on vesting of restricted stock | | | 171 | | | | 171 |
| Dividends declared: | | | | | | | |
| Common stock | | | | (15,534) | | | (15,534) |
| Preferred stock | | | | (2,792) | | | (2,792) |
| Common stock purchases | | | | | (1,798) | | (1,798) |
| Common stock reissuance | | | | | 46 | | 46 |
| | | | | | | 40,066 | 40,066 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Other comprehensive income, net of tax | | | | | | | |
| Balance at September 30, 2015 | $ 1,037 | $ 50,160 | $ 4,200,805 | $ 993,309 | $ (5,869) | $ (189,806) | $ 5,049,636 |

| **Disclosure of changes in number of shares:** | September 30, 2015 | September 30, 2014 |
|---|---|---|
| Preferred Stock: | | |
| Balance at beginning and end of period | 2,006,391 | 2,006,391 |
| Common Stock Issued: | | |
| Balance at beginning of period | 103,614,553 | 103,435,967 |
| Issuance of stock | 131,403 | 143,945 |
| Balance at end of the period | 103,745,956 | 103,579,912 |
| Treasury stock | (189,671) | (131,706) |
| Common Stock Outstanding | 103,556,285 | 103,448,206 |

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

**POPULAR, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(UNAUDITED)**

| | Nine months ended September 30, | |
|---|---|---|
| (In thousands) | 2015 | 2014 |
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 757,918 | $ (362,332) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Provision for loan losses | 182,947 | 215,378 |
| Goodwill impairment losses | | 186,511 |
| Amortization of intangibles | 8,497 | 7,351 |
| Depreciation and amortization of premises and equipment | 35,459 | 35,407 |
| Net accretion of discounts and amortization of premiums and deferred fees | (58,637) | 298,318 |
| Other-than-temporary impairment on investment securities | 14,445 | |
| Fair value adjustments on mortgage servicing rights | 5,808 | 18,424 |
| FDIC loss share (income) expense | (24,421) | 84,331 |
| Adjustments (expense) to indemnity reserves on loans sold | 9,981 | 27,281 |
| Earnings from investments under the equity method | (17,085) | (31,930) |
| Deferred income tax (benefit) expense | (496,279) | 34,175 |
| (Gain) loss on: | | |
| Disposition of premises and equipment | (2,939) | (2,578) |
| Sale and valuation adjustments of investment securities | (141) | 1,763 |
| Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities | (24,657) | (69,391) |
| Sale of foreclosed assets, including write-downs | 56,391 | 13,147 |
| Disposal of discontinued business | | (28,025) |
| Acquisitions of loans held-for-sale | (331,860) | (232,430) |
| Proceeds from sale of loans held-for-sale | 71,296 | 97,638 |
| Net originations on loans held-for-sale | (574,942) | (512,521) |
| Net (increase) decrease in: | | |
| Trading securities | 783,304 | 883,035 |
| Accrued income receivable | 11,582 | 11,437 |
| Other assets | 61,179 | 124,669 |
| Net increase (decrease) in: | | |
| Interest payable | (10,612) | (11,747) |
| Pension and other postretirement benefits obligation | 2,567 | (4,478) |
| Other liabilities | (39,053) | 33,821 |
| Total adjustments | (337,170) | 1,179,586 |
| Net cash provided by operating activities | 420,748 | 817,254 |

| | | |
|---|---|---|
| **Cash flows from investing activities:** | | |
| Net increase in money market investments | (586,185) | (194,668) |
| Purchases of investment securities: | | |
| Available-for-sale | (1,239,962) | (1,825,654) |
| Held-to-maturity | (250) | (1,000) |
| Other | (39,391) | (97,301) |
| Proceeds from calls, paydowns, maturities and redemptions of investment securities: | | |
| Available-for-sale | 1,152,074 | 1,327,672 |
| Held-to-maturity | 4,428 | 29,834 |
| Other | 45,497 | 90,530 |
| Proceeds from sale of investment securities: | | |
| Available-for-sale | 96,760 | 91,298 |
| Other | 12,928 | 27,356 |
| Net repayments on loans | 318,919 | 628,571 |
| Proceeds from sale of loans | 27,780 | 233,527 |
| Acquisition of loan portfolios | (173,505) | (356,710) |
| Acquisition of trademark | (50) | |
| Net payments from FDIC under loss sharing agreements | 245,416 | 179,250 |
| Net cash received and acquired from business combination | 731,279 | |
| Acquisition of servicing advances | (61,304) | |
| Cash paid related to business acquisition | (17,250) | |
| Net cash disbursed from disposal of discontinued business | | (233,967) |
| Mortgage servicing rights purchased | (2,400) | |
| Acquisition of premises and equipment | (41,109) | (39,604) |
| Proceeds from sale of: | | |
| Premises and equipment | 10,166 | 12,144 |
| Foreclosed assets | 115,078 | 110,677 |
| Net cash provided by (used in) used in investing activities | 598,919 | (18,045) |

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| | | |
|---|---|---|
| **Cash flows from financing activities:** | | |
| Net increase (decrease) in: | | |
| Deposits | (289,444) | (212,264) |
| Federal funds purchased and assets sold under agreements to repurchase | (185,892) | (8,580) |
| Other short-term borrowings | (148,215) | (400,000) |
| Payments of notes payable | (719,575) | (1,047,546) |
| Proceeds from issuance of notes payable | 263,286 | 781,905 |
| Proceeds from issuance of common stock | 4,177 | 4,323 |
| Dividends paid | (2,792) | (2,792) |
| Repurchase of TARP - related warrants | | (3,000) |
| Net payments for repurchase of common stock | (1,752) | (3,052) |
| Net cash used in financing activities | (1,080,207) | (891,006) |
| Net decrease in cash and due from banks | (60,540) | (91,797) |
| Cash and due from banks at beginning of period | 381,095 | 423,211 |
| Cash and due from banks at the end of period, including discontinued operations | 320,555 | 331,414 |
| Less: cash from discontinued operations | | 9,500 |
| Cash and due from banks at the end of the period | $ 320,555 | $ 321,914 |

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

*The Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014 include the cash flows from operating, investing and financing activities associated with discontinued operations.*

**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, including mortgage loan originations, and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico ( BPPR ), as well as investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. In the U.S. mainland, the Corporation operates Banco Popular North America ( BPNA ), including its wholly-owned subsidiary E-LOAN. BPNA focuses efforts and resources on the core community banking business. BPNA operates branches in New York, New Jersey and South Florida. E-LOAN markets deposit accounts under its name for the benefit of BPNA. Refer to Note 4 for discussion of the sales of the California, Illinois and Central Florida regional operations during 2014. Note 38 to the consolidated financial statements presents information about the Corporation s business segments.

On February 27, 2015, BPPR, in an alliance with 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.

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

*Principles of Consolidation and Basis of Presentation*

The consolidated interim financial statements have been prepared without audit. The consolidated statement of financial condition data at December 31, 2014 was derived from audited financial statements. The unaudited interim financial statements are, in the opinion of management, a fair statement of the results for the periods reported and include all necessary adjustments, all of a normal recurring nature, for a fair statement of such results.

Certain reclassifications have been made to the 2014 consolidated financial statements and notes to the financial statements to conform with the 2015 presentation. As discussed in Note 4, current and prior periods presented in the consolidated statement of operations as well as the related note disclosures covering income and expense amounts have been retrospectively adjusted for the impact of the discontinued operations for comparative purposes. The consolidated statement of financial condition and related note disclosure for prior periods do not reflect the reclassification of BPNA s assets and liabilities to discontinued operations.

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

*Use of Estimates in the Preparation of Financial Statements*

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

*Business Combination*

The Corporation determined that the acquisition of certain assets and assumption of certain liabilities in connection with the Doral Bank Transaction constitutes a business combination as defined by the Financial Accounting Standards Board ( FASB ) Codification ( ASC ) Topic 805 Business Combinations . The assets and liabilities, both tangible and intangible, were initially recorded at their estimated fair values. Fair values were determined based on the requirements of FASB Codification Topic 820 Fair Value Measurements . These fair value estimates are preliminary and subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair value becomes available. Acquisition-related costs are expensed as incurred. Refer to Note 5, Business Combination, for additional information of assets acquired and liabilities assumed in connection with this transaction.

*Loans acquired as part of the Doral Bank Transaction*

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

Certain residential mortgage loans and commercial loans acquired as part of the Doral Bank Transaction were considered impaired. Accordingly, the Corporation applied the guidance of ASC Subtopic 310-30. Under this guidance, the loans acquired from the FDIC were aggregated into pools based on similar characteristics, including factors such as loan type, interest rate type, accruing status, and amortization type. Each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Under ASC Subtopic 310-30, the difference between the undiscounted cash flows expected at acquisition and the fair value in the loans, or the accretable yield, is recognized as interest income using the effective yield method over the estimated life of the loan if the timing and amount of the future cash flows of the pool is reasonably estimable. The non-accretable difference represents the difference between contractually required principal and interest and the cash flows expected to be collected. Subsequent to the acquisition date, increases in cash flows over those expected at the acquisition date are recognized as a reduction in the allowance for loan losses, if any, and then as interest income prospectively. Decreases in expected cash flows after the acquisition date are recognized by recording an allowance for loan losses. Refer to Note 11 to the consolidated financial statements for additional information with respect to the loans acquired as part of the Doral Bank Transaction that were considered impaired.

## Note 3 New accounting pronouncements

*FASB Accounting Standards Update ( ASU ) 2015-16, Business Combination - (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*

The FASB issued ASU 2015-16 in September 2015, which eliminates the requirement to retrospectively adjust and revise prior period financial statements for measurement period adjustments related to a business combination. The new guidance requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The cumulative impact of measurement period adjustments on current and prior periods, including the prior period impact on depreciation, amortization, and other income statement items and their related tax effects, is now required to be recognized in the period the adjustment amount is determined and within the respective financial statement line items affected.

The new guidance requires an acquirer to disclose the nature and amount of measurement period adjustments. In addition, the amendments in this Update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.

The amendments of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued.

The Corporation expects to early adopt this accounting pronouncement during the fourth quarter of 2015, in connection with the Doral Bank Transaction.

*FASB Accounting Standards Update 2015-15, Interest- Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*

The FASB issued ASU 2015-15 in August 2015 since ASU 2015-03 does not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. Given the absence of authoritative guidance within ASU 2015-03, the SEC staff clarified that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

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

*FASB Accounting Standards Update 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*

The FASB issued ASU 2015-14 in August 2015, which defers the effective date of ASU 2014-09 for all entities by one year. Therefore, ASU 2014-09 is now effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods, and interim periods within those fiscal years, beginning after December 15, 2016.

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

In June 2015, the FASB issued Accounting Standards Update 2015-09, Disclosure about Short-Duration Contracts, which applies to all insurance entities that issue short-duration contracts. The amendment requires, among other things, additional disclosures about the liability for unpaid claims and claim adjustment expenses. The amendments also require insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including reasons for the change and the effects on the financial statements.

The amendments in this update are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016.

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

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

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

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

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

The adoption of this guidance impacts presentation disclosures only and will not have an impact on the Corporation s consolidated statement of financial condition or results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period.

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

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

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

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

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

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

The amendments in this ASU were originally effective in the first quarter of 2017. However, in August 2015, the FASB issued ASU 2015-14, which defers the effective date until January 1, 2018.

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

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## Note 4 Discontinued operations

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

The regional operations sold constituted a business, as defined in ASC 805-10-55. Accordingly, the decision to sell these businesses resulted in the discontinuance of each of their respective operations and classification as held-for-sale. For financial reporting purposes, the results of the discontinued operations are presented as Assets / Liabilities from discontinued operations in the consolidated statement of condition and (Loss) income from discontinued operations, net of tax in the consolidated statement of operations. As required by ASC 205-20, current and prior periods presented in the consolidated statement of operations as well as the related note disclosures covering income and expense amounts have been retrospectively adjusted for the impact of the discontinued operations for comparative purposes.

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

After the sale of these three regions, at September 30, 2015, there were no assets held within the discontinued operations. As of September 30, 2015, liabilities within discontinued operations amounted to approximately $1.8 million, mainly comprised of the indemnity reserve related to the California regional sale.

The following table provides the components of net income from the discontinued operations for the quarters and nine months ended September 30, 2015 and 2014.

| (In thousands) | Quarters ended September 30, 2015 | Quarters ended September 30, 2014 | Nine month period ended September 30, 2015 | Nine month period ended September 30, 2014 |
|---|---|---|---|---|
| Net interest income | $ | $ 16,022 | $ | $ 56,911 |
| Provision (reversal) for loan losses | | | | (6,764) |
| Net gain on sale of regions | | 25,775 | | 25,775 |
| Other non-interest income | | 6,567 | | 26,488 |
| Total non-interest income | | 32,342 | | 52,263 |
| Operating expenses: | | | | |
| Personnel costs | 9 | 11,941 | | 32,910 |
| Net occupancy expenses | | (1,305) | | 5,871 |
| Professional fees | | 4,916 | (1,348) | 13,612 |
| Goodwill impairment charge | | | | 186,511 |
| Other operating expenses | | 3,054 | 1 | 9,100 |
| Total operating expenses | 9 | 18,606 | (1,347) | 248,004 |
| Net (loss) income from discontinued operations | $ (9) | $ 29,758 | $ 1,347 | $ (132,066) |

**Note 5 Business combination**

On February 27, 2015, BPPR, the Corporation s Puerto Rico banking subsidiary, in an alliance with co-bidders, including BPNA, the Corporation s U.S. mainland banking subsidiary, acquired certain assets and all deposits (other than certain brokered deposits) of former Doral Bank 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 FirstBank Puerto Rico, Centennial Bank, and a vehicle formed by J.C. Flowers III LP. BPPR entered into transition service agreements with each of the alliance co-bidders.

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

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

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

There is no loss-sharing arrangement with the FDIC on the acquired assets.

On February 27, 2015, the FDIC, as receiver for Doral Bank, accepted BPPR s bid for the purchase of the mortgage servicing rights on three pools of residential mortgage loans of approximately $5.0 billion in unpaid principal balance for a purchase price initially estimated at $48.6 million. As of February 27, 2015, the transfers of the mortgage servicing rights were subject to a number of specified closing conditions, including the consent of each of Ginnie Mae, Fannie Mae and Freddie Mac in a form acceptable to BPPR, and other customary closing conditions. Therefore, the fair value as of March 31, 2015 was recorded as a contingent asset as part of other assets in the Consolidated Statement of Condition. During the second quarter of 2015, BPPR completed the acquisition of the mortgage servicing rights pools on the three pools for an aggregate purchase price of $56.2 million, including certain servicing advances purchased. As a result of the completion of these transactions, during the second quarter of 2015 BPPR reclassified the contingent asset from other assets to mortgage servicing rights.

During the second and third quarters of 2015, retrospective adjustments were made to the estimated fair values of certain assets and liabilities assumed with the Doral Bank Transaction to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the acquisition-date fair value measurements. 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.

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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, which includes updated fair value adjustments of the mortgage servicing rights initially recorded as a contingent asset and of the deposits.

| (In thousands) | Book value prior to purchase accounting adjustments | Fair value adjustments | Additional consideration[1] | As recorded by Popular, Inc. on February 27, 2015 |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and due from banks | $ 339,633 | $ | $ | $ 339,633 |
| Investment in available-for-sale securities | 172,706 | | | 172,706 |
| Investments in FHLB stock | 30,785 | | | 30,785 |
| Loans | 1,718,208 | (52,452) | | 1,665,756 |
| Accrued income receivable | 7,808 | | | 7,808 |
| Receivable from the FDIC | | | 441,721 | 441,721 |
| Core deposit intangible | 23,572 | | | 23,572 |
| Other assets | 67,676 | 7,569 | | 75,245 |
| Total assets | $ 2,360,388 | $ (44,883) | $ 441,721 | $ 2,757,226 |
| Liabilities: | | | | |
| Deposits | $ 2,193,404 | $ 8,051 | $ | $ 2,201,455 |
| Advances from the Federal Home Loan Bank | 542,000 | 5,187 | | 547,187 |
| Other liabilities | 50,728 | (511) | | 50,217 |
| Total liabilities | $ 2,786,132 | $ 12,727 | $ | $ 2,798,859 |
| Excess of liabilities assumed over assets acquired | $ 425,744 | | | |
| Aggregate fair value adjustments | | $ (57,610) | | |
| Additional consideration | | | $ 441,721 | |
| Goodwill on acquisition | | | | $ 41,633 |

[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.

The fair values assigned to the assets acquired and liabilities assumed are preliminary and subject to refinement for up to one year after the closing date of the acquisition as new information relative to closing date fair values becomes available. The Corporation continues to analyze its estimates of fair value on loans and other assets acquired as well as the deposits and other liabilities assumed. As the Corporation finalizes its analyses of these assets and liabilities, there may be additional adjustments to the recorded carrying values, and thus the recognized goodwill may increase or decrease.

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

*Loans*

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

*Mortgage Servicing Rights (recorded as Contingent Asset at February 27, 2015)*

The Corporation uses a discounted cash flow model to estimate the fair value of mortgage servicing rights. The discounted cash flow model incorporates assumptions that market participants would use in estimating future net servicing income, including estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations. The mortgage servicing rights from the Doral Bank Transaction were recorded at the BPPR reportable segment.

*Goodwill*

The amount of goodwill is the residual difference in the fair value of liabilities assumed and net consideration paid to the FDIC over the fair value of the assets acquired. The goodwill created by this transaction is driven by the deployment of capital with meaningful earnings accretion and significant cost savings opportunities. In addition to strengthening the Corporation s Puerto Rico franchise,

the transaction grows the U.S. business through the addition of an attractive commercial platform. The goodwill is deductible for income tax purposes. The goodwill from the Doral Bank Transaction was assigned to the BPPR and BPNA reportable segments based on the relative fair value of the assets acquired and liabilities assumed.

*Core deposit intangible*

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

*Deposits*

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

*Deferred taxes*

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

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

The operating results of the Corporation for the quarter and nine months periods ended on September 30, 2015 include the operating results produced by the acquired assets and assumed liabilities. This includes approximately $30.9 million and $79.3 million in gross revenues and approximately $19.1 million and $60.3 million in operating expenses for the quarter and nine months periods ended on September 30, 2015, respectively. The Corporation believes that given the amount of assets and liabilities assumed, the size of the operations acquired in relation to Popular s operations and the significant amount of fair value adjustments, the historical results of Doral Bank are not meaningful to Popular s results, and thus no pro forma information is presented.

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## Note 6 Restructuring plan

As discussed in Note 4, in connection with the sale of the operations of the California, Illinois and Central Florida regions, the Corporation has relocated certain back office operations, previously conducted in these regions, to Puerto Rico and New York. The Corporation has undertaken a restructuring plan (the PCB Restructuring Plan ) to eliminate and re-locate employment positions, terminate contracts and incur other costs associated with moving the operations to Puerto Rico and New York. The Corporation has incurred restructuring charges of approximately $44.1 million, of which approximately $26.7 million were incurred during 2014 and $17.4 million during the nine months ended September 30, 2015. As of September 30, 2015, the restructuring related to the U.S. operations has been substantially completed. The Corporation does not anticipate any significant restructuring expenses to be incurred prospectively.

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

| (In thousands) | Quarter ended September 30, 2015 | Nine months ended September 30, 2015 |
|---|---|---|
| Personnel costs | $ 496 | $ 12,728 |
| Net occupancy expenses | 208 | 3,254 |
| Equipment expenses | 15 | 239 |
| Professional fees | (406) | 375 |
| Other operating expenses | 168 | 812 |
| Total restructuring costs | $ 481 | $ 17,408 |

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

| (In thousands) | |
|---|---|
| Balance at January 1, 2015 | $ 13,536 |
| Charges expensed during the period | 7,725 |
| Payments made during the period | (20,469) |
| Balance at September 30, 2015 | $ 792 |

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**Note 7 - Restrictions on cash and due from banks and certain securities**

The Corporation s banking subsidiaries, BPPR and BPNA, are required by federal and state regulatory agencies to maintain average reserve balances with the Federal Reserve Bank of New York (the Fed ) or other banks. Those required average reserve balances amounted to $ 1.1 billion at September 30, 2015 (December 31, 2014 - $ 1.0 billion). Cash and due from banks, as well as other short-term, highly liquid securities, are used to cover the required average reserve balances.

At September 30, 2015, the Corporation held $32 million in restricted assets in the form of funds deposited in money market accounts, trading account securities and investment securities available for sale (December 31, 2014 - $45 million). The amounts held in trading account securities and investment securities available for sale consist primarily of restricted assets held for the Corporation s non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

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**Note 8 Pledged assets**

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

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Investment securities available-for-sale, at fair value | $ 2,439,298 | $ 1,700,820 |
| Investment securities held-to-maturity, at amortized cost | 57,170 | 60,515 |
| Loans held-in-portfolio covered under loss sharing agreements with the FDIC | 395,461 | 480,441 |
| Loans held-in-portfolio not covered under loss sharing agreements with the FDIC | 7,542,089 | 8,820,204 |
| Total pledged assets | $ 10,434,018 | $ 11,061,980 |

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

At September 30, 2015, the Corporation had $ 1.5 billion in investment securities available-for-sale and $ 0.5 billion in loans that served as collateral to secure public funds (December 31, 2014 - $ 0.7 billion and $ 0.7 billion, respectively).

At September 30, 2015, the Corporation s banking subsidiaries had short-term and long-term credit facilities authorized with the Federal Home Loan Bank system (the FHLB ) aggregating to $3.6 billion (December 31, 2014 - $3.7 billion). Refer to Note 20 to the consolidated financial statements for borrowings outstanding under these credit facilities. At September 30, 2015, the credit facilities authorized with the FHLB were collateralized by $ 4.8 billion in loans held-in-portfolio (December 31, 2014 - $ 4.5 billion). Also, at September 30, 2015, the Corporation s banking subsidiaries had a borrowing capacity at the Federal Reserve ( Fed ) discount window of $1.5 billion, which remained unused as of such date (December 31, 2014 - $2.1 billion). The amount available under these credit facilities with the Fed is dependent upon the balance of loans and securities pledged as collateral. At September 30, 2015, the credit facilities with the Fed discount window were collateralized by $ 2.7 billion in loans held-in-portfolio (December 31, 2014 - $ 4.1 billion). These pledged assets are included in the above table and were not reclassified and separately reported in the consolidated statements of financial condition.

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**Note 9 Investment securities available-for-sale**

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of investment securities available-for-sale at September 30, 2015 and December 31, 2014.

| | At September 30, 2015 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value | Weighted average yield |
| U.S. Treasury securities | | | | | |
| Within 1 year | $ 25,070 | $ 591 | $ | $ 25,661 | 4.09% |
| After 1 to 5 years | 1,013,895 | 6,617 | | 1,020,512 | 1.01 |
| Total U.S. Treasury securities | 1,038,965 | 7,208 | | 1,046,173 | 1.09 |
| Obligations of U.S. Government sponsored entities | | | | | |
| Within 1 year | 10,000 | 17 | | 10,017 | 1.61 |
| After 1 to 5 years | 964,801 | 4,172 | 815 | 968,158 | 1.34 |
| After 5 to 10 years | 250 | 3 | | 253 | 5.64 |
| After 10 years | 23,000 | 67 | | 23,067 | 3.21 |
| Total obligations of U.S. Government sponsored entities | 998,051 | 4,259 | 815 | 1,001,495 | 1.38 |
| Obligations of Puerto Rico, States and political subdivisions | | | | | |
| Within 1 year | 2,744 | 3 | | 2,747 | 3.94 |
| After 1 to 5 years | 7,162 | | 214 | 6,948 | 4.00 |
| After 5 to 10 years | 5,940 | | 1,962 | 3,978 | 4.02 |
| After 10 years | 18,580 | | 5,820 | 12,760 | 6.99 |
| Total obligations of Puerto Rico, States and political subdivisions | 34,426 | 3 | 7,996 | 26,433 | 5.61 |
| Collateralized mortgage obligations - federal agencies | | | | | |
| After 1 to 5 years | 17,876 | 920 | | 18,796 | 3.00 |
| After 5 to 10 years | 43,668 | 936 | | 44,604 | 2.72 |
| After 10 years | 1,600,824 | 12,395 | 19,849 | 1,593,370 | 1.99 |
| Total collateralized mortgage obligations - federal agencies | 1,662,368 | 14,251 | 19,849 | 1,656,770 | 2.01 |
| Mortgage-backed securities | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| After 1 to 5 years | 24,436 | 1,211 | 7 | 25,640 | 4.65 |
| After 5 to 10 years | 268,439 | 6,337 | 27 | 274,749 | 2.52 |
| After 10 years | 1,417,444 | 41,317 | 1,957 | 1,456,804 | 3.00 |
| Total mortgage-backed securities | 1,710,319 | 48,865 | 1,991 | 1,757,193 | 2.95 |
| Equity securities (without contractual maturity) | 1,351 | 1,045 | 7 | 2,389 | 7.91 |
| Other | | | | | |
| After 1 to 5 years | 9,004 | 11 | | 9,015 | 1.70 |
| After 5 to 10 years | 1,416 | 47 | | 1,463 | 3.62 |
| Total other | 10,420 | 58 | | 10,478 | 1.96 |
| Total investment securities available-for-sale | $ 5,455,900 | $ 75,689 | $ 30,658 | $ 5,500,931 | 2.04% |

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

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

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

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

During the nine months ended September 30, 2015 the Corporation sold U.S. agency securities and obligations from the Puerto Rico government and its political subdivisions. The proceeds from these sales were $ 96.8 million. The Corporation realized a gain of $ 141 thousand on these transactions. During the nine months ended September 30, 2014 the Corporation sold approximately $94.2 million in mortgage backed securities and collateralized mortgage obligations at the BPNA segment. The proceeds from this sale were $91.3 million. The Corporation realized a loss of $1.8 million on this transaction.

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 September 30, 2015 and December 31, 2014.

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| | At September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| (In thousands) | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| Obligations of U.S. Government sponsored entities | $ 65,391 | $ 90 | $ 203,748 | $ 725 | $ 269,139 | $ 815 |
| Obligations of Puerto Rico, States and political subdivisions | 868 | 173 | 20,803 | 7,823 | 21,671 | 7,996 |
| Collateralized mortgage obligations - federal agencies | 184,932 | 970 | 871,984 | 18,879 | 1,056,916 | 19,849 |
| Mortgage-backed securities | 348,969 | 1,451 | 23,523 | 540 | 372,492 | 1,991 |
| Equity securities | 43 | 7 | | | 43 | 7 |
| Total investment securities available-for-sale in an unrealized loss position | $ 600,203 | $ 2,691 | $ 1,120,058 | $ 27,967 | $ 1,720,261 | $ 30,658 |

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

As of September 30, 2015, the available-for-sale investment portfolio reflects gross unrealized losses of approximately $31 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 US 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 September 30, 2015, management performed its quarterly analysis of all debt securities in an unrealized loss position.

During the second quarter of 2015, the Corporation recognized an other-than-temporary impairment charge of $14.4 million on its portfolio of investment securities available-for-sale classified as obligations from the Puerto Rico government and its political subdivisions. At June 30, 2015 these securities were rated Caa2 and CCC- by Moody s and S&P, respectively. Notwithstanding the payment priorities established by the Puerto Rico Constitution for these securities, Puerto Rico s fiscal and economic situation, together with the Government s announcements regarding its ability to pay its debt and its intention to pursue a comprehensive debt restructuring, led management to conclude that the unrealized losses on these government securities were other-than-temporary. The Corporation determined that the entire balance of the unrealized loss carried by these securities was attributed to estimated credit losses. Accordingly, the other-than-temporary impairment was recognized in its entirety in the accompanying consolidated statement of operations and no amount remained recognized in the accompanying statement of other

comprehensive income related to these specific securities. These securities, for which an other-than-temporary impairment was recorded, were sold during the third quarter of 2015, resulting in a realized gain of $0.1 million. The proceeds from this sale were $26.8 million.

Further negative evidence impacting the liquidity and sources of repayment of the obligations of Puerto Rico and its political subdivisions, could result in a further charge to earnings to recognize estimated credit losses determined to be other-than-temporary. At September 30, 2015, the Corporation did not have the intent to sell debt securities in an unrealized loss position and it is not more likely than not that the Corporation will have to sell the investment securities prior to recovery of their amortized cost basis.

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

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (In thousands) | Amortized cost | Fair value | Amortized cost | Fair value |
| FNMA | $ 2,204,701 | $ 2,212,441 | $ 1,746,807 | $ 1,736,987 |
| FHLB | 360,171 | 361,276 | 737,149 | 732,894 |
| Freddie Mac | 1,015,526 | 1,017,525 | 1,117,865 | 1,112,485 |

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## Note 10 Investment securities held-to-maturity

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of investment securities held-to-maturity at September 30, 2015 and December 31, 2014.

| | At September 30, 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 | $ | $ 440 | $ 2,480 | 5.90% |
| After 1 to 5 years | 13,655 | | 4,714 | 8,941 | 5.98 |
| After 5 to 10 years | 20,020 | | 7,637 | 12,383 | 6.14 |
| After 10 years | 62,114 | 4,548 | 7,999 | 58,663 | 2.09 |
| Total obligations of Puerto Rico, States and political subdivisions | 98,709 | 4,548 | 20,790 | 82,467 | 3.56 |
| 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 | 1,500 | | 22 | 1,478 | 1.21 |
| Total other | 1,500 | | 22 | 1,478 | 1.21 |
| Total investment securities held-to-maturity | $ 100,295 | $ 4,553 | $ 20,812 | $ 84,036 | 3.53% |

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

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

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

The following tables present the Corporation s fair value and gross unrealized losses of investment securities held-to-maturity, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2015 and December 31, 2014.

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| | At September 30, 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 | $ | $ | $ 36,130 | $ 20,790 | $ 36,130 | $ 20,790 |
| Other | 1,478 | 22 | | | 1,478 | 22 |
| Total investment securities held-to-maturity in an unrealized loss position | $ 1,478 | $ 22 | $ 36,130 | $ 20,790 | $ 37,608 | $ 20,812 |

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

As indicated in Note 9 to these consolidated financial statements, management evaluates investment securities for OTTI declines in fair value on a quarterly basis.

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at September 30, 2015 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. This includes $57 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. The Corporation does not have the intent to sell securities held-to-maturity and it is not more likely than not that the Corporation will have to sell these investment securities prior to recovery of their amortized cost basis.

## Note 11 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 13.

As a result of the expiration of the shared-loss arrangement under the commercial loss share agreement on June 30, 2015, approximately $1.5 billion in loans and $18 million in OREOs were reclassified as non-covered in the accompanying statement of financial condition during the quarter ended June 30, 2015, because they are no longer subject to the shared-loss payments by the FDIC. However, included in these balances were loans with carrying amount at June 30, 2015 of approximately $248.7 million that are subject to the resolution of several arbitration proceedings currently ongoing with the FDIC related primarily to (i) the FDIC s denial of reimbursements for certain charge-offs claimed by BPPR with respect to certain loans and the treatment of those loans as shared-loss assets under the commercial loss share agreement; and (ii) the denial by the FDIC of portfolio sale proposals submitted by BPPR pursuant to the applicable commercial shared loss agreement provision governing portfolio sales. Until the disputes described above are finally resolved, the terms of the commercial loss share agreement will remain in effect with respect to any such items under dispute. Refer to additional information of these disputes on Note 26, Commitment and Contingencies.

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

*Change in non-accrual accounting policy for guaranteed residential mortgage loans*

During the quarter ended September 30, 2015, the Corporation changed its policy on interest income recognition for residential mortgage loans guaranteed by the Federal Housing Administration ( FHA ) or the Veterans Administration ( VA ). Previously, the Corporation discontinued the recognition of interest income on these loans when they were 18-months delinquent as to principal or interest. The Corporation modified its policy to discontinue the recognition of interest when 15-months delinquent as to principal or interest. This change in estimate was based on an analysis of

historical collections from these agencies. This change in policy resulted in the reversal of previously accrued interest amounting to approximately $1.9 million during the quarter ended September 30, 2015.

The following table presents the composition of non-covered loans held-in-portfolio ( HIP ), net of unearned income, at September 30, 2015 and December 31, 2014.

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| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Commercial multi-family | $ 784,641 | $ 487,280 |
| Commercial real estate non-owner occupied | 3,629,669 | 2,526,146 |
| Commercial real estate owner occupied | 2,080,668 | 1,667,267 |
| Commercial and industrial | 3,635,446 | 3,453,574 |
| Construction | 692,492 | 251,820 |
| Mortgage | 7,165,479 | 6,502,886 |
| Leasing | 606,927 | 564,389 |
| Legacy[2] | 67,974 | 80,818 |
| Consumer: | | |
| Credit cards | 1,135,510 | 1,155,229 |
| Home equity lines of credit | 326,559 | 366,162 |
| Personal | 1,377,131 | 1,375,452 |
| Auto | 805,063 | 767,369 |
| Other | 190,507 | 206,059 |
| Total loans held-in-portfolio[1] | $ 22,498,066 | $ 19,404,451 |

[1] Non-covered loans held-in-portfolio at September 30, 2015 are net of $103 million in unearned income and exclude $171 million in loans held-for-sale (December 31, 2014 - $94 million in unearned income and $106 million in loans held-for-sale).

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

The following table presents the composition of covered loans at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Commercial real estate | $ | $ 1,511,472 |
| Commercial and industrial | | 103,309 |
| Construction | | 70,336 |
| Mortgage | 645,663 | 822,986 |
| Consumer | 19,765 | 34,559 |
| Total covered loans held-in-portfolio | $ 665,428 | $ 2,542,662 |

The following table provides a breakdown of loans held-for-sale ( LHFS ) at September 30, 2015 and December 31, 2014 by main categories.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Commercial | $ 47,447 | $ 309 |
| Construction | 10 | |
| Legacy | | 319 |
| Mortgage | 123,562 | 100,166 |
| Consumer | | 5,310 |
| Total loans held-for-sale | $ 171,019 | $ 106,104 |

Excluding the impact of the Doral Bank Transaction, during the quarter and nine months ended September 30, 2015, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $91 million and $495 million, respectively (September 30, 2014 - $139 million and $470 million, respectively). The Corporation did not record purchases of consumer loans during the quarter and nine months ended September 30, 2015 (September 30, 2014 - $92 million). In addition, during the nine months ended September 30, 2015, the Corporation did not record purchases of commercial loans (during the quarter and nine months ended September 30, 2014 - $21 million). The Corporation recorded purchases amounting to $762 thousand and $926 thousand of lease financing during the quarter and nine months ended September 30, 2015, respectively, and none during the nine months ended September 30, 2014.

The Corporation sold approximately $19 million and $82 million of residential mortgage loans (on a whole loan basis) during the quarter and nine months ended September 30, 2015, respectively (September 30, 2014 - $56 million and $126 million, respectively). Also, the Corporation securitized approximately $ 251 million and $ 651 million of mortgage loans into Government National Mortgage Association ( GNMA ) mortgage-backed securities during the quarter and nine months ended September 30, 2015, respectively (September 30, 2014 - $ 172 million and $ 522 million, respectively). Furthermore, the Corporation securitized approximately $ 57 million and $ 174 million of mortgage loans into Federal National Mortgage Association ( FNMA ) mortgage-backed securities during the quarter and nine months ended September 30, 2015, respectively (September 30, 2014 - $ 51 million and $ 174 million, respectively). The Corporation sold commercial and construction loans with a book value of approximately $9 million during the nine months ended September 30, 2015 (during the quarter and nine months ended September 30, 2014 - $96 million and $157 million, respectively).

*Non-covered loans*

The following tables present non-covered loans held-in-portfolio by loan class that are in non-performing status or are accruing interest but are past due 90 days or more at September 30, 2015 and December 31, 2014. Accruing loans past due 90 days or more consist primarily of credit cards, FHA / VA and other insured mortgage loans, and delinquent mortgage loans which are included in the Corporation s financial statements pursuant to GNMA s buy-back option program. Servicers of loans underlying GNMA mortgage-backed securities must report as their own assets the defaulted loans that they have the option (but not the obligation) to repurchase, even when they elect not to exercise that option. Residential conventional loans purchased from another financial institution, which are in the process of foreclosure, are classified as non-performing mortgage loans.

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At September 30, 2015

| (In thousands) | Puerto Rico Non-accrual loans | Puerto Rico Accruing loans past-due 90 days or more [1] | U.S. mainland Non-accrual loans | U.S. mainland Accruing loans past-due 90 days or more | Popular, Inc. Non-accrual loans | Popular, Inc. Accruing loans past-due 90 days or more |
|---|---|---|---|---|---|---|
| Commercial multi-family | $ 1,287 | $ | $ 46 | $ | $ 1,333 | $ |
| Commercial real estate non-owner occupied | 45,869 | | | | 45,869 | |
| Commercial real estate owner occupied | 113,654 | | 722 | | 114,376 | |
| Commercial and industrial | 75,085 | 515 | 2,734 | | 77,819 | 515 |
| Construction | 3,605 | | | | 3,605 | |
| Mortgage[3] | 331,022 | 422,786 | 12,388 | | 343,410 | 422,786 |
| Leasing | 3,091 | | | | 3,091 | |
| Legacy | | | 4,059 | | 4,059 | |
| Consumer: | | | | | | |
| Credit cards | | 19,092 | 406 | | 406 | 19,092 |
| Home equity lines of credit | | 306 | 4,078 | | 4,078 | 306 |
| Personal | 22,233 | 578 | 983 | | 23,216 | 578 |
| Auto | 12,007 | | 6 | | 12,013 | |
| Other | 1,616 | 111 | 11 | | 1,627 | 111 |
| Total[2] | $ 609,469 | $ 443,388 | $ 25,433 | $ | $ 634,902 | $ 443,388 |

[1] Non-covered loans of $351 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 $ 48 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 $159 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of September 30, 2015. Furthermore, the Corporation has approximately $71 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

At December 31, 2014

| (In thousands) | Puerto Rico Non-accrual loans | Puerto Rico Accruing loans past-due 90 days or more [1] | U.S. mainland Non-accrual loans | U.S. mainland Accruing loans past-due 90 days or more | Popular, Inc. Non-accrual loans | Popular, Inc. Accruing loans past-due 90 days or more |
|---|---|---|---|---|---|---|
| Commercial multi-family | $ 2,199 | $ | $ | $ | $ 2,199 | $ |

| | | | | | | |
|---|---|---|---|---|---|---|
| Commercial real estate non-owner occupied | 33,452 | | | | 33,452 | |
| Commercial real estate owner occupied | 92,648 | | 805 | | 93,453 | |
| Commercial and industrial | 129,611 | 494 | 1,510 | | 131,121 | 494 |
| Construction | 13,812 | | | | 13,812 | |
| Mortgage[3] | 295,629 | 426,387 | 9,284 | | 304,913 | 426,387 |
| Leasing | 3,102 | | | | 3,102 | |
| Legacy | | | 1,545 | | 1,545 | |
| Consumer: | | | | | | |
| Credit cards | | 20,368 | 449 | | 449 | 20,368 |
| Home equity lines of credit | | 21 | 4,090 | | 4,090 | 21 |
| Personal | 25,678 | 10 | 1,410 | | 27,088 | 10 |
| Auto | 11,387 | | | | 11,387 | |
| Other | 3,865 | 682 | 7 | | 3,872 | 682 |
| Total[2] | $ 611,383 | $ 447,962 | $ 19,100 | $ | $ 630,483 | $ 447,962 |

[1] Non-covered loans by $59 million accounted for under ASC Subtopic 310-30 are excluded from the above table as they are considered to be performing due to the application of the accretion method, in which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analysis.

[2] For purposes of this table non-performing loans exclude $ 19 million in non-performing loans held-for-sale.

[3] It is the Corporation s policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances include $125 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of December 31, 2014. Furthermore, the Corporation has approximately $66 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

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The following tables present loans by past due status at September 30, 2015 and December 31, 2014 for non-covered loans held-in-portfolio (net of unearned income), including loans previously covered by the commercial FDIC loss sharing agreements.

| | September 30, 2015 Puerto Rico | | | | | |
|---|---|---|---|---|---|---|
| | Past due | | | | | |
| (In thousands) | 30-59 days | 60-89 days | 90 days or more | Total past due | Current | Non-covered loans HIP Puerto Rico |
| Commercial multi-family | $ 767 | $ 119 | $ 1,732 | $ 2,618 | $ 130,949 | $ 133,567 |
| Commercial real estate non-owner occupied | 61,049 | 3,837 | 116,146 | 181,032 | 2,570,075 | 2,751,107 |
| Commercial real estate owner occupied | 27,884 | 8,803 | 163,507 | 200,194 | 1,733,278 | 1,933,472 |
| Commercial and industrial | 7,140 | 3,927 | 78,740 | 89,807 | 2,613,791 | 2,703,598 |
| Construction | 220 | 152 | 26,396 | 26,768 | 81,910 | 108,678 |
| Mortgage | 312,915 | 164,142 | 850,258 | 1,327,315 | 4,893,080 | 6,220,395 |
| Leasing | 7,048 | 1,683 | 3,091 | 11,822 | 595,105 | 606,927 |
| Consumer: | | | | | | |
| Credit cards | 12,755 | 8,749 | 19,092 | 40,596 | 1,080,881 | 1,121,477 |
| Home equity lines of credit | 173 | 393 | 306 | 872 | 10,577 | 11,449 |
| Personal | 14,726 | 9,001 | 22,811 | 46,538 | 1,186,307 | 1,232,845 |
| Auto | 34,965 | 7,763 | 12,007 | 54,735 | 750,255 | 804,990 |
| Other | 725 | 463 | 2,227 | 3,415 | 186,720 | 190,135 |
| Total | $ 480,367 | $ 209,032 | $ 1,296,313 | $ 1,985,712 | $ 15,832,928 | $ 17,818,640 |

| | September 30, 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 | $ | $ 118 | $ 46 | $ 164 | $ 650,910 | $ 651,074 |
| Commercial real estate non-owner occupied | 11,400 | 255 | | 11,655 | 866,907 | 878,562 |
| Commercial real estate owner occupied | 1,711 | | 722 | 2,433 | 144,763 | 147,196 |
| Commercial and industrial | 1,046 | 1,648 | 109,922 | 112,616 | 819,232 | 931,848 |
| Construction | 19,610 | 1,407 | | 21,017 | 562,797 | 583,814 |
| Mortgage | 2,200 | 5,422 | 12,388 | 20,010 | 925,074 | 945,084 |
| Legacy | 266 | 598 | 4,059 | 4,923 | 63,051 | 67,974 |
| Consumer: | | | | | | |
| Credit cards | 242 | 130 | 406 | 778 | 13,255 | 14,033 |
| Home equity lines of credit | 2,698 | 758 | 4,078 | 7,534 | 307,576 | 315,110 |
| Personal | 736 | 736 | 983 | 2,455 | 141,831 | 144,286 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Auto | | | 6 | 6 | 67 | 73 |
| Other | | 5 | 11 | 16 | 356 | 372 |
| Total | $ 39,909 | $ 11,077 | $ 132,621 | $ 183,607 | $ 4,495,819 | $ 4,679,426 |

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| (In thousands) | 30-59 days | 60-89 days | 90 days or more | Total past due | Current | Non-covered loans HIP Popular, Inc. |
|---|---|---|---|---|---|---|
| | September 30, 2015 Popular, Inc. Past due | | | | | |
| Commercial multi-family | $ 767 | $ 237 | $ 1,778 | $ 2,782 | $ 781,859 | $ 784,641 |
| Commercial real estate non-owner occupied | 72,449 | 4,092 | 116,146 | 192,687 | 3,436,982 | 3,629,669 |
| Commercial real estate owner occupied | 29,595 | 8,803 | 164,229 | 202,627 | 1,878,041 | 2,080,668 |
| Commercial and industrial | 8,186 | 5,575 | 188,662 | 202,423 | 3,433,023 | 3,635,446 |
| Construction | 19,830 | 1,559 | 26,396 | 47,785 | 644,707 | 692,492 |
| Mortgage | 315,115 | 169,564 | 862,646 | 1,347,325 | 5,818,154 | 7,165,479 |
| Leasing | 7,048 | 1,683 | 3,091 | 11,822 | 595,105 | 606,927 |
| Legacy | 266 | 598 | 4,059 | 4,923 | 63,051 | 67,974 |
| Consumer: | | | | | | |
| Credit cards | 12,997 | 8,879 | 19,498 | 41,374 | 1,094,136 | 1,135,510 |
| Home equity lines of credit | 2,871 | 1,151 | 4,384 | 8,406 | 318,153 | 326,559 |
| Personal | 15,462 | 9,737 | 23,794 | 48,993 | 1,328,138 | 1,377,131 |
| Auto | 34,965 | 7,763 | 12,013 | 54,741 | 750,322 | 805,063 |
| Other | 725 | 468 | 2,238 | 3,431 | 187,076 | 190,507 |
| Total | $ 520,276 | $ 220,109 | $ 1,428,934 | $ 2,169,319 | $ 20,328,747 | $ 22,498,066 |

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

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

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

| Total | $ 455,574 | $ 223,209 | $ 1,137,107 | $ 1,815,890 | $ 17,588,561 | $ 19,404,451 |
|---|---|---|---|---|---|---|

The following table provides a breakdown of loans held-for-sale ( LHFS ) in non-performing status at September 30, 2015 and December 31, 2014 by main categories.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Commercial | $ 47,447 | $ 309 |
| Construction | 10 | |
| Mortgage | 224 | 14,041 |
| Consumer | | 4,549 |
| Total | $ 47,681 | $ 18,899 |

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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 | $ 1,246,855 |
| Gross contractual amounts receivable (principal and interest) | $ 1,680,121 |
| Estimate of contractual cash flows not expected to be collected | $ 11,430 |

*Covered loans*

The following table presents covered loans in non-performing status and accruing loans past-due 90 days or more by loan class at September 30, 2015 and December 31, 2014.

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (In thousands) | Non-accrual loans | Accruing loans past due 90 days or more | Non-accrual loans | Accruing loans past due 90 days or more |
| Commercial real estate | $ | $ | $ 8,810 | $ |
| Commercial and industrial | | | 1,142 | |
| Construction | | | 2,770 | |
| Mortgage | 4,077 | 109 | 4,376 | 28 |
| Consumer | 110 | | 735 | |
| Total[1] | $ 4,187 | $ 109 | $ 17,833 | $ 28 |

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

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

| | September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Past due | | | | | |
| (In thousands) | 30-59 days | 60-89 days | 90 days or more | Total past due | Current | Covered loans HIP |
| Mortgage | $ 36,637 | $ 17,313 | $ 88,191 | $ 142,141 | $ 503,522 | $ 645,663 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Consumer | 1,291 | 542 | 1,419 | 3,252 | 16,513 | 19,765 |
| Total covered loans | $ 37,928 | $ 17,855 | $ 89,610 | $ 145,393 | $ 520,035 | $ 665,428 |

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Past due | | | | | |
| (In thousands) | 30-59 days | 60-89 days | 90 days or more | Total past due | Current | Covered loans HIP |
| Commercial real estate | $ 98,559 | $ 12,597 | $ 291,010 | $ 402,166 | $ 1,109,306 | $ 1,511,472 |
| Commercial and industrial | 512 | 7 | 7,756 | 8,275 | 95,034 | 103,309 |
| Construction | | 384 | 58,665 | 59,049 | 11,287 | 70,336 |
| Mortgage | 45,764 | 23,531 | 143,140 | 212,435 | 610,551 | 822,986 |
| Consumer | 1,884 | 747 | 2,532 | 5,163 | 29,396 | 34,559 |
| Total covered loans | $ 146,719 | $ 37,266 | $ 503,103 | $ 687,088 | $ 1,855,574 | $ 2,542,662 |

The 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 September 30, 2015 (December 31, 2014 - $0.1 billion).

*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.

| | September 30, 2015 [1] | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | Carrying amount | | | Carrying amount | | |
| (In thousands) | Non-credit impaired loans | Credit impaired loans | Total | Non-credit impaired loans | Credit impaired loans | Total |
| Commercial real estate | $ 1,152,066 | $ 50,676 | $ 1,202,742 | $ 1,392,482 | $ 90,202 | $ 1,482,684 |
| Commercial and industrial | 91,702 | 1,004 | 92,706 | 57,059 | 2,197 | 59,256 |
| Construction | 14,795 | 14,126 | 28,921 | 32,836 | 32,409 | 65,245 |
| Mortgage | 690,251 | 36,081 | 726,332 | 764,148 | 45,829 | 809,977 |
| Consumer | 23,927 | 1,384 | 25,311 | 25,617 | 1,393 | 27,010 |
| Carrying amount | 1,972,741 | 103,271 | 2,076,012 | 2,272,142 | 172,030 | 2,444,172 |
| Allowance for loan losses | (54,027) | (10,556) | (64,583) | (52,798) | (26,048) | (78,846) |
| Carrying amount, net of allowance | $ 1,918,714 | $ 92,715 | $ 2,011,429 | $ 2,219,344 | $ 145,982 | $ 2,365,326 |

[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 $655 million as of September 30,2015.

The outstanding principal balance of Westernbank loans accounted pursuant to ASC Subtopic 310-30, amounted to $2.5 billion at September 30, 2015 (December 31, 2014 - $3.1 billion). At September 30, 2015, none of the acquired loans from the Westernbank FDIC-assisted transaction accounted for under ASC Subtopic 310-30 were considered non-performing loans. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, was recognized on all acquired loans.

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

| | Activity in the accretable yield Westernbank loans ASC 310-30 For the quarters ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2015 | | | September 30, 2014 | | |
| (In thousands) | Non-credit impaired loans | Credit impaired loans | Total | Non-credit impaired loans | Credit impaired loans | Total |
| Beginning balance | $ 1,239,776 | $ 6,148 | $ 1,245,924 | $ 1,271,202 | $ 9,556 | $ 1,280,758 |
| Accretion | (44,568) | (2,125) | (46,693) | (62,958) | (3,059) | (66,017) |
| Change in expected cash flows | (56,526) | 2,744 | (53,782) | 95,920 | 1,860 | 97,780 |
| Ending balance | $ 1,138,682 | $ 6,767 | $ 1,145,449 | $ 1,304,164 | $ 8,357 | $ 1,312,521 |

| | Activity in the accretable yield Westernbank loans ASC 310-30 For the nine months ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2015 | | | September 30, 2014 | | |
| (In thousands) | Non-credit impaired loans | Credit impaired loans | Total | Non-credit impaired loans | Credit impaired loans | Total |
| Beginning balance | $ 1,265,752 | $ 5,585 | $ 1,271,337 | $ 1,297,725 | $ 11,480 | $ 1,309,205 |
| Accretion | (148,572) | (7,812) | (156,384) | (212,826) | (12,172) | (224,998) |
| Change in expected cash flows | 21,502 | 8,994 | 30,496 | 219,265 | 9,049 | 228,314 |
| Ending balance | $ 1,138,682 | $ 6,767 | $ 1,145,449 | $ 1,304,164 | $ 8,357 | $ 1,312,521 |

| | Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30 For the quarters ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2015 [1] | | | September 30, 2014 | | |
| (In thousands) | Non-credit impaired loans | Credit impaired loans | Total | Non-credit impaired loans | Credit impaired loans | Total |
| Beginning balance | $ 2,022,493 | $ 114,585 | $ 2,137,078 | $ 2,387,911 | $ 222,753 | $ 2,610,664 |
| Accretion | 44,568 | 2,125 | 46,693 | 62,958 | 3,059 | 66,017 |
| Collections and charge-offs | (94,320) | (13,439) | (107,759) | (124,265) | (23,983) | (148,248) |
| Ending balance | $ 1,972,741 | $ 103,271 | $ 2,076,012 | $ 2,326,604 | $ 201,829 | $ 2,528,433 |
| Allowance for loan losses | | | | | | |
| ASC 310-30 Westernbank loans | (54,027) | (10,556) | (64,583) | (52,812) | (32,828) | (85,640) |
| Ending balance, net of ALLL | $ 1,918,714 | $ 92,715 | $ 2,011,429 | $ 2,273,792 | $ 169,001 | $ 2,442,793 |

[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 $ 655 million as of September 30, 2015.

| | Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30 For the nine months ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2015 [1] | | | September 30, 2014 | | |
| (In thousands) | Non-credit impaired loans | Credit impaired loans | Total | Non-credit impaired loans | Credit impaired loans | Total |
| Beginning balance | $ 2,272,142 | $ 172,030 | $ 2,444,172 | $ 2,509,075 | $ 318,872 | $ 2,827,947 |
| Accretion | 148,572 | 7,812 | 156,384 | 212,826 | 12,172 | 224,998 |
| Collections and charge offs | (447,973) | (76,571) | (524,544) | (395,297) | (129,215) | (524,512) |
| Ending balance | $ 1,972,741 | $ 103,271 | $ 2,076,012 | $ 2,326,604 | $ 201,829 | $ 2,528,433 |
| Allowance for loan losses | | | | | | |
| ASC 310-30 Westernbank loans | (54,027) | (10,556) | (64,583) | (52,812) | (32,828) | (85,640) |
| Ending balance, net of ALLL | $ 1,918,714 | $ 92,715 | $ 2,011,429 | $ 2,273,792 | $ 169,001 | $ 2,442,793 |

[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 $655 million as of September 30, 2015.

*Other loans acquired with deteriorated credit quality*

The outstanding principal balance of other acquired loans accounted pursuant to ASC Subtopic 310-30, amounted to $707 million at September 30, 2015 (December 31, 2014 - $243 million). At September 30, 2015, 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 September 30, 2015 and 2014 were as follows:

| | Activity in the accretable yield - other acquired loans ASC 310-30 | |
|---|---|---|
| (In thousands) | For the quarter ended September 30, 2015 | For the quarter ended September 30, 2014 |
| Beginning balance | $ 162,159 | $ 76,827 |
| Additions | 25,978 | 3,761 |
| Accretion | (4,543) | (2,594) |
| Change in expected cash flows | 1,402 | 23,191 |
| Ending balance | $ 184,996 | $ 101,185 |

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

| (In thousands) | For the nine months ended September 30, 2015 | For the nine months ended September 30, 2014 |
|---|---|---|
| Beginning balance | $ 116,304 | $ 49,398 |
| Additions | 82,046 | 14,904 |
| Accretion | (12,399) | (7,520) |
| Change in expected cash flows | (955) | 44,403 |
| Ending balance | $ 184,996 | $ 101,185 |

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

| (In thousands) | | For the quarter ended September 30, 2015 | | For the quarter ended September 30, 2014 |
|---|---|---|---|---|
| Beginning balance | $ | 368,287 | | 199,041 |
| Additions | | 281,911 | | 12,985 |
| Accretion | | 4,543 | | 2,595 |
| Collections and charge-offs | | (13,655) | | (7,151) |
| Ending balance | $ | 641,086 | $ | 207,470 |
| Allowance for loan losses ASC 310-30 other acquired loans | | (18,561) | | (16,256) |
| Ending balance, net of ALLL | $ | 622,525 | $ | 191,214 |

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

| (In thousands) | | For the nine months ended September 30, 2015 | | For the nine months ended September 30, 2014 |
|---|---|---|---|---|
| Beginning balance | $ | 212,763 | $ | 173,659 |
| Additions | | 456,091 | | 46,165 |
| Accretion | | 12,399 | | 7,520 |
| Collections and charge-offs | | (40,167) | | (19,874) |
| Ending balance | $ | 641,086 | $ | 207,470 |
| Allowance for loan losses ASC 310-30 other acquired loans | | (18,561) | | (16,256) |
| Ending balance, net of ALLL | $ | 622,525 | $ | 191,214 |

During the quarter ended September 30 2015, the Corporation reclassified loans with a carrying value as of the acquisition date of February 27, 2015, of approximately $269.5 million to be accounted for under ASC 310-30. Based on new information obtained about facts and circumstances that existed as of the acquisition date, in accordance with ASC 805, the Corporation determined that these loans had evidence of deteriorated credit quality as of the acquisition date. These balances are reflected as an addition of $270.9 million to the carrying value of loans and $21.8 million to the accretable discount of loans accounted for under ASC 310-30 in the tables above.

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 | $ 573,274 |
| Non-accretable difference | 74,342 |
| Cash flows expected to be collected | 498,932 |

| | |
|---|---|
| Accretable yield | 80,329 |
| Fair value of loans accounted for under ASC Subtopic 310-30 | $ 418,603 |

## Note 12 Allowance for loan losses

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

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

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

Base net loss rates, which are based on the moving average of annualized net loss rates computed over a 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 September 30, 2015, 18% (September 30, 2014- 33%) of the ALLL for BPPR non-covered loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was mainly concentrated in the mortgage and commercial multi-family loan portfolios for 2015, and in the commercial multi-family, commercial and industrial, personal and auto loan portfolios for 2014.

For the period ended September 30, 2015, 17% (September 30, 2014 - 12%) of the ALLL for BPNA loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was concentrated in the consumer loan portfolio for 2015 and in the commercial multi-family, commercial and industrial and legacy loan portfolios for 2014.

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

During the second quarter of 2015, management completed the annual review of the components of the ALLL models. As part of this review management updated core metrics and revised certain components related to the estimation

process for evaluating the adequacy of the general reserve of the allowance for loan losses. These enhancements to the ALLL methodology, which are described in the paragraphs below, were implemented as of June 30, 2015 and resulted in a net decrease to the allowance for loan losses of $ 1.9 million for the non-covered portfolio. The effect of the aforementioned enhancements was immaterial for the covered loans portfolio.

Management made the following principal enhancements to the methodology during the second quarter of 2015:

***Increased the historical look-back period for determining the base loss rates for commercial and construction loans.*** The Corporation increased the look-back period for assessing historical loss trends applicable to the determination of commercial and construction loan net charge-offs from 36 months to 60 months. Given the current overall commercial and construction credit quality improvements, including lower loss trends, management concluded that a 60-month look-back period for the base loss rates aligns the Corporation s allowance for loan losses methodology to maintain adequate loss observations in its main general reserve component.

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The combined effect of the aforementioned enhancements to the base loss rates resulted in an increase to the allowance for loan losses of $19.6 million at June 30, 2015, of which $17.9 million related to the non-covered BPPR segment and $1.7 million related to the BPNA segment.

***Annual review and recalibration of the environmental factors adjustment.*** The environmental factor adjustments are developed by performing regression analyses on selected credit and economic indicators for each applicable loan segment. During the second quarter of 2015, the environmental factor models used to account for changes in current credit and macroeconomic conditions were reviewed and recalibrated based on the latest applicable trends.

The combined effect of the aforementioned recalibration and enhancements to the environmental factors adjustment resulted in a decrease to the allowance for loan losses of $21.5 million at June 30, 2015, of which $20.5 million related to the non-covered BPPR segment and $1 million related to the BPNA segment.

The following tables present the changes in the allowance for loan losses for the quarters ended September 30, 2015 and 2014.

| | For the quarter ended September 30, 2015<br>Puerto Rico - Non-covered loans | | | | | |
|---|---|---|---|---|---|---|
| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 207,095 | $ 6,558 | $ 126,177 | $ 9,160 | $ 133,710 | $ 482,700 |
| Provision (reversal of provision) | 23,044 | 2,375 | 19,412 | 825 | 23,099 | 68,755 |
| Charge-offs | (16,845) | (451) | (16,263) | (1,485) | (29,625) | (64,669) |
| Recoveries | 7,673 | 3,099 | 739 | 591 | 5,322 | 17,424 |
| Ending balance | $ 220,967 | $ 11,581 | $ 130,065 | $ 9,091 | $ 132,506 | $ 504,210 |

| | For the quarter ended September 30, 2015<br>Puerto Rico - Covered loans | | | | | |
|---|---|---|---|---|---|---|
| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ | $ | $ 37,815 | $ | $ 259 | $ 38,074 |
| Provision (reversal of provision) | | | (2,880) | | (10) | (2,890) |
| Charge-offs | | | (790) | | (76) | (866) |
| Recoveries | | | 189 | | 2 | 191 |
| Ending balance | $ | $ | $ 34,334 | $ | $ 175 | $ 34,509 |

| | For the quarter ended September 30, 2015<br>U.S. Mainland | | | | | |
|---|---|---|---|---|---|---|
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Beginning balance | $ 8,625 | $ 2,429 | $ 3,770 | $ 3,315 | $ 11,900 | $ 30,039 |
| Provision (reversal of provision) | (1,090) | 741 | 1,452 | (1,113) | 823 | 813 |
| Charge-offs | (308) | | (768) | (804) | (1,826) | (3,706) |
| Recoveries | 2,267 | | (19) | 1,407 | 994 | 4,649 |
| Ending balance | $ 9,494 | $ 3,170 | $ 4,435 | $ 2,805 | $ 11,891 | $ 31,795 |

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

| (In thousands) | Commercial | Construction | Mortgage | Legacy | Leasing | Consumer | Total |
|---|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | | |
| Beginning balance | $ 215,720 | $ 8,987 | $ 167,762 | $ 3,315 | $ 9,160 | $ 145,869 | $ 550,813 |
| Provision (reversal of provision) | 21,954 | 3,116 | 17,984 | (1,113) | 825 | 23,912 | 66,678 |
| Charge-offs | (17,153) | (451) | (17,821) | (804) | (1,485) | (31,527) | (69,241) |
| Recoveries | 9,940 | 3,099 | 909 | 1,407 | 591 | 6,318 | 22,264 |
| Ending balance | $ 230,461 | $ 14,751 | $ 168,834 | $ 2,805 | $ 9,091 | $ 144,572 | $ 570,514 |

For the nine months ended September 30, 2015
Puerto Rico - Non-covered loans

| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 201,589 | $ 5,483 | $ 120,860 | $ 7,131 | $ 154,072 | $ 489,135 |
| Provision (reversal of provision) | 71,954 | 822 | 45,359 | 4,596 | 38,466 | 161,197 |
| Charge-offs | (49,740) | (2,645) | (38,597) | (4,415) | (83,507) | (178,904) |
| Recoveries | 18,707 | 6,497 | 1,861 | 1,779 | 20,897 | 49,741 |
| Net write-downs related to loans transferred to held-for-sale | (29,996) | | | | | (29,996) |
| Allowance transferred from covered loans | 8,453 | 1,424 | 582 | | 2,578 | 13,037 |
| Ending balance | $ 220,967 | $ 11,581 | $ 130,065 | $ 9,091 | $ 132,506 | $ 504,210 |

For the nine months ended September 30, 2015
Puerto Rico - Covered loans

| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 30,871 | $ 7,202 | $ 40,948 | $ | $ 3,052 | $ 82,073 |
| Provision (reversal of provision) | 10,115 | 15,150 | (1,812) | | (253) | 23,200 |
| Charge-offs | (37,936) | (25,086) | (4,695) | | (843) | (68,560) |
| Recoveries | 6,504 | 4,700 | 635 | | 817 | 12,656 |
| Net write-downs related to loans transferred to held-for-sale | (1,101) | (542) | (160) | | (20) | (1,823) |
| Allowance transferred to non-covered loans | (8,453) | (1,424) | (582) | | (2,578) | (13,037) |
| Ending balance | $ | $ | $ 34,334 | $ | $ 175 | $ 34,509 |

For the nine months ended September 30, 2015
U.S. Mainland - Continuing Operations

| (In thousands) | Commercial | Construction | Mortgage | Legacy | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 9,648 | $ 1,187 | $ 2,462 | $ 2,944 | $ 14,343 | $ 30,584 |
| Provision (reversal of provision) | (3,471) | 1,983 | (2,439) | (2,540) | 5,017 | (1,450) |
| Charge-offs | (1,190) | | (1,329) | (1,758) | (7,318) | (11,595) |
| Recoveries | 4,507 | | 212 | 4,159 | 3,250 | 12,128 |
| Net recovery (write-down) related to loans transferred to held-for-sale | | | 5,529 | | (3,401) | 2,128 |
| Ending balance | $ 9,494 | $ 3,170 | $ 4,435 | $ 2,805 | $ 11,891 | $ 31,795 |

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| | For the nine months ended September 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Popular, Inc. | | | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | | |
| Beginning balance | $ 242,108 | $ 13,872 | $ 164,270 | $ 2,944 | $ 7,131 | $ 171,467 | $ 601,792 |
| Provision (reversal of provision) | 78,598 | 17,955 | 41,108 | (2,540) | 4,596 | 43,230 | 182,947 |
| Charge-offs | (88,866) | (27,731) | (44,621) | (1,758) | (4,415) | (91,668) | (259,059) |
| Recoveries | 29,718 | 11,197 | 2,708 | 4,159 | 1,779 | 24,964 | 74,525 |
| Net (write-down) recovery related to loans transferred to held-for-sale | (31,097) | (542) | 5,369 | | | (3,421) | (29,691) |
| Ending balance | $ 230,461 | $ 14,751 | $ 168,834 | $ 2,805 | $ 9,091 | $ 144,572 | $ 570,514 |

| | For the quarter ended September 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Puerto Rico - Non-covered loans | | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 184,235 | $ 5,191 | $ 120,399 | $ 5,959 | $ 150,482 | $ 466,266 |
| Provision (reversal of provision) | 22,432 | (761) | 12,150 | 2,822 | 25,225 | 61,868 |
| Charge-offs | (12,050) | (985) | (13,701) | (1,876) | (30,896) | (59,508) |
| Recoveries | 11,039 | 2,222 | 371 | 466 | 6,728 | 20,826 |
| Ending balance | $ 205,656 | $ 5,667 | $ 119,219 | $ 7,371 | $ 151,539 | $ 489,452 |

| | For the quarter ended September 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Puerto Rico - Covered Loans | | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 46,693 | $ 8,996 | $ 38,941 | $ | $ 4,035 | $ 98,665 |
| Provision (reversal of provision) | 6,312 | 2,263 | 5,392 | (1) | (1,503) | 12,463 |
| Charge-offs | (16,290) | (5,075) | (2,163) | | 943 | (22,585) |
| Recoveries | (300) | 1,009 | 354 | 1 | 81 | 1,145 |
| Ending balance | $ 36,415 | $ 7,193 | $ 42,524 | $ | $ 3,556 | $ 89,688 |

| | For the quarter ended September 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | U.S. Mainland - Continuing Operations | | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 18,274 | $ 151 | $ 17,529 | $ 9,343 | $ 14,683 | $ 59,980 |
| Provision (reversal of provision) | 6,992 | 631 | (6,901) | 3,340 | 2,236 | 6,298 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Charge-offs | (3,715) | | (853) | (2,570) | (3,630) | (10,768) |
| Recoveries | 4,608 | 59 | 827 | 2,349 | 1,138 | 8,981 |
| Net (write-down) recovery related to loans transferred to LHFS | (15,384) | | (8,300) | (8,461) | (111) | (32,256) |
| Ending balance | $ 10,775 | $ 841 | $ 2,302 | $ 4,001 | $ 14,316 | $ 32,235 |

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

| (In thousands) | Commercial | Construction | Mortgage | Legacy | Leasing | Consumer | Total |
|---|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | | |
| Beginning balance | $ 249,202 | $ 14,338 | $ 176,869 | $ 9,343 | $ 5,959 | $ 169,200 | $ 624,911 |
| Provision (reversal of provision) | 35,736 | 2,133 | 10,641 | 3,340 | 2,821 | 25,958 | 80,629 |
| Charge-offs | (32,055) | (6,060) | (16,717) | (2,570) | (1,876) | (33,583) | (92,861) |
| Recoveries | 15,347 | 3,290 | 1,552 | 2,349 | 467 | 7,947 | 30,952 |
| Net (write-down) recovery related to loans transferred to LHFS | (15,384) | | (8,300) | (8,461) | | (111) | (32,256) |
| Ending balance | $ 252,846 | $ 13,701 | $ 164,045 | $ 4,001 | $ 7,371 | $ 169,411 | $ 611,375 |

For the nine months ended September 30, 2014
Puerto Rico - Non-covered loans

| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 128,150 | $ 5,095 | $ 130,330 | $ 10,622 | $ 152,578 | $ 426,775 |
| Provision (reversal of provision) | 102,998 | (2,658) | 20,661 | (41) | 69,683 | 190,643 |
| Charge-offs | (50,384) | (1,443) | (32,510) | (4,597) | (90,033) | (178,967) |
| Recoveries | 24,892 | 4,673 | 738 | 1,387 | 19,311 | 51,001 |
| Ending balance | $ 205,656 | $ 5,667 | $ 119,219 | $ 7,371 | $ 151,539 | $ 489,452 |

For the nine months ended September 30, 2014
Puerto Rico - Covered Loans

| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 42,198 | $ 19,491 | $ 36,006 | $ | $ 4,397 | $ 102,092 |
| Provision (reversal of provision) | 23,893 | 16,560 | 12,234 | | (2,906) | 49,781 |
| Charge-offs | (30,251) | (34,483) | (6,081) | (2) | 1,915 | (68,902) |
| Recoveries | 575 | 5,625 | 365 | 2 | 150 | 6,717 |
| Ending balance | $ 36,415 | $ 7,193 | $ 42,524 | $ | $ 3,556 | $ 89,688 |

For the nine months ended September 30, 2014
U.S. Mainland - Continuing Operations

| (In thousands) | Commercial | Construction | Mortgage | Legacy | Consumer | Total |
|---|---|---|---|---|---|---|
| **Allowance for credit losses:** | | | | | | |
| Beginning balance | $ 24,930 | $ 214 | $ 26,599 | $ 11,335 | $ 19,205 | $ 82,283 |
| Allowance transferred from discontinued operations | 7,984 | | | | | 7,984 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Provision (reversal of provision) | (4,750) | 392 | (14,708) | (4,066) | 4,851 | (18,281) |
| Charge-offs | (14,379) | | (3,305) | (6,901) | (12,703) | (37,288) |
| Recoveries | 12,374 | 235 | 2,016 | 12,094 | 3,074 | 29,793 |
| Net (write-down) recovery related to loans transferred to LHFS | (15,384) | | (8,300) | (8,461) | (111) | (32,256) |
| Ending balance | $ 10,775 | $ 841 | $ 2,302 | $ 4,001 | $ 14,316 | $ 32,235 |

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

| | For the nine months ended September 30, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Popular, Inc. | | | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | | |
| Beginning balance | $ 217,180 | $ 24,833 | $ 192,935 | $ 13,704 | $ 10,622 | $ 181,281 | $ 640,555 |
| Provision (reversal of provision) | 119,310 | 14,068 | 18,187 | (5,878) | (41) | 69,733 | 215,379 |
| Charge-offs | (98,009) | (35,926) | (41,896) | (7,458) | (4,597) | (101,721) | (289,607) |
| Recoveries | 46,124 | 10,753 | 3,119 | 13,494 | 1,387 | 22,629 | 97,506 |
| Net write-down related to loans transferred to LHFS | (15,384) | | (8,300) | (8,461) | | (111) | (32,256) |
| Net write-downs related to loans transferred to discontinued operations | (16,375) | (27) | | (1,400) | | (2,400) | (20,202) |
| Ending balance | $ 252,846 | $ 13,701 | $ 164,045 | $ 4,001 | $ 7,371 | $ 169,411 | $ 611,375 |

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

| | ASC 310-30 | | | |
|---|---|---|---|---|
| | For the quarters ended | | For the nine months ended | |
| (In thousands) | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| Balance at beginning of period | $ 47,049 | $ 90,892 | $ 78,846 | $ 93,915 |
| Provision for loan losses | 17,201 | 15,693 | 38,071 | 51,199 |
| Net charge-offs | 333 | (20,945) | (52,334) | (59,474) |

| | | | | |
|---|---|---|---|---|
| Balance at end of period | $ 64,583 | $ 85,640 | $ 64,583 | $ 85,640 |

The following tables present information at September 30, 2015 and December 31, 2014 regarding loan ending balances and the allowance for loan losses by portfolio segment and whether such loans and the allowance pertains to loans individually or collectively evaluated for impairment.

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| | At September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Puerto Rico | | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Specific ALLL non-covered loans | $ 83,615 | $ 358 | $ 46,956 | $ 634 | $ 24,221 | $ 155,784 |
| General ALLL non-covered loans | 137,352 | 11,223 | 83,109 | 8,457 | 108,285 | 348,426 |
| ALLL - non-covered loans | 220,967 | 11,581 | 130,065 | 9,091 | 132,506 | 504,210 |
| Specific ALLL covered loans | | | | | | |
| General ALLL covered loans | | | 34,334 | | 175 | 34,509 |
| ALLL - covered loans | | | 34,334 | | 175 | 34,509 |
| Total ALLL | $ 220,967 | $ 11,581 | $ 164,399 | $ 9,091 | $ 132,681 | $ 538,719 |
| **Loans held-in-portfolio:** | | | | | | |
| Impaired non-covered loans | $ 391,066 | $ 2,536 | $ 457,631 | $ 2,645 | $ 111,683 | $ 965,561 |
| Non-covered loans held-in-portfolio excluding impaired loans | 7,130,678 | 106,142 | 5,762,764 | 604,282 | 3,249,213 | 16,853,079 |
| Non-covered loans held-in-portfolio | 7,521,744 | 108,678 | 6,220,395 | 606,927 | 3,360,896 | 17,818,640 |
| Impaired covered loans | | | | | | |
| Covered loans held-in-portfolio excluding impaired loans | | | 645,663 | | 19,765 | 665,428 |
| Covered loans held-in-portfolio | | | 645,663 | | 19,765 | 665,428 |
| Total loans held-in-portfolio | $ 7,521,744 | $ 108,678 | $ 6,866,058 | $ 606,927 | $ 3,380,661 | $ 18,484,068 |

| | At September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | U.S. Mainland | | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Specific ALLL | $ | $ | $ 589 | $ | $ 475 | $ 1,064 |
| General ALLL | 9,494 | 3,170 | 3,846 | 2,805 | 11,416 | 30,731 |
| Total ALLL | $ 9,494 | $ 3,170 | $ 4,435 | $ 2,805 | $ 11,891 | $ 31,795 |
| **Loans held-in-portfolio:** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Impaired loans | $ | $ | $ 5,175 | $ 1,188 | $ 2,182 | $ 8,545 |
| Loans held-in-portfolio, excluding impaired loans | 2,608,680 | 583,814 | 939,909 | 66,786 | 471,692 | 4,670,881 |
| Total loans held-in-portfolio | $ 2,608,680 | $ 583,814 | $ 945,084 | $ 67,974 | $ 473,874 | $ 4,679,426 |

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| | At September 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Popular, Inc. | | | | |
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | | |
| Specific ALLL non-covered loans | $ 83,615 | $ 358 | $ 47,545 | $ | $ 634 | $ 24,696 | $ 156,848 |
| General ALLL non-covered loans | 146,846 | 14,393 | 86,955 | 2,805 | 8,457 | 119,701 | 379,157 |
| ALLL - non-covered loans | 230,461 | 14,751 | 134,500 | 2,805 | 9,091 | 144,397 | 536,005 |
| Specific ALLL covered loans | | | | | | | |
| General ALLL covered loans | | | 34,334 | | | 175 | 34,509 |
| ALLL - covered loans | | | 34,334 | | | 175 | 34,509 |
| Total ALLL | $ 230,461 | $ 14,751 | $ 168,834 | $ 2,805 | $ 9,091 | $ 144,572 | $ 570,514 |
| **Loans held-in-portfolio:** | | | | | | | |
| Impaired non-covered loans | $ 391,066 | $ 2,536 | $ 462,806 | $ 1,188 | $ 2,645 | $ 113,865 | $ 974,106 |
| Non-covered loans held-in-portfolio excluding impaired loans | 9,739,358 | 689,956 | 6,702,673 | 66,786 | 604,282 | 3,720,905 | 21,523,960 |
| Non-covered loans held-in-portfolio | 10,130,424 | 692,492 | 7,165,479 | 67,974 | 606,927 | 3,834,770 | 22,498,066 |
| Impaired covered loans | | | | | | | |
| Covered loans held-in-portfolio excluding impaired loans | | | 645,663 | | | 19,765 | 665,428 |
| Covered loans held-in-portfolio | | | 645,663 | | | 19,765 | 665,428 |
| Total loans held-in-portfolio | $ 10,130,424 | $ 692,492 | $ 7,811,142 | $ 67,974 | $ 606,927 | $ 3,854,535 | $ 23,163,494 |

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

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| | At December 31, 2014 U.S. Mainland | | | | | |
|---|---|---|---|---|---|---|
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Consumer | Total |
| **Allowance for credit losses:** | | | | | | |
| Specific ALLL | $ | $ | $ 273 | $ | $ 365 | $ 638 |
| General ALLL | 9,648 | 1,187 | 2,189 | 2,944 | 13,978 | 29,946 |
| Total ALLL | $ 9,648 | $ 1,187 | $ 2,462 | $ 2,944 | $ 14,343 | $ 30,584 |
| **Loans held-in-portfolio:** | | | | | | |
| Impaired loans | $ 250 | $ | $ 4,255 | $ | $ 1,973 | $ 6,478 |
| Loans held-in-portfolio,excluding impaired loans | 1,759,214 | 92,436 | 1,048,130 | 80,818 | 479,261 | 3,459,859 |
| Total loans held-in-portfolio | $ 1,759,464 | $ 92,436 | $ 1,052,385 | $ 80,818 | $ 481,234 | $ 3,466,337 |

| | At December 31, 2014 Popular, Inc. | | | | | | |
|---|---|---|---|---|---|---|---|
| (In thousands) | Commercial | Construction | Mortgage | Legacy | Leasing | Consumer | Total |
| **Allowance for credit losses:** | | | | | | | |
| Specific ALLL non-covered loans | $ 64,736 | $ 363 | $ 46,111 | $ | $ 770 | $ 28,161 | $ 140,141 |
| General ALLL non-covered loans | 146,501 | 6,307 | 77,211 | 2,944 | 6,361 | 140,254 | 379,578 |
| ALLL - non-covered loans | 211,237 | 6,670 | 123,322 | 2,944 | 7,131 | 168,415 | 519,719 |
| Specific ALLL covered loans | 5 | | | | | | 5 |
| General ALLL covered loans | 30,866 | 7,202 | 40,948 | | | 3,052 | 82,068 |
| ALLL - covered loans | 30,871 | 7,202 | 40,948 | | | 3,052 | 82,073 |
| Total ALLL | $ 242,108 | $ 13,872 | $ 164,270 | $ 2,944 | $ 7,131 | $ 171,467 | $ 601,792 |
| **Loans held-in-portfolio:** | | | | | | | |
| Impaired non-covered loans | $ 357,161 | $ 13,268 | $ 435,824 | $ | $ 3,023 | $ 117,732 | $ 927,008 |
| Non-covered loans held-in-portfolio | 7,777,106 | 238,552 | 6,067,062 | 80,818 | 561,366 | 3,752,539 | 18,477,443 |

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

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***Impaired loans***

The following tables present loans individually evaluated for impairment at September 30, 2015 and December 31, 2014.

| | September 30, 2015 Puerto Rico | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Impaired Loans With an Allowance | | | Impaired Loans With No Allowance | | Impaired Loans - Total | | |
| (In thousands) | Recorded investment | Unpaid principal balance | Related allowance | Recorded investment | Unpaid principal balance | Recorded investment | Unpaid principal balance | Related allowance |
| Commercial multi-family | $ | $ | $ | $ 2,379 | $ 2,379 | $ 2,379 | $ 2,379 | $ |
| Commercial real estate non-owner occupied | 116,323 | 117,186 | 41,932 | 9,329 | 12,556 | 125,652 | 129,742 | 41,932 |
| Commercial real estate owner occupied | 143,169 | 160,158 | 22,675 | 16,504 | 23,912 | 159,673 | 184,070 | 22,675 |
| Commercial and industrial | 81,784 | 86,339 | 19,008 | 21,578 | 27,262 | 103,362 | 113,601 | 19,008 |
| Construction | 2,536 | 7,907 | 358 | | | 2,536 | 7,907 | 358 |
| Mortgage | 417,209 | 456,202 | 46,956 | 40,422 | 47,551 | 457,631 | 503,753 | 46,956 |
| Leasing | 2,645 | 2,645 | 634 | | | 2,645 | 2,645 | 634 |
| Consumer: | | | | | | | | |
| Credit cards | 39,788 | 39,788 | 7,133 | | | 39,788 | 39,788 | 7,133 |
| Personal | 69,277 | 69,277 | 16,619 | | | 69,277 | 69,277 | 16,619 |
| Auto | 2,043 | 2,043 | 361 | | | 2,043 | 2,043 | 361 |
| Other | 575 | 575 | 108 | | | 575 | 575 | 108 |
| Total Puerto Rico | $ 875,349 | $ 942,120 | $ 155,784 | $ 90,212 | $ 113,660 | $ 965,561 | $ 1,055,780 | $ 155,784 |

| | September 30, 2015 U.S. mainland | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Impaired Loans With an Allowance | | | Impaired Loans With No Allowance | | Impaired Loans - Total | | |
| (In thousands) | Recorded investment | Unpaid principal balance | Related allowance | Recorded investment | Unpaid principal balance | Recorded investment | Unpaid principal balance | Related allowance |
| Mortgage | $ 3,089 | $ 3,760 | $ 589 | $ 2,086 | $ 2,889 | $ 5,175 | $ 6,649 | $ 589 |
| Legacy | | | | 1,188 | 1,357 | 1,188 | 1,357 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Consumer: | | | | | | | | |
| HELOCs | 780 | 798 | 254 | 784 | 784 | 1,564 | 1,582 | 254 |
| Personal | 536 | 536 | 221 | 82 | 82 | 618 | 618 | 221 |
| Total U.S. mainland | $ 4,405 | $ 5,094 | $ 1,064 | $ 4,140 | $ 5,112 | $ 8,545 | $ 10,206 | $ 1,064 |

September 30, 2015

Popular, Inc.

| | Impaired Loans With an Allowance | | | Impaired Loans With No Allowance | | Impaired Loans - Total | | |
|---|---|---|---|---|---|---|---|---|
| (In thousands) | Recorded investment | Unpaid principal balance | Related allowance | Recorded investment | Unpaid principal balance | Recorded investment | Unpaid principal balance | Related allowance |
| Commercial multi-family | $ | $ | $ | $ 2,379 | $ 2,379 | $ 2,379 | $ 2,379 | $ |
| Commercial real estate non-owner occupied | 116,323 | 117,186 | 41,932 | 9,329 | 12,556 | 125,652 | 129,742 | 41,932 |
| Commercial real estate owner occupied | 143,169 | 160,158 | 22,675 | 16,504 | 23,912 | 159,673 | 184,070 | 22,675 |
| Commercial and industrial | 81,784 | 86,339 | 19,008 | 21,578 | 27,262 | 103,362 | 113,601 | 19,008 |
| Construction | 2,536 | 7,907 | 358 | | | 2,536 | 7,907 | 358 |
| Mortgage | 420,298 | 459,962 | 47,545 | 42,508 | 50,440 | 462,806 | 510,402 | 47,545 |
| Legacy | | | | 1,188 | 1,357 | 1,188 | 1,357 | |
| Leasing | 2,645 | 2,645 | 634 | | | 2,645 | 2,645 | 634 |
| Consumer: | | | | | | | | |
| Credit Cards | 39,788 | 39,788 | 7,133 | | | 39,788 | 39,788 | 7,133 |
| HELOCs | 780 | 798 | 254 | 784 | 784 | 1,564 | 1,582 | 254 |
| Personal | 69,813 | 69,813 | 16,840 | 82 | 82 | 69,895 | 69,895 | 16,840 |
| Auto | 2,043 | 2,043 | 361 | | | 2,043 | 2,043 | 361 |
| Other | 575 | 575 | 108 | | | 575 | 575 | 108 |
| Total Popular, Inc. | $ 879,754 | $ 947,214 | $ 156,848 | $ 94,352 | $ 118,772 | $ 974,106 | $ 1,065,986 | $ 156,848 |

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| | December 31, 2014 Puerto Rico | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Impaired Loans With an Allowance | | | Impaired Loans With No Allowance | | Impaired Loans - Total | | |
| (In thousands) | Recorded investment | Unpaid principal balance | Related allowance | Recorded investment | Unpaid principal balance | Recorded investment | Unpaid principal balance | Related allowance |
| Commercial real estate non-owner occupied | $ 50,324 | $ 53,154 | $ 5,182 | $ 7,929 | $ 7,929 | $ 58,253 | $ 61,083 | $ 5,182 |
| Commercial real estate owner occupied | 114,163 | 127,855 | 16,770 | 14,897 | 16,110 | 129,060 | 143,965 | 16,770 |
| Commercial and industrial | 145,633 | 148,204 | 42,784 | 23,965 | 31,722 | 169,598 | 179,926 | 42,784 |
| Construction | 2,575 | 7,980 | 363 | 10,693 | 28,994 | 13,268 | 36,974 | 363 |
| Mortgage | 395,911 | 426,502 | 45,838 | 35,658 | 39,248 | 431,569 | 465,750 | 45,838 |
| Leasing | 3,023 | 3,023 | 770 | | | 3,023 | 3,023 | 770 |
| Consumer: | | | | | | | | |
| Credit cards | 41,477 | 41,477 | 8,023 | | | 41,477 | 41,477 | 8,023 |
| Personal | 71,825 | 71,825 | 19,410 | | | 71,825 | 71,825 | 19,410 |
| Auto | 1,932 | 1,932 | 262 | | | 1,932 | 1,932 | 262 |
| Other | 525 | 525 | 101 | | | 525 | 525 | 101 |
| Covered loans | 2,419 | 7,500 | 5 | 4,487 | 4,487 | 6,906 | 11,987 | 5 |
| Total Puerto Rico | $ 829,807 | $ 889,977 | $ 139,508 | $ 97,629 | $ 128,490 | $ 927,436 | $ 1,018,467 | $ 139,508 |

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

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

The following tables present the average recorded investment and interest income recognized on impaired loans for the quarter and nine months ended September 30, 2015 and 2014.

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| | For the quarter ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Puerto Rico | | U.S. Mainland | | Popular, Inc. | |
| (In thousands) | Average recorded investment | Interest income recognized | Average recorded investment | Interest income recognized | Average recorded investment | Interest income recognized |
| Commercial multi-family | $ 1,239 | $ 23 | $ | $ | $ 1,239 | $ 23 |
| Commercial real estate non-owner occupied | 121,842 | 1,191 | | | 121,842 | 1,191 |
| Commercial real estate owner occupied | 140,054 | 1,094 | | | 140,054 | 1,094 |
| Commercial and industrial | 101,187 | 978 | | | 101,187 | 978 |
| Construction | 3,082 | | | | 3,082 | |
| Mortgage | 454,210 | 3,446 | 5,110 | 34 | 459,320 | 3,480 |
| Legacy | | | 1,273 | | 1,273 | |
| Leasing | 2,600 | | | | 2,600 | |
| Consumer: | | | | | | |
| Credit cards | 39,893 | | | | 39,893 | |
| Helocs | | | 1,608 | | 1,608 | |
| Personal | 69,619 | | 555 | | 70,174 | |
| Auto | 2,083 | | | | 2,083 | |
| Other | 614 | | | | 614 | |
| Total Popular, Inc. | $ 936,423 | $ 6,732 | $ 8,546 | $ 34 | $ 944,969 | $ 6,766 |

| | For the quarter ended September 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Puerto Rico | | U.S. Mainland | | Popular, Inc. | |
| (In thousands) | Average recorded investment | Interest income recognized | Average recorded investment | Interest income recognized | Average recorded investment | Interest income recognized |
| Commercial multi-family | $ 653 | $ | $ 980 | $ | $ 1,633 | $ |
| Commercial real estate non-owner occupied | 75,093 | 739 | 2,914 | | 78,007 | 739 |
| Commercial real estate owner occupied | 124,314 | 1,280 | 771 | | 125,085 | 1,280 |
| Commercial and industrial | 140,346 | 1,194 | 554 | | 140,900 | 1,194 |
| Construction | 19,994 | | | | 19,994 | |
| Mortgage | 419,486 | 4,990 | 29,496 | 175 | 448,982 | 5,165 |
| Legacy | | | 2,424 | | 2,424 | |
| Leasing | 2,681 | | | | 2,681 | |
| Consumer: | | | | | | |
| Credit cards | 40,666 | | | | 40,666 | |
| Helocs | | | 2,151 | | 2,151 | |
| Personal | 73,537 | | | | 73,537 | |
| Auto | 2,304 | | 43 | | 2,347 | |
| Other | 721 | | 47 | | 768 | |
| Covered loans | 5,213 | 117 | | | 5,213 | 117 |
| Total Popular, Inc. | $ 905,008 | $ 8,320 | $ 39,380 | $ 175 | $ 944,388 | $ 8,495 |

| | For the nine months ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Puerto Rico | | U.S. Mainland | | Popular, Inc. | |
| (In thousands) | Average recorded investment | Interest income recognized | Average recorded investment | Interest income recognized | Average recorded investment | Interest income recognized |
| Commercial multi-family | $ 757 | $ 23 | $ | $ | $ 757 | $ 23 |
| Commercial real estate non-owner occupied | 105,308 | 3,339 | | | 105,308 | 3,339 |
| Commercial real estate owner occupied | 134,011 | 3,591 | | | 134,011 | 3,591 |
| Commercial and industrial | 135,657 | 3,155 | 63 | | 135,720 | 3,155 |
| Construction | 7,317 | | | | 7,317 | |
| Mortgage | 446,374 | 12,010 | 4,895 | 63 | 451,269 | 12,073 |
| Legacy | | | 636 | | 636 | |
| Leasing | 2,787 | | | | 2,787 | |
| Consumer: | | | | | | |
| Credit cards | 40,615 | | | | 40,615 | |
| HELOCs | | | 1,685 | | 1,685 | |
| Personal | 70,430 | | 380 | | 70,810 | |
| Auto | 2,033 | | | | 2,033 | |
| Other | 570 | | 22 | | 592 | |
| Covered loans | 4,409 | 153 | | | 4,409 | 153 |
| Total Popular, Inc. | $ 950,268 | $ 22,271 | $ 7,681 | $ 63 | $ 957,949 | $ 22,334 |

For the nine months ended September 30, 2014

| (In thousands) | Puerto Rico Average recorded investment | Puerto Rico Interest income recognized | U.S. Mainland Average recorded investment | U.S. Mainland Interest income recognized | Popular, Inc. Average recorded investment | Popular, Inc. Interest income recognized |
|---|---|---|---|---|---|---|
| Commercial multi-family | $ 1,923 | $ 8 | $ 3,321 | $ | $ 5,244 | $ 8 |
| Commercial real estate non-owner occupied | 73,130 | 1,979 | 11,580 | | 84,710 | 1,979 |
| Commercial real estate owner occupied | 111,352 | 2,833 | 7,222 | | 118,574 | 2,833 |
| Commercial and industrial | 121,276 | 3,614 | 1,131 | | 122,407 | 3,614 |
| Construction | 19,706 | | 1,416 | | 21,122 | |
| Mortgage | 411,093 | 15,253 | 41,044 | 1,167 | 452,137 | 16,420 |
| Legacy | | | 3,651 | | 3,651 | |
| Leasing | 2,678 | | | | 2,678 | |
| Consumer: | | | | | | |
| Credit cards | 42,562 | | | | 42,562 | |
| HELOCs | | | 1,738 | | 1,738 | |
| Personal | 75,285 | | | | 75,285 | |
| Auto | 1,872 | | 65 | | 1,937 | |
| Other | 804 | | 544 | | 1,348 | |
| Covered loans | 9,228 | 351 | | | 9,228 | 351 |
| Total Popular, Inc. | $ 870,909 | $ 24,038 | $ 71,712 | $ 1,167 | $ 942,621 | $ 25,205 |

*Modifications*

Troubled debt restructurings related to non-covered loan portfolios amounted to $ 1.2 billion at September 30, 2015 (December 31, 2014 - $ 1.1 billion). The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings amounted $3 million related to the commercial loan portfolio and none in the construction loan portfolio at September 30, 2015 (December 31, 2014 - $5 million and $1 million, respectively).

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

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

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

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

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

amounts when the agreement becomes due, it could be construed that the Corporation has granted a concession by temporarily accepting a payment schedule that is different from the contractual payment schedule. Accordingly, loans under these program agreements are considered TDRs.

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

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

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

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

The following tables present the non-covered and covered loans classified as TDRs according to their accruing status at September 30, 2015 and December 31, 2014.

Popular, Inc.
Non-Covered Loans

| | September 30, 2015 | | | | December 31, 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| (In thousands) | Accruing | Non-Accruing | Total | Related Allowance | Accruing | Non-Accruing | Total | Related Allowance |
| Commercial | $ 163,782 | $ 125,168 | $ 288,950 | $ 60,340 | $ 153,380 | $ 150,069 | $ 303,449 | $ 57,465 |
| Construction | 248 | 2,288 | 2,536 | 358 | 453 | 5,488 | 5,941 | 363 |
| Mortgage | 625,886 | 127,452 | 753,338 | 47,545 | 556,346 | 116,465 | 672,811 | 46,111 |
| Leases | 1,925 | 719 | 2,644 | 634 | 775 | 2,248 | 3,023 | 770 |
| Consumer | 105,756 | 13,841 | 119,597 | 24,696 | 107,530 | 14,848 | 122,378 | 28,161 |
| Total | $ 897,597 | $ 269,468 | $ 1,167,065 | $ 133,573 | $ 818,484 | $ 289,118 | $ 1,107,602 | $ 132,870 |

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| | Popular, Inc. Covered Loans | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2015 | | | | December 31, 2014 | | | |
| (In thousands) | Accruing | Non-Accruing | Total | Related Allowance | Accruing | Non-Accruing | Total | Related Allowance |
| Commercial | $ | $ | $ | $ | $ 1,689 | $ 3,257 | $ 4,946 | $ |
| Construction | | | | | | 2,419 | 2,419 | |
| Mortgage | 2,792 | 3,322 | 6,114 | | 3,629 | 3,990 | 7,619 | |
| Consumer | | | | | 26 | 5 | 31 | |
| Total | $ 2,792 | $ 3,322 | $ 6,114 | $ | $ 5,344 | $ 9,671 | $ 15,015 | $ |

The following tables present the loan count by type of modification for those loans modified in a TDR during the quarters and nine months ended September 30, 2015 and 2014.

| | Puerto Rico | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the quarter ended September 30, 2015 | | | | For the nine months ended September 30, 2015 | | | |
| | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other |
| Commercial multi-family | | | | | | 2 | | |
| Commercial real estate non-owner occupied | 1 | 2 | | | 6 | 10 | | |
| Commercial real estate owner occupied | 12 | 5 | | | 22 | 14 | | |
| Commercial and industrial | 7 | 4 | | | 18 | 15 | | |
| Construction | | 1 | | | 1 | 1 | | |
| Mortgage | 12 | 9 | 96 | 38 | 41 | 39 | 277 | 76 |
| Leasing | | 5 | 1 | | | 7 | 15 | |
| Consumer: | | | | | | | | |
| Credit cards | 235 | | | 187 | 657 | | | 538 |
| Personal | 267 | 6 | | 1 | 769 | 24 | | 1 |
| Auto | | 3 | | | | 8 | 3 | |
| Other | 13 | | | | 35 | | | |
| Total | 547 | 35 | 97 | 226 | 1,549 | 120 | 295 | 615 |

| | U.S. Mainland | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the quarter ended September 30, 2015 | | | | For the nine months ended September 30, 2015 | | | |
| | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other |
| Mortgage | | | 4 | 1 | | 1 | 14 | 1 |
| Consumer: | | | | | | | | |
| HELOCs | | | 1 | | | 1 | 1 | 2 |
| Personal | | | | | | 2 | | |
| Total | | | 5 | 1 | | 4 | 15 | 3 |

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| | Popular, Inc. | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the quarter ended September 30, 2015 | | | | For the nine months ended September 30, 2015 | | | |
| | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other |
| Commercial multi-family | | | | | | 2 | | |
| Commercial real estate non-owner occupied | 1 | 2 | | | 6 | 10 | | |
| Commercial real estate owner occupied | 12 | 5 | | | 22 | 14 | | |
| Commercial and industrial | 7 | 4 | | | 18 | 15 | | |
| Construction | | 1 | | | 1 | 1 | | |
| Mortgage | 12 | 9 | 100 | 39 | 41 | 40 | 291 | 77 |
| Leasing | | 5 | 1 | | | 7 | 15 | |
| Consumer: | | | | | | | | |
| Credit cards | 235 | | | 187 | 657 | | | 538 |
| HELOCs | | | 1 | | | 1 | 1 | 2 |
| Personal | 267 | 6 | | 1 | 769 | 26 | | 1 |
| Auto | | 3 | | | | 8 | 3 | |
| Other | 13 | | | | 35 | | | |
| Total | 547 | 35 | 102 | 227 | 1,549 | 124 | 310 | 618 |

| | Puerto Rico | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the quarter ended September 30, 2014 | | | | For the nine months ended September 30, 2014 | | | |
| | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other |
| Commercial real estate non-owner occupied | 3 | 3 | | | 5 | 7 | | |
| | 6 | 3 | | | 21 | 10 | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Commercial real estate owner occupied | | | | | | | | |
| Commercial and industrial | 2 | 31 | | | 25 | 37 | | |
| Construction | | | | | | 3 | | |
| Mortgage | 7 | 11 | 80 | 31 | 34 | 37 | 270 | 98 |
| Leasing | | 6 | 12 | | | 11 | 36 | |
| Consumer: | | | | | | | | |
| Credit cards | 252 | | | 151 | 799 | | | 478 |
| Personal | 249 | 20 | | 2 | 712 | 53 | | 5 |
| Auto | | 3 | | | | 11 | 3 | |
| Other | 40 | | | | 83 | | | 2 |
| Total | 559 | 77 | 92 | 184 | 1,679 | 169 | 309 | 583 |

| | U.S. Mainland | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the quarter ended September 30, 2014 | | | | For the nine months ended September 30, 2014 | | | |
| | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other |
| Mortgage | | | 4 | | | | 15 | |
| Consumer: | | | | | | | | |
| HELOCs | 5 | | | | 5 | | | |
| Total | 5 | | 4 | | 5 | | 15 | |

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| | Popular, Inc. | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the quarter ended September 30, 2014 | | | | For the nine months ended September 30, 2014 | | | |
| | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other | Reduction in interest rate | Extension of maturity date | Combination of reduction in interest rate and extension of maturity date | Other |
| Commercial real estate non-owner occupied | 3 | 3 | | | 5 | 7 | | |
| Commercial real estate owner occupied | 6 | 3 | | | 21 | 10 | | |
| Commercial and industrial | 2 | 31 | | | 25 | 37 | | |
| Construction | | | | | | 3 | | |
| Mortgage | 7 | 11 | 84 | 31 | 34 | 37 | 285 | 98 |
| Leasing | | 6 | 12 | | | 11 | 36 | |
| Consumer: | | | | | | | | |
| Credit cards | 252 | | | 151 | 799 | | | 478 |
| HELOCs | 5 | | | | 5 | | | |
| Personal | 249 | 20 | | 2 | 712 | 53 | | 5 |
| Auto | | 3 | | | | 11 | 3 | |
| Other | 40 | | | | 83 | | | 2 |
| Total | 564 | 77 | 96 | 184 | 1,684 | 169 | 324 | 583 |

The following tables present by class, quantitative information related to loans modified as TDRs during the quarters and nine months ended September 30, 2015 and 2014.

| | Puerto Rico | | | |
|---|---|---|---|---|
| | For the quarter ended September 30, 2015 | | | |
| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
| | 3 | $ 775 | $ 769 | $ 33 |

| | | | | |
|---|---|---|---|---|
| Commercial real estate non-owner occupied | | | | |
| Commercial real estate owner occupied | 17 | 2,830 | 2,654 | (3) |
| Commercial and industrial | 11 | 7,970 | 8,386 | 10 |
| Construction | 1 | 40 | 39 | (4) |
| Mortgage | 155 | 18,089 | 18,286 | 1,490 |
| Leasing | 6 | 135 | 132 | 30 |
| Consumer: | | | | |
| Credit cards | 422 | 3,485 | 3,994 | 583 |
| Personal | 274 | 4,393 | 4,440 | 992 |
| Auto | 3 | 41 | 45 | 12 |
| Other | 13 | 30 | 30 | 5 |
| Total | 905 | $ 37,788 | $ 38,775 | $ 3,148 |

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

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Mortgage | 5 | $ 426 | $ 454 | $ 186 |
| Consumer: | | | | |
| HELOCs | 1 | 123 | 128 | 54 |
| Total | 6 | $ 549 | $ 582 | $ 240 |

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

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Commercial real estate non-owner occupied | 3 | $ 775 | $ 769 | $ 33 |
| Commercial real estate owner occupied | 17 | 2,830 | 2,654 | (3) |
| Commercial and industrial | 11 | 7,970 | 8,386 | 10 |
| Construction | 1 | 40 | 39 | (4) |
| Mortgage | 160 | 18,515 | 18,740 | 1,676 |
| Leasing | 6 | 135 | 132 | 30 |
| Consumer: | | | | |
| Credit cards | 422 | 3,485 | 3,994 | 583 |
| HELOCs | 1 | 123 | 128 | 54 |
| Personal | 274 | 4,393 | 4,440 | 992 |
| Auto | 3 | 41 | 45 | 12 |
| Other | 13 | 30 | 30 | 5 |
| Total | 911 | $ 38,337 | $ 39,357 | $ 3,388 |

Puerto Rico
For the quarter ended September 30, 2014

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Commercial real estate non-owner occupied | 6 | $ 14,641 | $ 14,668 | $ (942) |
| Commercial real estate owner occupied | 9 | 10,209 | 10,366 | 91 |
| Commercial and industrial | 33 | 81,470 | 81,731 | 6,730 |
| Mortgage | 129 | 22,681 | 22,070 | 1,487 |
| Leasing | 18 | 440 | 439 | 88 |
| Consumer: | | | | |
| Credit cards | 403 | 3,522 | 4,080 | 679 |
| Personal | 271 | 5,035 | 5,064 | 1,093 |

| | | | | |
|---|---|---|---|---|
| Auto | 3 | 39 | 43 | 2 |
| Other | 40 | 152 | 148 | 28 |
| Total | 912 | $ 138,189 | $ 138,609 | $ 9,256 |

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

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Mortgage | 4 | $ 350 | $ 353 | $ 97 |
| Consumer: | | | | |
| HELOCs | 5 | 251 | 250 | 67 |
| Total | 9 | $ 601 | $ 603 | $ 164 |

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

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Commercial real estate non-owner occupied | 6 | $ 14,641 | $ 14,668 | $ (942) |
| Commercial real estate owner occupied | 9 | 10,209 | 10,366 | 91 |
| Commercial and industrial | 33 | 81,470 | 81,731 | 6,730 |
| Mortgage | 133 | 23,031 | 22,423 | 1,584 |
| Leasing | 18 | 440 | 439 | 88 |
| Consumer: | | | | |
| Credit cards | 403 | 3,522 | 4,080 | 679 |
| HELOCs | 5 | 251 | 250 | 67 |
| Personal | 271 | 5,035 | 5,064 | 1,093 |
| Auto | 3 | 39 | 43 | 2 |
| Other | 40 | 152 | 148 | 28 |
| Total | 921 | $ 138,790 | $ 139,212 | $ 9,420 |

Puerto Rico
For the nine months ended September 30, 2015

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Commercial multi-family | 2 | $ 551 | $ 551 | $ 2 |
| Commercial real estate non-owner occupied | 16 | 67,494 | 67,635 | 13,701 |
| Commercial real estate owner occupied | 36 | 12,620 | 11,690 | 330 |
| Commercial and industrial | 33 | 20,337 | 21,272 | 672 |
| Construction | 2 | 308 | 298 | (170) |
| Mortgage | 433 | 42,275 | 48,197 | 3,786 |
| Leasing | 22 | 557 | 556 | 126 |
| Consumer: | | | | |
| Credit cards | 1,195 | 10,367 | 11,747 | 1,780 |
| Personal | 794 | 13,646 | 13,689 | 2,968 |
| Auto | 11 | 101 | 158 | 29 |

| | | | | |
|---|---|---|---|---|
| Other | 35 | 86 | 97 | 14 |
| Total | 2,579 | $ 168,342 | $ 175,890 | $ 23,238 |

U.S. mainland
For the nine months ended September 30, 2015

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Mortgage | 16 | $ 1,081 | $ 2,112 | $ 365 |
| Consumer: | | | | |
| HELOCs | 4 | 197 | 295 | 79 |
| Personal | 2 | 30 | 30 | 3 |
| Total | 22 | $ 1,308 | $ 2,437 | $ 447 |

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Popular, Inc.
For the nine months ended September 30, 2015

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Commercial multi-family | 2 | $ 551 | $ 551 | $ 2 |
| Commercial real estate non-owner occupied | 16 | 67,494 | 67,635 | 13,701 |
| Commercial real estate owner occupied | 36 | 12,620 | 11,690 | 330 |
| Commercial and industrial | 33 | 20,337 | 21,272 | 672 |
| Construction | 2 | 308 | 298 | (170) |
| Mortgage | 449 | 43,356 | 50,309 | 4,151 |
| Leasing | 22 | 557 | 556 | 126 |
| Consumer: | | | | |
| Credit cards | 1,195 | 10,367 | 11,747 | 1,780 |
| HELOCs | 4 | 197 | 295 | 79 |
| Personal | 796 | 13,676 | 13,719 | 2,971 |
| Auto | 11 | 101 | 158 | 29 |
| Other | 35 | 86 | 97 | 14 |
| Total | 2,601 | $ 169,650 | $ 178,327 | $ 23,685 |

Puerto Rico
For the nine months ended September 30, 2014

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Commercial real estate non-owner occupied | 12 | $ 17,503 | $ 17,583 | $ (864) |
| Commercial real estate owner occupied | 31 | 43,467 | 43,176 | 1,511 |
| Commercial and industrial | 62 | 123,661 | 123,706 | 6,799 |
| Construction | 3 | 11,358 | 11,358 | (570) |
| Mortgage | 439 | 68,718 | 69,006 | 3,429 |
| Leasing | 47 | 1,153 | 1,156 | 254 |
| Consumer: | | | | |
| Credit cards | 1,277 | 10,474 | 11,982 | 1,908 |
| Personal | 770 | 13,484 | 13,529 | 2,859 |

| | | | | |
|---|---|---|---|---|
| Auto | 14 | 215 | 225 | 12 |
| Other | 85 | 255 | 250 | 45 |
| Total | 2,740 | $ 290,288 | $ 291,971 | $ 15,383 |

U.S. mainland
For the nine months ended September 30, 2014

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Mortgage | 15 | $ 1,918 | $ 2,180 | $ 337 |
| Consumer: | | | | |
| HELOCs | 5 | 251 | 250 | 67 |
| Total | 20 | $ 2,169 | $ 2,430 | $ 404 |

Popular, Inc.
For the nine months ended September 30, 2014

| (Dollars in thousands) | Loan count | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment | Increase (decrease) in the allowance for loan losses as a result of modification |
|---|---|---|---|---|
| Commercial real estate non-owner occupied | 12 | $ 17,503 | $ 17,583 | $ (864) |
| Commercial real estate owner occupied | 31 | 43,467 | 43,176 | 1,511 |
| Commercial and industrial | 62 | 123,661 | 123,706 | 6,799 |
| Construction | 3 | 11,358 | 11,358 | (570) |
| Mortgage | 454 | 70,636 | 71,186 | 3,766 |
| Leasing | 47 | 1,153 | 1,156 | 254 |
| Consumer: | | | | |
| Credit cards | 1,277 | 10,474 | 11,982 | 1,908 |
| HELOCs | 5 | 251 | 250 | 67 |
| Personal | 770 | 13,484 | 13,529 | 2,859 |
| Auto | 14 | 215 | 225 | 12 |
| Other | 85 | 255 | 250 | 45 |
| Total | 2,760 | $ 292,457 | $ 294,401 | $ 15,787 |

During the nine months ended September 30, 2015 and 2014, eleven loans with an aggregate unpaid principal balance of $10.8 million and four loans of $3.1 million, respectively, were restructured into multiple notes ( Note A / B split ). The Corporation recorded $747 thousand charge-offs as part of those loan restructurings during the nine months ended September 30, 2015 (September 30, 2014 - $14 thousand). The restructuring of those loans was made after analyzing the borrowers capacity to repay the debt, collateral and ability to perform under the modified terms. The recorded investment on those commercial TDRs amounted to approximately $10.2 million at September 30, 2015 (September 30, 2014 - $3.4 million) with a related allowance for loan losses amounting to approximately $309 thousand (September 30, 2014 - $111 thousand).

The following tables present by class, TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date. Payment default is defined as a restructured loan becoming 90 days past due after being modified, foreclosed or charged-off, whichever occurs first. The recorded investment at September 30, 2015 is inclusive of all partial paydowns and charge-offs since the modification date. Loans modified as a TDR that were fully paid down, charged-off or foreclosed upon by period end are not reported.

Puerto Rico

| | Defaulted during the quarter ended September 30, 2015 | | Defaulted during the nine months ended September 30, 2015 | |
|---|---|---|---|---|
| (Dollars in thousands) | Loan count | Recorded investment as of first default date | Loan count | Recorded investment as of first default date |

| | | | | | | |
|---|---|---|---|---|---|---|
| Commercial real estate owner occupied | | | | 1 | $ | 291 |
| Commercial and industrial | 3 | $ | 521 | 5 | | 675 |
| Construction | | | | 2 | | 1,192 |
| Mortgage | 51 | | 4,208 | 85 | | 11,633 |
| Leasing | 1 | | 68 | 7 | | 170 |
| Consumer: | | | | | | |
| Credit cards | 124 | | 1,444 | 314 | | 3,238 |
| Personal | 29 | | 669 | 42 | | 990 |
| Auto | 2 | | 33 | 9 | | 128 |
| Total | 210 | $ | 6,943 | 465 | $ | 18,317 |

U.S. Mainland

| (Dollars in thousands) | Defaulted during the quarter ended September 30, 2015 | | | Defaulted during the nine months ended September 30, 2015 | | |
|---|---|---|---|---|---|---|
| | Loan count | | Recorded investment as of first default date | Loan count | | Recorded investment as of first default date |
| Mortgage | 1 | $ | 94 | 1 | | 94 |
| Total | 1 | $ | 94 | 1 | $ | 94 |

Popular, Inc.

| (Dollars in thousands) | Defaulted during the quarter ended September 30, 2015 | | | Defaulted during the nine months ended September 30, 2015 | | |
|---|---|---|---|---|---|---|
| | Loan count | | Recorded investment as of first default date | Loan count | | Recorded investment as of first default date |
| Commercial real estate owner occupied | | $ | | 1 | $ | 291 |
| Commercial and industrial | 3 | | 521 | 5 | | 675 |
| Construction | | | | 2 | | 1,192 |
| Mortgage | 52 | | 4,302 | 86 | | 11,727 |
| Legacy | 1 | | 68 | 7 | | 170 |
| Consumer: | | | | | | |
| Credit cards | 124 | | 1,444 | 314 | | 3,238 |
| Personal | 29 | | 669 | 42 | | 990 |
| Auto | 2 | | 33 | 9 | | 128 |
| Total | 211 | $ | 7,037 | 466 | $ | 18,411 |

Puerto Rico

| (Dollars in thousands) | Defaulted during the quarter ended September 30, 2014 | | | Defaulted during the nine months ended September 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Loan count | | Recorded investment as of first default date | Loan count | | Recorded investment as of first default date |
| Commercial real estate non-owner occupied | | $ | | 1 | $ | 30 |
| Commercial real estate owner occupied | | | | 3 | | 377 |
| Commercial and industrial | | | | 5 | | 609 |
| Construction | 1 | | 952 | 1 | | 952 |
| Mortgage | 40 | | 8,569 | 91 | | 19,160 |
| Leasing | 3 | | 34 | 8 | | 95 |
| Consumer: | | | | | | |
| Credit cards | 166 | | 1,314 | 354 | | 3,075 |
| Personal | 35 | | 412 | 79 | | 992 |

| | | | | | |
|---|---|---|---|---|---|
| Auto | 2 | | 31 | 14 | | 265 |
| Total | 247 | $ | 11,312 | 556 | $ | 25,555 |

| | U.S. Mainland | | | | | |
|---|---|---|---|---|---|---|
| | Defaulted during the quarter ended September 30, 2014 | | | Defaulted during the nine months ended September 30, 2014 | | |
| (Dollars in thousands) | Loan count | | Recorded investment as of first default date | Loan count | | Recorded investment as of first default date |
| Commercial real estate non-owner occupied | | $ | | 1 | $ | 907 |
| Mortgage | 1 | | 110 | 1 | | 110 |
| Total | 1 | $ | 110 | 2 | $ | 1,017 |

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| | Popular, Inc. | | | |
|---|---|---|---|---|
| | Defaulted during the quarter ended September 30, 2014 | | Defaulted during the nine months ended September 30, 2014 | |
| (Dollars in thousands) | Loan count | Recorded investment as of first default date | Loan count | Recorded investment as of first default date |
| Commercial real estate non-owner occupied | | $ | 2 | $ 937 |
| Commercial real estate owner occupied | | | 3 | 377 |
| Commercial and industrial | | | 5 | 609 |
| Construction | 1 | 952 | 1 | 952 |
| Mortgage | 41 | 8,679 | 92 | 19,270 |
| Leasing | 3 | 34 | 8 | 95 |
| Consumer: | | | | |
| Credit cards | 166 | 1,314 | 354 | 3,075 |
| Personal | 35 | 412 | 79 | 992 |
| Auto | 2 | 31 | 14 | 265 |
| Total | 248 | $ 11,422 | 558 | $ 26,572 |

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

*Credit Quality*

The following table presents the outstanding balance, net of unearned income, of non-covered loans held-in-portfolio based on the Corporation s assignment of obligor risk ratings as defined at September 30, 2015 and December 31, 2014.

| | September 30, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (In thousands) | Watch | Special Mention | Substandard | Doubtful | Loss | Sub-total | Pass/ Unrated | Total |
| **Puerto Rico**[1] | | | | | | | | |
| Commercial multi-family | $ 2,327 | $ 1,300 | $ 8,144 | $ | $ | $ 11,771 | $ 121,796 | $ 133,567 |
| Commercial real estate non-owner occupied | 280,884 | 439,644 | 458,908 | | | 1,179,436 | 1,571,671 | 2,751,107 |
| Commercial real estate owner | 318,261 | 165,409 | 472,505 | 2,258 | | 958,433 | 975,039 | 1,933,472 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| occupied | | | | | | | | |
| Commercial and industrial | 207,925 | 153,972 | 310,990 | 633 | 98 | 673,618 | 2,029,980 | 2,703,598 |
| Total Commercial | 809,397 | 760,325 | 1,250,547 | 2,891 | 98 | 2,823,258 | 4,698,486 | 7,521,744 |
| Construction | 5,573 | 7,619 | 33,884 | | | 47,076 | 61,602 | 108,678 |
| Mortgage | 3,640 | 6,003 | 247,674 | | | 257,317 | 5,963,078 | 6,220,395 |
| Leasing | | | 3,014 | | 77 | 3,091 | 603,836 | 606,927 |
| Consumer: | | | | | | | | |
| Credit cards | | | 19,092 | | | 19,092 | 1,102,385 | 1,121,477 |
| HELOCs | | | 72 | | | 72 | 11,377 | 11,449 |
| Personal | 1,488 | 1,553 | 23,309 | | | 26,350 | 1,206,495 | 1,232,845 |
| Auto | | | 11,834 | | 82 | 11,916 | 793,074 | 804,990 |
| Other | | | 1,770 | | 457 | 2,227 | 187,908 | 190,135 |
| Total Consumer | 1,488 | 1,553 | 56,077 | | 539 | 59,657 | 3,301,239 | 3,360,896 |
| Total Puerto Rico | $ 820,098 | $ 775,500 | $ 1,591,196 | $ 2,891 | $ 714 | $ 3,190,399 | $ 14,628,241 | $ 17,818,640 |
| **U.S. mainland** | | | | | | | | |
| Commercial multi-family | $ 15,028 | $ 7,231 | $ 475 | $ | $ | $ 22,734 | $ 628,340 | $ 651,074 |
| Commercial real estate non-owner occupied | 52,349 | 7,295 | 16,498 | | | 76,142 | 802,420 | 878,562 |
| Commercial real estate owner occupied | 10,975 | 1,091 | 3,700 | | | 15,766 | 131,430 | 147,196 |
| Commercial and industrial | 15,001 | 7,497 | 196,691 | | | 219,189 | 712,659 | 931,848 |
| Total Commercial | 93,353 | 23,114 | 217,364 | | | 333,831 | 2,274,849 | 2,608,680 |
| Construction | | 58,197 | 671 | | | 58,868 | 524,946 | 583,814 |
| Mortgage | | | 12,388 | | | 12,388 | 932,696 | 945,084 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Legacy | 6,970 | 1,974 | 7,002 | | | 15,946 | 52,028 | 67,974 |
| Consumer: | | | | | | | | |
| Credit cards | | | | | | | 14,033 | 14,033 |
| HELOCs | | | 1,421 | | 2,657 | 4,078 | 311,032 | 315,110 |
| Personal | | | 456 | | 525 | 981 | 143,305 | 144,286 |
| Auto | | | | | | | 73 | 73 |
| Other | | | | | | | 372 | 372 |
| Total Consumer | | | 1,877 | | 3,182 | 5,059 | 468,815 | 473,874 |
| Total U.S. mainland | $ 100,323 | $ 83,285 | $ 239,302 | $ | $ 3,182 | $ 426,092 | $ 4,253,334 | $ 4,679,426 |
| **Popular, Inc.** | | | | | | | | |
| Commercial multi-family | $ 17,355 | $ 8,531 | $ 8,619 | $ | $ | $ 34,505 | $ 750,136 | $ 784,641 |
| Commercial real estate non-owner occupied | 333,233 | 446,939 | 475,406 | | | 1,255,578 | 2,374,091 | 3,629,669 |
| Commercial real estate owner occupied | 329,236 | 166,500 | 476,205 | 2,258 | | 974,199 | 1,106,469 | 2,080,668 |
| Commercial and industrial | 222,926 | 161,469 | 507,681 | 633 | 98 | 892,807 | 2,742,639 | 3,635,446 |
| Total Commercial | 902,750 | 783,439 | 1,467,911 | 2,891 | 98 | 3,157,089 | 6,973,335 | 10,130,424 |
| Construction | 5,573 | 65,816 | 34,555 | | | 105,944 | 586,548 | 692,492 |
| Mortgage | 3,640 | 6,003 | 260,062 | | | 269,705 | 6,895,774 | 7,165,479 |
| Legacy | 6,970 | 1,974 | 7,002 | | | 15,946 | 52,028 | 67,974 |
| Leasing | | | 3,014 | | 77 | 3,091 | 603,836 | 606,927 |
| Consumer: | | | | | | | | |
| Credit cards | | | 19,092 | | | 19,092 | 1,116,418 | 1,135,510 |
| HELOCs | | | 1,493 | | 2,657 | 4,150 | 322,409 | 326,559 |
| Personal | 1,488 | 1,553 | 23,765 | | 525 | 27,331 | 1,349,800 | 1,377,131 |
| Auto | | | 11,834 | | 82 | 11,916 | 793,147 | 805,063 |
| Other | | | 1,770 | | 457 | 2,227 | 188,280 | 190,507 |
| Total Consumer | 1,488 | 1,553 | 57,954 | | 3,721 | 64,716 | 3,770,054 | 3,834,770 |
| Total Popular, Inc. | $ 920,421 | $ 858,785 | $ 1,830,498 | $ 2,891 | $ 3,896 | $ 3,616,491 | $ 18,881,575 | $ 22,498,066 |

The following table presents the weighted average obligor risk rating at September 30, 2015 for those classifications that consider a range of rating scales.

| **Weighted average obligor risk rating** | (Scales 11 and 12) | (Scales 1 through 8) |
|---|---|---|
| | Substandard | Pass |
| **Puerto Rico:**[1] | | |
| Commercial multi-family | 11.16 | 6.04 |
| Commercial real estate non-owner occupied | 11.10 | 6.73 |
| Commercial real estate owner occupied | 11.23 | 7.08 |
| Commercial and industrial | 11.24 | 7.10 |
| Total Commercial | 11.18 | 6.95 |
| Construction | 11.11 | 7.56 |
| | Substandard | Pass |
| **U.S. mainland:** | | |
| Commercial multi-family | 11.10 | 7.14 |
| Commercial real estate non-owner occupied | 11.00 | 6.90 |
| Commercial real estate owner occupied | 11.20 | 6.97 |
| Commercial and industrial | 11.56 | 6.28 |
| Total Commercial | 11.51 | 6.78 |
| Construction | 11.00 | 7.84 |
| Legacy | 11.14 | 7.71 |

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

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| | December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (In thousands) | Watch | Special Mention | Substandard | Doubtful | Loss | Sub-total | Pass/Unrated | Total |
| **Puerto Rico**[1] | | | | | | | | |
| Commercial multi-family | $ 2,306 | $ 5,021 | $ 3,186 | $ | $ | $ 10,513 | $ 69,564 | $ 80,077 |
| Commercial real estate non-owner occupied | 171,771 | 144,104 | 169,900 | | | 485,775 | 1,527,804 | 2,013,579 |
| Commercial real estate owner occupied | 212,236 | 144,536 | 306,014 | 3,595 | | 666,381 | 806,981 | 1,473,362 |
| Commercial and industrial | 421,332 | 367,834 | 272,880 | 849 | 255 | 1,063,150 | 1,744,635 | 2,807,785 |
| Total Commercial | 807,645 | 661,495 | 751,980 | 4,444 | 255 | 2,225,819 | 4,148,984 | 6,374,803 |
| Construction | 4,612 | 6,204 | 16,908 | | | 27,724 | 131,660 | 159,384 |
| Mortgage | | | 218,680 | | | 218,680 | 5,231,821 | 5,450,501 |
| Leasing | | | 3,102 | | | 3,102 | 561,287 | 564,389 |
| Consumer: | | | | | | | | |
| Credit cards | | | 21,070 | | | 21,070 | 1,119,094 | 1,140,164 |
| HELOCs | | | 8,186 | | 7 | 8,193 | 5,207 | 13,400 |
| Personal | | | 8,380 | | 77 | 8,457 | 1,254,076 | 1,262,533 |
| Auto | | | 11,348 | | 40 | 11,388 | 755,908 | 767,296 |
| Other | | | 2,130 | | 1,735 | 3,865 | 201,779 | 205,644 |
| Total Consumer | | | 51,114 | | 1,859 | 52,973 | 3,336,064 | 3,389,037 |
| Total Puerto Rico | $ 812,257 | $ 667,699 | $ 1,041,784 | $ 4,444 | $ 2,114 | $ 2,528,298 | $ 13,409,816 | $ 15,938,114 |
| **U.S. mainland** | | | | | | | | |
| Commercial multi-family | $ 11,283 | $ 6,818 | $ 13,653 | $ | $ | $ 31,754 | $ 375,449 | $ 407,203 |
| Commercial real estate non-owner occupied | 17,424 | 8,745 | 13,446 | | | 39,615 | 472,952 | 512,567 |
| Commercial real estate owner occupied | 24,284 | 4,707 | 4,672 | | | 33,663 | 160,242 | 193,905 |
| | 5,357 | 2,548 | 7,988 | | | 15,893 | 629,896 | 645,789 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Commercial and industrial | | | | | | | | |
| Total Commercial | 58,348 | 22,818 | 39,759 | | | 120,925 | 1,638,539 | 1,759,464 |
| Construction | | | | | | | 92,436 | 92,436 |
| Mortgage | | | 23,100 | | | 23,100 | 1,029,285 | 1,052,385 |
| Legacy | 7,902 | 2,491 | 9,204 | | | 19,597 | 61,221 | 80,818 |
| Consumer: | | | | | | | | |
| Credit cards | | | | | | | 15,065 | 15,065 |
| HELOCs | | | 2,457 | | 1,632 | 4,089 | 348,673 | 352,762 |
| Personal | | | 571 | | 835 | 1,406 | 111,513 | 112,919 |
| Auto | | | | | | | 73 | 73 |
| Other | | | 7 | | | 7 | 408 | 415 |
| Total Consumer | | | 3,035 | | 2,467 | 5,502 | 475,732 | 481,234 |
| Total U.S. mainland | $ 66,250 | $ 25,309 | $ 75,098 | $ | $ 2,467 | $ 169,124 | $ 3,297,213 | $ 3,466,337 |
| **Popular, Inc.** | | | | | | | | |
| Commercial multi-family | $ 13,589 | $ 11,839 | $ 16,839 | $ | $ | $ 42,267 | $ 445,013 | $ 487,280 |
| Commercial real estate non-owner occupied | 189,195 | 152,849 | 183,346 | | | 525,390 | 2,000,756 | 2,526,146 |
| Commercial real estate owner occupied | 236,520 | 149,243 | 310,686 | 3,595 | | 700,044 | 967,223 | 1,667,267 |
| Commercial and industrial | 426,689 | 370,382 | 280,868 | 849 | 255 | 1,079,043 | 2,374,531 | 3,453,574 |
| Total Commercial | 865,993 | 684,313 | 791,739 | 4,444 | 255 | 2,346,744 | 5,787,523 | 8,134,267 |
| Construction | 4,612 | 6,204 | 16,908 | | | 27,724 | 224,096 | 251,820 |
| Mortgage | | | 241,780 | | | 241,780 | 6,261,106 | 6,502,886 |
| Legacy | 7,902 | 2,491 | 9,204 | | | 19,597 | 61,221 | 80,818 |
| Leasing | | | 3,102 | | | 3,102 | 561,287 | 564,389 |
| Consumer: | | | | | | | | |
| Credit cards | | | 21,070 | | | 21,070 | 1,134,159 | 1,155,229 |
| HELOCs | | | 10,643 | | 1,639 | 12,282 | 353,880 | 366,162 |
| Personal | | | 8,951 | | 912 | 9,863 | 1,365,589 | 1,375,452 |
| Auto | | | 11,348 | | 40 | 11,388 | 755,981 | 767,369 |
| Other | | | 2,137 | | 1,735 | 3,872 | 202,187 | 206,059 |
| Total Consumer | | | 54,149 | | 4,326 | 58,475 | 3,811,796 | 3,870,271 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total Popular, Inc. | $ 878,507 | $ 693,008 | $ 1,116,882 | $ 4,444 | $ 4,581 | $ 2,697,422 | $ 16,707,029 | $ 19,404,451 |

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The following table presents the weighted average obligor risk rating at December 31, 2014 for those classifications that consider a range of rating scales.

| Weighted average obligor risk rating | (Scales 11 and 12) Substandard | (Scales 1 through 8) Pass |
|---|---|---|
| **Puerto Rico:**[1] | | |
| Commercial multi-family | 11.69 | 5.63 |
| Commercial real estate non-owner occupied | 11.20 | 6.83 |
| Commercial real estate owner occupied | 11.28 | 6.96 |
| Commercial and industrial | 11.48 | 6.89 |
| Total Commercial | 11.33 | 6.87 |
| Construction | 11.82 | 7.43 |

| | Substandard | Pass |
|---|---|---|
| **U.S. mainland:** | | |
| Commercial multi-family | 11.00 | 7.24 |
| Commercial real estate non-owner occupied | 11.00 | 6.83 |
| Commercial real estate owner occupied | 11.17 | 7.04 |
| Commercial and industrial | 11.09 | 6.29 |
| Total Commercial | 11.04 | 6.74 |
| Construction | | 7.76 |
| Legacy | 11.11 | 7.70 |

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

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**Note 13 FDIC loss-share asset and true-up payment obligation**

In connection with the Westernbank FDIC-assisted transaction, BPPR entered into loss-share arrangements with the FDIC with respect to the covered loans and other real estate owned. Pursuant to the terms of the loss-share arrangements, the FDIC s obligation to reimburse BPPR for losses with respect to covered assets begins with the first dollar of loss incurred. The FDIC reimburses BPPR for 80% of losses with respect to covered assets, and BPPR reimburses the FDIC for 80% of recoveries with respect to losses for which the FDIC paid 80% reimbursement under loss-share arrangements. The loss-share agreement applicable to single-family residential mortgage loans provides for FDIC loss and recoveries sharing for ten years expiring at the end of the quarter ending June 30, 2020. The loss-share arrangements applicable to commercial (including construction) and consumer loans expired during the quarter ended June 30, 2015 and provides for reimbursement to the FDIC through the quarter ending June 30, 2018.

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

| | Quarters ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Balance at beginning of period | $ 392,947 | $ 712,869 | $ 542,454 | $ 909,414 |
| Amortization | (3,931) | (42,524) | (62,312) | (163,565) |
| Reversal of accelerated amortization in prior periods | | 15,046 | | 15,046 |
| Credit impairment losses (reversal) to be covered under loss-sharing agreements | (183) | 9,863 | 15,710 | 35,325 |
| Reimbursable expenses | 6,276 | 15,545 | 70,551 | 39,375 |
| Net payments from FDIC under loss-sharing agreements | (80,993) | (68,183) | (245,416) | (178,801) |
| Other adjustments attributable to FDIC loss-sharing agreements | (2,170) | (6,285) | (9,041) | (20,463) |
| Balance at end of period | $ 311,946 | $ 636,331 | $ 311,946 | $ 636,331 |

As a result of the expiration of the shared-loss arrangement under the commercial loss-share agreement on June 30, 2015, loans with a carrying amount at June 30, 2015 of approximately $248.7 million, which were reclassified to non-covered in the accompanying statement of financial condition, are subject to the resolution of several arbitration proceedings currently ongoing with the FDIC related primarily to (i) the FDIC s denial of reimbursements for certain charge-offs claimed by BPPR with respect to certain loans and the treatment of those loans as shared-loss assets under the commercial loss-share agreement; and (ii) the denial by the FDIC of portfolio sale proposals submitted by BPPR pursuant to the applicable commercial shared-loss agreement provision governing portfolio sales. Until the disputes described above are finally resolved, the terms of the commercial loss-share agreement will remain in effect with respect to any such items under dispute. As of September 30, 2015, losses amounting to $141.3 million related to these assets are reflected in the FDIC indemnification asset as a receivable from the FDIC. Refer to additional information of these disputes on Note 26, Commitments and Contingencies.

The weighted average life of the single family loan portfolio subject to the FDIC loss-sharing agreement at September 30, 2015 is 7.58 years.

As part of the loss-share agreements, BPPR has agreed to make a true-up payment to the FDIC on the date that is 45 days following the last day (such day, the true-up measurement date ) of the final shared-loss month, or upon the final disposition of all covered assets under the loss-share agreements, in the event losses on the loss-share agreements fail to reach expected levels. The estimated fair value of such true-up payment obligation is recorded as contingent consideration, which is included in the caption of other liabilities in the consolidated statements of financial condition. Under the loss sharing agreements, BPPR will pay to the FDIC 50% of the excess, if any, of: (i) 20% of the intrinsic loss estimate of $4.6 billion (or $925 million) (as determined by the FDIC) less (ii) the sum of: (A) 25% of the asset discount (per bid) (or ($1.1 billion)); plus (B) 25% of the cumulative shared-loss payments (defined as the aggregate of all of the payments made or payable to BPPR minus the aggregate of all of the payments made or payable to the FDIC); plus (C) the sum of the period servicing amounts for every consecutive twelve-month period prior to and ending on the true-up measurement date in respect of each of the loss-sharing agreements during which the loss-sharing provisions of the applicable loss-sharing agreement is in effect (defined as the product of the simple average of the principal amount of shared- loss loans and shared-loss assets at the beginning and end of such period times 1%).

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The following table provides the fair value and the undiscounted amount of the true-up payment obligation at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
| --- | --- | --- |
| Carrying amount (fair value) | $ 122,527 | $ 129,304 |
| Undiscounted amount | $ 170,531 | $ 187,238 |

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

- manage and administer the covered assets and collect and effect charge-offs and recoveries with respect to such covered assets in a manner consistent with its usual and prudent business and banking practices and, with respect to single family shared-loss loans, the procedures (including collection procedures) customarily employed by BPPR in servicing and administering mortgage loans for its own account and the servicing procedures established by FNMA or the Federal Home Loan Mortgage Corporation ( FHLMC ), as in effect from time to time, and in accordance with accepted mortgage servicing practices of prudent lending institutions;
- exercise its best judgment in managing, administering and collecting amounts on covered assets and effecting charge-offs with respect to the covered assets;
- use commercially reasonable efforts to maximize recoveries with respect to losses on single family shared-loss assets and best efforts to maximize collections with respect to commercial shared-loss assets;
- retain sufficient staff to perform the duties under the loss-share agreements;
- adopt and implement accounting, reporting, record-keeping and similar systems with respect to the commercial shared-loss assets;
- comply with the terms of the modification guidelines approved by the FDIC or another federal agency for any single-family shared-loss loan;
- provide notice with respect to proposed transactions pursuant to which a third party or affiliate will manage, administer or collect any commercial shared-loss assets;

- file monthly and quarterly certificates with the FDIC specifying the amount of losses, charge-offs and recoveries; and
- maintain books and records sufficient to ensure and document compliance with the terms of the loss-share agreements.

Refer to Note 26, Commitment and Contingencies, for additional information on the settlement of the arbitration proceedings with the FDIC regarding the commercial loss-share agreement.

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## Note 14 Mortgage banking activities

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

The following table presents the components of mortgage banking activities:

| (In thousands) | Quarters ended September 30, 2015 | 2014 | Nine months ended September 30, 2015 | 2014 |
|---|---|---|---|---|
| Mortgage servicing fees, net of fair value adjustments: | | | | |
| Mortgage servicing fees | $ 17,020 | $ 11,091 | $ 43,957 | $ 32,397 |
| Mortgage servicing rights fair value adjustments | 1,038 | (2,588) | (5,808) | (18,424) |
| Total mortgage servicing fees, net of fair value adjustments | 18,058 | 8,503 | 38,149 | 13,973 |
| Net gain on sale of loans, including valuation on loans held-for-sale | 9,698 | 7,466 | 24,999 | 22,831 |
| Trading account (loss) profit: | | | | |
| Unrealized (losses) gains on outstanding derivative positions | (69) | 13 | (10) | (725) |
| Realized (losses) gains on closed derivative positions | (3,492) | (1,580) | (4,766) | (14,211) |
| Total trading account (loss) profit | (3,561) | (1,567) | (4,776) | (14,936) |
| Total mortgage banking activities | $ 24,195 | $ 14,402 | $ 58,372 | $ 21,868 |

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**Note 15 Transfers of financial assets and mortgage servicing assets**

The Corporation typically transfers conforming residential mortgage loans in conjunction with GNMA and FNMA securitization transactions whereby the loans are exchanged for cash or securities and servicing rights. The securities issued through these transactions are guaranteed by the corresponding agency and, as such, under seller/service agreements the Corporation is required to service the loans in accordance with the agencies servicing guidelines and standards. Substantially all mortgage loans securitized by the Corporation in GNMA and FNMA securities have fixed rates and represent conforming loans. As seller, the Corporation has made certain representations and warranties with respect to the originally transferred loans and, in the past, has sold certain loans with credit recourse to a government-sponsored entity, namely FNMA. Refer to Note 25 to the consolidated financial statements for a description of such arrangements.

No liabilities were incurred as a result of these securitizations during the quarters and nine months ended September 30, 2015 and 2014 because they did not contain any credit recourse arrangements. During the quarter ended September 30, 2015, the Corporation recorded a net gain $9.1 million (September 30, 2014 - $7.4 million) related to the residential mortgage loans securitized. During the nine months ended September 30, 2015, the Corporation recorded a net gain $22.8 million (September 30, 2014 - $24.4 million) related to the residential mortgage loans securitized.

The following tables present the initial fair value of the assets obtained as proceeds from residential mortgage loans securitized during the quarters and nine months ended September 30, 2015 and 2014:

| | Proceeds Obtained During the Quarter Ended September 30, 2015 | | | |
|---|---|---|---|---|
| (In thousands) | Level 1 | Level 2 | Level 3 | Initial Fair Value |
| Assets | | | | |
| Trading account securities: | | | | |
| Mortgage-backed securities - GNMA | $ | $ 251,061 | $ | $ 251,061 |
| Mortgage-backed securities - FNMA | | 56,800 | | 56,800 |
| Total trading account securities | $ | $ 307,861 | $ | $ 307,861 |
| Mortgage servicing rights | | | 3,309 | 3,309 |
| Total | $ | $ 307,861 | $ 3,309 | $ 311,170 |

| | Proceeds Obtained During the Nine Months Ended September 30, 2015 | | | |
|---|---|---|---|---|
| (In thousands) | Level 1 | Level 2 | Level 3 | Initial Fair Value |

| | Level 1 | Level 2 | Level 3 | Initial Fair Value |
|---|---|---|---|---|
| Assets | | | | |
| Trading account securities: | | | | |
| Mortgage-backed securities - GNMA | $ | $ 650,891 | $ | $ 650,891 |
| Mortgage-backed securities - FNMA | | 174,235 | | 174,235 |
| Total trading account securities | $ | $ 825,126 | $ | $ 825,126 |
| Mortgage servicing rights | | | 10,078 | 10,078 |
| Total | $ | $ 825,126 | $ 10,078 | $ 835,204 |

| | Proceeds Obtained During the Quarter Ended September 30, 2014 | | | |
|---|---|---|---|---|
| (In thousands) | Level 1 | Level 2 | Level 3 | Initial Fair Value |
| Assets | | | | |
| Trading account securities: | | | | |
| Mortgage-backed securities - GNMA | $ | $ 171,508 | $ | $ 171,508 |
| Mortgage-backed securities - FNMA | | 51,017 | | 51,017 |
| Total trading account securities | $ | $ 222,525 | $ | $ 222,525 |
| Mortgage servicing rights | | | 2,711 | 2,711 |
| Total | $ | $ 222,525 | $ 2,711 | $ 225,236 |

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| (In thousands) | Proceeds Obtained During the Nine Months Ended September 30, 2014 Level 1 | Level 2 | Level 3 | Initial Fair Value |
|---|---|---|---|---|
| Assets | | | | |
| Trading account securities: | | | | |
| Mortgage-backed securities - GNMA | $ | $ 521,747 | $ | $ 521,747 |
| Mortgage-backed securities - FNMA | | 173,669 | | 173,669 |
| Total trading account securities | $ | $ 695,416 | $ | $ 695,416 |
| Mortgage servicing rights | | | 8,828 | 8,828 |
| Total | $ | $ 695,416 | $ 8,828 | $ 704,244 |

During the nine months ended September 30, 2015, the Corporation retained servicing rights on whole loan sales involving approximately $56 million in principal balance outstanding (September 30, 2014 - $71 million), with realized gains of approximately $2.2 million (September 30, 2014 - gains of $2.8 million). All loan sales performed during the nine months ended September 30, 2015 and 2014 were without credit recourse agreements.

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

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

The following table presents the changes in MSRs measured using the fair value method for the nine months ended September 30, 2015 and 2014.

| (In thousands) | Residential MSRs September 30, 2015 | September 30, 2014 |
|---|---|---|
| Fair value at beginning of period | $ 148,694 | $ 161,099 |
| Additions[1] | 73,411 | 9,607 |
| Changes due to payments on loans[2] | (12,891) | (12,670) |
| Reduction due to loan repurchases | (1,576) | (2,440) |
| Changes in fair value due to changes in valuation model inputs or assumptions | 3,213 | (3,314) |
| Fair value at end of period | $ 210,851 | $ 152,282 |

[1] Includes $54.9 million from the acquisition of mortgage servicing rights from the FDIC as a receiver for Doral Bank during the second quarter of 2015.
[2] Represents the change due to collection / realization of expected cash flow over time.

During the second quarter of 2015, BPPR completed the acquisition of mortgage servicing rights on three pools of residence mortgage loans serviced for GNMA, FNMA and FHLMC, with an unpaid principal balance of approximately $5.0 billion, from the FDIC as a receiver for Doral Bank, as part of the Doral Bank Transaction. The aggregate purchase price for the mortgage servicing rights and related servicing advances was approximately $56.2 million.

During the third quarter of 2015, BPPR acquired mortgage servicing rights for a portfolio previously serviced by Doral Bank, with approximately $873 million in unpaid principal balance and a fair value of $4.4 million, in connection with a pre-existing backup servicing agreement. The Corporation also purchased the servicing advances related to this portfolio from the FDIC, as receiver of Doral Bank, for a price of $46.6 million.

Residential mortgage loans serviced for others were $20.9 billion at September 30, 2015 (December 31, 2014 - $15.6 billion).

Net mortgage servicing fees, a component of mortgage banking activities in the consolidated statements of operations, include the changes from period to period in the fair value of the MSRs, including changes due to collection / realization of expected cash flows. Mortgage servicing fees, excluding fair value adjustments, for the quarter and nine months ended September 30, 2015 amounted to $17.0 million and $44.0 million, respectively (September 30, 2014 - $11.1 million and $32.4 million, respectively). The banking subsidiaries receive servicing fees based on a percentage of the outstanding loan balance. At September 30, 2015, those weighted average mortgage servicing fees were 0.28% (September 30, 2014 0.27%). Under these servicing agreements, the banking subsidiaries do not generally earn significant prepayment penalty fees on the underlying loans serviced.

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

Key economic assumptions used in measuring the servicing rights derived from loans securitized or sold by the Corporation during the quarters and nine months ended September 30, 2015 and 2014 were as follows:

| | Quarter ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| Prepayment speed | 7.0% | 6.1% | 7.0% | 6.2% |
| Weighted average life | 8.8 years | 16.4 years | 7.1 years | 16.1 years |
| Discount rate (annual rate) | 11.1% | 10.9% | 11.0% | 10.8% |

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

Originated MSRs

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Fair value of servicing rights | $ 99,205 | $ 110,534 |
| Weighted average life | 7.0 years | 11.7 years |
| Weighted average prepayment speed (annual rate) | 6.8% | 8.6% |
| Impact on fair value of 10% adverse change | $ (338) | $ (4,089) |
| Impact on fair value of 20% adverse change | $ (3,408) | $ (7,995) |
| Weighted average discount rate (annual rate) | 11.5% | 11.5% |
| Impact on fair value of 10% adverse change | $ (1,495) | $ (4,492) |
| Impact on fair value of 20% adverse change | $ (5,540) | $ (8,701) |

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

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Purchased MSRs

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Fair value of servicing rights | $ 111,646 | $ 38,160 |
| Weighted average life | 5.9 years | 11.0 years |
| Weighted average prepayment speed (annual rate) | 7.9% | 9.1% |
| Impact on fair value of 10% adverse change | $ (374) | $ (1,620) |
| Impact on fair value of 20% adverse change | $ (3,809) | $ (2,924) |
| Weighted average discount rate (annual rate) | 11.0% | 10.7% |
| Impact on fair value of 10% adverse change | $ (1,244) | $ (1,603) |
| Impact on fair value of 20% adverse change | $ (5,408) | $ (2,877) |

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

At September 30, 2015, the Corporation serviced $1.9 billion (December 31, 2014 - $2.1 billion) in residential mortgage loans with credit recourse to the Corporation.

Under the GNMA securitizations, the Corporation, as servicer, has the right to repurchase (but not the obligation), at its option and without GNMA s prior authorization, any loan that is collateral for a GNMA guaranteed mortgage-backed security when certain delinquency criteria are met. At the time that individual loans meet GNMA s specified delinquency criteria and are eligible for repurchase, the Corporation is deemed to have regained effective control over these loans if the Corporation was the pool issuer. At September 30, 2015, the Corporation had recorded $116 million in mortgage loans on its consolidated statements of financial condition related to this buy-back option program (December 31, 2014 - $81 million). As long as the Corporation continues to service the loans that continue to be collateral in a GNMA guaranteed mortgage-backed security, the MSR is recognized by the Corporation. During the nine months ended September 30, 2015, the Corporation repurchased approximately $ 68 million (September 30, 2014 - $141 million) of mortgage loans under the GNMA buy-back option program. The determination to repurchase these loans was based on the economic benefits of the transaction, which results in a reduction of the servicing costs for these severely delinquent loans, mostly related to principal and interest advances. Furthermore, due to their guaranteed nature, the risk associated with the loans is minimal. The Corporation places these loans under its loss mitigation programs and once brought back to current status, these may be either retained in portfolio or re-sold in the secondary market.

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**Note 16 Other real estate owned**

The following tables present the activity related to Other Real Estate Owned ( OREO ), for the quarters and nine months ended September 30, 2015 and 2014.

| | For the quarter ended September 30, 2015 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Non-covered OREO Commercial/ Construction | Non-covered OREO Mortgage | Covered OREO Commercial/ Construction | Covered OREO Mortgage | Total |
| Balance at beginning of period | $ 34,725 | $ 107,530 | $ | $ 33,504 | $ 175,759 |
| Write-downs in value | (668) | (1,843) | | (640) | (3,151) |
| Additions | 7,959 | 24,318 | | 5,759 | 38,036 |
| Sales | (3,190) | (12,402) | | (2,922) | (18,514) |
| Other adjustments | (510) | (93) | | | (603) |
| Ending balance | $ 38,316 | $ 117,510 | $ | $ 35,701 | $ 191,527 |

| | For the nine months ended September 30, 2015 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Non-covered OREO Commercial/ Construction | Non-covered OREO Mortgage | Covered OREO Commercial/ Construction | Covered OREO Mortgage | Total |
| Balance at beginning of period | $ 38,983 | $ 96,517 | $ 85,394 | $ 44,872 | $ 265,766 |
| Write-downs in value | (10,717) | (5,678) | (20,350) | (3,315) | (40,060) |
| Additions | 12,787 | 63,925 | 9,661 | 20,019 | 106,392 |
| Sales | (17,485) | (39,731) | (59,749) | (22,550) | (139,515) |
| Other adjustments | 244 | (615) | (452) | (233) | (1,056) |
| Transfer to non-covered status[1] | 14,504 | 3,092 | (14,504) | (3,092) | |
| Ending balance | $ 38,316 | $ 117,510 | $ | $ 35,701 | $ 191,527 |

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

During the second quarter of 2015, the Corporation completed a bulk sale of $37 million of covered OREOs.

| | For the quarter ended September 30, 2014 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Non-covered OREO Commercial/ | Non-covered OREO Mortgage | Covered OREO Commercial/ | Covered OREO Mortgage | Total |

| | Construction | | Construction | | |
|---|---|---|---|---|---|
| Balance at beginning of period | $ 49,787 | $ 89,633 | $ 107,905 | $ 47,900 | $ 295,225 |
| Write-downs in value | (2,714) | (1,844) | (5,839) | (2,222) | (12,619) |
| Additions | 2,853 | 15,787 | 10,693 | 7,276 | 36,609 |
| Sales | (5,148) | (13,008) | (7,077) | (7,057) | (32,290) |
| Other adjustments | (1) | (89) | (812) | 615 | (287) |
| Ending balance | $ 44,777 | $ 90,479 | $ 104,870 | $ 46,512 | $ 286,638 |

| | For the nine months ended September 30, 2014 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Non-covered OREO Commercial/ Construction | Non-covered OREO Mortgage | Covered OREO Commercial/ Construction | Covered OREO Mortgage | Total |
| Balance at beginning of period | $ 48,649 | $ 86,852 | $ 120,215 | $ 47,792 | $ 303,508 |
| Write-downs in value | (3,499) | (2,952) | (17,037) | (3,369) | (26,857) |
| Additions | 13,824 | 46,070 | 46,147 | 15,870 | 121,911 |
| Sales | (15,482) | (37,274) | (40,290) | (13,211) | (106,257) |
| Other adjustments | 1,285 | (2,217) | (4,165) | (570) | (5,667) |
| Ending balance | $ 44,777 | $ 90,479 | $ 104,870 | $ 46,512 | $ 286,638 |

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**Note 17 Other assets**

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

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Net deferred tax assets (net of valuation allowance) | $ 1,271,410 | $ 812,819 |
| Investments under the equity method | 228,214 | 225,625 |
| Prepaid taxes | 191,913 | 198,120 |
| Other prepaid expenses | 83,873 | 84,079 |
| Derivative assets | 16,750 | 25,362 |
| Trades receivable from brokers and counterparties | 125,625 | 66,949 |
| Others | 303,269 | 233,489 |
| Total other assets | $ 2,221,054 | $ 1,646,443 |

Prepaid taxes at September 30, 2015 and December 31, 2014 includes a payment of $45 million in income taxes in connection with the Closing Agreement signed with the Puerto Rico Department of Treasury on June 30, 2014.

As discussed in Note 36, the corporation recorded during the quarter ended June 30, 2015 a partial reversal of the valuation allowance on its deferred tax assets from its U.S. operations for approximately $545 million.

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## Note 18 Goodwill and other intangible assets

*Goodwill*

The changes in the carrying amount of goodwill for the nine months ended September 30, 2015 and 2014, allocated by reportable segments, were as follows (refer to Note 38 for the definition of the Corporation s reportable segments):

2015

| (In thousands) | Balance at January 1, 2015 | Goodwill on acquisition | Purchase accounting adjustments | Other | Balance at September 30, 2015 |
|---|---|---|---|---|---|
| Banco Popular de Puerto Rico | $ 250,109 | $ 3,899 | $ (3,385) | $ | $ 250,623 |
| Banco Popular North America | 215,567 | 38,735 | | | 254,302 |
| Total Popular, Inc. | $ 465,676 | $ 42,634 | $ (3,385) | $ | $ 504,925 |

2014

| (In thousands) | Balance at January 1, 2014 | Goodwill on acquisition | Purchase accounting adjustments | Goodwill written-off related to discontinued operations | Other | Balance at September 30, 2014 |
|---|---|---|---|---|---|---|
| Banco Popular de Puerto Rico | $ 245,679 | $ | $ | $ | $ | $ 245,679 |
| Banco Popular North America | 402,078 | | | (186,511) | | 215,567 |
| Total Popular, Inc. | $ 647,757 | $ | $ | $ (186,511) | $ | $ 461,246 |

The goodwill acquired during 2015 in the reportable segments of Banco Popular de Puerto Rico and Banco Popular North America of $2.9 million, after considering purchase accounting adjustments, and $38.7 million, respectively, was related to the Doral Bank Transaction. During the nine months ended September 30, 2015, the Corporation recorded adjustments to its initial fair value estimates resulting in a net reduction of the goodwill recorded in connection with the Doral Bank Transaction of approximately $1.0 million. Refer to Note 5, Business Combination, for additional information. In addition, the Corporation recorded purchase accounting adjustments to reduce the goodwill related to the acquisition of an insurance benefits business during the year ended December 31, 2014 by approximately $2.4 million.

*Other Intangible Assets*

At September 30, 2015 and December 31, 2014, the Corporation had $ 6 million of identifiable intangible assets, with indefinite useful lives, mostly associated with E-LOAN s trademark.

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

| (In thousands) | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
|---|---|---|---|
| September 30, 2015 | | | |
| Core deposits | $ 74,302 | $ 37,424 | $ 36,878 |
| Other customer relationships | 37,665 | 9,264 | 28,401 |
| Total other intangible assets | $ 111,967 | $ 46,688 | $ 65,279 |
| December 31, 2014 | | | |
| Core deposits | $ 50,679 | $ 32,006 | $ 18,673 |
| Other customer relationships | 19,452 | 6,644 | 12,808 |
| Total other intangible assets | $ 70,131 | $ 38,650 | $ 31,481 |

During the first quarter of 2015, the Corporation also acquired $23.6 million in core deposit intangibles related to the Doral Bank Transaction. During the second quarter of 2015, the Corporation acquired the Doral Insurance Agency portfolio, as part of a separate bidding process after Doral Financial Corporation filed for bankruptcy. As a result of this acquisition, the Corporation recorded $17.3 million in customer relationship intangibles.

During the quarter ended September 30, 2015, the Corporation recognized $ 3.5 million in amortization expense related to other intangible assets with definite useful lives (September 30, 2014 - $ 2.0 million). During the nine months ended September 30, 2015, the Corporation recognized $ 8.5 million in amortization related to other intangible assets with definite useful lives (September 30, 2014 - $ 6.1 million).

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

| (In thousands) | |
|---|---|
| Remaining 2015 | $ 3,419 |
| Year 2016 | 13,414 |
| Year 2017 | 10,665 |
| Year 2018 | 10,573 |
| Year 2019 | 10,330 |
| Year 2020 | 6,131 |

*Results of the Annual Goodwill Impairment Test*

The Corporation s goodwill and other identifiable intangible assets having an indefinite useful life are tested for impairment, at least annually and on a more frequent basis if events or circumstances indicate impairment could have taken place. Such events could include, among others, a significant adverse change in the business climate, an adverse action by a regulator, an unanticipated change in the competitive environment and a decision to change the operations or dispose of a reporting unit.

Under applicable accounting standards, goodwill impairment analysis is a two-step test. The first step of the goodwill impairment test involves comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step must be performed. The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the individual assets, liabilities and identifiable intangibles (including any unrecognized intangible assets, such as unrecognized core deposits and trademark) as if the reporting unit was being acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The Corporation estimates the fair values of the assets and liabilities of a reporting unit, consistent with the requirements of the fair value measurements accounting standard, which defines fair value as the price that would be received to

sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of the assets and liabilities reflects market conditions, thus volatility in prices could have a material impact on the determination of the implied fair value of the reporting unit goodwill at the impairment test date. The adjustments to measure the assets, liabilities and intangibles at fair value are for the purpose of measuring the implied fair value of goodwill and such adjustments are not reflected in the consolidated statement of condition. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted under applicable accounting standards.

The Corporation performed the annual goodwill impairment evaluation for the entire organization during the third quarter of 2015 using July 31, 2015 as the annual evaluation date. The reporting units utilized for this evaluation were those that are one level below the business segments, which are the legal entities within the reportable segment. The Corporation follows push-down accounting, as such all goodwill is assigned to the reporting units when carrying out a business combination.

In determining the fair value of a reporting unit, the Corporation generally uses a combination of methods, including market price multiples of comparable companies and transactions, as well as discounted cash flow analysis. Management evaluates the particular circumstances of each reporting unit in order to determine the most appropriate valuation methodology. The Corporation evaluates the results obtained under each valuation methodology to identify and understand the key value drivers in order to ascertain that the results obtained are reasonable and appropriate under the circumstances. Elements considered include current market and economic conditions, developments in specific lines of business, and any particular features in the individual reporting units.

The computations require management to make estimates and assumptions. Critical assumptions that are used as part of these evaluations include:

- a selection of comparable publicly traded companies, based on nature of business, location and size;
- a selection of comparable acquisition and capital raising transactions;
- the discount rate applied to future earnings, based on an estimate of the cost of equity;
- the potential future earnings of the reporting unit; and
- the market growth and new business assumptions.

For purposes of the market comparable approach, valuations were determined by calculating average price multiples of relevant value drivers from a group of companies that are comparable to the reporting unit being analyzed and applying those price multiples to the value drivers of the reporting unit. Multiples used are minority based multiples and thus, no control premium adjustment is made to the comparable companies market multiples. While the market price multiple is not an assumption, a presumption that it provides an indicator of the value of the reporting unit is

inherent in the valuation. The determination of the market comparables also involves a degree of judgment.

For purposes of the discounted cash flows ( DCF ) approach, the valuation is based on estimated future cash flows. The financial projections used in the DCF valuation analysis for each reporting unit are based on the most recent (as of the valuation date) financial projections presented to the Corporation s Asset / Liability Management Committee ( ALCO ). The growth assumptions included in these projections are based on management s expectations for each reporting unit s financial prospects considering economic and industry conditions as well as particular plans of each entity (i.e. restructuring plans, de-leveraging, etc.). The cost of equity used to discount the cash flows was calculated using the Ibbotson Build-Up Method and ranged from 11.64% to 15.52% for the 2015 analysis. The Ibbotson Build-Up Method builds up a cost of equity starting with the rate of return of a risk-free asset (20-year U.S. Treasury note) and adds to it additional risk elements such as equity risk premium, size premium and industry risk premium. The resulting discount rates were analyzed in terms of reasonability given the current market conditions and adjustments were made when necessary.

For BPNA reporting unit, the average estimated fair value calculated in Step 1 using all valuation methodologies exceeded BPNA s equity value by approximately $92 million in the July 31, 2015 annual test and by $205 million in the July 31, 2014 annual test. Accordingly, there is no indication of impairment on the goodwill recorded in BPNA at July 31, 2015 and there is no need for a Step 2 analysis.

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For the BPPR reporting unit, the average estimated fair value calculated in Step 1 using all valuation methodologies exceeded BPPR s equity value by approximately $180 million in the July 31, 2015 annual test as compared with approximately $337 million at July 31, 2014. This result indicates there is no indication of impairment on the goodwill recorded in BPPR at July 31, 2015. The goodwill balance of BPPR and BPNA, as legal entities, represented approximately 96% of the Corporation s total goodwill balance as of the July 31, 2015 valuation date.

Furthermore, as part of the analyses, management performed a reconciliation of the aggregate fair values determined for the reporting units to the market capitalization of Popular, Inc. concluding that the fair value results determined for the reporting units in the July 31, 2015 annual assessment were reasonable.

The goodwill impairment evaluation process requires the Corporation to make estimates and assumptions with regard to the fair value of the reporting units. Actual values may differ significantly from these estimates. Such differences could result in future impairment of goodwill that would, in turn, negatively impact the Corporation s results of operations and the reporting units where the goodwill is recorded. Declines in the Corporation s market capitalization could increase the risk of goodwill impairment in the future.

Management monitors events or changes in circumstances between annual tests to determine if these events or changes in circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The following table presents the gross amount of goodwill and accumulated impairment losses by reportable segments.

| | September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| (In thousands) | Balance at January 1, 2015 (gross amounts) | Accumulated impairment losses | Balance at January 1, 2015 (net amounts) | Balance at September 30, 2015 (gross amounts) | Accumulated impairment losses | Balance at September 30, 2015 (net amounts) |
| Banco Popular de Puerto Rico | $ 250,109 | $ | $ 250,109 | $ 250,623 | $ | $ 250,623 |
| Banco Popular North America | 379,978 | 164,411 | 215,567 | 418,713 | 164,411 | 254,302 |
| Total Popular, Inc. | $ 630,087 | $ 164,411 | $ 465,676 | $ 669,336 | $ 164,411 | $ 504,925 |

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| (In thousands) | Balance at January 1, 2014 (gross amounts) | Accumulated impairment losses | Balance at January 1, 2014 (net amounts) | Balance at December 31, 2014 (gross amounts) | Accumulated impairment losses | Balance at December 31, 2014 (net amounts) |
| Banco Popular de Puerto Rico | $ 245,679 | $ | $ 245,679 | $ 250,109 | $ | $ 250,109 |
| Banco Popular North America | 566,489 | 164,411 | 402,078 | 379,978 | 164,411 | 215,567 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Popular, Inc. | $ | 812,168 | $ | 164,411 | $ | 647,757 | $ | 630,087 | $ | 164,411 | $ | 465,676 |

*Goodwill Impairment Test U.S. Regional Sales*

As discussed in Note 4, Discontinued Operations, on April 22, 2014, BPNA entered into definitive agreements to sell its regional operations in California, Illinois and Central Florida to three different buyers. In connection with the transactions, the Corporation has centralized certain back office operations in Puerto Rico and New York. During the second quarter of 2014, the assets and liabilities for those regions were reclassified as held-for-sale in accordance with ASC 360-10-45. As a result of the reclassification, and in accordance with ASC 350-20-40, BPNA allocated a proportionate share of the goodwill balance to the discontinued businesses on a relative fair value basis and performed an impairment test for the goodwill allocated to each of the discontinued operations as well as for retained business, each as a separate reporting unit. This allocation of goodwill and related impairment analysis resulted in an impairment charge of $186.5 million during the second quarter of 2014. The goodwill impairment charge is a non-cash charge that did not have an impact on the Corporation s tangible capital or regulatory capital ratios. The goodwill impairment analysis of the retained portion of the BPNA operations resulted in no impairment as of June 30, 2014.

The methodology used to determine the relative value of the regions sold and the retained portion of the BPNA reporting unit for purpose of the goodwill allocation among these reporting units takes into consideration the fair value estimates resulting from a combination of: (1) the average price to tangible book multiple based on a regression analysis of the projected return on equity for comparable companies, (2) the average price to revenue multiple based on a regression analysis of the projected revenue margin for comparable companies, and (3) the average price to earnings multiple based on comparable companies. After allocating the carrying amount of goodwill to the regions sold and the retained portion, the Corporation performed the goodwill impairment test of ASC 350-20 to each region sold and to the retained business reporting unit. The fair value of each region was based on the transaction price agreed with the buyers as part of the Step 2 of the goodwill impairment analysis. This fair value was compared to the fair value of the assets and liabilities sold including any unrecognized intangible asset. The goodwill impairment analysis of the regions sold indicated that all the goodwill allocated to each region sold was impaired, and accordingly, the Corporation recorded an impairment charge of $186.5 million during the second quarter of 2014.

**Note 19 Deposits**

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

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Savings accounts | $ 7,014,907 | $ 6,737,370 |
| NOW, money market and other interest bearing demand deposits | 5,526,306 | 4,811,972 |
| Total savings, NOW, money market and other interest bearing demand deposits | 12,541,213 | 11,549,342 |
| Certificates of deposit: | | |
| Under $100,000 | 4,221,449 | 4,211,180 |
| $100,000 and over | 3,879,825 | 3,263,265 |
| Total certificates of deposit | 8,101,274 | 7,474,445 |
| Total interest bearing deposits | $ 20,642,487 | $ 19,023,787 |

A summary of certificates of deposit by maturity at September 30, 2015 follows:

| (In thousands) | |
|---|---|
| 2015 | $ 2,064,999 |
| 2016 | 3,172,360 |
| 2017 | 972,285 |
| 2018 | 646,645 |
| 2019 | 429,969 |
| 2020 and thereafter | 815,016 |
| Total certificates of deposit | $ 8,101,274 |

At September 30, 2015, the Corporation had brokered deposits amounting to $ 1.6 billion (December 31, 2014 - $ 1.9 billion).

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans was $13 million at September 30, 2015 (December 31, 2014 - $9 million).

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**Note 20 Borrowings**

The following table presents the composition of fed funds purchased and assets sold under agreements to repurchase at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Federal funds purchased | $ | $ 100,000 |
| Assets sold under agreements to repurchase | 1,085,765 | 1,171,657 |
| Total federal funds purchased and assets sold under agreements to repurchase | $ 1,085,765 | $ 1,271,657 |

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

*Repurchase agreements accounted for as secured borrowings*

| (In thousands) | September 30, 2015 Repurchase liability | December 31, 2014 Repurchase liability |
|---|---|---|
| U.S. Treasury Securities | | |
| Within 30 days | $ 923 | $ |
| After 90 days | 43,341 | |
| Total U.S. Treasury Securities | 44,264 | |
| Obligations of U.S. government sponsored entities | | |
| Overnight | 30,425 | |
| Within 30 days | 261,711 | 289,545 |
| After 30 to 90 days | 129,040 | 25,761 |
| After 90 days | 355 | 420,176 |
| Total obligations of U.S. government sponsored entities | 421,531 | 735,482 |
| Obligations of Puerto Rico, states and political subdivisions | | |
| Overnight | | 23,397 |
| Within 30 days | 8,006 | 5,199 |

| | | |
|---|---|---|
| Total Obligations of Puerto Rico, states and political subdivisions | 8,006 | 28,596 |
| Mortgage-backed securities | | |
| Overnight | 4,272 | 4,850 |
| Within 30 days | 80,737 | 54,311 |
| After 30 to 90 days | 149,275 | |
| After 90 days | 326,849 | 195,629 |
| Total mortgage-backed securities | 561,133 | 254,790 |
| Collateralized mortgage obligations | | |
| Within 30 days | 33,704 | 16,700 |
| After 30 to 90 days | 1,149 | 55,338 |
| After 90 days | 12,210 | 71,281 |
| Total collateralized mortgage obligations | 47,063 | 143,319 |
| Other | | |
| Overnight | | 1,353 |
| Within 30 days | 3,768 | 8,117 |
| Total other | 3,768 | 9,470 |
| Total | $ 1,085,765 | $ 1,171,657 |

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

The following table presents the composition of other short-term borrowings at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
| --- | --- | --- |
| Advances with the FHLB paying interest at maturity | $ | $ 20,000 |
| Others | 1,200 | 1,200 |
| Total other short-term borrowings | $ 1,200 | $ 21,200 |

Note: Refer to the Corporation s 2014 Annual Report for rates information at December 31, 2014.

The following table presents the composition of notes payable at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
| --- | --- | --- |
| Advances with the FHLB with maturities ranging from 2015 through 2029 paying interest at monthly fixed rates ranging from 0.41% to 4.19% | $ 765,485 | $ 802,198 |
| Unsecured senior debt securities maturing on 2019 paying interest semiannually at a fixed rate of 7.00% | 450,000 | 450,000 |
| Junior subordinated deferrable interest debentures (related to trust preferred securities) with maturities ranging from 2027 to 2034 with fixed interest rates ranging from 6.125% to 8.327% (Refer to Note 22) | 439,799 | 439,800 |
| Others | 19,227 | 19,830 |
| Total notes payable | $ 1,674,511 | $ 1,711,828 |

Note: Refer to the Corporation s 2014 Annual Report for rates information at December 31, 2014.

A breakdown of borrowings by contractual maturities at September 30, 2015 is included in the table below.

| (In thousands) | Assets sold under agreements to repurchase | Short-term borrowings | Notes payable | Total |
| --- | --- | --- | --- | --- |

| Year | | | | |
|---|---|---|---|---|
| 2015 | $ 703,010 | $ 1,200 | $ 18,315 | $ 722,525 |
| 2016 | 382,755 | | 253,536 | 636,291 |
| 2017 | | | 85,645 | 85,645 |
| 2018 | | | 139,400 | 139,400 |
| 2019 | | | 525,664 | 525,664 |
| Later years | | | 651,951 | 651,951 |
| Total borrowings | $ 1,085,765 | $ 1,200 | $ 1,674,511 | $ 2,761,476 |

**Note 21 Offsetting of financial assets and liabilities**

The following tables present the potential effect of rights of setoff associated with the Corporation s recognized financial assets and liabilities at September 30, 2015 and December 31, 2014.

As of September 30, 2015

| (In thousands) | Gross Amount of Recognized Assets | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Assets Presented in the Statement of Financial Position | Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments | Securities Collateral Received | Cash Collateral Received | Net Amount |
|---|---|---|---|---|---|---|---|
| Derivatives | $ 16,750 | $ | $ 16,750 | $ 109 | $ | $ | $ 16,641 |
| Reverse repurchase agreements | 145,263 | | 145,263 | | 145,263 | | |
| Total | $ 162,013 | $ | $ 162,013 | $ 109 | $ 145,263 | $ | $ 16,641 |

As of September 30, 2015

| (In thousands) | Gross Amount of Recognized Liabilities | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Liabilities Presented in the Statement of Financial Position | Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments | Securities Collateral Pledged | Cash Collateral Pledged | Net Amount |
|---|---|---|---|---|---|---|---|
| Derivatives | $ 15,302 | $ | $ 15,302 | $ 109 | $ 5,408 | $ | $ 9,785 |
| Repurchase agreements | 1,085,765 | | 1,085,765 | | 1,085,765 | | |
| Total | $ 1,101,067 | $ | $ 1,101,067 | $ 109 | $ 1,091,173 | $ | $ 9,785 |

As of December 31, 2014

Gross Amounts Not Offset in the Statement of Financial Position

(In thousands)

| | Gross Amount of Recognized Assets | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Assets Presented in the Statement of Financial Position | Financial Instruments | Securities Collateral Received | Cash Collateral Received | Net Amount |
|---|---|---|---|---|---|---|---|
| Derivatives | $ 25,361 | $ | $ 25,361 | $ 320 | $ | $ | $ 25,041 |
| Reverse repurchase agreements | 151,134 | | 151,134 | | 151,134 | | |
| Total | $ 176,495 | $ | $ 176,495 | $ 320 | $ 151,134 | $ | $ 25,041 |

As of December 31, 2014

| | | | | Gross Amounts Not Offset in the Statement of Financial Position | | | |
|---|---|---|---|---|---|---|---|
| (In thousands) | Gross Amount of Recognized Liabilities | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Liabilities Presented in the Statement of Financial Position | Financial Instruments | Securities Collateral Pledged | Cash Collateral Received | Net Amount |
| Derivatives | $ 23,032 | $ | $ 23,032 | $ 320 | $ 8,781 | $ | $ 13,931 |
| Repurchase agreements | 1,171,657 | | 1,171,657 | | 1,171,657 | | |
| Total | $ 1,194,689 | $ | $ 1,194,689 | $ 320 | $ 1,180,438 | $ | $ 13,931 |

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

**Note 22 Trust preferred securities**

At September 30, 2015 and December 31, 2014, statutory trusts established by the Corporation (BanPonce Trust I, Popular Capital Trust I, Popular North America Capital Trust I and Popular Capital Trust II) had issued trust preferred securities (also referred to as capital securities ) to the public. The proceeds from such issuances, together with the proceeds of the related issuances of common securities of the trusts (the common securities ), were used by the trusts to purchase junior subordinated deferrable interest debentures (the junior subordinated debentures ) issued by the Corporation.

The sole assets of the trusts consisted of the junior subordinated debentures of the Corporation and the related accrued interest receivable. These trusts are not consolidated by the Corporation pursuant to accounting principles generally accepted in the United States of America.

The junior subordinated debentures are included by the Corporation as notes payable in the consolidated statements of financial condition, while the common securities issued by the issuer trusts are included as other investment securities. The common securities of each trust are wholly-owned, or indirectly wholly-owned, by the Corporation.

The following table presents financial data pertaining to the different trusts at September 30, 2015 and December 31, 2014.

(Dollars in thousands)

| Issuer | BanPonce Trust I | Popular Capital Trust I | Popular North America Capital Trust I | Popular Capital Trust Il |
|---|---|---|---|---|
| Capital securities | $ 52,865 | $ 181,063 | $ 91,651 | $ 101,023 |
| Distribution rate | 8.327% | 6.700% | 6.564% | 6.125% |
| Common securities | $ 1,637 | $ 5,601 | $ 2,835 | $ 3,125 |
| Junior subordinated debentures aggregate liquidation amount | $ 54,502 | $ 186,664 | $ 94,486 | $ 104,148 |
| Stated maturity date | February 2027 | November 2033 | September 2034 | December 2034 |
| Reference notes | [1],[3],[6] | [2],[4],[5] | [1],[3],[5] | [2],[4],[5] |

[1] Statutory business trust that is wholly-owned by Popular North America and indirectly wholly-owned by the Corporation.

[2] Statutory business trust that is wholly-owned by the Corporation.

[3] The obligations of PNA under the junior subordinated debentures and its guarantees of the capital securities under the trust are fully and unconditionally guaranteed on a subordinated basis by the Corporation to the extent set forth in the applicable guarantee agreement.

[4] These capital securities are fully and unconditionally guaranteed on a subordinated basis by the Corporation to the extent set forth in the applicable guarantee agreement.

[5] The Corporation has the right, subject to any required prior approval from the Federal Reserve, to redeem after certain dates or upon the occurrence of certain events mentioned below, the junior subordinated debentures at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of

redemption. The maturity of the junior subordinated debentures may be shortened at the option of the Corporation prior to their stated maturity dates (i) on or after the stated optional redemption dates stipulated in the agreements, in whole at any time or in part from time to time, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and during the continuation of a tax event, an investment company event or a capital treatment event as set forth in the indentures relating to the capital securities, in each case subject to regulatory approval.

[6] Same as [5] above, except that the investment company event does not apply for early redemption.

The Basel III Capital Rules require that capital instruments such as trust preferred securities be phased-out of Tier 1 capital. The Corporation s capital components at September 30, 2015 included $ 427 million of trust preferred securities that are subject to the phase-out provisions of the Basel III Capital Rules. The Corporation is allowed to include only 25% of such trust preferred securities in Tier I capital as of January 1, 2015 and would be allowed 0% as of January 1, 2016 and thereafter. The Basel III Capital Rules also permanently grandfathers as Tier 2 capital such trust preferred securities.

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**Note 23    Stockholders   equity**

During the quarter ended September 30, 2015 the Corporation declared a cash dividend of $0.15 per share on its outstanding common stock, which was paid on October 7, 2015 to shareholders of record at the close of business on September 29, 2015. This represents a payout of approximately $15.5 million and is the first cash dividend the Corporation pays to its shareholders since April 2009.

*BPPR statutory reserve*

The Banking Act of the Commonwealth of Puerto Rico requires that a minimum of 10% of BPPR  s net income for the year be transferred to a statutory reserve account until such statutory reserve equals the total of paid-in capital on common and preferred stock. Any losses incurred by a bank must first be charged to retained earnings and then to the reserve fund. Amounts credited to the reserve fund may not be used to pay dividends without the prior consent of the Puerto Rico Commissioner of Financial Institutions. The failure to maintain sufficient statutory reserves would preclude BPPR from paying dividends. BPPR  s statutory reserve fund amounted to $469 million at September 30, 2015 (December 31, 2014 - $469 million). There were no transfers between the statutory reserve account and the retained earnings account during the quarters and nine months ended September 30, 2015 and September 30, 2014.

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## Note 24 Other comprehensive loss

The following table presents changes in accumulated other comprehensive loss by component for the quarters and nine months ended September 30, 2015 and 2014.

Changes in Accumulated Other Comprehensive Loss by Component [1]

| (In thousands) | | Quarters ended September 30, 2015 | Quarters ended September 30, 2014 | Nine months ended September 30, 2015 | Nine months ended September 30, 2014 |
|---|---|---|---|---|---|
| Foreign currency translation | Beginning Balance | $ (34,505) | $ (31,099) | $ (32,832) | $ (36,099) |
| | Other comprehensive (loss) income before reclassifications | (31) | 98 | (1,704) | (2,620) |
| | Amounts reclassified from accumulated other comprehensive loss | | | | 7,718 |
| | Net change | (31) | 98 | (1,704) | 5,098 |
| | Ending balance | $ (34,536) | $ (31,001) | $ (34,536) | $ (31,001) |
| Adjustment of pension and postretirement benefit plans | Beginning Balance | $ (200,215) | $ (102,867) | $ (205,187) | $ (104,302) |
| | Amounts reclassified from accumulated other comprehensive loss for amortization of net losses | 3,064 | 1,298 | 9,195 | 3,891 |
| | Amounts reclassified from accumulated other comprehensive loss for amortization of prior service cost | (579) | (580) | (1,738) | (1,738) |
| | Net change | 2,485 | 718 | 7,457 | 2,153 |
| | Ending balance | $ (197,730) | $ (102,149) | $ (197,730) | $ (102,149) |
| Unrealized net holding gains (losses) on investments | Beginning Balance | $ 15,533 | $ 4,071 | $ 8,465 | $ (48,344) |
| | Other comprehensive income (loss) before reclassifications | 27,435 | (19,095) | 22,548 | 33,320 |
| | Other-than-temporary impairment amount reclassified from accumulated other | | | 11,959 | |

| | | | | | |
|---|---|---|---|---|---|
| | comprehensive income (loss) | | | | |
| | Amounts reclassified from accumulated other comprehensive income (loss) | (109) | (1,763) | (113) | (1,763) |
| | Net change | 27,326 | (20,858) | 34,394 | 31,557 |
| | Ending balance | $ 42,859 | $ (16,787) | $ 42,859 | $ (16,787) |
| Unrealized net losses on cash flow hedges | Beginning Balance | $ 156 | $ (396) | $ (318) | $ |
| | Other comprehensive loss before reclassifications | (1,571) | (417) | (2,505) | (3,024) |
| | Amounts reclassified from accumulated other comprehensive (loss) income | 1,016 | 683 | 2,424 | 2,894 |
| | Net change | (555) | 266 | (81) | (130) |
| | Ending balance | $ (399) | $ (130) | $ (399) | $ (130) |
| | Total | $ (189,806) | $ (150,067) | $ (189,806) | $ (150,067) |

[1] All amounts presented are net of tax.

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The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss during the quarters and nine months ended September 30, 2015 and 2014.

| | Reclassifications Out of Accumulated Other Comprehensive Loss | | | | |
|---|---|---|---|---|---|
| | Affected Line Item in the Consolidated Statements of Operations | Quarters ended September 30, | | Nine months ended September 30, | |
| (In thousands) | | 2015 | 2014 | 2015 | 2014 |
| Foreign Currency Translation | | | | | |
| Cumulative translation adjustment reclassified into earnings | Other operating income | $ | $ | $ | $ (7,718) |
| | Total before tax | | | | (7,718) |
| | Total net of tax | $ | $ | $ | $ (7,718) |
| Adjustment of pension and postretirement benefit plans | | | | | |
| Amortization of net losses | Personnel costs | $ (5,025) | $ (2,127) | $ (15,075) | $ (6,379) |
| Amortization of prior service cost | Personnel costs | 950 | 950 | 2,850 | 2,850 |
| | Total before tax | (4,075) | (1,177) | (12,225) | (3,529) |
| | Income tax benefit | 1,590 | 459 | 4,768 | 1,376 |
| | Total net of tax | $ (2,485) | $ (718) | $ (7,457) | $ (2,153) |
| Unrealized net holding gains (losses) on investments | | | | | |
| Realized loss on sale of securities | Other-than-temporary impairment losses on available-for-sale debt securities | $ | $ | $ (14,445) | $ |
| | Net gain (loss) and valuation adjustments on investment securities | 136 | 1,763 | 141 | 1,763 |
| | Total before tax | 136 | 1,763 | (14,304) | 1,763 |
| | Income tax (expense) benefit | (27) | | 2,458 | |
| | Total net of tax | $ 109 | $ 1,763 | $ (11,846) | $ 1,763 |
| Unrealized net losses on cash flow hedges | | | | | |
| Forward contracts | Mortgage banking activities | $ (1,664) | $ (1,120) | $ (3,973) | $ (4,745) |

| | | | | |
|---|---|---|---|---|
| Total before tax | (1,664) | (1,120) | (3,973) | (4,745) |
| Income tax benefit (expense) | 648 | 437 | 1,549 | 1,851 |
| Total net of tax | $ (1,016) | $ (683) | $ (2,424) | $ (2,894) |
| Total reclassification adjustments, net of tax | $ (3,392) | $ 362 | $ (21,727) | $ (11,002) |

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## Note 25 Guarantees

At September 30, 2015, the Corporation recorded a liability of $0.5 million (December 31, 2014 - $0.4 million), which represents the unamortized balance of the obligations undertaken in issuing the guarantees under the standby letters of credit. Management does not anticipate any material losses related to these instruments.

From time to time, the Corporation securitized mortgage loans into guaranteed mortgage-backed securities subject to limited, and in certain instances, lifetime credit recourse on the loans that serve as collateral for the mortgage-backed securities. The Corporation has not sold any mortgage loans subject to credit recourse since 2009. At September 30, 2015, the Corporation serviced $ 1.9 billion (December 31, 2014 - $ 2.1 billion) in residential mortgage loans subject to credit recourse provisions, principally loans associated with FNMA and FHLMC residential mortgage loan securitization programs. In the event of any customer default, pursuant to the credit recourse provided, the Corporation is required to repurchase the loan or reimburse the third party investor for the incurred loss. The maximum potential amount of future payments that the Corporation would be required to make under the recourse arrangements in the event of nonperformance by the borrowers is equivalent to the total outstanding balance of the residential mortgage loans serviced with recourse and interest, if applicable. During the quarter and nine months ended September 30, 2015, the Corporation repurchased approximately $ 14 million and $ 44 million, respectively, of unpaid principal balance in mortgage loans subject to the credit recourse provisions (September 30, 2014 - $ 21 million and $ 69 million, respectively). In the event of nonperformance by the borrower, the Corporation has rights to the underlying collateral securing the mortgage loan. The Corporation suffers ultimate losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing the related property. At September 30, 2015, the Corporation s liability established to cover the estimated credit loss exposure related to loans sold or serviced with credit recourse amounted to $ 57 million (December 31, 2014 - $ 59 million).

The following table shows the changes in the Corporation s liability of estimated losses related to loans serviced with credit recourse provisions during the quarters and nine month periods ended September 30, 2015 and 2014.

| | Quarters ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Balance as of beginning of period | $ 57,589 | $ 47,892 | $ 59,438 | $ 41,463 |
| Provision for recourse liability | 4,394 | 9,189 | 15,262 | 28,215 |
| Net charge-offs | (4,927) | (5,885) | (17,644) | (18,482) |
| Balance as of end of period | $ 57,056 | $ 51,196 | $ 57,056 | $ 51,196 |

The estimated losses to be absorbed under the credit recourse arrangements are recorded as a liability when the loans are sold or credit recourse is assumed as part of acquired servicing rights, and are updated by accruing or reversing expense (categorized in the line item adjustments (expense) to indemnity reserves on loans sold in the consolidated statements of operations) throughout the life of the loan, as necessary, when additional relevant information becomes available. The methodology used to estimate the recourse liability is a function of the recourse arrangements given and considers a variety of factors, which include actual defaults and historical loss experience, foreclosure rate, estimated future defaults and the probability that a loan would be delinquent. Statistical methods are used to estimate the recourse liability. Expected loss rates are applied to different loan segmentations. The expected loss, which represents the amount expected to be lost on a given loan, considers the probability of default and loss severity. The

probability of default represents the probability that a loan in good standing would become 90 days delinquent within the following twelve-month period. Regression analysis quantifies the relationship between the default event and loan-specific characteristics, including credit scores, loan-to-value ratios, and loan aging, among others.

When the Corporation sells or securitizes mortgage loans, it generally makes customary representations and warranties regarding the characteristics of the loans sold. The Corporation s mortgage operations in Puerto Rico group conforming mortgage loans into pools which are exchanged for FNMA and GNMA mortgage-backed securities, which are generally sold to private investors, or are sold directly to FNMA or other private investors for cash. As required under the government agency programs, quality review procedures are performed by the Corporation to ensure that asset guideline qualifications are met. To the extent the loans do not meet specified characteristics, the Corporation may be required to repurchase such loans or indemnify for losses and bear any subsequent loss related to the loans. Repurchases under BPPR s representation and warranty arrangements for the nine months

ended September 30, 2015 approximated $175 thousand, in unpaid principal balance, with losses amounting to $24 thousand, and $ 2.2 million and $ 1.6 million, respectively, for the same period of 2014. A substantial amount of these loans reinstate to performing status or have mortgage insurance, and thus the ultimate losses on the loans are not deemed significant.

As discussed on Note 4  Discontinued operations, on November 8, 2014, the Corporation completed the sale of the California regional operations. In connection with this transaction, the Corporation agreed to provide, subject to certain limitations, customary indemnification to the purchaser, including with respect to certain pre-closing liabilities and violations of representations and warranties. The Corporation also agreed to indemnify the purchaser for up to 1.5% of credit losses on transferred loans for a period of two years after the closing. Pursuant to this indemnification provision, the Corporation s maximum exposure is approximately $16.0 million. The Corporation recognized a reserve of approximately $2.2 million, representing its best estimate of the loss that would be incurred in connection with this indemnification. This reserve is included within the liabilities from discontinued operations.

During the quarter ended June 30, 2013, the Corporation established a reserve for certain specific representation and warranties made in connection with BPPR s sale of non-performing mortgage loans. The purchaser s sole remedy under the indemnity clause is to seek monetary damages from BPPR, for a maximum of $16.3 million. BPPR recognized a reserve of approximately $3.0 million, representing its best estimate of the loss that would be incurred in connection with this indemnification. BPPR s obligations under this clause end one year after the closing except to any claim asserted prior to such termination date. At September 30, 2015, the Corporation has a reserve balance of $3 million to cover claims received from the purchaser, which are currently being evaluated.

During the quarter ended March 31, 2013, the Corporation established a reserve for certain specific representations and warranties made in connection with BPPR s sale of commercial and construction loans, and commercial and single family real estate owned. The purchaser s sole remedy under the indemnity clause is to seek monetary damages from BPPR, for a maximum of $18.0 million. BPPR is not required to repurchase any of the assets. BPPR recognized a reserve of approximately $10.7 million, representing its best estimate of the loss that would be incurred in connection with this indemnification. During the first and second quarter of 2015, the Corporation released $3.2 million and $1.8 million, respectively, based on an evaluation of claims received under this clause. At September 30, 2015, the Corporation has a reserve balance of $0.1 million to cover claims received from the purchaser.

The following table presents the changes in the Corporation s liability for estimated losses associated with indemnifications and representations and warranties related to loans sold by BPPR for the quarters and nine months ended September 30, 2015 and 2014.

| | Quarters ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Balance as of beginning of period | $ 6,062 | $ 15,919 | $ 15,959 | $ 19,277 |
| Additions for new sales | | | | |
| Provision (reversal) for representation and warranties | 1,409 | 230 | (6,199) | (1,235) |
| Net charge-offs | (14) | (7) | (53) | (1,900) |
| Settlements paid | | | (2,250) | |
| Balance as of end of period | $ 7,457 | $ 16,142 | $ 7,457 | $ 16,142 |

In addition, at September 30, 2015, the Corporation has reserves for customary representations and warranties related to loans sold by its U.S. subsidiary E-LOAN prior to 2009. These loans were sold to investors on a servicing released basis subject to certain representation and warranties. Although the risk of loss or default was generally assumed by the investors, the Corporation made certain representations relating to borrower creditworthiness, loan documentation and collateral, which if not correct, may result in requiring the Corporation to repurchase the loans or indemnify investors for any related losses associated with these loans. At September 30, 2015, the Corporation s reserve for estimated losses from such representation and warranty arrangements amounted to $ 4 million, which was included as part of other liabilities in the consolidated statement of financial condition (December 31, 2014 - $ 5 million). E-LOAN is no longer originating and selling loans since the subsidiary ceased these activities in 2008 and most of the outstanding agreements with major counterparties were settled during 2010 and 2011.

Servicing agreements relating to the mortgage-backed securities programs of FNMA and GNMA, and to mortgage loans sold or serviced to certain other investors, including FHLMC, require the Corporation to advance funds to make scheduled payments of principal, interest, taxes and insurance, if such payments have not been received from the borrowers. At September 30, 2015, the Corporation serviced $ 20.9 billion in mortgage loans for third-parties, including the loans serviced with credit recourse (December 31, 2014 - $ 15.6 billion). The Corporation generally recovers funds advanced pursuant to these arrangements from the mortgage owner, from liquidation proceeds when the mortgage loan is foreclosed or, in the case of FHA/VA loans, under the applicable FHA and VA insurance and guarantees programs. However, in the meantime, the Corporation must absorb the cost of the funds it advances during the time the advance is outstanding. The Corporation must also bear the costs of attempting to collect on delinquent and defaulted mortgage loans. In addition, if a defaulted loan is not cured, the mortgage loan would be canceled as part of the foreclosure proceedings and the Corporation would not receive any future servicing income with respect to that loan. At September 30, 2015, the outstanding balance of funds advanced by the Corporation under such mortgage loan servicing agreements was approximately $102 million (December 31, 2014 - $36 million). To the extent the mortgage loans underlying the Corporation s servicing portfolio experience increased delinquencies, the Corporation would be required to dedicate additional cash resources to comply with its obligation to advance funds as well as incur additional administrative costs related to increases in collection efforts.

Popular, Inc. Holding Company ( PIHC ) fully and unconditionally guarantees certain borrowing obligations issued by certain of its wholly-owned consolidated subsidiaries amounting to $ 0.2 billion at September 30, 2015 (December 31, 2014 - $ 0.2 billion). In addition, at September 30, 2015 and December 31, 2014, PIHC fully and unconditionally guaranteed on a subordinated basis $ 0.4 billion and $ 0.4 billion, respectively, of capital securities (trust preferred securities) issued by wholly-owned issuing trust entities to the extent set forth in the applicable guarantee agreement. Refer to Note 22 to the consolidated financial statements for further information on the trust preferred securities.

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## Note 26 Commitments and contingencies

*Off-balance sheet risk*

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

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

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

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Commitments to extend credit: | | |
| Credit card lines | $ 4,450,137 | $ 4,450,284 |
| Commercial and construction lines of credit | 2,313,111 | 2,415,843 |
| Other consumer unused credit commitments | 263,131 | 269,225 |
| Commercial letters of credit | 2,425 | 2,820 |
| Standby letters of credit | 47,552 | 46,362 |
| Commitments to originate or fund mortgage loans | 27,901 | 25,919 |

At September 30, 2015, the Corporation maintained a reserve of approximately $12 million for potential losses associated with unfunded loan commitments related to commercial and consumer lines of credit, as compared to $13 million at December 31, 2014.

*Other commitments*

At September 30, 2015, the Corporation also maintained other non-credit commitments for approximately $9 million, primarily for the acquisition of other investments, as compared to $9 million at December 31, 2014.

*Business concentration*

Since the Corporation s business activities are currently concentrated primarily in Puerto Rico, its results of operations and financial condition are dependent upon the general trends of the Puerto Rico economy and, in particular, the residential and commercial real estate markets. The concentration of the Corporation s operations in Puerto Rico exposes it to greater risk than other banking companies with a wider geographic base. Its asset and revenue composition by geographical area is presented in Note 38 to the consolidated financial statements.

At September 30, 2015, the Corporation s direct exposure to the Puerto Rico government and its instrumentalities and municipalities amounted to $ 635 million, of which approximately $ 579 million is outstanding ($ 1.0 billion and $

811 million, respectively, at December 31, 2014). Of the amount outstanding, $ 498 million consists of loans and $ 81 million are securities ($ 689 million and $ 122 million at December 31, 2014). Of this amount, $ 82 million represents obligations from the Government of Puerto Rico and public corporations that have a specific source of income or revenues identified for their repayment ($ 336 million at December 31, 2014). Some of these obligations consist of senior and subordinated loans to public corporations that obtain revenues from rates charged for services or products, such as public utilities. Public corporations have varying degrees of independence from the central Government and many receive appropriations or other payments from it. The remaining $ 497 million outstanding represents obligations from various municipalities in Puerto Rico for which, in most cases, the good faith, credit and unlimited taxing power of the applicable municipality has been pledged to their repayment ($ 475 million at December 31, 2014). These municipalities are required by law to levy special property taxes in such amounts as shall be required for the payment of all of its general obligation bonds and loans. These loans have seniority to the payment of operating cost and expenses of the municipality. During the quarter ended June 30, 2015, the Corporation agreed to sell a $75 million non-accrual public sector credit at BPPR (subject among other

conditions, to the approval of the syndicate s agent bank, and accordingly transferred it to held-for-sale. The sale agreement was terminated on July 29, 2015 pursuant to its terms after the parties were not able to obtain the approval of the agent bank on terms acceptable to the assignee. However, at September 30, 2015, the loan remains classified as held-for-sale as the Corporation maintains its ability and intent to sell the loan.

The following table details the loans and investments representing the Corporation s direct exposure to the Puerto Rico government according to their maturities:

| (In thousands) | Investment Portfolio | Loans | Total Outstanding | Total Exposure |
|---|---|---|---|---|
| Central Government | | | | |
| Within 1 year | $ | $ | $ | $ 794 |
| After 1 to 5 years | 868 | | 868 | 868 |
| After 5 to 10 years | 3,044 | | 3,044 | 3,044 |
| After 10 years | 13,940 | | 13,940 | 13,940 |
| Total Central Government | 17,852 | | 17,852 | 18,646 |
| Government Development Bank (GDB) | | | | |
| Within 1 year | 2,752 | | 2,752 | 2,752 |
| After 1 to 5 years | 1,812 | | 1,812 | 1,812 |
| After 5 to 10 years | 571 | | 571 | 571 |
| Total Government Development Bank (GDB) | 5,135 | | 5,135 | 5,135 |
| Public Corporations: | | | | |
| Puerto Rico Aqueduct and Sewer Authority | | | | |
| Within 1 year | | 15,000 | 15,000 | 45,690 |
| After 10 years | 480 | | 480 | 480 |
| Total Puerto Rico Aqueduct and Sewer Authority | 480 | 15,000 | 15,480 | 46,170 |
| Puerto Rico Electric Power Authority | | | | |
| Within 1 year | | 43,625 | 43,625 | 45,002 |
| After 10 years | 23 | | 23 | 23 |
| Total Puerto Rico Electric Power Authority | 23 | 43,625 | 43,648 | 45,025 |
| Puerto Rico Highways and Transportation Authority | | | | |
| After 5 to 10 years | 4 | | 4 | 4 |
| Total Puerto Rico Highways and Transportation Authority | 4 | | 4 | 4 |
| Municipalities | | | | |
| Within 1 year | 2,920 | 47,278 | 50,198 | 73,193 |
| After 1 to 5 years | 13,655 | 130,935 | 144,590 | 144,590 |

| | | | | |
|---|---|---|---|---|
| After 5 to 10 years | 20,020 | 138,187 | 158,207 | 158,207 |
| After 10 years | 20,325 | 123,372 | 143,697 | 143,697 |
| Total Municipalities | 56,920 | 439,772 | 496,692 | 519,687 |
| Total Direct Government Exposure | $ 80,414 | $ 498,397 | $ 578,811 | $ 634,667 |

In addition, at September 30, 2015, the Corporation had $386 million in indirect exposure to loans or securities that are payable by non-governmental entities, but which carry a government guarantee to cover any shortfall in collateral in the event of borrower default ($370 million at December 31, 2014). These included $307 million in residential mortgage loans that are guaranteed by the Puerto Rico Housing Finance Authority (December 31, 2014 - $289 million). These mortgage loans are secured by the underlying properties and the guarantees serve to cover shortfalls in collateral in the event of a borrower default. Also, the Corporation had $50 million in Puerto Rico pass-through housing bonds backed by FNMA, GNMA or residential loans CMO s, and $29 million of commercial real estate notes ($49 million and $32 million at December 31, 2014, respectively).

Since February 2014, the three principal rating agencies (Moody s, S&P and Fitch) have lowered their ratings on the General Obligation bonds of the Commonwealth and the bonds of several other Commonwealth instrumentalities to non-investment grade ratings. In connection with their rating actions, the rating agencies noted various factors, including high levels of public debt, the lack

of a clear economic growth catalyst, recurring fiscal budget deficits, the financial condition of the public sector employee pension plans and, more recently, liquidity concerns regarding the Commonwealth and the GDB and their ability to access the capital markets. Currently, the Commonwealth s general obligation ratings are as follows: S&P, CC , Moody s, Caa3 , and Fitch, CC .

During the second quarter of 2015, the Corporation recognized an other-than-temporary impairment charge of $14.4 million on its portfolio of investment securities available-for-sale classified as obligations from the Puerto Rico government and its political subdivisions.

*Other contingencies*

As indicated in Note 13 to the consolidated financial statements, as part of the loss sharing agreements related to the Westernbank FDIC-assisted transaction, the Corporation agreed to make a true-up payment to the FDIC on the date that is 45 days following the last day of the final shared loss month, or upon the final disposition of all covered assets under the loss sharing agreements in the event losses on the loss sharing agreements fail to reach expected levels. The fair value of the true-up payment obligation was estimated at $ 123 million at September 30, 2015 (December 31, 2014 - $ 129 million).

*Legal Proceedings*

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

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

In certain cases, exposure to loss exists in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes and estimates that the aggregate range of reasonably possible losses (with respect to those matters where such limits may be determined, in excess of amounts accrued), for current legal proceedings ranges from $0 to approximately $27 million as of September 30, 2015. For certain other cases, management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the proceedings, and the inherent uncertainty of the various potential outcomes of such proceedings. Accordingly, management s estimate will change from time-to-time, and actual losses may be more or less than the current estimate.

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

Corporation s consolidated financial position in a particular period.

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

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

PCB removed the case to federal court (S.D.N.Y.) and plaintiffs subsequently filed a motion to remand the action to state court, which the Court granted on August 6, 2013. A motion to dismiss was filed on September 9, 2013. On October 25, 2013, plaintiffs filed an amended complaint seeking to limit the putative class to New York account holders. A motion to dismiss the amended complaint was filed in February 2014. In August 2014, the Court entered an order granting in part PCB s motion to dismiss. The sole surviving claim relates to PCB s item processing policy. On September 10, 2014, plaintiffs filed a motion for leave to file a second amended complaint to correct certain deficiencies noted in the court s decision and order. PCB subsequently filed a motion in opposition to plaintiff s motion for leave to amend and further sought to compel arbitration. In June 2015, this matter was reassigned to a new judge and on July 22, 2015, such Court denied PCB s motion to compel arbitration and granted plaintiffs motion for leave to amend the complaint to replead certain claims based on item processing reordering, misstatement of balance information and failure to notify customers in advance of potential overdrafts. The Court did not, however, allow plaintiffs to replead their claim for the alleged breach of the implied covenant of good faith and fair dealing. On August 12, 2015, the Plaintiffs filed a second amended complaint. On August 24, 2015, PCB filed a Notice of Appeal as to the order granting leave to file the second amended complaint and on September 17, 2015, it filed a motion to dismiss the second amended complaint. On October 7, 2015, PCB renewed its motion to compel arbitration.

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

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

order dated March 30, 2015, the court granted defendants motion to transfer. On May 8, 2015, plaintiffs filed an amended complaint in the Southern District of New York containing virtually identical allegations with respect to Popular Securities and BPPR. Defendants filed motions to dismiss the amended complaint on June 18, 2015. Such motions remain pending to date.

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

Popular was a directed trustee, and therefore a fiduciary, of the RadioShack Puerto Rico 1165(e) Plan ( P.R. Plan ). Even though the P.R. Plan directed Popular to retain RadioShack company stock within the portfolio of investment options, the complaint alleges that a trustee s duty of prudence requires it to disregard plan documents or directives that it knows or reasonably should know would lead to an imprudent result or would otherwise harm plan participants or beneficiaries. It further alleges that Popular breached its fiduciary duties by (i) failing to take any meaningful steps to protect plan participants from losses that it knew would occur; (ii) failing to divest the P.R. Plan of Company Stock; and (iii) participating in the decisions of another trustee (Wells Fargo) to protect the Plans from inevitable losses.

Other Matters

The volatility in prices and declines in value that Puerto Rico municipal bonds and closed-end investment companies that invest primarily in Puerto Rico municipal bonds have experienced since August 2013 have led to regulatory inquiries, customer complaints and arbitrations for most broker-dealers in Puerto Rico, including Popular Securities, a wholly owned subsidiary of the Corporation. Popular Securities has received customer complaints and is named as a respondent (among other broker-dealers) in 46 arbitration proceedings with aggregate claimed damages of approximately $99 million, including one arbitration with claimed damages of $78 million in which two other Puerto Rico broker-dealers are co-defendants. The proceedings are in their early stages and it is the view of the Corporation that Popular Securities has meritorious defenses to the claims asserted. The Government s recent announcements regarding its ability to pay its debt and intention to pursue a comprehensive debt restructuring, together with the market reaction to it, may increase the number of customer complaints (and claimed damages) against Popular Securities concerning Puerto Rico municipal bonds and closed-end investment companies that invest primarily in Puerto Rico municipal bonds. An adverse result in the matters described above or a significant increase in customer complaints could have a material and adverse effect on Popular Securities.

Other Significant Proceedings

As described under Note 13 FDIC loss share asset and true-up payment obligation , in connection with the Westernbank FDIC-assisted transaction, on April 30, 2010, BPPR entered into loss share agreements with the FDIC with respect to the covered loans and other real estate owned that it acquired in the transaction. Pursuant to the terms of the loss share agreements, the FDIC s obligation to reimburse BPPR for losses with respect to covered assets begins with the first dollar of loss incurred. The FDIC reimburses BPPR for 80% of losses with respect to covered assets, and BPPR reimburses the FDIC for 80% of recoveries with respect to losses for which the FDIC paid 80% reimbursement under those loss share agreements. The loss share agreements contain specific terms and conditions regarding the management of the covered assets that BPPR must follow in order to receive reimbursement for losses from the FDIC. BPPR believes that it has complied with such terms and conditions. The loss share agreement applicable to the commercial late stage real-estate-collateral-dependent loans described below provides for loss sharing by the FDIC through the quarter ending June 30, 2015 and for reimbursement to the FDIC through the quarter ending June 30, 2018.

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

use a different methodology for those charge-offs. Notwithstanding the FDIC s refusal to reimburse BPPR for certain shared-loss claims, BPPR had continued to calculate shared-loss claims for quarters subsequent to June 30, 2012 in accordance with its charge-off policy for non-covered assets.

BPPR s loss share agreements with the FDIC specify that disputes can be submitted to arbitration before a review board under the commercial arbitration rules of the American Arbitration Association. On July 31, 2013, BPPR filed a statement of claim with the American Arbitration Association requesting that the review board determine certain matters relating to the loss-share claims under

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its commercial loss share agreement with the FDIC, including that the review board award BPPR the amounts owed under its unpaid quarterly certificates. The statement of claim also included requests for reimbursement of certain valuation adjustments for discounts to appraised values, costs to sell troubled assets and other items. The review board was comprised of one arbitrator appointed by BPPR, one arbitrator appointed by the FDIC and a third arbitrator selected by agreement of those arbitrators.

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

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

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

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

BPPR disagrees with the FDIC s characterization of the November and December 2014 portfolio sale proposals and with the FDIC s interpretation of the commercial loss share agreement provision governing portfolio sales. Accordingly, on March 13, 2015, BPPR delivered to the FDIC a notice of dispute under the commercial loss share agreement. On June 8, 2015, BPPR filed a statement of claim with the American Arbitration Association requesting that a review board resolve the disputes concerning those proposed portfolio sales. On June 15, 2015, BPPR amended its statement of claim to include a claim for the FDIC-R s refusal to timely concur in the third sale proposed in March 2015. On June 29, 2015, the FDIC informed BPPR that it would reimburse the Bank for losses arising from the primary portfolio of the third proposed sale, but only subject to conditions to which BPPR objects. The FDIC also informed BPPR that it would not concur in the secondary portfolio of the third proposed sale or in the fourth proposed sale. On September 4, 2015, BPPR filed a second amended statement of claim concerning the FDIC s refusal to concur

in the third and fourth portfolio sales as proposed by BPPR. The review board in the arbitration concerning the proposed portfolio sales is comprised of one arbitrator appointed by BPPR, one arbitrator appointed by the FDIC and a third arbitrator selected by agreement of those arbitrators. The arbitration hearing is scheduled to be held in the fall of 2016.

The shared-loss arrangement described above expired on June 30, 2015. As of September 30, 2015, BPPR had unreimbursed loss claims related to the commercial loss-sharing arrangement amounting to $232 million, reflected in the FDIC indemnification asset as a receivable from the FDIC, which include approximately $90 million related to losses claimed during the second quarter of 2015 and approximately $142 million which are subject to the arbitration proceedings described above. This last figure may continue to increase to the extent that the assets that are the subject of the portfolio sales arbitration further decline in value. Until these disputes are finally resolved, the terms of the commercial loss share agreement will remain in effect with respect to any such items under dispute. No assurance can be given that we will receive reimbursement from the FDIC with respect to the foregoing items, which could require us to make a material adjustment to the value of our loss share asset and the related true up payment obligation to the FDIC and could have a material adverse effect on our financial results for the period in which such adjustment is taken.

The loss sharing agreement applicable to single-family residential mortgage loans provides for FDIC loss sharing and BPPR reimbursement to the FDIC for ten years (ending on June 30, 2020), and the loss sharing agreement applicable to commercial and other assets provides for FDIC loss sharing and BPPR reimbursement to the FDIC for five years (ending on June 30, 2015), with additional recovery sharing for three years thereafter. As of September 30, 2015, the carrying value of covered loans approximated $0.7 billion, mainly comprised of single-family residential mortgage loans. To the extent that estimated losses on covered loans are not realized before the expiration of the applicable loss sharing agreement, such losses would not be subject to reimbursement from the FDIC and, accordingly, would require us to make a material adjustment in the value of our loss share asset and the related true up payment obligation to the FDIC and could have a material adverse effect on our financial results for the period in which such adjustment is taken.

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## Note 27 Non-consolidated variable interest entities

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

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

ASU 2009-17 requires that an ongoing primary beneficiary assessment should be made to determine whether the Corporation is the primary beneficiary of any of the VIEs it is involved with. The conclusion on the assessment of these trusts and guaranteed mortgage securitization transactions has not changed since their initial evaluation. The Corporation concluded that it is still not the primary beneficiary of these VIEs, and therefore, these VIEs are not required to be consolidated in the Corporation s financial statements at September 30, 2015.

The Corporation holds variable interests in these VIEs in the form of agency mortgage-backed securities and collateralized mortgage obligations, including those securities originated by the Corporation and those acquired from third parties. Additionally, the Corporation holds agency mortgage-backed securities, agency collateralized mortgage obligations and private label collateralized mortgage obligations issued by third party VIEs in which it has no other form of continuing involvement. Refer to Note 29 to the consolidated financial statements for additional information on the debt securities outstanding at September 30, 2015 and December 31, 2014, which are classified as available-for-sale and trading securities in the Corporation s consolidated statements of financial condition. In addition, the Corporation may retain the right to service the transferred loans in those government-sponsored special purpose entities ( SPEs ) and may also purchase the right to service loans in other government-sponsored SPEs that were transferred to those SPEs by a third-party. Pursuant to ASC Subtopic 810-10, the servicing fees that the Corporation receives for its servicing role are considered variable interests in the VIEs since the servicing fees are subordinated to the principal and interest that first needs to be paid to the mortgage-backed securities investors and to the guaranty fees that need to be paid to the federal agencies.

The following table presents the carrying amount and classification of the assets related to the Corporation s variable interests in non-consolidated VIEs and the maximum exposure to loss as a result of the Corporation s involvement as servicer with non-consolidated VIEs at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| **Assets** | | | | |
| Servicing assets: | | | | |
| Mortgage servicing rights | $ | 160,570 | $ | 103,828 |
| Total servicing assets | $ | 160,570 | $ | 103,828 |
| Other assets: | | | | |
| Servicing advances | $ | 33,700 | $ | 8,974 |
| Total other assets | $ | 33,700 | $ | 8,974 |
| Total assets | $ | 194,270 | $ | 112,802 |
| Maximum exposure to loss | $ | 194,270 | $ | 112,802 |

The size of the non-consolidated VIEs, in which the Corporation has a variable interest in the form of servicing fees, measured as the total unpaid principal balance of the loans, amounted to $12.9 billion at September 30, 2015 (December 31, 2014 - $9.0 billion).

Maximum exposure to loss represents the maximum loss, under a worst case scenario, that would be incurred by the Corporation, as servicer for the VIEs, assuming all loans serviced are delinquent and that the value of the Corporation s interests and any associated collateral declines to zero, without any consideration of recovery. The Corporation determined that the maximum exposure to loss includes the fair value of the MSRs and the assumption that the servicing advances at September 30, 2015 and December 31, 2014, will not be recovered. The agency debt securities are not included as part of the maximum exposure to loss since they are guaranteed by the related agencies.

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

BPPR provided financing to the joint venture for the acquisition of the loans in an amount equal to the sum of 57 % of the purchase price of the loans, or $84 million, and $2 million of closing costs, for a total acquisition loan of $86 million (the acquisition loan ). The acquisition loan has a 5-year maturity and bears a variable interest at 30-day LIBOR plus 300 basis points and is secured by a pledge of all of the acquiring entity s assets. In addition, BPPR provided the joint venture with a non-revolving advance facility (the advance facility ) of $68.5 million to cover unfunded commitments and costs-to-complete related to certain construction projects, and a revolving working capital line (the working capital line ) of $20 million to fund certain operating expenses of the joint venture. Cash proceeds received by the joint venture are first used to cover debt service payments for the acquisition loan, advance facility, and the working capital line described above which must be paid in full before proceeds can be used for other purposes. The distributable cash proceeds are determined based on a pro-rata basis in accordance with the respective equity ownership percentages. BPPR s equity interest in the joint venture ranks pari-passu with those of other parties involved. As part of the transaction executed in September 2011, BPPR received $ 48 million in cash and a 24.9 %

equity interest in the joint venture. The Corporation is not required to provide any other financial support to the joint venture.

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

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

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

The initial fair value of the Corporation s equity interest in the joint venture was determined based on the fair value of the loans and real estate owned transferred to the joint venture of $148 million which represented the purchase price of the loans agreed by the parties and was an arm s-length transaction between market participants in accordance with ASC Topic 820, reduced by the acquisition loan provided by BPPR to the joint venture, for a total net equity of $63 million. Accordingly, the 24.9% equity interest held by the Corporation was valued at $16 million. Thus, the fair value of the equity interest is considered a Level 2 fair value measurement since the inputs were based on observable market inputs.

The following table presents the carrying amount and classification of the assets and liabilities related to the Corporation s variable interests in the non-consolidated VIE, PRLP 2011 Holdings, LLC, and its maximum exposure to loss at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Loans held-in-portfolio: | | |
| Advances under the working capital line | $ 658 | $ 426 |
| Advances under the advance facility | 391 | 4,226 |
| Total loans held-in-portfolio | $ 1,049 | $ 4,652 |
| Accrued interest receivable | $ 11 | $ 22 |
| Other assets: | | |
| Investment in PRLP 2011 Holdings LLC | $ 21,187 | $ 23,650 |
| Total assets | $ 22,247 | $ 28,324 |
| Deposits | $ (13,232) | $ (2,685) |
| Total liabilities | $ (13,232) | $ (2,685) |
| Total net assets | $ 9,015 | $ 25,639 |
| Maximum exposure to loss | $ 9,015 | $ 25,639 |

The Corporation determined that the maximum exposure to loss under a worst case scenario at September 30, 2015 would be not recovering the carrying amount of the acquisition loan, the advances on the advance facility and working capital line, if any, and the equity interest held by the Corporation, net of the deposits.

On March 25, 2013, BPPR completed a sale of assets with a book value of $509.0 million, of which $500.6 million were in non-performing status, comprised of commercial and construction loans, and commercial and single family real estate owned, with a combined unpaid principal balance on loans and appraised value of other real estate owned of approximately $987.0 million to a newly created joint venture, PR Asset Portfolio 2013-1 International, LLC. The joint venture is majority owned by Caribbean Property Group LLC ( CPG ) and certain affiliates of Perella Weinberg Partners Asset Based Value Strategy. The joint venture was created for the limited purpose of acquiring the loans from BPPR; servicing the loans through a third-party servicer; ultimately working out, resolving and/or foreclosing the

loans; and indirectly owning, operating, constructing, developing, leasing and selling any real properties acquired by the joint venture through deed in lieu of foreclosure, foreclosure, or by resolution of any loan.

BPPR provided financing to the joint venture for the acquisition of the assets in an amount equal to the sum of 57 % of the purchase price of the assets, and closing costs, for a total acquisition loan of $182.4 million (the acquisition loan ). The acquisition loan has a 5-year maturity and bears a variable interest at 30-day LIBOR plus 300 basis points and is secured by a pledge of all of the acquiring entity s assets. In addition, BPPR provided the joint venture with a non-revolving advance facility (the advance facility ) of $35.0 million to cover unfunded commitments and costs-to-complete related to certain construction projects, and a revolving working capital line (the working capital line ) of $30.0 million to fund certain operating expenses of the joint venture. Cash proceeds received by the joint venture are first used to cover debt service payments for the acquisition loan, advance facility, and the working capital line described above which must be paid in full before proceeds can be used for other purposes. The distributable cash proceeds are determined based on a pro-rata basis in accordance with the respective equity ownership percentages. BPPR s equity interest in the joint venture ranks pari-passu with those of other parties involved. As part of the transaction executed in March 2013, BPPR received $92.3 million in cash and a 24.9 % equity interest in the joint venture. The Corporation is not required to provide any other financial support to the joint venture.

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

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

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

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

The following table presents the carrying amount and classification of the assets and liabilities related to the Corporation s variable interests in the non-consolidated VIE, PR Asset Portfolio 2013-1 International, LLC, and its maximum exposure to loss at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
| --- | --- | --- |
| **Assets** | | |
| Loans held-in-portfolio: | | |
| Acquisition loan | $ 45,754 | $ 97,193 |
| Advances under the working capital line | 944 | 990 |
| Advances under the advance facility | 19,933 | 12,460 |
| Total loans held-in-portfolio | $ 66,631 | $ 110,643 |
| Accrued interest receivable | $ 210 | $ 314 |
| Other assets: | | |
| Investment in PR Asset Portfolio 2013-1 International, LLC | $ 25,729 | $ 31,374 |
| Total assets | $ 92,570 | $ 142,331 |
| Deposits | $ (10,081) | $ (12,960) |

| | | | | |
|---|---|---|---|---|
| Total liabilities | $ | (10,081) | $ | (12,960) |
| Total net assets | $ | 82,489 | $ | 129,371 |
| Maximum exposure to loss | $ | 82,489 | $ | 129,371 |

The Corporation determined that the maximum exposure to loss under a worst case scenario at September 30, 2015 would be not recovering the carrying amount of the acquisition loan, the advances on the advance facility and working capital line, if any, and the equity interest held by the Corporation, net of the deposits.

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**Note 28 Related party transactions with affiliated company / joint venture**

***EVERTEC***

The Corporation has an investment in EVERTEC, Inc. ( EVERTEC ), which provides various processing and information technology services to the Corporation and its subsidiaries and gives BPPR access to the ATH network owned and operated by EVERTEC. As of September 30, 2015, the Corporation s stake in EVERTEC was 15.31%.The Corporation continues to have significant influence over EVERTEC. Accordingly, the investment in EVERTEC is accounted for under the equity method and is evaluated for impairment if events or circumstances indicate that a decrease in value of the investment has occurred that is other than temporary. Refer to Note 34 Related party transactions to the consolidated financial statements included in the Corporation s 2014 Annual Report for details.

The Corporation received $ 3.5 million in dividend distributions during the nine months ended September 30, 2015 from its investments in EVERTEC s holding company (September 30, 2014 - $ 3.5 million). The Corporation s equity in EVERTEC is presented in the table which follows and is included as part of other assets in the consolidated statements of financial condition.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Equity investment in EVERTEC | $ 30,941 | $ 25,146 |

The Corporation had the following financial condition balances outstanding with EVERTEC at September 30, 2015 and December 31, 2014. Items that represent liabilities to the Corporation are presented with parenthesis.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Accounts receivable (Other assets) | $ 2,655 | $ 5,065 |
| Deposits | (25,869) | (15,481) |
| Accounts payable (Other liabilities) | (17,324) | (15,511) |
| Net total | $ (40,538) | $ (25,927) |

The Corporation s proportionate share of income or loss from EVERTEC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of EVERTEC s income (loss) and changes in stockholders equity for the quarters and nine months ended September 30, 2015 and 2014.

| (In thousands) | Quarter ended September 30, 2015 | Nine months ended September 30, 2015 |
|---|---|---|

| | | |
|---|---|---|
| Share of income from the investment in EVERTEC | $ 2,162 | $ 8,077 |
| Share of other changes in EVERTEC s stockholders equity | 600 | 1,165 |
| Share of EVERTEC s changes in equity recognized in income | $ 2,762 | $ 9,242 |

| (In thousands) | Quarter ended September 30, 2014 | Nine months ended September 30, 2014 |
|---|---|---|
| Share of income from the investment in EVERTEC | $ 2,772 | $ 8,104 |
| Share of other changes in EVERTEC s stockholders equity | 49 | 370 |
| Share of EVERTEC s changes in equity recognized in income | $ 2,821 | $ 8,474 |

The following tables present the transactions and service payments between the Corporation and EVERTEC (as an affiliate) and their impact on the results of operations for the quarters and nine months ended September 30, 2015 and 2014. Items that represent expenses to the Corporation are presented with parenthesis.

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| (In thousands) | Quarter ended September 30, 2015 | Nine months ended September 30, 2015 | Category |
|---|---|---|---|
| Interest expense on deposits | $ (15) | $ (41) | Interest expense |
| ATH and credit cards interchange income from services to EVERTEC | 6,961 | 20,614 | Other service fees |
| Rental income charged to EVERTEC | 1,719 | 5,166 | Net occupancy |
| Processing fees on services provided by EVERTEC | (41,147) | (122,597) | Professional fees |
| Other services provided to EVERTEC | 144 | 852 | Other operating expenses |
| Total | $ (32,338) | $ (96,006) | |

| (In thousands) | Quarter ended September 30, 2014 | Nine months ended September 30, 2014 | Category |
|---|---|---|---|
| Interest expense on deposits | $ (14) | $ (53) | Interest expense |
| ATH and credit cards interchange income from services to EVERTEC | 6,596 | 19,724 | Other service fees |
| Rental income charged to EVERTEC | 1,724 | 5,151 | Net occupancy |
| Processing fees on services provided by EVERTEC | (37,427) | (115,066) | Professional fees |
| Other services provided to EVERTEC | 278 | 732 | Other operating expenses |
| Total | $ (28,843) | $ (89,512) | |

EVERTEC has a letter of credit issued by BPPR, for an amount of $ 4.2 million at September 30, 2015 (December 31, 2014 - $ 3.6 million). The Corporation agreed to maintain outstanding this letter of credit for a 5-year period that originally expired on September 30, 2015 and was subsequently extended through February 10, 2016. EVERTEC and the Corporation entered into a Reimbursement Agreement, in which EVERTEC will reimburse the Corporation for any losses incurred by the Corporation in connection with the performance bonds and the letter of credit. Possible losses resulting from these agreements are considered insignificant.

***PRLP 2011 Holdings LLC***

As indicated in Note 27 to the consolidated financial statements, the Corporation holds a 24.9 % equity interest in PRLP 2011 Holdings LLC and currently provides certain financing to the joint venture as well as holds certain deposits from the entity.

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

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Equity investment in PRLP 2011 Holdings, LLC | $ 21,187 | $ 23,650 |

The Corporation had the following financial condition balances outstanding with PRLP 2011 Holdings, LLC at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Loans | $ 1,049 | $ 4,652 |
| Accrued interest receivable | 11 | 22 |
| Deposits (non-interest bearing) | (13,232) | (2,685) |
| Net total | $ (12,172) | $ 1,989 |

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The Corporation s proportionate share of income or loss from PRLP 2011 Holdings, LLC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of income (loss) from PRLP 2011 Holdings, LLC for the quarters and nine months ended September 30, 2015 and 2014.

| (In thousands) | Quarter ended September 30, 2015 | Nine months ended September 30, 2015 |
|---|---|---|
| Share of loss from the equity investment in PRLP 2011 Holdings, LLC | $ (633) | $ (2,463) |

| (In thousands) | Quarter ended September 30, 2014 | Nine months ended September 30, 2014 |
|---|---|---|
| Share of loss from the equity investment in PRLP 2011 Holdings, LLC | $ (706) | $ (2,484) |

The following table presents transactions between the Corporation and PRLP 2011 Holdings, LLC and their impact on the Corporation s results of operations for the quarters and nine months ended September 30, 2015 and 2014.

| (In thousands) | Quarter ended September 30, 2015 | Nine months ended September 30, 2015 | Category |
|---|---|---|---|
| Interest income on loan to PRLP 2011 Holdings, LLC | $ 48 | $ 161 | Interest income |

| (In thousands) | Quarter ended September 30, 2014 | Nine months ended September 30, 2014 | Category |
|---|---|---|---|
| Interest income on loan to PRLP 2011 Holdings, LLC | $ 84 | $ 355 | Interest income |

***PR Asset Portfolio 2013-1 International, LLC***

As indicated in Note 27 to the consolidated financial statements, effective March 2013 the Corporation holds a 24.9 % equity interest in PR Asset Portfolio 2013-1 International, LLC and currently provides certain financing to the joint venture as well as holds certain deposits from the entity.

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

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Equity investment in PR Asset Portfolio 2013-1 International, LLC | $ 25,729 | $ 31,374 |

The Corporation had the following financial condition balances outstanding with PR Asset Portfolio 2013-1 International, LLC, at September 30, 2015 and December 31, 2014.

| (In thousands) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Loans | $ 66,631 | $ 110,643 |
| Accrued interest receivable | 210 | 314 |
| Deposits | (10,081) | (12,960) |
| Net total | $ 56,760 | $ 97,997 |

The Corporation s proportionate share of income or loss from PR Asset Portfolio 2013-1 International, LLC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of income (loss) from PR Asset Portfolio 2013-1 International, LLC for the quarter and nine months ended September 30, 2015 and 2014.

| (In thousands) | Quarter ended September 30, 2015 | Nine months ended September 30, 2015 |
|---|---|---|
| Share of loss from the equity investment in PR Asset Portfolio 2013-1 International, LLC | $ (1,177) | $ (5,645) |

| (In thousands) | Quarter ended September 30, 2014 | Nine months ended September 30, 2014 |
|---|---|---|
| Share of (loss) income from the equity investment in PR Asset Portfolio 2013-1 International, LLC | $ (1,152) | $ 298 |

The following table presents transactions between the Corporation and PR Asset Portfolio 2013-1 International, LLC and their impact on the Corporation s results of operations for the quarters and nine months ended September 30, 2015 and 2014.

| (In thousands) | Quarter ended September 30, 2015 | Nine months ended September 30, 2015 | Category |
|---|---|---|---|
| Interest income on loan to PR Asset Portfolio 2013-1 International, LLC | $ 659 | $ 2,272 | Interest income |
| Interest expense on deposits | (1) | (2) | Interest expense |
| Total | $ 658 | $ 2,270 | |

| (In thousands) | Quarter ended September 30, 2014 | Nine months ended September 30, 2014 | Category |
|---|---|---|---|
| Interest income on loan to PR Asset Portfolio 2013-1 International, LLC | $ 1,041 | $ 3,385 | Interest income |
| Servicing fee paid by PR Asset Portfolio 2013-1 International, LLC | | 70 | Other service fees |
| Total | $ 1,041 | $ 3,455 | |

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**Note 29 Fair value measurement**

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

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

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

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

The Corporation maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Fair value is based upon quoted market prices when available. If listed prices or quotes are not available, the Corporation employs internally-developed models that primarily use market-based inputs including yield curves, interest rates, volatilities, and credit curves, among others. Valuation adjustments are limited to those necessary to ensure that the financial instrument s fair value is adequately representative of the price that would be received or paid in the marketplace. These adjustments include amounts that reflect counterparty credit quality, the Corporation s credit standing, constraints on liquidity and unobservable parameters that are applied consistently. There have been no changes in the Corporation s methodologies used to estimate the fair value of assets and liabilities since December 31, 2014. Refer to the Critical Accounting Policies / Estimates in the 2014 Annual Report for additional information on the accounting guidance and the Corporation s policies or procedures related to fair value measurements.

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

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*Fair Value on a Recurring and Nonrecurring Basis*

The following fair value hierarchy tables present information about the Corporation s assets and liabilities measured at fair value on a recurring basis at September 30, 2015 and December 31, 2014 and on a nonrecurring basis in periods subsequent to initial recognition for the nine months ended September 30, 2015 and 2014:

| At September 30, 2015 | | | | |
|---|---|---|---|---|
| (In thousands) | Level 1 | Level 2 | Level 3 | Total |
| RECURRING FAIR VALUE MEASUREMENTS | | | | |
| Assets | | | | |
| Investment securities available-for-sale: | | | | |
| U.S. Treasury securities | $ | $ 1,046,173 | $ | $ 1,046,173 |
| Obligations of U.S. Government sponsored entities | | 1,001,495 | | 1,001,495 |
| Obligations of Puerto Rico, States and political subdivisions | | 26,433 | | 26,433 |
| Collateralized mortgage obligations - federal agencies | | 1,656,770 | | 1,656,770 |
| Mortgage-backed securities | | 1,755,744 | 1,449 | 1,757,193 |
| Equity securities | 306 | 2,083 | | 2,389 |
| Other | | 10,478 | | 10,478 |
| Total investment securities available-for-sale | $ 306 | $ 5,499,176 | $ 1,449 | $ 5,500,931 |
| Trading account securities, excluding derivatives: | | | | |
| Obligations of Puerto Rico, States and political subdivisions | $ | $ 5,395 | $ | $ 5,395 |
| Collateralized mortgage obligations | | 233 | 1,440 | 1,673 |
| Mortgage-backed securities - federal agencies | | 107,648 | 5,971 | 113,619 |
| Other | | 15,595 | 1,661 | 17,256 |
| Total trading account securities | $ | $ 128,871 | $ 9,072 | $ 137,943 |
| Mortgage servicing rights | $ | $ | $ 210,851 | $ 210,851 |
| Derivatives | | 16,750 | | 16,750 |
| Total assets measured at fair value on a recurring basis | $ 306 | $ 5,644,797 | $ 221,372 | $ 5,866,475 |
| Liabilities | | | | |
| Derivatives | $ | $ (15,302) | $ | $ (15,302) |
| Contingent consideration | | | (125,895) | (125,895) |
| Total liabilities measured at fair value on a recurring basis | $ | $ (15,302) | $ (125,895) | $ (141,197) |

| | At December 31, 2014 | | | |
|---|---|---|---|---|
| (In thousands) | Level 1 | Level 2 | Level 3 | Total |
| RECURRING FAIR VALUE MEASUREMENTS | | | | |
| Assets | | | | |
| Investment securities available-for-sale: | | | | |
| U.S. Treasury securities | $ | $ 700,154 | $ | $ 700,154 |
| Obligations of U.S. Government sponsored entities | | 1,724,973 | | 1,724,973 |
| Obligations of Puerto Rico, States and political subdivisions | | 61,712 | | 61,712 |
| Collateralized mortgage obligations - federal agencies | | 1,910,030 | | 1,910,030 |
| Mortgage-backed securities | | 903,037 | 1,325 | 904,362 |
| Equity securities | 323 | 2,299 | | 2,622 |
| Other | | 11,306 | | 11,306 |
| Total investment securities available-for-sale | $ 323 | $ 5,313,511 | $ 1,325 | $ 5,315,159 |
| Trading account securities, excluding derivatives: | | | | |
| Obligations of Puerto Rico, States and political subdivisions | $ | $ 7,954 | $ | $ 7,954 |
| Collateralized mortgage obligations | | 261 | 1,375 | 1,636 |
| Mortgage-backed securities - federal agencies | | 104,463 | 6,229 | 110,692 |
| Other | | 16,682 | 1,563 | 18,245 |
| Total trading account securities | $ | $ 129,360 | $ 9,167 | $ 138,527 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Mortgage servicing rights | $ | $ | $ 148,694 | $ 148,694 |
| Derivatives | | 25,362 | | 25,362 |
| Total assets measured at fair value on a recurring basis | $ 323 | $ 5,468,233 | $ 159,186 | $ 5,627,742 |
| Liabilities | | | | |
| Derivatives | $ | $ (23,032) | $ | $ (23,032) |
| Contingent consideration | | | (133,634) | (133,634) |
| Total liabilities measured at fair value on a recurring basis | $ | $ (23,032) | $ (133,634) | $ (156,666) |

The fair value information included in the following tables is not as of period end, but as of the date that the fair value measurement was recorded during the nine month period ended September 30, 2015 and 2014, and excludes nonrecurring fair value measurements of assets no longer held by the Corporation.

| Nine months ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|
| (In thousands) | Level 1 | Level 2 | Level 3 | Total | Write-downs |
| NONRECURRING FAIR VALUE MEASUREMENTS | | | | | |
| Assets | | | | | |
| Loans[1] | $ | $ | $ 114,204 | $ 114,204 | $ (87,260) |
| Loans held-for-sale[2] | | | 47,458 | 47,458 | (18) |
| Other real estate owned[3] | | 137 | 55,616 | 55,753 | (40,059) |
| Other foreclosed assets[3] | | | 91 | 91 | (836) |
| Total assets measured at fair value on a nonrecurring basis | $ | $ 137 | $ 217,369 | $ 217,506 | $ (128,173) |

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

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

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

| Nine months ended September 30, 2014 | | | | | |
|---|---|---|---|---|---|
| (In thousands) | Level 1 | Level 2 | Level 3 | Total | Write-downs |
| NONRECURRING FAIR VALUE MEASUREMENTS | | | | | |
| Assets | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Loans[1] | $ | $ | $ 53,796 | $ 53,796 | $ (31,037) |
| Loans held-for-sale[2] | | | 87,427 | 87,427 | (38) |
| Other real estate owned[3] | | 4,605 | 74,631 | 79,236 | (26,895) |
| Other foreclosed assets[3] | | | 1,612 | 1,612 | (1,269) |
| Total assets measured at fair value on a nonrecurring basis | $ | $ 4,605 | $ 217,466 | $ 222,071 | $ (59,239) |

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

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

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

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The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarters and nine months ended September 30, 2015 and 2014.

| | Quarter ended September 30, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (In thousands) | MBS classified as investment securities available-for-sale | CMOs classified as trading account securities | MBS classified as trading account securities | Other securities classified as trading account securities | Mortgage servicing rights | Total assets | Contingent consideration | Total liabilities |
| Balance at June 30, 2015 | $ 1,445 | $ 1,192 | $ 6,046 | $ 1,619 | $ 206,357 | $ 216,659 | $ (124,837) | $ (124,837) |
| Gains (losses) included in earnings | (1) | 3 | (12) | 42 | (4,408) | (4,376) | (1,058) | (1,058) |
| Gains (losses) included in OCI | 5 | | | | | 5 | | |
| Additions | | 294 | 134 | | 8,902 | 9,330 | | |
| Settlements | | (49) | (197) | | | (246) | | |
| Balance at September 30, 2015 | $ 1,449 | $ 1,440 | $ 5,971 | $ 1,661 | $ 210,851 | $ 221,372 | $ (125,895) | $ (125,895) |
| Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2015 | $ | $ 4 | $ (4) | $ 58 | $ (112) | $ (54) | $ (1,058) | $ (1,058) |

| | Nine months ended September 30, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (In thousands) | MBS classified as investment securities available-for-sale | CMOs classified as trading account securities | MBS classified as trading account securities | Other securities classified as trading account securities | Mortgage servicing rights | Total assets | Contingent consideration | Total liabilities |
| Balance at January 1, 2015 | $ 1,325 | $ 1,375 | $ 6,229 | $ 1,563 | $ 148,694 | $ 159,186 | $ (133,634) | $ (133,634) |
| Gains (losses) included in earnings | (1) | (1) | 2 | 98 | (11,254) | (11,156) | 6,777 | 6,777 |
| Gains (losses) included in OCI | 7 | | | | | 7 | | |
| Additions | 118 | 332 | 392 | | 73,411 | 74,253 | 962 | 962 |
| Sales | | (44) | (80) | | | (124) | | |
| Settlements | | (222) | (572) | | | (794) | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance at September 30, 2015 | $ 1,449 | $ 1,440 | $ 5,971 | $ 1,661 | $ 210,851 | $ 221,372 | $ (125,895) | $ (125,895) |
| Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2015 | $ | $ 2 | $ 20 | $ 200 | $ 1,774 | $ 1,996 | $ 6,777 | $ 6,777 |

Quarter ended September 30, 2014

| (In thousands) | MBS classified as investment securities available-for-sale | CMOs classified as trading account securities | MBS classified as trading account securities | Other securities classified as trading account securities | Mortgage servicing rights | Total assets | Contingent consideration | Total liabilities |
|---|---|---|---|---|---|---|---|---|
| Balance at June 30, 2014 | $ 6,169 | $ 1,494 | $ 7,802 | $ 1,283 | $ 151,951 | $ 168,699 | $ (127,551) | $ (127,551) |
| Gains (losses) included in earnings | (1) | 2 | (20) | 70 | (2,588) | (2,537) | 1,078 | 1,078 |
| Gains (losses) included in OCI | (20) | | | | | (20) | | |
| Additions | | 7 | 127 | | 2,919 | 3,053 | | |
| Settlements | (222) | (55) | (376) | | | (653) | | |
| Balance at September 30, 2014 | $ 5,926 | $ 1,448 | $ 7,533 | $ 1,353 | $ 152,282 | $ 168,542 | $ (126,473) | $ (126,473) |
| Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2014 | $ | $ 2 | $ (4) | $ 107 | $ 2,528 | $ 2,633 | $ 1,078 | $ 1,078 |

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| | Nine months ended September 30, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (In thousands) | MBS classified as investment securities available-for-sale | CMOs classified as trading account securities | MBS classified as trading account securities | Other securities classified as trading account securities | Mortgage servicing rights | Total assets | Contingent consideration | Total liabilities |
| Balance at January 1, 2014 | $ 6,523 | $ 1,423 | $ 9,799 | $ 1,929 | $ 161,099 | $ 180,773 | $ (128,299) | $ (128,299) |
| Gains (losses) included in earnings | (4) | (9) | (134) | (576) | (18,424) | (19,147) | 1,040 | 1,040 |
| Gains (losses) included in OCI | (100) | | | | | (100) | | |
| Additions | | 270 | 778 | | 9,611 | 10,659 | | |
| Sales | | | (1,109) | | | (1,109) | | |
| Settlements | (493) | (236) | (1,801) | | (4) | (2,534) | 786 | 786 |
| Balance at September 30, 2014 | $ 5,926 | $ 1,448 | $ 7,533 | $ 1,353 | $ 152,282 | $ 168,542 | $ (126,473) | $ (126,473) |
| Changes in unrealized gains (losses) included in earnings relating to assets still held at September 30, 2014 | $ | $ (5) | $ (70) | $ (424) | $ (3,314) | $ (3,813) | $ 1,040 | $ 1,040 |

There were no transfers in and / or out of Level 1, Level 2, or Level 3 for financial instruments measured at fair value on a recurring basis during the quarters and nine months ended September 30, 2015 and 2014.

Gains and losses (realized and unrealized) included in earnings for the quarter and nine months ended September 30, 2015 and 2014 for Level 3 assets and liabilities included in the previous tables are reported in the consolidated statement of operations as follows:

| | Quarter ended September 30, 2015 | | Nine months ended September 30, 2015 | |
|---|---|---|---|---|
| (In thousands) | Total gains (losses) included in earnings | Changes in unrealized gains (losses) relating to assets still held at reporting date | Total gains (losses) included in earnings | Changes in unrealized gains (losses) relating to assets still held at reporting date |
| Interest income | $ (1) | $ | $ (1) | $ |
| FDIC loss share (expense) income | (1,058) | (1,058) | 6,777 | 6,777 |
| Mortgage banking activities | (4,408) | (112) | (11,254) | 1,774 |

| | | | | |
|---|---|---|---|---|
| Trading account profit (loss) | 33 | 58 | 99 | 222 |
| Total | $ (5,434) | $ (1,112) | $ (4,379) | $ 8,773 |

| | Quarter ended September 30, 2014 | | Nine months ended September 30, 2014 | |
|---|---|---|---|---|
| (In thousands) | Total gains (losses) included in earnings | Changes in unrealized gains (losses) relating to assets still held at reporting date | Total gains (losses) included in earnings | Changes in unrealized gains (losses) relating to assets still held at reporting date |
| Interest income | $ (1) | $ | $ (4) | $ |
| FDIC loss share (expense) income | 1,078 | 1,078 | 1,040 | 1,040 |
| Mortgage banking activities | (2,588) | 2,528 | (18,424) | (3,314) |
| Trading account profit (loss) | 52 | 105 | (719) | (499) |
| Total | $ (1,459) | $ 3,711 | $ (18,107) | $ (2,773) |

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

| (In thousands) | Fair value at September 30, 2015 | Valuation technique | Unobservable inputs | Weighted average (range) |
|---|---|---|---|---|
| CMO s - trading | $ 1,440 | Discounted cash flow model | Weighted average life<br>Yield<br>Constant prepayment rate | 2.4 years (0.5 - 4.8 years) 4.0% (1.1% - 4.7%)<br>22.2% (18.0% - 23.9%) |
| Other - trading | $ 699 | Discounted cash flow model | Weighted average life<br>Yield<br>Constant prepayment rate | 5.5 years<br>12.2%<br>10.8% |
| Mortgage servicing rights | $ 210,851 | Discounted cash flow model | Prepayment speed<br>Weighted average life<br>Discount rate | 7.4% (0.5% - 26.7%)<br>6.3 years (0.1 - 17.4 years)<br>11.3% (9.5% - 15.0%) |
| Contingent consideration | $ (122,527) | Discounted cash flow model | Credit loss rate on covered loans<br>Risk premium component of discount rate | 4.7% (0.0% - 100.0%)<br>5.7% |
| Loans held-in-portfolio | $ 114,159 [1] | External appraisal | Haircut applied on external appraisals | 41.0% (25.0% - 45.0%) |
| Other real estate owned | $ 50,309 [2] | External appraisal | Haircut applied on external appraisals | 23.8% (12.0% - 45.0%) |
| Other foreclosed assets | $ 91 [3] | External appraisal | Haircut applied on external appraisals | 1.0% |

[1] Loans held-in-portfolio in which haircuts were not applied to external appraisals were excluded from this table.
[2] Other real estate owned in which haircuts were not applied to external appraisals were excluded from this table.
[3] Other foreclosed assets in which haircuts were not applied to external appraisals were excluded from this table.

The significant unobservable inputs used in the fair value measurement of the Corporation s collateralized mortgage obligations and interest-only collateralized mortgage obligation (reported as other ), which are classified in the trading category, are yield, constant prepayment rate, and weighted average life. Significant increases (decreases) in any of those inputs in isolation would result in significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the constant prepayment rate will generate a directionally opposite change in the weighted

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

The significant unobservable inputs used in the fair value measurement of the Corporation s mortgage servicing rights are constant prepayment rates and discount rates. Increases in interest rates may result in lower prepayments. Discount rates vary according to products and / or portfolios depending on the perceived risk. Increases in discount rates result in a lower fair value measurement. The Corporation s Corporate Comptroller s unit is responsible for determining the fair value of MSRs, which is based on discounted cash flow methods based on assumptions developed by an external service provider, except for prepayment speeds, which are adjusted internally for the local market based on historical experience. The Corporation s Corporate Treasury unit validates the economic assumptions developed by the external service provider on a quarterly basis. In addition, an analytical review of prepayment speeds is performed quarterly by the Corporate Comptroller s unit. The Corporation s MSR Committee analyzes changes in fair value measurements of MSRs and approves the valuation assumptions at each reporting period. Changes in valuation assumptions must also be approved by the MSR Committee. The fair value of MSRs are compared with those of the external service provider on a quarterly basis in order to validate if the fair values are within the materiality thresholds established by management to monitor and investigate material deviations. Back-testing is performed to compare projected cash flows with actual historical data to ascertain the reasonability of the projected net cash flow results.

## Note 30 Fair value of financial instruments

The fair value of financial instruments is the amount at which an asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time based on the type of financial instrument and relevant market information. Many of these estimates involve various assumptions and may vary significantly from amounts that could be realized in actual transactions.

The information about the estimated fair values of financial instruments presented hereunder excludes all nonfinancial instruments and certain other specific items.

For those financial instruments with no quoted market prices available, fair values have been estimated using present value calculations or other valuation techniques, as well as management s best judgment with respect to current economic conditions, including discount rates, estimates of future cash flows, and prepayment assumptions.

The fair values reflected herein have been determined based on the prevailing interest rate environment at September 30, 2015 and December 31, 2014, as applicable. In different interest rate environments, fair value estimates can differ significantly, especially for certain fixed rate financial instruments. In addition, the fair values presented do not attempt to estimate the value of the Corporation s fee generating businesses and anticipated future business activities, that is, they do not represent the Corporation s value as a going concern. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

Following is a description of the Corporation s valuation methodologies and inputs used to estimate the fair values for each class of financial assets and liabilities not measured at fair value, but for which the fair value is disclosed. The disclosure requirements exclude certain financial instruments and all non-financial instruments. Accordingly, the aggregate fair value amounts of the financial instruments disclosed do not represent management s estimate of the underlying value of the Corporation. For a description of the valuation methodologies and inputs used to estimate the fair value for each class of financial assets and liabilities measured at fair value, refer to Note 29.

*Cash and due from banks*

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

*Money market investments*

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

*Investment securities held-to-maturity*

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

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

Other: Other securities include foreign and corporate debt. Given that the fair value was based on quoted prices for similar instruments, foreign debt is classified as Level 2. The fair value of corporate debt, which is collateralized by municipal bonds of Puerto Rico, was internally derived from benchmark treasury notes and a credit spread based on comparable Puerto Rico government trades, similar securities, and/or recent issuances. Corporate debt is classified as Level 3.

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*Other investment securities*

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

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

Trust preferred securities: These securities represent the equity-method investment in the common stock of these trusts. Book value is the same as fair value for these securities since the fair value of the junior subordinated debentures is the same amount as the fair value of the trust preferred securities issued to the public. The equity-method investment in the common stock of these trusts is classified as Level 2, except for that of Popular Capital Trust III (Troubled Asset Relief Program) which is classified as Level 3. Refer to Note 22 for additional information on these trust preferred securities.

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

*Loans held-for-sale*

The fair value of certain impaired loans held-for-sale was based on a discounted cash flow model that assumes that no principal payments are received prior to the effective average maturity date, that the outstanding unpaid principal balance is reduced by a monthly net loss rate, and that the remaining unpaid principal balance is received as a lump sum principal payment at the effective average maturity date. The remaining unpaid principal balance expected to be received, which is based on the prior 12-month cash payment experience of these loans and their expected collateral recovery, was discounted using the interest rate currently offered to clients for the origination of comparable loans. These loans were classified as Level 3. As of September 30, 2015, no loans were valued under this methodology. For loans held-for-sale originated with the intent to sell in the secondary market, its fair value was determined using similar characteristics of loans and secondary market prices assuming the conversion to mortgage-backed securities. Given that the valuation methodology uses internal assumptions based on loan level data, these loans are classified as Level 3. The fair value of certain other loans held-for-sale is based on bids received from potential buyers; binding offers; or external appraisals, net of internal adjustments and estimated costs to sell. Loans held-for-sale based on binding offers are classified as Level 2. Loans held-for-sale based on indicative offers and/or external appraisals are classified as Level 3.

*Loans held-in-portfolio*

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

*FDIC loss share asset*

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

*Deposits*

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

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

*Assets sold under agreements to repurchase*

Securities sold under agreements to repurchase (structured and non-structured): Securities sold under agreements to repurchase with short-term maturities approximate fair value because of the short-term nature of those instruments. Resell and repurchase agreements with long-term maturities were valued using discounted cash flows based on the three-month LIBOR. In determining the non-performance credit risk valuation adjustment, the collateralization levels of these long-term securities sold under agreements to repurchase were considered. In the case of callable structured repurchase agreements, the callable feature is not considered when determining the fair value of those repurchase agreements, since there is a remote possibility, based on forward rates, that the investor will call back these agreements before maturity since it is not expected that the interest rates would rise more than the specified interest rate of these agreements. Securities sold under agreements to repurchase (structured and non-structured) are classified as Level 2.

*Other short-term borrowings*

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

*Notes payable*

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

Medium-term notes: The fair value of publicly-traded medium-term notes was determined using recent trades of similar transactions. Publicly-traded medium-term notes are classified as Level 2. The fair value of non-publicly traded debt was based on remaining contractual cash outflows, discounted at a rate commensurate with the non-performance credit risk of the Corporation, which is subjective in nature. Non-publicly traded debt is classified as Level 3.

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

Junior subordinated deferrable interest debentures (Troubled Asset Relief Program): The fair value of junior subordinated deferrable interest debentures was based on the discounted value of contractual cash flows over their contractual term. The discount rate was based on the rate at which a similar security was priced in the open market. Thus, these junior subordinated deferrable interest debentures are classified as Level 3.

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Others: The other category includes capital lease obligations. Generally accepted accounting principles do not require a fair valuation of capital lease obligations, therefore; it is included at its carrying amount. Capital lease obligations are classified as Level 3.

*Commitments to extend credit and letters of credit*

Commitments to extend credit were valued using the fees currently charged to enter into similar agreements. For those commitments where a future stream of fees is charged, the fair value was estimated by discounting the projected cash flows of fees on commitments. Since the fair value of commitments to extend credit varies depending on the undrawn amount of the credit facility, fees are subject to constant change, and cash flows are dependent on the creditworthiness of borrowers, commitments to extend credit are classified as Level 3. The fair value of letters of credit was based on fees currently charged on similar agreements. Given that the fair value of letters of credit constantly vary due to fees being subject to constant change and whether the fees are received depends on the creditworthiness of the account parties, letters of credit are classified as Level 3.

The following tables present the carrying or notional amounts, as applicable, and estimated fair values for financial instruments with their corresponding level in the fair value hierarchy.

| | September 30, 2015 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Carrying amount | Level 1 | Level 2 | Level 3 | Fair value |
| Financial Assets: | | | | | |
| Cash and due from banks | $ 320,555 | $ 320,555 | $ | $ | $ 320,555 |
| Money market investments | 2,408,571 | 2,263,149 | 145,422 | | 2,408,571 |
| Trading account securities, excluding derivatives[1] | 137,943 | | 128,871 | 9,072 | 137,943 |
| Investment securities available-for-sale[1] | 5,500,931 | 306 | 5,499,176 | 1,449 | 5,500,931 |
| Investment securities held-to-maturity: | | | | | |
| Obligations of Puerto Rico, States and political subdivisions | $ 98,709 | $ | $ | $ 82,467 | $ 82,467 |
| Collateralized mortgage obligation-federal agency | 86 | | | 91 | 91 |
| Other | 1,500 | | 1,245 | 233 | 1,478 |
| Total investment securities held-to-maturity | $ 100,295 | $ | $ 1,245 | $ 82,791 | $ 84,036 |
| Other investment securities: | | | | | |
| FHLB stock | $ 61,537 | $ | $ 61,537 | $ | $ 61,537 |
| FRB stock | 96,962 | | 96,962 | | 96,962 |
| Trust preferred securities | 13,197 | | 12,197 | 1,000 | 13,197 |
| Other investments | 1,961 | | | 4,902 | 4,902 |
| Total other investment securities | $ 173,657 | $ | $ 170,696 | $ 5,902 | $ 176,598 |

| | | | | | |
|---|---|---|---|---|---|
| Loans held-for-sale | $ 171,019 | $ | $ 450 | $ 170,569 | $ 171,019 |
| Loans not covered under loss sharing agreement with the FDIC | 21,962,061 | | | 19,763,992 | 19,763,992 |
| Loans covered under loss sharing agreements with the FDIC | 630,919 | | | 722,413 | 722,413 |
| FDIC loss share asset | 311,946 | | | 303,285 | 303,285 |
| Mortgage servicing rights | 210,851 | | | 210,851 | 210,851 |
| Derivatives | 16,750 | | 16,750 | | 16,750 |

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| | September 30, 2015 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Carrying amount | Level 1 | Level 2 | Level 3 | Fair value |
| Financial Liabilities: | | | | | |
| Deposits: | | | | | |
| Demand deposits | $ 18,611,932 | $ | $ 18,611,932 | $ | $ 18,611,932 |
| Time deposits | 8,101,274 | | 8,071,187 | | 8,071,187 |
| Total deposits | $ 26,713,206 | $ | $ 26,683,119 | $ | $ 26,683,119 |
| Assets sold under agreements to repurchase: | | | | | |
| Securities sold under agreements to repurchase | $ 1,085,765 | $ | $ 1,089,380 | $ | $ 1,089,380 |
| Total assets sold under agreements to repurchase | $ 1,085,765 | $ | $ 1,089,380 | $ | $ 1,089,380 |
| Other short-term borrowings[2] | $ 1,200 | $ | $ 1,200 | $ | $ 1,200 |
| Notes payable: | | | | | |
| FHLB advances | $ 765,485 | $ | $ 790,988 | $ | $ 790,988 |
| Unsecured senior debt securities | 450,000 | | 437,558 | | 437,558 |
| Junior subordinated deferrable interest debentures (related to trust preferred securities) | 439,799 | | 340,151 | | 340,151 |
| Others | 19,227 | | | 19,227 | 19,227 |
| Total notes payable | $ 1,674,511 | $ | $ 1,568,697 | $ 19,227 | $ 1,587,924 |
| Derivatives | $ 15,302 | | $ 15,302 | $ | $ 15,302 |
| Contingent consideration | $ 125,895 | $ | $ | $ 125,895 | $ 125,895 |

| (In thousands) | Notional amount | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|---|
| Commitments to extend credit | $ 7,026,379 | $ | $ | $ 1,154 | $ 1,154 |
| Letters of credit | 49,977 | | | 734 | 734 |

[1] Refer to Note 29 to the consolidated financial statements for the fair value by class of financial asset and its hierarchy level.

[2] Refer to Note 20 to the consolidated financial statements for the composition of short-term borrowings.

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| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Carrying amount | Level 1 | Level 2 | Level 3 | Fair value |
| Financial Assets: | | | | | |
| Cash and due from banks | $ 381,095 | $ 381,095 | $ | $ | $ 381,095 |
| Money market investments | 1,822,386 | 1,671,477 | 150,909 | | 1,822,386 |
| Trading account securities, excluding derivatives[1] | 138,527 | | 129,360 | 9,167 | 138,527 |
| Investment securities available-for-sale[1] | 5,315,159 | 323 | 5,313,511 | 1,325 | 5,315,159 |
| Investment securities held-to-maturity: | | | | | |
| Obligations of Puerto Rico, States and political subdivisions | 101,573 | | | 92,597 | 92,597 |
| Collateralized mortgage obligation-federal agency | 97 | | | 102 | 102 |
| Other | 1,500 | | 1,500 | | 1,500 |
| Total investment securities held-to-maturity | $ 103,170 | $ | $ 1,500 | $ 92,699 | $ 94,199 |
| Other investment securities: | | | | | |
| FHLB stock | $ 66,773 | $ | $ 66,773 | $ | $ 66,773 |
| FRB stock | 80,025 | | 80,025 | | 80,025 |
| Trust preferred securities | 13,197 | | 12,197 | 1,000 | 13,197 |
| Other investments | 1,911 | | | 5,028 | 5,028 |
| Total other investment securities | $ 161,906 | $ | $ 158,995 | $ 6,028 | $ 165,023 |
| Loans held-for-sale | $ 106,104 | $ | $ 27,074 | $ 87,862 | $ 114,936 |
| Loans not covered under loss sharing agreement with the FDIC | 18,884,732 | | | 18,079,609 | 18,079,609 |
| Loans covered under loss sharing agreements with the FDIC | 2,460,589 | | | 2,947,909 | 2,947,909 |
| FDIC loss share asset | 542,454 | | | 481,420 | 481,420 |
| Mortgage servicing rights | 148,694 | | | 148,694 | 148,694 |
| Derivatives | 25,362 | | 25,362 | | 25,362 |

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| (In thousands) | Carrying amount | Level 1 | Level 2 | Level 3 | Fair value |
| Financial Liabilities: | | | | | |
| Deposits: | | | | | |
| Demand deposits | $ 17,333,090 | $ | $ 17,333,090 | $ | $ 17,333,090 |
| Time deposits | 7,474,445 | | 7,512,683 | | 7,512,683 |
| Total deposits | $ 24,807,535 | $ | $ 24,845,773 | $ | $ 24,845,773 |

| | | | | | |
|---|---|---|---|---|---|
| Assets sold under agreements to repurchase: | | | | | |
| Securities sold under agreements to repurchase | $ 1,271,657 | $ | $ 1,269,398 | $ | $ 1,269,398 |
| Total assets sold under agreements to repurchase | $ 1,271,657 | $ | $ 1,269,398 | $ | $ 1,269,398 |
| Other short-term borrowings[2] | $ 21,200 | $ | $ 20,200 | $ 1,000 | $ 21,200 |
| Notes payable: | | | | | |
| FHLB advances | 802,198 | | 814,877 | | 814,877 |
| Unsecured senior debt | 450,000 | | 460,530 | | 460,530 |

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| | | | | | |
|---|---|---|---|---|---|
| Junior subordinated deferrable interest debentures (related to trust preferred securities) | 439,800 | | 379,400 | | 379,400 |
| Others | 19,830 | | | 19,830 | 19,830 |
| Total notes payable | $ 1,711,828 | $ | $ 1,654,807 | $ 19,830 | $ 1,674,637 |
| Derivatives | $ 23,032 | $ | $ 23,032 | $ | $ 23,032 |
| Contingent consideration | $ 133,634 | $ | $ | $ 133,634 | $ 133,634 |

| (In thousands) | Notional amount | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|---|
| Commitments to extend credit | $ 7,135,352 | $ | $ | $ 1,716 | $ 1,716 |
| Letters of credit | 49,182 | | | 486 | 486 |

[1] Refer to Note 29 to the consolidated financial statements for the fair value by class of financial asset and its hierarchy level.

[2] Refer to Note 20 to the consolidated financial statements for the composition of short-term borrowings.

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**Note 31 Net income (loss) per common share**

The following table sets forth the computation of net income (loss) per common share ( EPS ), basic and diluted, for the quarters and nine months ended September 30, 2015 and 2014:

| | Quarter ended September 30, |
|---|---|