

POPULAR INC  
Form 10-Q  
August 11, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-Q**

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2014**

**Commission File Number: 001-34084**

**POPULAR, INC.**

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

**Puerto Rico**  
**(State or other jurisdiction of**  
**Incorporation or organization)**

**66-0667416**  
**(IRS Employer**  
**Identification Number)**

**Popular Center Building**

**209 Muñoz Rivera Avenue**

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

**00918**  
**(Zip code)**

**(787) 765-9800**

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

**NOT APPLICABLE**

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

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, \$0.01 par value, 103,481,803 shares outstanding as of August 4, 2014.

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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 performance of the 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 (the Dodd-Frank Act) on our businesses, business practices and cost of operations;

regulatory approvals that may be necessary to undertake certain actions or consummate strategic transactions such as acquisitions and dispositions;

the relative strength or weakness of the consumer and commercial credit sectors and of the real estate markets in Puerto Rico and the other markets in which borrowers are located;

the performance of the stock and bond markets;

competition in the financial services industry;

additional Federal Deposit Insurance Corporation ( FDIC ) assessments;

the resolution of our dispute with the FDIC under our loss share agreement entered into in connection with the Westernbank-FDIC assisted transaction; and

possible legislative, tax or regulatory changes.

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 the general economy, 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; adverse movements and volatility in debt and equity capital 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; increased competition; our ability to grow our core businesses; decisions to downsize, sell or close units or otherwise change our business mix; and management's ability to identify and manage these and other risks. Moreover, the outcome of legal proceedings, as discussed in Part II, Item I. Legal Proceedings, is inherently uncertain and depends on judicial interpretations of law and the findings of regulators, judges and juries. Investors should refer to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 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.

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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.

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

(In thousands, except share information)	June 30, 2014	December 31, 2013
<b>Assets:</b>		
Cash and due from banks	\$ 362,572	\$ 423,211
<b>Money market investments:</b>		
Federal funds sold		5,055
Securities purchased under agreements to resell	192,490	175,965
Time deposits with other banks	1,474,454	677,433
<b>Total money market investments</b>	<b>1,666,944</b>	<b>858,453</b>
<b>Trading account securities, at fair value:</b>		
Pledged securities with creditors right to repledge	255,990	308,978
Other trading securities	89,833	30,765
<b>Investment securities available-for-sale, at fair value:</b>		
Pledged securities with creditors right to repledge	1,483,479	1,286,839
Other investment securities available-for-sale	4,170,513	4,007,961
Investment securities held-to-maturity, at amortized cost (fair value 2014 - \$103,501; 2013 - \$120,688)	114,280	140,496
Other investment securities, at lower of cost or realizable value (realizable value 2014 - \$170,700; 2013 - \$184,526)	168,125	181,752
Loans held-for-sale, at lower of cost or fair value	97,010	110,426
<b>Loans held-in-portfolio:</b>		
Loans not covered under loss sharing agreements with the FDIC	19,726,234	21,704,010
Loans covered under loss sharing agreements with the FDIC	2,736,102	2,984,427
Less Unearned income	91,010	92,144
Allowance for loan losses	624,911	640,555
<b>Total loans held-in-portfolio, net</b>	<b>21,746,415</b>	<b>23,955,738</b>
FDIC loss share asset	751,553	948,608
Premises and equipment, net	492,382	519,516
Other real estate not covered under loss sharing agreements with the FDIC	139,420	135,501
Other real estate covered under loss sharing agreements with the FDIC	155,805	168,007
Accrued income receivable	119,520	131,536
Mortgage servicing assets, at fair value	151,951	161,099
Other assets	2,292,360	1,687,558
Goodwill	461,246	647,757

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Other intangible assets	40,122	45,132
Assets from discontinued operations (Refer to Note 3)	1,828,382	
<b>Total assets</b>	<b>\$ 36,587,902</b>	<b>\$ 35,749,333</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Non-interest bearing	\$ 5,666,685	\$ 5,922,682
Interest bearing	19,234,467	20,788,463
<b>Total deposits</b>	<b>24,901,152</b>	<b>26,711,145</b>
Federal funds purchased and assets sold under agreements to repurchase	2,074,676	1,659,292
Other short-term borrowings	31,200	401,200
Notes payable	2,360,089	1,584,754
Other liabilities	880,602	766,792
Liabilities from discontinued operations (Refer to Note 3)	2,079,742	
<b>Total liabilities</b>	<b>32,327,461</b>	<b>31,123,183</b>
<b>Commitments and contingencies (Refer to Note 24)</b>		
<b>Stockholders' equity:</b>		
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; 103,539,383 shares issued (2013 103,435,967) and 103,472,979 shares outstanding (2013 103,397,699)	1,035	1,034
Surplus	4,173,616	4,170,152
Retained earnings	167,663	594,430
Treasury stock at cost, 66,404 shares (2013 38,268)	(1,742)	(881)
Accumulated other comprehensive loss, net of tax	(130,291)	(188,745)
<b>Total stockholders' equity</b>	<b>4,260,441</b>	<b>4,626,150</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 36,587,902</b>	<b>\$ 35,749,333</b>

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

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

(In thousands, except per share information)	Quarters ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
<b>Interest income:</b>				
Loans	\$ 380,986	\$ 370,298	\$ 758,588	\$ 730,814
Money market investments	1,131	829	2,104	1,784
Investment securities	33,989	36,106	69,116	73,929
Trading account securities	5,344	5,456	10,601	10,970
<b>Total interest income</b>	<b>421,450</b>	<b>412,689</b>	<b>840,409</b>	<b>817,497</b>
<b>Interest expense:</b>				
Deposits	26,223	32,445	53,081	67,061
Short-term borrowings	8,892	9,767	17,932	19,548
Long-term debt	445,716	36,066	477,606	71,833
<b>Total interest expense</b>	<b>480,831</b>	<b>78,278</b>	<b>548,619</b>	<b>158,442</b>
<b>Net interest (expense) income</b>	<b>(59,381)</b>	<b>334,411</b>	<b>291,790</b>	<b>659,055</b>
Provision for loan losses non-covered loans	50,074	228,975	104,196	438,068
Provision for loan losses covered loans	11,604	25,500	37,318	43,056
<b>Net interest (expense) income after provision for loan losses</b>	<b>(121,059)</b>	<b>79,936</b>	<b>150,276</b>	<b>177,931</b>
Service charges on deposit accounts	39,237	41,378	78,596	82,539
Other service fees (Refer to Note 30)	56,468	57,279	109,286	112,223
Mortgage banking activities (Refer to Note 12)	3,788	18,081	7,466	38,378
Net gain and valuation adjustments on investment securities		5,856		5,856
Trading account profit (loss)	1,055	(4,345)	3,032	(5,329)
Net gain (loss) on sale of loans, including valuation adjustments on loans held-for-sale	9,659	4,291	14,052	(58,428)
Adjustments (expense) to indemnity reserves on loans sold	(7,454)	(11,632)	(17,801)	(27,775)
FDIC loss share expense (Refer to Note 31)	(55,261)	(3,755)	(79,467)	(30,021)
Other operating income	15,297	181,565	43,657	201,585
<b>Total non-interest income</b>	<b>62,789</b>	<b>288,718</b>	<b>158,821</b>	<b>319,028</b>
<b>Operating expenses:</b>				
Personnel costs	99,100	106,359	203,401	213,940
Net occupancy expenses	20,267	21,059	41,627	41,551

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Equipment expenses	12,044	11,485	23,456	23,105
Other taxes	13,543	15,225	27,206	26,753
Professional fees	67,024	67,015	134,023	134,752
Communications	6,425	6,395	13,110	12,946
Business promotion	16,038	15,357	27,424	27,942
FDIC deposit insurance	10,480	18,557	21,458	26,913
Other real estate owned (OREO) expenses	3,410	7,657	9,850	53,524
Other operating expenses	20,509	22,766	42,858	43,684
Amortization of intangibles	2,025	1,989	4,051	3,979
Restructuring costs (Refer to Note 4)	4,574		4,574	
<b>Total operating expenses</b>	<b>275,439</b>	<b>293,864</b>	<b>553,038</b>	<b>609,089</b>
(Loss) income from continuing operations before income tax	(333,709)	74,790	(243,941)	(112,130)
Income tax (benefit) expense	(4,124)	(237,380)	19,140	(294,257)
(Loss) income from continuing operations	(329,585)	312,170	(263,081)	182,127
(Loss) income from discontinued operations, net of tax (Refer to Note 3)	(181,729)	15,298	(161,824)	25,034
<b>Net (Loss) Income</b>	<b>\$ (511,314)</b>	<b>\$ 327,468</b>	<b>\$ (424,905)</b>	<b>\$ 207,161</b>
<b>Net (Loss) Income Applicable to Common Stock</b>	<b>\$ (512,245)</b>	<b>\$ 326,537</b>	<b>\$ (426,767)</b>	<b>\$ 205,300</b>
<b>Net (Loss) Income per Common Share Basic</b>				
Net (loss) income from continuing operations	\$ (3.21)	3.03	(2.58)	1.76
Net (loss) income from discontinued operations	(1.77)	0.15	(1.57)	0.24
<b>Net (Loss) Income per Common Share Basic</b>	<b>\$ (4.98)</b>	<b>\$ 3.18</b>	<b>\$ (4.15)</b>	<b>\$ 2.00</b>
<b>Net (Loss) Income per Common Share Diluted</b>				
Net (loss) income from continuing operations	\$ (3.21)	3.02	(2.58)	1.75
Net (loss) income from discontinued operations	(1.77)	0.15	(1.57)	0.24
<b>Net (Loss) Income per Common Share Diluted</b>	<b>\$ (4.98)</b>	<b>\$ 3.17</b>	<b>\$ (4.15)</b>	<b>\$ 1.99</b>

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

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

(In thousands)	Quarters ended, June 30,		Six months ended, June 30,	
	2014	2013	2014	2013
Net (loss) income	\$ (511,314)	\$ 327,468	\$ (424,905)	\$ 207,161
Other comprehensive income (loss) before tax:				
Foreign currency translation adjustment	(603)	(2,653)	(2,718)	(1,929)
Reclassification adjustment for losses included in net income			7,718	
Amortization of net losses of pension and postretirement benefit plans	2,126	6,169	4,252	12,338
Amortization of prior service cost of pension and postretirement benefit plans	(950)		(1,900)	
Unrealized holding gains (losses) on investments arising during the period	27,084	(115,514)	54,666	(144,469)
Unrealized net (losses) gains on cash flow hedges	(2,548)	5,882	(4,273)	5,782
Reclassification adjustment for net (gains) losses included in net income	1,800	(3,045)	3,624	(3,196)
Other comprehensive income (loss) before tax	26,909	(109,161)	61,369	(131,474)
Income tax (expense) benefit	(925)	5,130	(2,915)	8,303
Total other comprehensive income (loss), net of tax	25,984	(104,031)	58,454	(123,171)
Comprehensive (loss) income, net of tax	\$ (485,330)	\$ 223,437	\$ (366,451)	\$ 83,990

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

(In thousands)	Quarters ended June 30,		Six months ended, June 30,	
	2014	2013	2014	2013
Amortization of net losses of pension and postretirement benefit plans	\$ (829)	\$ (2,962)	\$ (1,658)	\$ (4,813)
Amortization of prior service cost of pension and postretirement benefit plans	370		741	
Unrealized holding gains (losses) on investments arising during the period	(758)	8,942	(2,251)	13,891
Unrealized net (losses) gains on cash flow hedges	994	(1,764)	1,666	(1,734)
Reclassification adjustment for net (gains) losses included in net income	(702)	914	(1,413)	959

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Income tax (expense) benefit	\$	(925)	\$	5,130	\$	(2,915)	\$	8,303
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*The accompanying notes are an integral part of the consolidated financial statements.*

**Table of Contents****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, 2012	\$ 1,032	\$ 50,160	\$ 4,150,294	\$ 11,826	\$ (444)	\$ (102,868)	\$ 4,110,000
Net income				207,161			207,161
Issuance of stock	1		3,231				3,232
Dividends declared:							
Preferred stock				(1,861)			(1,861)
Common stock purchases					(325)		(325)
Other comprehensive loss, net of tax						(123,171)	(123,171)
Balance at June 30, 2013	\$ 1,033	\$ 50,160	\$ 4,153,525	\$ 217,126	\$ (769)	\$ (226,039)	\$ 4,195,036
Balance at December 31, 2013	\$ 1,034	\$ 50,160	\$ 4,170,152	\$ 594,430	\$ (881)	\$ (188,745)	\$ 4,626,150
Net loss				(424,905)			(424,905)
Issuance of stock	1		3,047				3,048
Tax windfall benefit on vesting of restricted stock				417			417
Dividends declared:							
Preferred stock				(1,862)			(1,862)
Common stock purchases					(872)		(872)
Common stock reissuance					11		11
Other comprehensive income, net of tax						58,454	58,454
Balance at June 30, 2014	\$ 1,035	\$ 50,160	\$ 4,173,616	\$ 167,663	\$ (1,742)	\$ (130,291)	\$ 4,260,441
<b>Disclosure of changes in number of shares:</b>						June 30, 2014	June 30, 2013
<b>Preferred Stock:</b>							
Balance at beginning and end of period						2,006,391	2,006,391
<b>Common Stock Issued:</b>							
Balance at beginning of period						103,435,967	103,193,303
Issuance of stock						103,416	117,849
Balance at end of the period						103,539,383	103,311,152
Treasury stock						(66,404)	(35,021)
<b>Common Stock Outstanding</b>						103,472,979	103,276,131

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

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

(In thousands)	Six months ended June 30,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (424,905)	\$ 207,161
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loan losses	134,750	473,264
Goodwill impairment losses	186,511	
Amortization of intangibles	5,007	4,935
Depreciation and amortization of premises and equipment	23,832	25,009
Net accretion of discounts and amortization of premiums and deferred fees	324,779	(29,525)
Fair value adjustments on mortgage servicing rights	15,836	10,741
FDIC loss share expense	79,467	30,021
Adjustments (expense) to indemnity reserves on loans sold	17,801	27,775
Earnings from investments under the equity method	(24,355)	(34,214)
Deferred income tax expense (benefit)	2,689	(321,854)
Loss (gain) on:		
Disposition of premises and equipment	(2,551)	(2,347)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	(42,413)	44,577
Sale of stock in equity method investee		(136,722)
Sale of foreclosed assets, including write-downs	(2,035)	35,006
Acquisitions of loans held-for-sale	(159,727)	(15,335)
Proceeds from sale of loans held-for-sale	72,757	119,003
Net originations on loans held-for-sale	(338,672)	(867,917)
Net (increase) decrease in:		
Trading securities	459,792	858,092
Accrued income receivable	6,721	(18,177)
Other assets	(48,455)	2,103
Net increase (decrease) in:		
Interest payable	633	(2,570)
Pension and other postretirement benefit obligation	(3,096)	3,786
Other liabilities	30,260	4,055
Total adjustments	739,531	209,706
Net cash provided by operating activities	314,626	416,867

**Cash flows from investing activities:**

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Net (increase) decrease in money market investments	(808,491)	13,641
Purchases of investment securities:		
Available-for-sale	(1,079,586)	(1,490,647)
Other	(51,097)	(116,731)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	816,830	1,378,311
Held-to-maturity	27,029	2,359
Other	64,724	83,592
Net repayments on loans	473,336	624,262
Proceeds from sale of loans	87,983	295,237
Acquisition of loan portfolios	(289,292)	(1,520,088)
Net payments from (to) FDIC under loss sharing agreements	110,618	(107)
Return of capital from equity method investments		438
Proceeds from sale of stock in equity method investee		166,332
Mortgage servicing rights purchased		(45)
Acquisition of premises and equipment	(20,333)	(19,774)
Proceeds from sale of:		
Premises and equipment	8,631	5,891
Foreclosed assets	81,010	120,365
Net cash used in investing activities	(578,638)	(456,964)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in:		
Deposits	252,715	(259,950)
Federal funds purchased and assets sold under agreements to repurchase	418,381	(344,047)
Other short-term borrowings	(370,000)	590,000
Payments of notes payable	(111,030)	(48,458)
Proceeds from issuance of notes payable	31,905	49,874
Proceeds from issuance of common stock	3,048	3,232
Dividends paid	(1,862)	(1,551)
Net payments for repurchase of common stock	(861)	(325)
Net cash provided by (used in) financing activities	222,296	(11,225)
Net decrease in cash and due from banks	(41,716)	(51,322)
Cash and due from banks at beginning of period	423,211	439,363
Cash and due from banks at end of period, including discontinued operations	381,495	388,041
Less: cash from discontinued operations	18,923	
Cash and due from banks at end of period	\$ 362,572	\$ 388,041

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

*The Consolidated Statements of Cash Flows for the periods ended June 30, 2014 and 2013 include the cash flows from operating, investing and financing activities associated with discontinued operations.*



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**Table of Contents****Note 1 Organization, consolidation and basis of presentation****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. The Corporation's mortgage origination business is conducted under the brand name Popular Mortgage, a division of BPPR. 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, California, Illinois, New Jersey and Florida. E-LOAN markets deposit accounts under its name for the benefit of BPNA. The BPNA branches operate under the name of Popular Community Bank. Note 36 to the consolidated financial statements presents information about the Corporation's business segments. Note 37 presents information regarding definitive agreements entered into by BPNA sell its regional operations in California, Illinois and Central Florida.

**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, 2013 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 2013 consolidated financial statements and notes to the financial statements to conform with the 2014 presentation. As discussed in Note 3, 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, 2013, included in the Corporation's 2013 Annual Report (the 2013 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.



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**Note 2 New accounting pronouncements**

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

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

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

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

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

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

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

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

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

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

The Corporation 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 are effective in the first quarter of 2017. Early adoption is not permitted.

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

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

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

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

The amendments in the ASU are effective in the first quarter of 2015. Early adoption is permitted.

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

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

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

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

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

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

The Corporation 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 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ( ASU 2013-11 )*

The FASB issued ASU 2013-11 in July 2013 which requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. When a net operating loss, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purposes, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. Currently, there is no explicit guidance under U.S. GAAP on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendment of this guidance does not require new recurring disclosures.

ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013.

The Corporation adopted this guidance in the first quarter of 2014 and it did not have a material effect on the Corporation's consolidated financial statements.

*FASB Accounting Standards Update 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment Upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05)*

The FASB issued ASU 2013-05 in March 2013 which clarifies the applicable guidance for the release of the cumulative translation adjustment. When a reporting entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to apply the guidance in ASC subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets has resided.

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For an equity method investment that is a foreign entity, the partial sale guidance in ASC Section 830-30-40 still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such equity method investment. However, this treatment does not apply to an equity method investment that is not a foreign entity. In those instances, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment.

Additionally, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date. Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events.

ASU 2013-05 is effective for fiscal years and interim periods within those years, beginning on or after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. Prior periods should not be adjusted.

The Corporation adopted this guidance on the first quarter of 2014 and recognized a loss of approximately \$7.7 million resulting from the reclassification from other comprehensive loss into earnings of the cumulative foreign translation adjustment related to the dilution on its equity investment in BHD. Refer to note 15 for additional information.

**Table of Contents****Note 3 Discontinued operations**

On April 22, 2014, BPNA, the Corporation's U.S. mainland banking subsidiary, entered into definitive agreements to sell California, Illinois and Central Florida regional operations to three different buyers. BPNA completed the sale of its Illinois regional operations on August 8, 2014. The remaining transactions are expected to be completed by the end of the fourth quarter of 2014. In connection with these transactions, the Corporation intends to centralize certain back office operations in Puerto Rico and New York. The operations subject to these three definitive agreements each constituted a business, as defined in ASC 805-10-55. Accordingly, the decision to sell these businesses resulted in the discontinuance of each of these respective operations and classification as held-for-sale. For financial reporting purposes, the results of the discontinued operations are presented as Assets / Liabilities from discontinued operations in the consolidated statement of condition and (Loss) income from discontinued operations, net of tax in the consolidated statement of operations. As required by ASC 205-20, current and prior periods presented in the consolidated statement of operations as well as the related note disclosures covering income and expense amounts have been retrospectively adjusted for the impact of the discontinued operations for comparative purposes. The consolidated statement of financial condition and related note disclosure for prior periods do not reflect the reclassification of these assets and liabilities to discontinued operations.

During the quarter ended June 30, 2014, the Corporation recorded a non-cash goodwill 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. Refer to Note 16, for additional information on the goodwill impairment charge. The Corporation expects to realize a net premium estimated at approximately \$24 million, before customary transaction costs, upon the closing of these transactions.

The Corporation estimates that it will incur in restructuring charges of approximately \$54 million, comprised of \$32 million in severance, retention and employee related costs and \$22 million in operational set-up costs and lease cancelations, of which approximately \$5 million were incurred during the second quarter of 2014. Refer to Note 4, for restructuring charges incurred during the quarter ended June 30, 2014.

Assets and liabilities of discontinued operations, which are mostly classified as held-for-sale, are detailed below:

(In thousands)	June 30, 2014
Cash	\$ 18,923
Loans held-for-sale	1,783,998
Premises and equipment, net	17,553
Other assets	7,908
<b>Total assets</b>	<b>\$ 1,828,382</b>
Deposits	\$ 2,058,309
Short-term borrowings	2,998
Other liabilities	18,435
<b>Total liabilities</b>	<b>\$ 2,079,742</b>
Net liabilities	\$ (251,360)



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The following table provides the components of net (loss) income from the discontinued operations for the quarter and six months ended June 30, 2014 and 2013.

(In thousands)	Quarter ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net interest income	\$ 19,092	\$ 21,308	\$ 40,889	\$ 42,977
Provision (reversal) for loan losses		(5,067)	(6,764)	(7,860)
Non-interest income	9,388	4,645	19,921	8,392
Personnel costs	12,117	8,320	20,969	16,728
Net occupancy expenses	2,845	3,049	7,176	6,030
Professional fees	5,903	2,949	8,696	5,709
Goodwill impairment charge	186,511		186,511	
Other operating expenses	2,833	1,404	6,046	5,728
Net (loss) income from discontinued operations	\$ (181,729)	\$ 15,298	\$ (161,824)	\$ 25,034

**Table of Contents****Note 4 Restructuring plan**

As discussed in Note 3, in connection with the sale of the operations of the California, Illinois and Central Florida regions, the Corporation intends to centralize certain back office operations, previously conducted on these regions, in Puerto Rico and New York. The Corporation has undertaken a restructuring plan (the PCB Restructuring Plan ) to eliminate and re-locate employment positions, terminate contracts and incur other costs associated with moving the operations to Puerto Rico and New York. The Corporation estimates that it will incur in restructuring charges of approximately \$54 million, comprised of \$32 million in severance and retention payments and \$22 million in operational set-up costs and lease cancelations, of which approximately \$5 million were incurred during the second quarter of 2014. The remaining costs will be recognized during the third and fourth quarter of 2014 and early 2015.

Full-time equivalent employees at the California, Illinois and Central Florida regions were 363 as of June 30, 2014, compared with 365 as of December 31, 2013. Some of the employees at these regions will be transferred to the acquiring entities. The remaining employees at these regions are expected to be transferred to other of the Corporation's U.S. mainland or Puerto Rico operations or depart by mid- 2015.

The following table details the expenses recorded by the Corporation that were associated with the PCB restructuring plan:

(In thousands)	Quarter ended June 30, 2014	
Personnel costs	\$	3,630
Net occupancy expenses		271
Equipment expenses		190
Professional fees		448
Other operating expenses		35
 Total restructuring costs	 \$	 4,574

At June 30, 2014, the accrual for the PCB restructuring costs amounted to \$3 million.

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**Note 5 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 \$ 1.0 billion at June 30, 2014 (December 31, 2013 - \$992 million). Cash and due from banks, as well as other short-term, highly liquid securities, are used to cover the required average reserve balances.

At June 30, 2014, the Corporation held \$43 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, 2013 - \$44 million). The amounts held in trading account securities and investment securities available for sale consist primarily of restricted assets held for the Corporation's non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

**Table of Contents****Note 6 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)	June 30, 2014	December 31, 2013
Investment securities available-for-sale, at fair value	\$ 2,264,948	\$ 1,638,558
Investment securities held-to-maturity, at amortized cost	10,000	35,000
Loans held-for-sale measured at lower of cost or fair value	216	363
Loans held-in-portfolio covered under loss sharing agreements with the FDIC	365,432	407,257
Loans held-in-portfolio not covered under loss sharing agreements with the FDIC	8,447,919	9,108,984
<b>Total pledged assets</b>	<b>\$ 11,088,515</b>	<b>\$ 11,190,162</b>

Pledged assets from discontinued operations are presented as part of Assets from Discontinued Operations in the Consolidated Statement of Condition. Refer to Note 3 to the consolidated financial statements for further information on the discontinued operations.

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 June 30, 2014, the Corporation had \$ 1.2 billion in investment securities available-for-sale and \$ 0.6 billion in loans that served as collateral to secure public funds (December 31, 2013 - \$ 1.0 billion and \$ 0.5 billion, respectively).

At June 30, 2014, 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 \$3.3 billion (December 31, 2013 - \$3.0 billion). Refer to Note 18 to the consolidated financial statements for borrowings outstanding under these credit facilities. At June 30, 2014, the credit facilities authorized with the FHLB were collateralized by \$ 3.4 billion in loans held-in-portfolio (December 31, 2013 - \$ 4.5 billion). Also, at June 30, 2014, the Corporation's banking subsidiaries had a borrowing capacity at the Federal Reserve (Fed) discount window of \$2.6 billion, which remained unused as of such date (December 31, 2013 - \$3.4 billion). The amount available under these credit facilities with the Fed is dependent upon the balance of loans and securities pledged as collateral. At June 30, 2014, the credit facilities with the Fed discount window were collateralized by \$ 4.8 billion in loans held-in-portfolio (December 31, 2013 - \$ 4.5 billion). These pledged assets are included in the above table and were not reclassified and separately reported in the consolidated statements of financial condition.

In addition, at June 30, 2014, trade receivables from brokers and counterparties amounting to \$76 million were pledged to secure repurchase agreements (December 31, 2013 - \$69 million).



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

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of investment securities available-for-sale at June 30, 2014 and December 31, 2013.

(In thousands)	At June 30, 2014				Weighted average yield
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
<b>U.S. Treasury securities</b>					
After 1 to 5 years	\$ 26,085	\$ 1,644	\$	\$ 27,729	3.87 %
<b>Total U.S. Treasury securities</b>	<b>26,085</b>	<b>1,644</b>		<b>27,729</b>	<b>3.87</b>
<b>Obligations of U.S. Government sponsored entities</b>					
Within 1 year	6,998	7		7,005	0.14
After 1 to 5 years	1,948,833	2,424	9,053	1,942,204	1.20
After 5 to 10 years	252,520	581	7,198	245,903	1.63
After 10 years	23,000		882	22,118	3.15
<b>Total obligations of U.S. Government sponsored entities</b>	<b>2,231,351</b>	<b>3,012</b>	<b>17,133</b>	<b>2,217,230</b>	<b>1.27</b>
<b>Obligations of Puerto Rico, States and political subdivisions</b>					
After 1 to 5 years	5,384	19	22	5,381	2.86
After 5 to 10 years	23,352	7	1,398	21,961	5.46
After 10 years	48,812	422	7,405	41,829	5.85
<b>Total obligations of Puerto Rico, States and political subdivisions</b>	<b>77,548</b>	<b>448</b>	<b>8,825</b>	<b>69,171</b>	<b>5.52</b>
<b>Collateralized mortgage obligations federal agencies</b>					
After 1 to 5 years	4,876	124		5,000	2.56
After 5 to 10 years	27,924	1,219	2	29,141	2.82
After 10 years	2,305,054	17,819	53,542	2,269,331	2.06
<b>Total collateralized mortgage obligations federal agencies</b>	<b>2,337,854</b>	<b>19,162</b>	<b>53,544</b>	<b>2,303,472</b>	<b>2.07</b>
<b>Collateralized mortgage obligations private label</b>					
After 10 years	130			130	3.90
	130			130	3.90

Total collateralized mortgage obligations private  
label

Mortgage-backed securities					
Within 1 year	1			1	3.66
After 1 to 5 years	26,420	1,458		27,878	4.56
After 5 to 10 years	200,182	8,743	486	208,439	3.47
After 10 years	735,125	50,779	2,174	783,730	4.08
Total mortgage-backed securities	961,728	60,980	2,660	1,020,048	3.97
Equity securities (without contractual maturity)					
	3,177	1,284	118	4,343	6.39
Other					
After 1 to 5 years	9,458		15	9,443	1.68
After 10 years	2,341	85		2,426	3.63
Total other	11,799	85	15	11,869	2.06
Total investment securities available-for-sale	\$ 5,649,672	\$ 86,615	\$ 82,295	\$ 5,653,992	2.14 %

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(In thousands)	At December 31, 2013				Weighted average yield
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
<b>U.S. Treasury securities</b>					
After 1 to 5 years	\$ 26,474	\$ 2,008	\$	\$ 28,482	3.85 %
<b>Total U.S. Treasury securities</b>	<b>26,474</b>	<b>2,008</b>		<b>28,482</b>	<b>3.85</b>
<b>Obligations of U.S. Government sponsored entities</b>					
Within 1 year	25,021	39		25,060	1.85
After 1 to 5 years	1,087,453	1,678	12,715	1,076,416	1.26
After 5 to 10 years	528,611	100	21,742	506,969	1.52
After 10 years	23,000		2,240	20,760	3.12
<b>Total obligations of U.S. Government sponsored entities</b>	<b>1,664,085</b>	<b>1,817</b>	<b>36,697</b>	<b>1,629,205</b>	<b>1.38</b>
<b>Obligations of Puerto Rico, States and political subdivisions</b>					
After 1 to 5 years	6,228	45	85	6,188	4.64
After 5 to 10 years	23,147		1,978	21,169	6.33
After 10 years	48,803	29	9,812	39,020	5.84
<b>Total obligations of Puerto Rico, States and political subdivisions</b>	<b>78,178</b>	<b>74</b>	<b>11,875</b>	<b>66,377</b>	<b>5.89</b>
<b>Collateralized mortgage obligations federal agencies</b>					
After 1 to 5 years	5,131	101		5,232	1.79
After 5 to 10 years	31,613	921		32,534	2.98
After 10 years	2,438,021	18,532	76,023	2,380,530	2.05
<b>Total collateralized mortgage obligations federal agencies</b>	<b>2,474,765</b>	<b>19,554</b>	<b>76,023</b>	<b>2,418,296</b>	<b>2.06</b>
<b>Collateralized mortgage obligations private label</b>					
After 10 years	509	4		513	3.78
<b>Total collateralized mortgage obligations private label</b>	<b>509</b>	<b>4</b>		<b>513</b>	<b>3.78</b>
<b>Mortgage-backed securities</b>					
Within 1 year	419	24		443	3.14
After 1 to 5 years	15,921	833		16,754	4.50
After 5 to 10 years	62,373	3,058	1,214	64,217	4.12
After 10 years	1,007,733	50,807	4,313	1,054,227	3.93

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Total mortgage-backed securities	1,086,446	54,722	5,527	1,135,641	3.95
Equity securities (without contractual maturity)	3,178	1,109	171	4,116	4.06
Other					
After 1 to 5 years	9,638		141	9,497	1.68
After 10 years	2,604	69		2,673	3.61
Total other	12,242	69	141	12,170	2.09
Total investment securities available-for-sale	\$ 5,345,877	\$ 79,357	\$ 130,434	\$ 5,294,800	2.30 %

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

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

There were no sales of investment securities available-for-sale during the six months ended June 30, 2014 or June 30, 2013.

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The following tables present the Corporation's fair value and gross unrealized losses of investment securities available-for-sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2014 and December 31, 2013.

(In thousands)	Less than 12 months		At June 30, 2014 12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	\$ 594,695	\$ 8,886	\$ 462,222	\$ 8,247	\$ 1,056,917	\$ 17,133
Obligations of Puerto Rico, States and political subdivisions	20,733	2,584	24,596	6,241	45,329	8,825
Collateralized mortgage obligations federal agencies	713,604	24,114	758,570	29,430	1,472,174	53,544
Mortgage-backed securities	15,875	446	46,384	2,214	62,259	2,660
Equity securities			1,707	118	1,707	118
Other			9,443	15	9,443	15
<b>Total investment securities available-for-sale in an unrealized loss position</b>	<b>\$ 1,344,907</b>	<b>\$ 36,030</b>	<b>\$ 1,302,922</b>	<b>\$ 46,265</b>	<b>\$ 2,647,829</b>	<b>\$ 82,295</b>

(In thousands)	Less than 12 months		At December 31, 2013 12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	\$ 1,326,866	\$ 32,457	\$ 69,257	\$ 4,240	\$ 1,396,123	\$ 36,697
Obligations of Puerto Rico, States and political subdivisions	54,256	11,685	8,330	190	62,586	11,875
Collateralized mortgage obligations federal agencies	1,567,654	70,378	96,676	5,645	1,664,330	76,023
Mortgage-backed securities	105,455	4,762	7,225	765	112,680	5,527
Equity securities	1,657	171			1,657	171
Other			9,497	141	9,497	141
<b>Total investment securities available-for-sale in an unrealized loss position</b>	<b>\$ 3,055,888</b>	<b>\$ 119,453</b>	<b>\$ 190,985</b>	<b>\$ 10,981</b>	<b>\$ 3,246,873</b>	<b>\$ 130,434</b>

As of June 30, 2014, the available-for-sale investment portfolio reflects gross unrealized losses of approximately \$82 million, driven by US Agency Collateralized Mortgage Obligations, obligations from the U.S. Government sponsored

entities, and obligations of the Puerto Rico Government and its political subdivisions. As part of its analysis for all US Agencies securities, management considers the US Agency guarantee.

In February 2014, the three principal nationally recognized rating agencies (Moody's Investor Services, Standard and Poor's and Fitch Ratings) downgraded the general-obligation bonds of the Commonwealth and other obligations of Puerto Rico instrumentalities to non-investment grade categories, citing concerns about financial flexibility and a reduced capacity to borrow in the financial markets. On June 2014, the Puerto Rico general obligations were further downgraded by the rating agencies, after the Commonwealth enacted a law that allowed the Puerto Rico public corporations to restructure their debt. The portfolio of obligations of the Puerto Rico Government is comprised of securities with specific sources of income or revenues identified for repayments. The Corporation performs periodic credit quality reviews on these issuers.

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

At June 30, 2014, management performed its quarterly analysis of all debt securities in an unrealized loss position. Based on the analyses performed, management concluded that no individual debt security was other-than-temporarily impaired as of such date. At June 30, 2014, 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.

(In thousands)	June 30, 2014		December 31, 2013	
	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	\$ 2,013,092	\$ 1,988,874	\$ 2,318,171	\$ 2,266,610
FHLB	1,144,118	1,139,269	336,933	326,220
Freddie Mac	1,361,507	1,356,819	1,434,346	1,418,216

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

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of investment securities held-to-maturity at June 30, 2014 and December 31, 2013.

(In thousands)	At June 30, 2014				Weighted average yield
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
<b>Obligations of Puerto Rico, States and political subdivisions</b>					
Within 1 year	\$ 12,685	\$	\$ 2	\$ 12,683	2.10 %
After 1 to 5 years	12,595	1	383	12,213	5.93
After 5 to 10 years	20,925		5,209	15,716	6.08
After 10 years	66,471	1,368	6,545	61,294	2.28
<b>Total obligations of Puerto Rico, States and political subdivisions</b>	<b>112,676</b>	<b>1,369</b>	<b>12,139</b>	<b>101,906</b>	<b>3.37</b>
<b>Collateralized mortgage obligations federal agencies</b>					
After 5 to 10 years	104		8	96	5.45
<b>Total collateralized mortgage obligations federal agencies</b>	<b>104</b>		<b>8</b>	<b>96</b>	<b>5.45</b>
<b>Other</b>					
Within 1 year	1,250			1,250	1.39
After 1 to 5 years	250		1	249	1.38
<b>Total other</b>	<b>1,500</b>		<b>1</b>	<b>1,499</b>	<b>1.39</b>
<b>Total investment securities held-to-maturity</b>	<b>\$ 114,280</b>	<b>\$ 1,369</b>	<b>\$ 12,148</b>	<b>\$ 103,501</b>	<b>3.35 %</b>

(In thousands)	At December 31, 2013				Weighted average yield
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
<b>Obligations of Puerto Rico, States and political subdivisions</b>					
Within 1 year	\$ 12,570	\$	\$ 12	\$ 12,558	2.06 %
After 1 to 5 years	12,060		984	11,076	5.91
After 5 to 10 years	20,015		5,251	14,764	6.06
After 10 years	69,236	257	13,179	56,314	2.43

Total obligations of Puerto Rico, States and political subdivisions	113,881	257	19,426	94,712	3.40
Collateralized mortgage obligations federal agencies					
After 10 years	115	7		122	5.45
Total collateralized mortgage obligations federal agencies	115	7		122	5.45
Other					
Within 1 year	26,000		645	25,355	3.41
After 1 to 5 years	500		1	499	1.33
Total other	26,500		646	25,854	3.37
Total investment securities held-to-maturity	\$ 140,496	\$ 264	\$ 20,072	\$ 120,688	3.40 %

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

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The following tables present the Corporation's fair value and gross unrealized losses of investment securities held-to-maturity, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2014 and December 31, 2013.

(In thousands)	At June 30, 2014					
	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	\$ 48,601	\$ 5,012	\$ 22,948	\$ 7,127	\$ 71,549	\$ 12,139
Collateralized mortgage obligations - federal agencies	96	8			96	8
Other	249	1			249	1
<b>Total investment securities held-to-maturity in an unrealized loss position</b>	<b>\$ 48,946</b>	<b>\$ 5,021</b>	<b>\$ 22,948</b>	<b>\$ 7,127</b>	<b>\$ 71,894</b>	<b>\$ 12,148</b>

(In thousands)	At December 31, 2013					
	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	\$ 60,028	\$ 12,180	\$ 13,044	\$ 7,246	\$ 73,072	\$ 19,426
Other	24,604	646			24,604	646
<b>Total investment securities held-to-maturity in an unrealized loss position</b>	<b>\$ 84,632</b>	<b>\$ 12,826</b>	<b>\$ 13,044</b>	<b>\$ 7,246</b>	<b>\$ 97,676</b>	<b>\$ 20,072</b>

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

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at June 30, 2014 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. This includes \$62 million of securities issued by three municipalities of Puerto Rico that are payable from the real and personal property taxes collected within such municipalities. These bonds have seniority to the payment of operating cost and expenses of the municipality. The portfolio also includes approximately \$41 million in securities for which the underlying source of payment is not the central government, but in which it provides a guarantee in the event of default. In February 2014, the three principal nationally recognized rating agencies (Moody's Investor Services, Standard and Poor's and Fitch Ratings) downgraded the general-obligation bonds of the Commonwealth and other obligations of Puerto Rico instrumentalities to non-investment grade categories, citing concerns about financial flexibility and a reduced capacity to borrow in the financial markets. On June 2014, the

Puerto Rico general obligations were further downgraded by the rating agencies, after the Commonwealth enacted a law that allowed the Puerto Rico public corporations to restructure their debt. 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.

**Table of Contents****Note 9 Loans**

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

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

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 2013 Annual Report.

The following table presents the composition of non-covered loans held-in-portfolio (HIP), net of unearned income, at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014	December 31, 2013
Commercial multi-family	\$ 475,826	\$ 1,175,937
Commercial real estate non-owner occupied	2,501,036	2,970,505
Commercial real estate owner occupied	1,758,535	2,166,545
Commercial and industrial	3,420,150	3,724,197
Construction	179,059	206,084
Mortgage	6,664,448	6,681,476
Leasing	546,868	543,761
Legacy <sup>[2]</sup>	162,941	211,135
Consumer:		
Credit cards	1,171,182	1,185,272
Home equity lines of credit	388,667	478,211
Personal	1,406,920	1,349,119

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Auto	745,579	699,980
Other	214,013	219,644
Total loans held-in-portfolio <sup>[1]</sup>	\$ 19,635,224	\$ 21,611,866

- [1] Non-covered loans held-in-portfolio at June 30, 2014 are net of \$91 million in unearned income and exclude \$97 million in loans held-for-sale (December 31, 2013 - \$92 million in unearned income and \$110 million in loans held-for-sale).
- [2] The legacy portfolio is comprised of commercial loans, construction loans and lease financings related to certain lending products exited by the Corporation as part of restructuring efforts carried out in prior years at the BPNA segment.

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The following table presents the composition of covered loans at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014	December 31, 2013
Commercial real estate	\$ 1,638,634	\$ 1,710,229
Commercial and industrial	107,333	102,575
Construction	82,763	190,127
Mortgage	867,075	934,373
Consumer	40,297	47,123
Total loans held-in-portfolio	\$ 2,736,102	\$ 2,984,427

The following table provides a breakdown of loans held-for-sale ( LHFS ) at June 30, 2014 and December 31, 2013 by main categories.

(In thousands)	June 30, 2014 [1]	December 31, 2013
Commercial	\$ 2,895	\$ 603
Construction	949	
Mortgage	93,166	109,823
Total loans held-for-sale	\$ 97,010	\$ 110,426

[1] Loans held-for-sale from discontinued operations are presented as part of Assets from Discontinued Operations in the Consolidated Statement of Condition. Refer to Note 3 to the consolidated financial statements for further information on the discontinued operations.

During the quarter and six months ended June 30, 2014, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to \$169 million and \$331 million, respectively (June 30, 2013 - \$0.4 billion and \$1.5 billion, respectively). Also, the Corporation recorded purchases of \$92 million in consumer loans during the six months ended June 30, 2014 (June 30, 2013 - \$42 million). In addition, during the six months ended June 30, 2014, the Corporation recorded purchases of commercial loans amounting to \$21 million (during the quarter and six months ended June 30, 2013 - \$3 million).

The Corporation performed whole-loan sales involving approximately \$27 million and \$70 million of residential mortgage loans during the quarter and six months ended June 30, 2014, respectively (June 30, 2013 - \$503 million and \$553 million, respectively). These sales included \$435 million from the bulk sale of non-performing mortgage loans, completed during the quarter ended June 30, 2013. Also, the Corporation securitized approximately \$ 184 million and \$ 350 million of mortgage loans into Government National Mortgage Association ( GNMA ) mortgage-backed securities during the quarter and six months ended June 30, 2014, respectively (June 30, 2013 - \$ 282 million and \$ 568 million, respectively). Furthermore, the Corporation securitized approximately \$ 60 million and \$ 123 million of mortgage loans into Federal National Mortgage Association ( FNMA ) mortgage-backed securities during the quarter and six months ended June 30, 2014, respectively (June 30, 2013 - \$ 124 million and \$ 252 million, respectively). Also, the Corporation did not securitize mortgage loans into Federal Home Loan Mortgage Corporation ( FHLMC ) mortgage-backed securities during the quarter and six months ended June 30, 2014 (during the quarter and six months

ended June 30, 2013 - \$ 27 million). The Corporation sold commercial and construction loans with a book value of approximately \$30 million and \$61 million during the quarter and six months ended June 30, 2014, respectively (June 30, 2013 - \$6 million and \$407 million, respectively). These sales included \$401 million from the bulk sale of non-performing commercial and construction loans during the quarter ended March 31, 2013.

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The following tables present non-covered loans held-in-portfolio by loan class that are in non-performing status or are accruing interest but are past due 90 days or more at June 30, 2014 and December 31, 2013. 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. Also, accruing loans past due 90 days or more include residential conventional loans purchased from another financial institution that, although delinquent, the Corporation has received timely payment from the seller / servicer, and, in some instances, have partial guarantees under recourse agreements. However, residential conventional loans purchased from another financial institution, which are in the process of foreclosure, are classified as non-performing mortgage loans.

(In thousands)	At June 30, 2014					
	Puerto Rico		U.S. mainland [4]		Popular, Inc.	
	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	\$ 2,851	\$	\$ 4,105	\$	\$ 6,956	\$
Commercial real estate non-owner occupied	56,406		11,857		68,263	
Commercial real estate owner occupied	108,286		4,199		112,485	
Commercial and industrial	86,009	417	4,420		90,429	417
Construction	21,456				21,456	
Mortgage <sup>[2][3]</sup>	262,356	399,300	23,964		286,320	399,300
Leasing	2,873				2,873	
Legacy			8,323		8,323	
Consumer:						
Credit cards		19,595	378		378	19,595
Home equity lines of credit		467	7,221		7,221	467
Personal	17,968		1,459		19,427	
Auto	11,703				11,703	
Other	3,898	454	3		3,901	454
<b>Total<sup>[1]</sup></b>	<b>\$ 573,806</b>	<b>\$ 420,233</b>	<b>\$ 65,929</b>	<b>\$</b>	<b>\$ 639,735</b>	<b>\$ 420,233</b>

[1] For purposes of this table non-performing loans exclude \$ 4 million in non-performing loans held-for-sale.

[2] Non-covered loans by \$55 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.

[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 \$124 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of June 30, 2014. Furthermore, the Corporation has approximately \$60 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.

[4] Excludes \$9.5 million in non-performing loans from discontinued operations.

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(In thousands)	At December 31, 2013					
	Puerto Rico		U.S. mainland		Popular, Inc.	
	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	\$ 4,944	\$	\$ 20,894	\$	\$ 25,838	\$
Commercial real estate non-owner occupied	41,959		42,413		84,372	
Commercial real estate owner occupied	83,441		23,507		106,948	
Commercial and industrial	55,753	556	6,142		61,895	556
Construction	18,108		5,663		23,771	
Mortgage <sup>[2][3]</sup>	206,389	395,645	26,292		232,681	395,645
Leasing	3,495				3,495	
Legacy			15,050		15,050	
Consumer:						
Credit cards		20,313	486		486	20,313
Home equity lines of credit		147	8,632		8,632	147
Personal	17,054	54	1,591		18,645	54
Auto	10,562		2		10,564	
Other	5,550	585	21		5,571	585
Total <sup>[1]</sup>	\$ 447,255	\$ 417,300	\$ 150,693	\$	\$ 597,948	\$ 417,300

[1] For purposes of this table non-performing loans exclude \$ 1 million in non-performing loans held-for-sale.

[2] Non-covered loans by \$43 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.

[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 \$115 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, 2013. Furthermore, the Corporation has approximately \$50 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.

The following tables present loans by past due status at June 30, 2014 and December 31, 2013 for non-covered loans held-in-portfolio (net of unearned income).

(In thousands)	June 30, 2014					
	Puerto Rico				Non-covered loans HIP	
	Past due				Total	Current
	30-59 days	60-89 days	90 days or more	past due		Puerto Rico
Commercial multi-family	\$	\$ 189	\$ 2,851	\$ 3,040	\$ 58,466	\$ 61,506

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Commercial real estate non-owner occupied	2,836	2,453	56,406	61,695	1,888,187	1,949,882
Commercial real estate owner occupied	9,351	4,015	108,286	121,652	1,423,932	1,545,584
Commercial and industrial	18,564	3,905	86,426	108,895	2,633,113	2,742,008
Construction		583	21,456	22,039	113,644	135,683
Mortgage	293,037	157,245	716,632	1,166,914	4,291,658	5,458,572
Leasing	7,083	1,857	2,873	11,813	535,055	546,868
Consumer:						
Credit cards	12,977	8,533	19,595	41,105	1,114,780	1,155,885
Home equity lines of credit			467	467	13,814	14,281
Personal	14,465	7,132	17,968	39,565	1,247,340	1,286,905
Auto	35,057	8,837	11,703	55,597	689,712	745,309
Other	1,462	522	4,352	6,336	207,133	213,469
Total	\$ 394,832	\$ 195,271	\$ 1,049,015	\$ 1,639,118	\$ 14,216,834	\$ 15,855,952

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(In thousands)	June 30, 2014 U.S. mainland Past due			Total past due	Current	Loans HIP U.S. mainland
	30-59 days	60-89 days	90 days or more			
Commercial multi-family	\$	\$	\$ 4,105	\$ 4,105	\$ 410,215	\$ 414,320
Commercial real estate non-owner occupied			11,857	11,857	539,297	551,154
Commercial real estate owner occupied	1,553	8,500	4,199	14,252	198,699	212,951
Commercial and industrial	2,411	4,022	4,420	10,853	667,289	678,142
Construction					43,376	43,376
Mortgage	1,892	7,241	23,964	33,097	1,172,779	1,205,876
Legacy	1,871	2,770	8,323	12,964	149,977	162,941
Consumer:						
Credit cards	295	176	378	849	14,448	15,297
Home equity lines of credit	2,052	2,077	7,221	11,350	363,036	374,386
Personal	790	1,034	1,459	3,283	116,732	120,015
Auto	6			6	264	270
Other	20		3	23	521	544
<b>Total</b>	<b>\$ 10,890</b>	<b>\$ 25,820</b>	<b>\$ 65,929</b>	<b>\$ 102,639</b>	<b>\$ 3,676,633</b>	<b>\$ 3,779,272</b>

(In thousands)	June 30, 2014 Popular, Inc. Past due			Total past due	Current	Non-covered loans HIP Popular, Inc.
	30-59 days	60-89 days	90 days or more			
Commercial multi-family	\$	\$ 189	\$ 6,956	\$ 7,145	\$ 468,681	\$ 475,826
Commercial real estate non-owner occupied	2,836	2,453	68,263	73,552	2,427,484	2,501,036
Commercial real estate owner occupied	10,904	12,515	112,485	135,904	1,622,631	1,758,535
Commercial and industrial	20,975	7,927	90,846	119,748	3,300,402	3,420,150
Construction		583	21,456	22,039	157,020	179,059
Mortgage	294,929	164,486	740,596	1,200,011	5,464,437	6,664,448
Leasing	7,083	1,857	2,873	11,813	535,055	546,868
Legacy	1,871	2,770	8,323	12,964	149,977	162,941
Consumer:						
Credit cards	13,272	8,709	19,973	41,954	1,129,228	1,171,182
Home equity lines of credit	2,052	2,077	7,688	11,817	376,850	388,667
Personal	15,255	8,166	19,427	42,848	1,364,072	1,406,920
Auto	35,063	8,837	11,703	55,603	689,976	745,579
Other	1,482	522	4,355	6,359	207,654	214,013
<b>Total</b>	<b>\$ 405,722</b>	<b>\$ 221,091</b>	<b>\$ 1,114,944</b>	<b>\$ 1,741,757</b>	<b>\$ 17,893,467</b>	<b>\$ 19,635,224</b>



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(In thousands)	December 31, 2013					
	Puerto Rico					
	30-59 days	Past due			Total past due	Current
60-89 days		90 days or more				
Commercial multi-family	\$ 446	\$	\$ 4,944	\$ 5,390	\$ 77,013	\$ 82,403
Commercial real estate non-owner occupied	13,889	349	41,959	56,197	1,808,021	1,864,218
Commercial real estate owner occupied	13,725	8,318	83,441	105,484	1,501,019	1,606,503
Commercial and industrial	9,960	4,463	56,309	70,732	2,841,734	2,912,466
Construction	2,329		18,108	20,437	140,734	161,171
Mortgage	316,663	154,882	645,444	1,116,989	4,283,690	5,400,679
Leasing	7,457	1,607	3,495	12,559	531,202	543,761
Consumer:						
Credit cards	13,797	9,991	20,313	44,101	1,125,520	1,169,621
Home equity lines of credit	133	53	147	333	14,845	15,178
Personal	12,897	6,794	17,108	36,799	1,177,085	1,213,884
Auto	31,340	9,361	10,562	51,263	648,228	699,491
Other	1,834	859	6,135	8,828	209,636	218,464
<b>Total</b>	<b>\$ 424,470</b>	<b>\$ 196,677</b>	<b>\$ 907,965</b>	<b>\$ 1,529,112</b>	<b>\$ 14,358,727</b>	<b>\$ 15,887,839</b>

(In thousands)	December 31, 2013					
	U.S. mainland					
	30-59 days	Past due			Total past due	Current
60-89 days		90 days or more				
Commercial multi-family	\$ 3,621	\$ 1,675	\$ 20,894	\$ 26,190	\$ 1,067,344	\$ 1,093,534
Commercial real estate non-owner occupied	4,255		42,413	46,668	1,059,619	1,106,287
Commercial real estate owner occupied	657	8,452	23,507	32,616	527,426	560,042
Commercial and industrial	2,331	2,019	6,142	10,492	801,239	811,731
Construction			5,663	5,663	39,250	44,913
Mortgage	30,713	9,630	26,292	66,635	1,214,162	1,280,797
Legacy	9,079	2,098	15,050	26,227	184,908	211,135
Consumer:						
Credit cards	285	200	486	971	14,680	15,651
Home equity lines of credit	2,794	2,198	8,632	13,624	449,409	463,033
Personal	3,196	826	1,591	5,613	129,622	135,235
Auto	11		2	13	476	489
Other	43	50	21	114	1,066	1,180
<b>Total</b>	<b>\$ 56,985</b>	<b>\$ 27,148</b>	<b>\$ 150,693</b>	<b>\$ 234,826</b>	<b>\$ 5,489,201</b>	<b>\$ 5,724,027</b>



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(In thousands)	December 31, 2013					
	Popular, Inc.			Past due		Non-covered
	30-59	60-89	90 days	Total	Current	loans HIP
	days	days	or more	past due		Popular, Inc.
Commercial multi-family	\$ 4,067	\$ 1,675	\$ 25,838	\$ 31,580	\$ 1,144,357	\$ 1,175,937
Commercial real estate non-owner occupied	18,144	349	84,372	102,865	2,867,640	2,970,505
Commercial real estate owner occupied	14,382	16,770	106,948	138,100	2,028,445	2,166,545
Commercial and industrial	12,291	6,482	62,451	81,224	3,642,973	3,724,197
Construction	2,329		23,771	26,100	179,984	206,084
Mortgage	347,376	164,512	671,736	1,183,624	5,497,852	6,681,476
Leasing	7,457	1,607	3,495	12,559	531,202	543,761
Legacy	9,079	2,098	15,050	26,227	184,908	211,135
<b>Consumer:</b>						
Credit cards	14,082	10,191	20,799	45,072	1,140,200	1,185,272
Home equity lines of credit	2,927	2,251	8,779	13,957	464,254	478,211
Personal	16,093	7,620	18,699	42,412	1,306,707	1,349,119
Auto	31,351	9,361	10,564	51,276	648,704	699,980
Other	1,877	909	6,156	8,942	210,702	219,644
<b>Total</b>	<b>\$ 481,455</b>	<b>\$ 223,825</b>	<b>\$ 1,058,658</b>	<b>\$ 1,763,938</b>	<b>\$ 19,847,928</b>	<b>\$ 21,611,866</b>

The following table provides a breakdown of loans held-for-sale ( LHFS ) in non-performing status at June 30, 2014 and December 31, 2013 by main categories.

(In thousands)	June 30, 2014	December 31, 2013
Commercial	\$ 2,895	\$ 603
Construction	949	
Mortgage	582	489
<b>Total</b>	<b>\$ 4,426</b>	<b>\$ 1,092</b>

The outstanding principal balance of non-covered loans accounted pursuant to ASC Subtopic 310-30, net of amounts charged off by the Corporation, amounted to \$226 million at June 30, 2014 (December 31, 2013 \$197 million). At June 30, 2014, none of the acquired non-covered loans accounted under ASC Subtopic 310-30 were considered non-performing loans. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, was recognized on all acquired loans.

Changes in the carrying amount and the accretable yield for the non-covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters and six months ended June 30, 2014 and 2013 were as follows:

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

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(In thousands)	For the quarter ended June 30, 2014	For the quarter ended June 30, 2013
Beginning balance	\$ 67,285	\$ 36,627
Additions	4,060	10,107
Accretion	(2,552)	(2,004)
Change in expected cash flows	8,034	4,483
Ending balance	\$ 76,827	\$ 49,213

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Activity in the accretable discount Non-covered loans ASC 310-30		
(In thousands)	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Beginning balance	\$ 49,398	\$ 47,342
Additions	11,144	47,342
Accretion	(4,926)	(2,612)
Change in expected cash flows	21,211	4,483
Ending balance	\$ 76,827	\$ 49,213

Carrying amount of non-covered loans accounted for pursuant to ASC 310-30		
(In thousands)	For the quarter ended June 30, 2014	For the quarter ended June 30, 2013
Beginning balance	\$ 190,216	133,041
Additions	13,139	22,899
Accretion	2,552	2,004
Collections and charge-offs	(6,866)	(19,312)
Ending balance	\$ 199,041	\$ 138,632
Allowance for loan losses ASC 310-30 non-covered loans	(15,751)	
Ending balance, net of ALLL	\$ 183,290	\$ 138,632

Carrying amount of non-covered loans accounted for pursuant to ASC 310-30		
(In thousands)	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Beginning balance	\$ 173,659	\$ 156,311
Additions	33,181	156,311
Accretion	4,926	2,612
Collections and charge-offs	(12,725)	(20,291)
Ending balance	\$ 199,041	\$ 138,632
Allowance for loan losses ASC 310-30 non-covered loans	(15,751)	
Ending balance, net of ALLL	\$ 183,290	\$ 138,632

*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 June 30, 2014 and December 31, 2013.

June 30, 2014

December 31, 2013

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(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	\$ 7,775	\$	\$ 8,345	\$
Commercial and industrial	888		7,335	456
Construction	4,112		11,872	
Mortgage	3,044	18	1,739	69
Consumer	331		90	112
Total <sup>[1]</sup>	\$ 16,150	\$ 18	\$ 29,381	\$ 637

[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.

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The following tables present loans by past due status at June 30, 2014 and December 31, 2013 for covered loans held-in-portfolio. The information considers covered loans accounted for under ASC Subtopic 310-20 and ASC Subtopic 310-30.

(In thousands)	June 30, 2014					
	Past due					
	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP
Commercial real estate	\$ 18,747	\$ 7,829	\$ 340,117	\$ 366,693	\$ 1,271,941	\$ 1,638,634
Commercial and industrial	870	684	7,686	9,240	98,093	107,333
Construction			71,197	71,197	11,566	82,763
Mortgage	46,826	25,447	149,311	221,584	645,491	867,075
Consumer	2,139	830	3,762	6,731	33,566	40,297
Total covered loans	\$ 68,582	\$ 34,790	\$ 572,073	\$ 675,445	\$ 2,060,657	\$ 2,736,102

(In thousands)	December 31, 2013					
	Past due					
	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP
Commercial real estate	\$ 42,898	\$ 8,745	\$ 374,301	\$ 425,944	\$ 1,284,285	\$ 1,710,229
Commercial and industrial	1,584	349	16,318	18,251	84,324	102,575
Construction	399		178,007	178,406	11,721	190,127
Mortgage	50,222	23,384	165,030	238,636	695,737	934,373
Consumer	2,588	1,328	4,200	8,116	39,007	47,123
Total covered loans	\$ 97,691	\$ 33,806	\$ 737,856	\$ 869,353	\$ 2,115,074	\$ 2,984,427

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

(In thousands)	June 30, 2014			December 31, 2013		
	Carrying amount			Carrying amount		
	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Commercial real estate	\$ 1,450,099	\$ 126,474	\$ 1,576,573	\$ 1,483,331	\$ 149,341	\$ 1,632,672
Commercial and industrial	65,372	4,496	69,868	55,192	3,069	58,261
Construction	37,925	40,283	78,208	71,864	104,356	176,220
Mortgage	804,169	49,481	853,650	862,878	59,483	922,361
Consumer	30,346	2,019	32,365	35,810	2,623	38,433

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Carrying amount	2,387,911	222,753	2,610,664	2,509,075	318,872	2,827,947
Allowance for loan losses	(50,609)	(40,283)	(90,892)	(57,594)	(36,321)	(93,915)

Carrying amount, net of allowance	\$ 2,337,302	\$ 182,470	\$ 2,519,772	\$ 2,451,481	\$ 282,551	\$ 2,734,032
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The outstanding principal balance of covered loans accounted pursuant to ASC Subtopic 310-30, net of amounts charged off by the Corporation, amounted to \$3.4 billion at June 30, 2014 (December 31, 2013 \$3.8 billion). At June 30, 2014, 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 accretible yield for the covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended June 30, 2014 and 2013, were as follows:

(In thousands)	Activity in the accretible yield Covered loans ASC 310-30 For the quarters ended					
	June 30, 2014			June 30, 2013		
	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	\$ 1,212,706	\$ 5,506	\$ 1,218,212	\$ 1,372,375	\$ (240)	\$ 1,372,135
Accretion	(77,316)	(2,547)	(79,863)	(60,284)	(2,252)	(62,536)
Change in expected cash flows	135,812	6,597	142,409	53,579	16,434	70,013
Ending balance	\$ 1,271,202	\$ 9,556	\$ 1,280,758	\$ 1,365,670	\$ 13,942	\$ 1,379,612

(In thousands)	Activity in the accretible discount Covered loans ASC 310-30 For the six months ended					
	June 30, 2014			June 30, 2013		
	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	\$ 1,297,725	\$ 11,480	\$ 1,309,205	\$ 1,446,381	\$ 5,288	\$ 1,451,669
Accretion	(149,868)	(9,113)	(158,981)	(121,461)	(6,065)	(127,526)
Change in expected cash flows	123,345	7,189	130,534	40,750	14,719	55,469
Ending balance	\$ 1,271,202	\$ 9,556	\$ 1,280,758	\$ 1,365,670	\$ 13,942	\$ 1,379,612

(In thousands)	Carrying amount of covered loans accounted for pursuant to ASC 310-30 For the quarters ended					
	June 30, 2014			June 30, 2013		
	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	\$ 2,469,453	\$ 263,669	\$ 2,733,122	\$ 2,758,944	\$ 398,719	\$ 3,157,663
Accretion	77,316	2,547	79,863	60,284	2,252	62,536
Collections and charge-offs	(158,858)	(43,463)	(202,321)	(166,157)	(41,176)	(207,333)
Ending balance	\$ 2,387,911	\$ 222,753	\$ 2,610,664	\$ 2,653,071	\$ 359,795	\$ 3,012,866
Allowance for loan losses ASC 310-30 covered loans	(50,609)	(40,283)	(90,892)	(47,017)	(44,178)	(91,195)
Ending balance, net of ALLL	\$ 2,337,302	\$ 182,470	\$ 2,519,772	\$ 2,606,054	\$ 315,617	\$ 2,921,671



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(In thousands)	Carrying amount of loans accounted for pursuant to ASC 310-30					
	For the six months ended					
	June 30, 2014			June 30, 2013		
	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	\$ 2,509,075	\$ 318,872	\$ 2,827,947	\$ 3,051,964	\$ 439,795	\$ 3,491,759
Accretion	149,868	9,113	158,981	121,461	6,065	127,526
Collections and charge offs	(271,032)	(105,232)	(376,264)	(520,354)	(86,065)	(606,419)
Ending balance	\$ 2,387,911	\$ 222,753	\$ 2,610,664	\$ 2,653,071	\$ 359,795	\$ 3,012,866
Allowance for loan losses ASC 310-30 covered loans	(50,609)	(40,283)	(90,892)	(47,017)	(44,178)	(91,195)
Ending balance, net of ALLL	\$ 2,337,302	\$ 182,470	\$ 2,519,772	\$ 2,606,054	\$ 315,617	\$ 2,921,671

The Corporation accounts for lines of credit with revolving privileges under the accounting guidance of ASC Subtopic 310-20, which requires that any differences between the contractually required loans payment receivable in excess of the initial investment in the loans be accreted into interest income over the life of the loans, if the loan is accruing interest. Covered loans accounted for under ASC Subtopic 310-20 amounted to \$0.1 billion at June 30, 2014 (December 31, 2013 \$0.2 billion).

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

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

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

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

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

For the period ended June 30, 2014, 28% (June 30, 2013 - 37%) 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 commercial multi-family, commercial and industrial, personal and auto loan portfolios for 2014, and in the commercial multi-family, mortgage, and leasing portfolios for 2013.

For the period ended June 30, 2014, 23% (June 30, 2013 - 24%) of the ALLL for BPNA loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was mainly concentrated in the commercial multi-family, commercial and industrial and legacy loan portfolios for 2014 and in the commercial multi-family, commercial real estate non-owner occupied and commercial and industrial portfolios for 2013.

For the period ended December 31, 2013, 27% (2012 - 32%) 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 commercial multi-family, leasing, and auto loan portfolios for 2013, and in the commercial multi-family, commercial and industrial, construction, credit cards, and personal loan portfolios for 2012.

For the period ended December 31, 2013, 29% (2012 8%) of the ALLL for BPNA loan portfolios utilized the recent loss trend adjustment instead of the base loss. The effect of replacing the base loss with the recent loss trend adjustment was mainly concentrated in the commercial multi-family, commercial real estate non-owner occupied, commercial and industrial and legacy loan portfolios for 2013 and in the construction and legacy loan portfolios for 2012.

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

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During the second quarter of 2014, 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, 2014 and resulted in a net decrease to the allowance for loan losses of \$18.7 million for the non-covered portfolio and a net increase to the allowance for loan losses of \$0.8 million for the covered portfolio.

Management made the following principal revisions to the methodology during the second quarter of 2014:

***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 2014, 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. Management also revised the application of environmental factors to the historical loss rates to consider last 12 month trends of the applicable credit and macroeconomic indicators applied as an incremental adjustment to account for emerging risks not necessarily considered in the historical loss rates.

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 \$17 million at June 30, 2014, of which \$14.1 million related to the non-covered BPPR segment and \$3.7 million related to the BPNA segment, offset in part by a \$0.8 million increase in the BPPR covered segment.

***Increased the historical look-back period for determining the recent loss trend adjustment for consumer and mortgage loans.*** The Corporation increased the look-back period for assessing recent trends applicable to the determination of consumer and mortgage loan net charge-offs from 6 months to 12 months and eliminated the use of caps. Previously, the Corporation used a recent loss trend adjustment based on 6 months of net charge-offs up to a determined cap. Given the current overall consumer and mortgage credit quality improvements, management concluded that a 12-month look-back period for the recent loss trend adjustment aligns the Corporation's allowance for loan losses methodology to current credit quality trends while limiting excessive pro-cyclicality given the longer look-back period analysis, thus, eliminating the aforementioned caps.

The combined effect of the aforementioned enhancements to the recent loss trend adjustment resulted in a decrease to the allowance for loan losses of \$1 million at June 30, 2014, of which \$0.9 million related to the non-covered BPPR segment and \$0.1 million related to the BPNA segment.

The following tables present the changes in the allowance for loan losses for the quarters ended June 30, 2014 and 2013.

	For the quarter ended June 30, 2014					
	Puerto Rico - Non-covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						

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Beginning balance	\$ 124,134	\$ 5,079	\$ 137,796	\$ 10,483	\$ 157,248	\$ 434,740
Provision (reversal of provision)	69,410	(503)	(7,471)	(3,380)	16,805	74,861
Charge-offs	(16,218)	(42)	(10,083)	(1,754)	(29,941)	(58,038)
Recoveries	6,909	657	157	610	6,370	14,703
Ending balance	\$ 184,235	\$ 5,191	\$ 120,399	\$ 5,959	\$ 150,482	\$ 466,266

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For the quarter ended June 30, 2014						
Puerto Rico - Covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 38,589	\$ 15,966	\$ 38,848	\$	\$ 4,370	\$ 97,773
Provision (reversal of provision)	13,542	(3,270)	2,344	1	(1,013)	11,604
Charge-offs	(5,993)	(6,427)	(2,262)	(2)	677	(14,007)
Recoveries	555	2,727	11	1	1	3,295
Ending balance	\$ 46,693	\$ 8,996	\$ 38,941	\$	\$ 4,035	\$ 98,665

For the quarter ended June 30, 2014						
U.S. Mainland - Continuing Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 31,505	\$ 196	\$ 25,167	\$ 11,872	\$ 18,893	\$ 87,633
Provision (reversal of provision)	(12,321)	(45)	(7,245)	(3,734)	(1,442)	(24,787)
Charge-offs	(5,672)		(914)	(1,347)	(3,997)	(11,930)
Recoveries	4,762		521	2,552	1,229	9,064
Ending balance	\$ 18,274	\$ 151	\$ 17,529	\$ 9,343	\$ 14,683	\$ 59,980

For the quarter ended June 30, 2014						
U.S. Mainland - Discontinued Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 16,375	\$ 27	\$	\$ 1,400	\$ 2,400	\$ 20,202
Net write-downs related to loans transferred to discontinued operations	(16,375)	(27)		(1,400)	(2,400)	(20,202)
Ending balance	\$	\$	\$	\$	\$	\$

For the quarter ended June 30, 2014							
Popular, Inc.							
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>							
Beginning balance	\$ 210,603	\$ 21,268	\$ 201,811	\$ 13,272	\$ 10,483	\$ 182,911	\$ 640,348
Provision (reversal of provision)	70,631	(3,818)	(12,372)	(3,734)	(3,379)	14,350	61,678
Charge-offs	(27,883)	(6,469)	(13,259)	(1,347)	(1,756)	(33,261)	(83,975)
Recoveries	12,226	3,384	689	2,552	611	7,600	27,062
Net write-downs related to loans transferred to	(16,375)	(27)		(1,400)		(2,400)	(20,202)

discontinued operations

Ending balance	\$ 249,202	\$ 14,338	\$ 176,869	\$ 9,343	\$ 5,959	\$ 169,200	\$ 624,911
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For the six months ended June 30, 2014

Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 128,150	\$ 5,095	\$ 130,330	\$ 10,622	\$ 152,578	\$ 426,775
Provision (reversal of provision)	80,566	(1,897)	8,511	(2,863)	44,458	128,775
Charge-offs	(38,334)	(458)	(18,809)	(2,721)	(59,137)	(119,459)
Recoveries	13,853	2,451	367	921	12,583	30,175
Ending balance	\$ 184,235	\$ 5,191	\$ 120,399	\$ 5,959	\$ 150,482	\$ 466,266

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(In thousands)	For the six months ended June 30, 2014					
	Puerto Rico - Covered loans					
	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 42,198	\$ 19,491	\$ 36,006	\$	\$ 4,397	\$ 102,092
Provision (reversal of provision)	17,581	14,297	6,842	1	(1,403)	37,318
Charge-offs	(13,961)	(29,408)	(3,918)	(2)	972	(46,317)
Recoveries	875	4,616	11	1	69	5,572
Ending balance	\$ 46,693	\$ 8,996	\$ 38,941	\$	\$ 4,035	\$ 98,665

(In thousands)	For the six months ended June 30, 2014					
	U.S. Mainland - Continuing Operations					
	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
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)	(11,742)	(239)	(7,807)	(7,406)	2,615	(24,579)
Charge-offs	(10,664)		(2,452)	(4,331)	(9,073)	(26,520)
Recoveries	7,766	176	1,189	9,745	1,936	20,812
Ending balance	\$ 18,274	\$ 151	\$ 17,529	\$ 9,343	\$ 14,683	\$ 59,980

(In thousands)	For the six months ended June 30, 2014					
	U.S. Mainland - Discontinued Operations					
	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
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	\$	\$	\$	\$	\$	\$

(In thousands)	For the six months ended June 30, 2014						
	Popular, Inc.						
	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>							

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Beginning balance	\$ 217,180	\$ 24,833	\$ 192,935	\$ 13,704	\$ 10,622	\$ 181,281	\$ 640,555
Provision (reversal of provision)	83,574	11,935	7,546	(9,218)	(2,862)	43,775	134,750
Charge-offs	(65,954)	(29,866)	(25,179)	(4,888)	(2,723)	(68,138)	(196,748)
Recoveries	30,777	7,463	1,567	11,145	922	14,682	66,556
Net write-downs related to loans transferred to discontinued operations	(16,375)	(27)		(1,400)		(2,400)	(20,202)
Ending balance	\$ 249,202	\$ 14,338	\$ 176,869	\$ 9,343	\$ 5,959	\$ 169,200	\$ 624,911

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For the quarter ended June 30, 2013						
Puerto Rico - Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 160,883	\$ 6,403	\$ 130,466	\$ 3,895	\$ 122,374	\$ 424,021
Provision (reversal of provision)	(18,763)	375	204,540	6,241	38,068	230,461
Charge-offs	(35,270)	(2,191)	(12,750)	(1,843)	(27,247)	(79,301)
Recoveries	5,302	4,485	161	630	7,319	17,897
Net write-down related to loans sold			(199,502)			(199,502)
Ending balance	\$ 112,152	\$ 9,072	\$ 122,915	\$ 8,923	\$ 140,514	\$ 393,576

For the quarter ended June 30, 2013						
Puerto Rico - Covered Loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 67,681	\$ 6,293	\$ 20,673	\$	\$ 5,220	\$ 99,867
Provision (reversal of provision)	(1,016)	16,762	8,583		1,171	25,500
Charge-offs	(1,150)	(16,024)	(2,255)		106	(19,323)
Recoveries	42	322			49	413
Ending balance	\$ 65,557	\$ 7,353	\$ 27,001	\$	\$ 6,546	\$ 106,457

For the quarter ended June 30, 2013						
U.S. Mainland - Continuing Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 30,169	\$ 775	\$ 31,479	\$ 27,139	\$ 23,222	\$ 112,784
Provision (reversal of provision)	(432)	(474)	4,604	(12,102)	6,918	(1,486)
Charge-offs	(7,116)		(3,377)	(3,743)	(5,959)	(20,195)
Recoveries	4,972		359	5,208	816	11,355
Ending balance	\$ 27,593	\$ 301	\$ 33,065	\$ 16,502	\$ 24,997	\$ 102,458

For the quarter ended June 30, 2013						
U.S. Mainland - Discontinued Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 37,818	\$ 261	\$	\$ 3,638	\$ 4,979	\$ 46,696
Provision (reversal of provision)	(5,418)	(224)		386	189	(5,067)
Charge-offs	(10,282)			(2,198)	(882)	(13,362)
Recoveries	2,618			1,650	193	4,461
Ending balance	\$ 24,736	\$ 37	\$	\$ 3,476	\$ 4,479	\$ 32,728

For the quarter ended June 30, 2013

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>							
Beginning balance	\$ 296,551	\$ 13,732	\$ 182,618	\$ 30,777	\$ 3,895	\$ 155,795	\$ 683,368
Provision (reversal of provision)	(25,629)	16,439	217,727	(11,716)	6,241	46,346	249,408
Charge-offs	(53,818)	(18,215)	(18,382)	(5,941)	(1,843)	(33,982)	(132,181)
Recoveries	12,934	4,807	520	6,858	630	8,377	34,126
Net write-down related to loans sold			(199,502)				(199,502)
Ending balance	\$ 230,038	\$ 16,763	\$ 182,981	\$ 19,978	\$ 8,923	\$ 176,536	\$ 635,219

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For the six months ended June 30, 2013						
Puerto Rico - Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 217,615	\$ 5,862	\$ 119,027	\$ 2,894	\$ 99,899	\$ 445,297
Provision	110,114	3,117	232,752	8,226	80,544	434,753
Charge-offs	(67,716)	(3,820)	(30,509)	(3,386)	(54,607)	(160,038)
Recoveries	13,436	5,759	1,147	1,189	14,678	36,209
Net write-downs related to loans sold	(161,297)	(1,846)	(199,502)			(362,645)
Ending balance	\$ 112,152	\$ 9,072	\$ 122,915	\$ 8,923	\$ 140,514	\$ 393,576

For the six months ended June 30, 2013						
Puerto Rico - Covered Loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 72,060	\$ 9,946	\$ 20,914	\$	\$ 5,986	\$ 108,906
Provision	5,140	22,554	10,393		4,969	43,056
Charge-offs	(11,715)	(25,783)	(4,317)		(4,461)	(46,276)
Recoveries	72	636	11		52	771
Ending balance	\$ 65,557	\$ 7,353	\$ 27,001	\$	\$ 6,546	\$ 106,457

For the six months ended June 30, 2013						
U.S. Mainland - Continuing Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 36,658	\$ 1,196	\$ 30,348	\$ 29,070	\$ 26,383	\$ 123,655
Provision (reversal of provision)	(486)	(895)	8,525	(12,968)	9,139	3,315
Charge-offs	(15,068)		(7,394)	(9,278)	(12,208)	(43,948)
Recoveries	6,489		1,586	9,678	1,683	19,436
Ending balance	\$ 27,593	\$ 301	\$ 33,065	\$ 16,502	\$ 24,997	\$ 102,458

For the six months ended June 30, 2013						
U.S. Mainland - Discontinued Operations						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
Beginning balance	\$ 43,409	\$ 371	\$	\$ 4,032	\$ 4,937	\$ 52,749
Provision (reversal of provision)	(8,583)	(334)		55	1,002	(7,860)
Charge-offs	(15,470)			(3,004)	(1,830)	(20,304)
Recoveries	5,380			2,393	370	8,143
Ending balance	\$ 24,736	\$ 37	\$	\$ 3,476	\$ 4,479	\$ 32,728

For the six months ended June 30, 2013

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>							
Beginning balance	\$ 369,742	\$ 17,375	\$ 170,289	\$ 33,102	\$ 2,894	\$ 137,205	\$ 730,607
Provision (reversal of provision)	106,185	24,442	251,670	(12,913)	8,226	95,654	473,264
Charge-offs	(109,969)	(29,603)	(42,220)	(12,282)	(3,386)	(73,106)	(270,566)
Recoveries	25,377	6,395	2,744	12,071	1,189	16,783	64,559
Net write-down related to loans sold	(161,297)	(1,846)	(199,502)				(362,645)
Ending balance	\$ 230,038	\$ 16,763	\$ 182,981	\$ 19,978	\$ 8,923	\$ 176,536	\$ 635,219

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

(In thousands)	ASC 310-30 Covered loans			
	For the quarters ended		For the six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Balance at beginning of period	\$ 90,371	\$ 91,573	\$ 93,915	\$ 95,407
Provision for loan losses	10,951	17,568	35,506	31,608
Net charge-offs	(10,430)	(17,946)	(38,529)	(35,820)
Balance at end of period	\$ 90,892	\$ 91,195	\$ 90,892	\$ 91,195

The following tables present information at June 30, 2014 and December 31, 2013 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.

(In thousands)	At June 30, 2014					
	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Specific ALLL non-covered loans	\$ 36,597	\$ 883	\$ 39,341	\$ 688	\$ 28,458	\$ 105,967
General ALLL non-covered loans	147,638	4,308	81,058	5,271	122,024	360,299
ALLL non-covered loans	184,235	5,191	120,399	5,959	150,482	466,266
Specific ALLL covered loans	8					8
General ALLL covered loans	46,685	8,996	38,941		4,035	98,657
ALLL covered loans	46,693	8,996	38,941		4,035	98,665
Total ALLL	\$ 230,928	\$ 14,187	\$ 159,340	\$ 5,959	\$ 154,517	\$ 564,931
<b>Loans held-in-portfolio:</b>						
Impaired non-covered loans	\$ 307,762	\$ 21,094	\$ 414,636	\$ 2,653	\$ 119,604	\$ 865,749
Non-covered loans held-in-portfolio excluding impaired loans	5,991,218	114,589	5,043,936	544,215	3,296,245	14,990,203
Non-covered loans held-in-portfolio	6,298,980	135,683	5,458,572	546,868	3,415,849	15,855,952
Impaired covered loans	2,823	2,419				5,242

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Covered loans held-in-portfolio excluding impaired loans	1,743,144	80,344	867,075		40,297	2,730,860
Covered loans held-in-portfolio	1,745,967	82,763	867,075		40,297	2,736,102
Total loans held-in-portfolio	\$ 8,044,947	\$ 218,446	\$ 6,325,647	\$ 546,868	\$ 3,456,146	\$ 18,592,054

At June 30, 2014

U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
<b>Allowance for credit losses:</b>						
Specific ALLL	\$	\$	\$ 14,474	\$	\$ 585	\$ 15,059
General ALLL	18,274	151	3,055	9,343	14,098	44,921
Total ALLL	\$ 18,274	\$ 151	\$ 17,529	\$ 9,343	\$ 14,683	\$ 59,980
<b>Loans held-in-portfolio:</b>						
Impaired loans	\$ 9,984	\$	\$ 51,607	\$ 2,536	\$ 2,502	\$ 66,629
Loans held-in-portfolio, excluding impaired loans	1,846,583	43,376	1,154,269	160,405	508,010	3,712,643
Total loans held-in-portfolio	\$ 1,856,567	\$ 43,376	\$ 1,205,876	\$ 162,941	\$ 510,512	\$ 3,779,272

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	At June 30, 2014							
(In thousands)	Popular, Inc.							
	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total	
<b>Allowance for credit losses:</b>								
Specific ALLL non-covered loans	\$ 36,597	\$ 883	\$ 53,815	\$	\$ 688	\$ 29,043	\$ 121,026	
General ALLL non-covered loans	165,912	4,459	84,113	9,343	5,271	136,122	405,220	
ALLL non-covered loans	202,509	5,342	137,928	9,343	5,959	165,165	526,246	
Specific ALLL covered loans	8						8	
General ALLL covered loans	46,685	8,996	38,941			4,035	98,657	
ALLL covered loans	46,693	8,996	38,941			4,035	98,665	
Total ALLL	\$ 249,202	\$ 14,338	\$ 176,869	\$ 9,343	\$ 5,959	\$ 169,200	\$ 624,911	
<b>Loans held-in-portfolio:</b>								
Impaired non-covered loans	\$ 317,746	\$ 21,094	\$ 466,243	\$ 2,536	\$ 2,653	\$ 122,106	\$ 932,378	
Non-covered loans held-in-portfolio excluding impaired loans	7,837,801	157,965	6,198,205	160,405	544,215	3,804,255	18,702,846	
Non-covered loans held-in-portfolio	8,155,547	179,059	6,664,448	162,941	546,868	3,926,361	19,635,224	
Impaired covered loans	2,823	2,419					5,242	
Covered loans held-in-portfolio excluding impaired loans	1,743,144	80,344	867,075			40,297	2,730,860	
Covered loans held-in-portfolio	1,745,967	82,763	867,075			40,297	2,736,102	
Total loans held-in-portfolio	\$ 9,901,514	\$ 261,822	\$ 7,531,523	\$ 162,941	\$ 546,868	\$ 3,966,658	\$ 22,371,326	

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At December 31, 2013  
Puerto Rico

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
<b>Allowance for credit losses:</b>						
Specific ALLL non-covered loans	\$ 16,409	\$ 177	\$ 38,034	\$ 1,053	\$ 29,920	\$ 85,593
General ALLL non-covered loans	111,741	4,918	92,296	9,569	122,658	341,182
ALLL non-covered loans	128,150	5,095	130,330	10,622	152,578	426,775
Specific ALLL covered loans	153	140				293
General ALLL covered loans	42,045	19,351	36,006		4,397	101,799
ALLL covered loans	42,198	19,491	36,006		4,397	102,092
Total ALLL	\$ 170,348	\$ 24,586	\$ 166,336	\$ 10,622	\$ 156,975	\$ 528,867
<b>Loans held-in-portfolio:</b>						
Impaired non-covered loans	\$ 245,380	\$ 16,823	\$ 399,347	\$ 2,893	\$ 125,342	\$ 789,785
Non-covered loans held-in-portfolio excluding impaired loans	6,220,210	144,348	5,001,332	540,868	3,191,296	15,098,054
Non-covered loans held-in-portfolio	6,465,590	161,171	5,400,679	543,761	3,316,638	15,887,839
Impaired covered loans	20,945					20,945
Covered loans held-in-portfolio excluding impaired loans	1,791,859	190,127	934,373		47,123	2,963,482
Covered loans held-in-portfolio	1,812,804	190,127	934,373		47,123	2,984,427
Total loans held-in-portfolio	\$ 8,278,394	\$ 351,298	\$ 6,335,052	\$ 543,761	\$ 3,363,761	\$ 18,872,266

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(In thousands)	At December 31, 2013						Total
	U.S. Mainland						
	Commercial	Construction	Mortgage	Legacy	Consumer		
<b>Allowance for credit losses:</b>							
Specific ALLL	\$	\$	\$ 17,633	\$	\$ 280	\$ 17,913	
General ALLL	46,832	247	8,966	13,704	24,026	93,775	
Total ALLL	\$ 46,832	\$ 247	\$ 26,599	\$ 13,704	\$ 24,306	\$ 111,688	
<b>Loans held-in-portfolio:</b>							
Impaired loans	\$ 52,136	\$ 5,663	\$ 52,726	\$ 6,045	\$ 2,361	\$ 118,931	
Loans held-in-portfolio, excluding impaired loans	3,519,459	39,250	1,228,071	205,090	613,227	5,605,097	
Total loans held-in-portfolio	\$ 3,571,595	\$ 44,913	\$ 1,280,797	\$ 211,135	\$ 615,588	\$ 5,724,028	

(In thousands)	At December 31, 2013							Total
	Popular, Inc.							
	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer		
<b>Allowance for credit losses:</b>								
Specific ALLL non-covered loans	\$ 16,409	\$ 177	\$ 55,667	\$	\$ 1,053	\$ 30,200	\$ 103,506	
General ALLL non-covered loans	158,573	5,165	101,262	13,704	9,569	146,684	434,957	
ALLL non-covered loans	174,982	5,342	156,929	13,704	10,622	176,884	538,463	
Specific ALLL covered loans	153	140					293	
General ALLL covered loans	42,045	19,351	36,006			4,397	101,799	
ALLL covered loans	42,198	19,491	36,006			4,397	102,092	
Total ALLL	\$ 217,180	\$ 24,833	\$ 192,935	\$ 13,704	\$ 10,622	\$ 181,281	\$ 640,555	
<b>Loans held-in-portfolio:</b>								
Impaired non-covered loans	\$ 297,516	\$ 22,486	\$ 452,073	\$ 6,045	\$ 2,893	\$ 127,703	\$ 908,716	
Non-covered loans held-in-portfolio excluding impaired loans	9,739,669	183,598	6,229,403	205,090	540,868	3,804,523	20,703,151	

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Non-covered loans held-in-portfolio	10,037,185	206,084	6,681,476	211,135	543,761	3,932,226	21,611,867
Impaired covered loans	20,945						20,945
Covered loans held-in-portfolio excluding impaired loans	1,791,859	190,127	934,373			47,123	2,963,482
Covered loans held-in-portfolio	1,812,804	190,127	934,373			47,123	2,984,427
Total loans held-in-portfolio	\$ 11,849,989	\$ 396,211	\$ 7,615,849	\$ 211,135	\$ 543,761	\$ 3,979,349	\$ 24,596,294

**Table of Contents****Impaired loans**

The following tables present loans individually evaluated for impairment at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014 Puerto Rico							
	Impaired Loans Allowance Unpaid		With an	Impaired Loans With No Allowance Unpaid		Impaired Loans Unpaid		Total
	Recorded investment	principal balance	Related allowance	Recorded investment	principal balance	Recorded investment	principal balance	Related allowance
Commercial multi-family	\$	\$	\$	\$ 1,305	\$ 1,305	\$ 1,305	\$ 1,305	\$
Commercial real estate non-owner occupied	54,933	59,622	9,877	24,911	25,724	79,844	85,346	9,877
Commercial real estate owner occupied	73,799	94,235	12,352	45,797	53,876	119,596	148,111	12,352
Commercial and industrial	75,216	77,283	14,368	31,801	42,746	107,017	120,029	14,368
Construction	10,213	16,937	883	10,881	31,380	21,094	48,317	883
Mortgage	370,863	393,190	39,341	43,773	43,773	414,636	436,963	39,341
Leasing	2,653	2,653	688			2,653	2,653	688
Consumer:								
Credit cards	42,581	42,581	8,068			42,581	42,581	8,068
Personal	74,247	74,247	20,064			74,247	74,247	20,064
Auto	2,292	2,292	234			2,292	2,292	234
Other	484	484	92			484	484	92
Covered loans	1,591	1,591	8	3,651	28,947	5,242	30,538	8
Total Puerto Rico	\$ 708,872	\$ 765,115	\$ 105,975	\$ 162,119	\$ 227,751	\$ 870,991	\$ 992,866	\$ 105,975

(In thousands)	June 30, 2014 U.S. mainland [1]							
	Impaired Loans Allowance Unpaid		With an	Impaired Loans With No Allowance Unpaid		Impaired Loans Unpaid		Total
	Recorded investment	principal balance	Related allowance	Recorded investment	principal balance	Recorded investment	principal balance	Related allowance
Commercial multi-family	\$	\$	\$	\$ 1,960	\$ 1,960	\$ 1,960	\$ 1,960	\$
Commercial real estate non-owner occupied				5,827	10,307	5,827	10,307	

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Commercial real estate owner occupied				1,542	1,542	1,542	1,542	
Commercial and industrial				655	655	655	655	
Mortgage	44,310	49,084	14,474	7,297	9,367	51,607	58,451	14,474
Legacy				2,536	4,226	2,536	4,226	
Consumer:								
HELOCs	2,410	2,410	581			2,410	2,410	581
Auto				86	86	86	86	
Other	6	6	4			6	6	4
<b>Total U.S. mainland</b>	<b>\$ 46,726</b>	<b>\$ 51,500</b>	<b>\$ 15,059</b>	<b>\$ 19,903</b>	<b>\$ 28,143</b>	<b>\$ 66,629</b>	<b>\$ 79,643</b>	<b>\$ 15,059</b>

[1] Excludes impaired loans from discontinued operations.

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June 30, 2014								
Popular, Inc.								
(In thousands)	Impaired Loans		With an	Impaired Loans		Impaired Loans		Total
	Recorded	Allowance		With No	Allowance	Recorded	Unpaid	
	investment	Unpaid	Related	Recorded	Unpaid	investment	principal	Related
		principal	allowance	investment	principal		balance	allowance
		balance			balance			
Commercial multi-family	\$	\$	\$	\$ 3,265	\$ 3,265	\$ 3,265	\$ 3,265	\$
Commercial real estate non-owner occupied	54,933	59,622	9,877	30,738	36,031	85,671	95,653	9,877
Commercial real estate owner occupied	73,799	94,235	12,352	47,339	55,418	121,138	149,653	12,352
Commercial and industrial	75,216	77,283	14,368	32,456	43,401	107,672	120,684	14,368
Construction	10,213	16,937	883	10,881	31,380	21,094	48,317	883
Mortgage	415,173	442,274	53,815	51,070	53,140	466,243	495,414	53,815
Legacy				2,536	4,226	2,536	4,226	
Leasing	2,653	2,653	688			2,653	2,653	688
Consumer:								
Credit cards	42,581	42,581	8,068			42,581	42,581	8,068
HELOCs	2,410	2,410	581			2,410	2,410	581
Personal	74,247	74,247	20,064			74,247	74,247	20,064
Auto	2,292	2,292	234	86	86	2,378	2,378	234
Other	490	490	96			490	490	96
Covered loans	1,591	1,591	8	3,651	28,947	5,242	30,538	8
Total Popular, Inc.	\$ 755,598	\$ 816,615	\$ 121,034	\$ 182,022	\$ 255,894	\$ 937,620	\$ 1,072,509	\$ 121,034

December 31, 2013								
Puerto Rico								
(In thousands)	Impaired Loans		With an	Impaired Loans		Impaired Loans		Total
	Recorded	Allowance		With No	Allowance	Recorded	Unpaid	
	investment	Unpaid	Related	Recorded	Unpaid	investment	principal	Related
		principal	allowance	investment	principal		balance	allowance
		balance			balance			
Commercial multi-family	\$	\$	\$	\$ 3,405	\$ 6,942	\$ 3,405	\$ 6,942	\$
Commercial real estate non-owner occupied	19,120	19,407	2,368	47,245	55,397	66,365	74,804	2,368
Commercial real estate owner occupied	55,826	74,420	6,473	33,749	47,545	89,575	121,965	6,473
	30,370	33,152	7,568	55,665	68,141	86,035	101,293	7,568

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Commercial and industrial								
Construction	2,324	9,047	177	14,499	36,951	16,823	45,998	177
Mortgage	358,437	376,393	38,034	40,910	45,181	399,347	421,574	38,034
Leasing	2,893	2,893	1,053			2,893	2,893	1,053
Consumer:								
Credit cards	45,015	45,015	8,344			45,015	45,015	8,344
Personal	78,475	78,475	21,313			78,475	78,475	21,313
Auto	1,354	1,354	171			1,354	1,354	171
Other	498	498	92			498	498	92
Covered loans	12,837	17,538	293	8,108	10,063	20,945	27,601	293
Total Puerto Rico	\$ 607,149	\$ 658,192	\$ 85,886	\$ 203,581	\$ 270,220	\$ 810,730	\$ 928,412	\$ 85,886

December 31, 2013

U.S. mainland

(In thousands)	Impaired Loans Allowance		With an Related allowance	Impaired Loans With No Allowance		Impaired Loans		Total Related allowance
	Recorded investment	Unpaid principal balance		Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	
Commercial multi-family	\$	\$	\$	\$ 7,668	\$ 10,870	\$ 7,668	\$ 10,870	\$
Commercial real estate non-owner occupied				27,016	37,393	27,016	37,393	
Commercial real estate owner occupied				15,624	19,910	15,624	19,910	
Commercial and industrial				1,828	1,828	1,828	1,828	
Construction				5,663	5,663	5,663	5,663	
Mortgage	46,192	50,570	17,633	6,534	8,513	52,726	59,083	17,633
Legacy				6,045	8,715	6,045	8,715	
Consumer:								
HELOCs				198	198	198	198	
Auto				88	88	88	88	
Other	2,075	2,075	280			2,075	2,075	280
Total U.S. mainland	\$ 48,267	\$ 52,645	\$ 17,913	\$ 70,664	\$ 93,178	\$ 118,931	\$ 145,823	\$ 17,913

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December 31, 2013								
Popular, Inc.								
(In thousands)	Impaired Loans		With an	Impaired Loans		Impaired Loans		Total
	Recorded	Allowance		Recorded	Unpaid	Recorded	Unpaid	
	investment	principal	Related	principal	investment	principal	Related	allowance
		balance	allowance	balance		balance	allowance	
Commercial multi-family	\$	\$	\$	\$ 11,073	\$ 17,812	\$ 11,073	\$ 17,812	\$
Commercial real estate non-owner occupied	19,120	19,407	2,368	74,261	92,790	93,381	112,197	2,368
Commercial real estate owner occupied	55,826	74,420	6,473	49,373	67,455	105,199	141,875	6,473
Commercial and industrial	30,370	33,152	7,568	57,493	69,969	87,863	103,121	7,568
Construction	2,324	9,047	177	20,162	42,614	22,486	51,661	177
Mortgage	404,629	426,963	55,667	47,444	53,694	452,073	480,657	55,667
Legacy				6,045	8,715	6,045	8,715	
Leasing	2,893	2,893	1,053			2,893	2,893	1,053
Consumer:								
Credit cards	45,015	45,015	8,344			45,015	45,015	8,344
HELOCs				198	198	198	198	
Personal	78,475	78,475	21,313			78,475	78,475	21,313
Auto	1,354	1,354	171	88	88	1,442	1,442	171
Other	2,573	2,573	372			2,573	2,573	372
Covered loans	12,837	17,538	293	8,108	10,063	20,945	27,601	293
Total Popular, Inc.	\$ 655,416	\$ 710,837	\$ 103,799	\$ 274,245	\$ 363,398	\$ 929,661	\$ 1,074,235	\$ 103,799

The following tables present the average recorded investment and interest income recognized on impaired loans for the quarter and six months ended June 30, 2014 and 2013.

For the quarter ended June 30, 2014							
(In thousands)	Puerto Rico		U.S. Mainland [1]		Popular, Inc.		
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	
Commercial multi-family	\$ 2,144	\$	\$ 2,808	\$	\$ 4,952	\$	
Commercial real estate non-owner occupied	77,906	696	9,653	24	87,559	720	
Commercial real estate owner occupied	113,400	728	6,632	30	120,032	758	
Commercial and industrial	112,697	1,717	1,122		113,819	1,717	
Construction	21,553				21,553		
Mortgage	410,345	5,081	52,034	485	462,379	5,566	
Legacy			3,123		3,123		

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Leasing	2,554				2,554	
Consumer:						
Credit cards	43,241				43,241	
Helocs		2,431			2,431	
Personal	74,918				74,918	
Auto	1,910	87			1,997	
Other	880	6			886	
Covered loans	5,391	118			5,391	118
Total Popular, Inc.	\$ 866,939	\$ 8,340	\$ 77,896	\$ 539	\$ 944,835	\$ 8,879

[1] Excludes impaired loans from discontinued operations.

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(In thousands)	For the quarter ended June 30, 2013					
	Puerto Rico		U.S. Mainland		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	\$ 8,448	\$ (29)	\$ 6,619	\$	\$ 15,067	\$ (29)
Commercial real estate non-owner occupied	47,621	364	38,509	55	86,130	419
Commercial real estate owner occupied	98,892	493	20,235	73	119,127	566
Commercial and industrial	96,622	769	1,457		98,079	769
Construction	41,528		5,859		47,387	
Mortgage	480,435	7,861	53,000	482	533,435	8,343
Legacy			14,200		14,200	
Leasing	4,088				4,088	
Consumer:						
Credit cards	34,019				34,019	
Helocs			200		200	
Personal	83,531				83,531	
Auto	858		90		948	
Other	274		2,311		2,585	
Covered loans	24,252	265			24,252	265
Total Popular, Inc.	\$ 920,568	\$ 9,723	\$ 142,480	\$ 610	\$ 1,063,048	\$ 10,333

(In thousands)	For the six months ended June 30, 2014					
	Puerto Rico		U.S. Mainland [1]		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	\$ 2,564	\$	\$ 4,428	\$	\$ 6,992	\$
Commercial real estate non-owner occupied	74,059	8	15,440	24	89,499	32
Commercial real estate owner occupied	105,458	1,191	9,629	30	115,087	1,221
Commercial and industrial	103,810	1,581	1,357		105,167	1,581
Construction	19,976	3,329	1,888		21,864	3,329
Mortgage	406,679	10,263	52,264	992	458,943	11,255
Legacy			4,097		4,097	
Leasing	2,667				2,667	
Consumer:						
Credit cards	43,832				43,832	
HELOCs			1,687		1,687	
Personal	76,104				76,104	
Auto	1,724		87		1,811	
Other	752		696		1,448	
Covered loans	10,576	234			10,576	234
Total Popular, Inc.	\$ 848,201	\$ 16,606	\$ 91,573	\$ 1,046	\$ 939,774	\$ 17,652

[1] Excludes impaired loans from discontinued operations.

(In thousands)	For the six months ended June 30, 2013					
	Puerto Rico		U.S. Mainland		Popular, Inc.	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	\$ 10,082	\$ 132	\$ 6,960	\$ 39	\$ 17,042	\$ 171
Commercial real estate non-owner occupied	57,631	723	40,944	90	98,575	813
Commercial real estate owner occupied	139,981	1,009	20,280	15	160,261	1,024
Commercial and industrial	109,286	1,608	2,990		112,276	1,608
Construction	39,635		5,893		45,528	
Mortgage	506,002	15,596	53,364	985	559,366	16,581
Legacy			15,714		15,714	
Leasing	4,352				4,352	
Consumer:						
Credit cards	36,851				36,851	
HELOCs			200		200	
Personal	84,648				84,648	
Auto	829		90		919	
Other	347		2,348		2,695	
Covered loans	52,582	504			52,582	504
Total Popular, Inc.	\$ 1,042,226	\$ 19,572	\$ 148,783	\$ 1,129	\$ 1,191,009	\$ 20,701

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Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to \$ 1.0 billion at June 30, 2014 (December 31, 2013 - \$ 1.0 billion). The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings amounted \$4 million related to the commercial loan portfolio and \$697 thousand related to the construction loan portfolio at June 30, 2014 (December 31, 2013 - \$3 million and \$0, 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.

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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 June 30, 2014 and December 31, 2013.

(In thousands)	Popular, Inc. Non-Covered Loans					
	June 30, 2014 [1]			December 31, 2013		
	Accruing	Non-Accruing	Total	Accruing	Non-Accruing	Total
Commercial	\$ 109,205	\$ 113,148	\$ 222,353	\$ 109,462	\$ 80,140	\$ 189,602
Construction	376	13,391	13,767	425	10,865	11,290
Legacy					949	949
Mortgage	566,355	100,381	666,736	535,357	82,786	618,143
Leases	875	1,778	2,653	270	2,623	2,893
Consumer	110,066	11,681	121,747	116,719	10,741	127,460
<b>Total</b>	<b>\$ 786,877</b>	<b>\$ 240,379</b>	<b>\$ 1,027,256</b>	<b>\$ 762,233</b>	<b>\$ 188,104</b>	<b>\$ 950,337</b>

[1] Excludes TDRs from discontinued operations.

(In thousands)	Popular, Inc. Covered Loans					
	June 30, 2014			December 31, 2013		
	Accruing	Non-Accruing	Total	Accruing	Non-Accruing	Total
Commercial	\$ 14	\$ 2,384	\$ 2,398	\$ 7,389	\$ 10,017	\$ 17,406
Construction		2,962	2,962		3,464	3,464
Mortgage	2,804	592	3,396	146	189	335
Consumer	106	15	121	221	22	243
<b>Total</b>	<b>\$ 2,924</b>	<b>\$ 5,953</b>	<b>\$ 8,877</b>	<b>\$ 7,756</b>	<b>\$ 13,692</b>	<b>\$ 21,448</b>

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The following tables present the loan count by type of modification for those loans modified in a TDR during the quarters ended June 30, 2014 and 2013.

	Puerto Rico								
	For the quarter ended June 30, 2014				For the six months ended June 30, 2014				
	Reduction in interest rate		Combination of reduction in interest rate and extension of maturity date		Reduction in interest rate		Combination of reduction in interest rate and extension of maturity date		Other
	rate	Extension of maturity date	of maturity date	Other	rate	Extension of maturity date	of maturity date		
Commercial real estate non-owner occupied		3			2	4			
Commercial real estate owner occupied	6	5			15	7			
Commercial and industrial	14	6			23	6			
Construction						3			
Mortgage	14	12	110	43	27	26	190	67	
Leasing		1	18			5	24		
Consumer:									
Credit cards	273			172	547			327	
Personal	247	16		2	463	33		3	
Auto		6	3			8	3		
Other	25			1	43			2	
Total	579	49	131	218	1,120	92	217	399	

	U.S. Mainland								
	For the quarter ended June 30, 2014				For the six months ended June 30, 2014				
	Reduction in interest rate		Combination of reduction in interest rate and extension of maturity date		Reduction in interest rate		Combination of reduction in interest rate and extension of maturity date		Other
	rate	Extension of maturity date	of maturity date	Other	rate	Extension of maturity date	of maturity date		
Mortgage			5				11		
Total			5				11		

Excludes TDRs from discontinued operations.

Popular, Inc.

For the quarter ended June 30, 2014 For the six months ended June 30, 2014

	Combination of reduction in interest rate and extension of maturity date				Combination of reduction in interest rate and extension of maturity date			
	Reduction in interest rate	Extension of maturity date	Other	Other	Reduction in interest rate	Extension of maturity date	Other	Other
Commercial real estate non-owner occupied		3			2	4		
Commercial real estate owner occupied	6	5			15	7		
Commercial and industrial	14	6			23	6		
Construction						3		
Mortgage	14	12	115	43	27	26	201	67
Leasing		1	18			5	24	
Consumer:								
Credit cards	273			172	547			327
Personal	247	16		2	463	33		3
Auto		6	3			8	3	
Other	25			1	43			2
Total	579	49	136	218	1,120	92	228	399

Excludes TDRs from discontinued operations.

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	Puerto Rico							
	For the quarter ended June 30, 2013				For the six months ended June 30, 2013			
	Combination of reduction in interest rate and extension of maturity of				Combination of reduction in interest rate and extension of maturity of			
	Reduction in interest rate	Extension of maturity date	maturity date	Other	Reduction in interest rate	Extension of maturity date	maturity date	Other
Commercial real estate non-owner occupied						1		
Commercial real estate owner occupied	1			33	2	1		33
Commercial and industrial	8	2		8	10	4		8
Mortgage	5	14	85	7	9	27	215	13
Leasing		2	5			12	13	
Consumer:								
Credit cards	272			246	560			482
Personal	223	6		3	455	14		3
Auto		2				2		
Other	26				45			
<b>Total</b>	<b>535</b>	<b>26</b>	<b>90</b>	<b>297</b>	<b>1,081</b>	<b>61</b>	<b>228</b>	<b>539</b>

	U.S. Mainland							
	For the quarter ended June 30, 2013				For the six months ended June 30, 2013			
	Combination of reduction in interest rate and extension of maturity of				Combination of reduction in interest rate and extension of maturity of			
	Reduction in interest rate	Extension of maturity date	maturity date	Other	Reduction in interest rate	Extension of maturity date	maturity date	Other
Commercial real estate non-owner occupied			2			2	2	
Commercial real estate owner occupied								1
Mortgage			5					8
<b>Total</b>			<b>7</b>			<b>2</b>	<b>11</b>	

Popular, Inc.	
For the quarter ended June 30, 2013	For the six months ended June 30, 2013
Other	Other

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	Reduction of interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Reduction of interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date		
Commercial real estate non-owner occupied			2		3	2		
Commercial real estate owner occupied	1		33	2	1	1	33	
Commercial and industrial	8	2	8	10	4		8	
Mortgage	5	14	90	7	9	27	223	13
Leasing		2	5		12	13		
Consumer:								
Credit cards	272		246	560				482
Personal	223	6	3	455	14			3
Auto		2			2			
Other	26			45				
<b>Total</b>	<b>535</b>	<b>26</b>	<b>97</b>	<b>297</b>	<b>1,081</b>	<b>63</b>	<b>239</b>	<b>539</b>

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The following tables present by class, quantitative information related to loans modified as TDRs during the quarters and six months ended June 30, 2014 and 2013.

Puerto Rico				
For the quarter ended June 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	3	\$ 1,486	\$ 1,461	\$ 141
Commercial real estate owner occupied	11	31,629	31,193	1,446
Commercial and industrial	20	41,418	41,205	60
Mortgage	179	26,651	26,411	804
Leasing	19	507	510	103
Consumer:				
Credit cards	445	3,369	3,811	602
Personal	265	4,374	4,391	854
Auto	9	144	149	9
Other	26	66	65	11
<b>Total</b>	<b>977</b>	<b>\$ 109,644</b>	<b>\$ 109,196</b>	<b>\$ 4,030</b>

U.S. Mainland				
For the quarter ended June 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	5	\$ 643	\$ 763	\$ 245
<b>Total</b>	<b>5</b>	<b>\$ 643</b>	<b>\$ 763</b>	<b>\$ 245</b>

Popular, Inc.				
For the quarter ended June 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	3	\$ 1,486	\$ 1,461	\$ 141
Commercial real estate owner occupied	11	31,629	31,193	1,446

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Commercial and industrial	20	41,418	41,205	60
Mortgage	184	27,294	27,174	1,049
Leasing	19	507	510	103
Consumer:				
Credit cards	445	3,369	3,811	602
Personal	265	4,374	4,391	854
Auto	9	144	149	9
Other	26	66	65	11
<b>Total</b>	<b>982</b>	<b>\$ 110,287</b>	<b>\$ 109,959</b>	<b>\$ 4,275</b>

Puerto Rico  
For the quarter ended June 30, 2013

(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 owner occupied	34	\$ 10,646	\$ 8,628	\$ (161)
Commercial and industrial	18	3,583	3,623	(17)
Mortgage	111	18,046	19,192	878
Leasing	7	116	114	30
Consumer:				
Credit cards	518	3,879	4,649	718
Personal	232	3,810	3,821	985
Auto	2	38	40	2
Other	26	120	119	19
<b>Total</b>	<b>948</b>	<b>\$ 40,238</b>	<b>\$ 40,186</b>	<b>\$ 2,454</b>

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U.S. Mainland  
For the quarter ended June 30, 2013

(Dollars in thousands)	Loan count	Pre-modification outstanding		Post-modification		Increase (decrease) in the allowance for loan losses as a result of modification
		recorded investment	recorded investment	recorded investment	recorded investment	
Commercial real estate non-owner occupied	2	\$	1,228	\$	1,154	\$
Mortgage	5		702		731	49
<b>Total</b>	<b>7</b>	<b>\$</b>	<b>1,930</b>	<b>\$</b>	<b>1,885</b>	<b>\$</b> 49

Popular, Inc.  
For the quarter ended June 30, 2013

(Dollars in thousands)	Loan count	Pre-modification outstanding		Post-modification		Increase (decrease) in the allowance for loan losses as a result of modification
		recorded investment	recorded investment	recorded investment	recorded investment	
Commercial real estate non-owner occupied	2	\$	1,228	\$	1,154	\$
Commercial real estate owner occupied	34		10,646		8,628	(161)
Commercial and industrial	18		3,583		3,623	(17)
Mortgage	116		18,748		19,923	927
Leasing	7		116		114	30
Consumer:						
Credit cards	518		3,879		4,649	718
Personal	232		3,810		3,821	985
Auto	2		38		40	2
Other	26		120		119	19
<b>Total</b>	<b>955</b>	<b>\$</b>	<b>42,168</b>	<b>\$</b>	<b>42,071</b>	<b>\$</b> 2,503

Puerto Rico  
For the six months ended June 30, 2014

(Dollars in thousands)	Loan count	Pre-modification		Post-modification		Increase (decrease) in the allowance for loan losses as a result of modification
		outstanding recorded investment	outstanding recorded investment	outstanding recorded investment	outstanding recorded investment	
Commercial real estate non-owner occupied	6	\$	2,862		2,915	\$
Commercial real estate owner occupied	22		33,258		32,810	1,420
Commercial and industrial	29		42,191		41,975	69

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Construction	3	11,358	11,358	(570)
Mortgage	310	46,037	46,936	1,942
Leasing	29	713	717	166
Consumer:				
Credit cards	874	6,952	7,902	1,229
Personal	499	8,449	8,465	1,766
Auto	11	176	182	10
Other	45	103	102	17
Total	1,828	\$ 152,099	\$ 153,362	\$ 6,127

U.S. mainland  
For the six months ended June 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	11	\$ 1,568	\$ 1,827	\$ 240
Total	11	\$ 1,568	\$ 1,827	\$ 240

Excludes TDRs from discontinued operations.

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Popular, Inc.  
For the six months ended June 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	\$ 2,862	\$ 2,915	\$ 78
Commercial real estate owner occupied	22	33,258	32,810	1,420
Commercial and industrial	29	42,191	41,975	69
Construction	3	11,358	11,358	(570)
Mortgage	321	47,605	48,763	2,182
Leasing	29	713	717	166
Consumer:				
Credit cards	874	6,952	7,902	1,229
Personal	499	8,449	8,465	1,766
Auto	11	176	182	10
Other	45	103	102	17
<b>Total</b>	<b>1,839</b>	<b>\$ 153,667</b>	<b>\$ 155,189</b>	<b>\$ 6,367</b>

Excludes TDRs from discontinued operations.

Puerto Rico  
For the six months ended June 30, 2013

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	1	\$ 1,248	\$ 741	\$ (10)
Commercial real estate owner occupied	36	15,212	13,214	(501)
Commercial and industrial	22	3,743	3,784	(18)
Mortgage	264	42,944	45,981	4,305
Leasing	25	443	429	133
Consumer:				
Credit cards	1,042	8,144	9,795	755
Personal	472	7,642	7,667	1,978
Auto	2	38	40	2
Other	45	169	167	19
<b>Total</b>	<b>1,909</b>	<b>\$ 79,583</b>	<b>\$ 81,818</b>	<b>\$ 6,663</b>

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U.S. mainland

For the six months ended June 30, 2013

(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	4	\$ 2,822	\$ 2,713	\$ (2)
Commercial real estate owner occupied	1	381	287	(10)
Mortgage	8	928	959	72
Total	13	\$ 4,131	\$ 3,959	\$ 60

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Popular, Inc.  
For the six months ended June 30, 2013

(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	5	\$ 4,070	\$ 3,454	\$ (12)
Commercial real estate owner occupied	37	15,593	13,501	(511)
Commercial and industrial	22	3,743	3,784	(18)
Mortgage	272	43,872	46,940	4,377
Leasing	25	443	429	133
Consumer:				
Credit cards	1,042	8,144	9,795	755
Personal	472	7,642	7,667	1,978
Auto	2	38	40	2
Other	45	169	167	19
<b>Total</b>	<b>1,922</b>	<b>\$ 83,714</b>	<b>\$ 85,777</b>	<b>\$ 6,723</b>

During the quarter ended June 30, 2014, there were no restructured notes. During the quarter ended June 30, 2013, one loan of \$2.9 million, was restructured into multiple notes ( Note A / B split ). The Corporation recorded \$1.3 million of charge-offs as part of the loan restructuring during the quarter ended June 30, 2013. The renegotiation of this loan was made after analyzing the borrowers capacity to repay the debt, collateral and ability to perform under the modified terms. The recorded investment on this commercial TDR amounted to approximately \$1.6 million at June 30, 2013 with related allowance for loan losses of \$21 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 June 30, 2014 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.

(Dollars in thousands)	Puerto Rico			
	Defaulted during the quarter ended June 30, 2014		Defaulted during the six months ended June 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	1	44	3	377
Commercial and industrial	2	438	5	609
Mortgage	33	6,225	55	10,915
Leasing	4	52	7	87
Consumer:				

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Credit cards	133		1,329	256		2,408
Personal	30		345	55		666
Auto	5		84	10		186
Total	208	\$	8,517	392	\$	15,278

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For U.S Mainland for the quarter and six months ended June 30, 2014 there were no TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date.

Popular, Inc.				
(Dollars in thousands)	Defaulted during the quarter ended June 30, 2014		Defaulted during the six months ended June 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	1	44	3	377
Commercial and industrial	2	438	5	609
Mortgage	33	6,225	55	10,915
Legacy	4	52	7	87
Consumer:				
Credit cards	133	1,329	256	2,408
Personal	30	345	55	666
Auto	5	84	10	186
Total	208	\$ 8,517	392	\$ 15,278

Puerto Rico				
(Dollars in thousands)	Defaulted during the quarter ended June 30, 2013		Defaulted during the six months ended June 30, 2013	
	Loan count	Recorded investment as of first default date	Loan count	Recorded investment as of first default date
Commercial real estate owner occupied	2	\$ 5,127	2	\$ 5,127
Commercial and industrial	1	504	2	1,436
Mortgage	68	11,730	131	20,601
Leasing	3	21	10	65
Consumer:				
Credit cards	169	1,807	300	2,927
Personal	30	415	71	992
Total	273	\$ 19,604	516	\$ 31,148

U.S. Mainland

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Defaulted during the quarter ended June 30, 2013      Defaulted during the six months ended June 30, 2013

(Dollars in thousands)	Defaulted during the quarter ended June 30, 2013		Defaulted during the six months ended June 30, 2013	
	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	\$ 1,139
Total		\$	1	\$ 1,139

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Popular, Inc.				
(Dollars in thousands)	Defaulted during the quarter ended June 30, 2013		Defaulted during the six months ended June 30, 2013	
	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	\$ 1,139
Commercial real estate owner occupied	2	\$ 5,127	2	5,127
Commercial and industrial	1	504	2	1,436
Mortgage	68	11,730	131	20,601
Leasing	3	21	10	65
Consumer:				
Credit cards	169	1,807	300	2,927
Personal	30	415	71	992
<b>Total</b>	<b>273</b>	<b>\$ 19,604</b>	<b>517</b>	<b>\$ 32,287</b>

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 June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014						Sub-total	Pass/ Unrated	Total
	Watch	Special Mention	Substandard	Doubtful	Loss				
<b>Puerto Rico<sup>[1]</sup></b>									
Commercial multi-family	\$ 2,151	\$ 4,689	\$ 4,506	\$	\$	\$ 11,346	\$ 50,160	\$ 61,506	
Commercial real estate non-owner occupied	156,672	136,028	181,440			474,140	1,475,742	1,949,882	
Commercial real estate owner occupied	287,713	116,570	313,161	272		717,716	827,868	1,545,584	
Commercial and industrial	415,988	330,675	275,512	152	297	1,022,624	1,719,384	2,742,008	

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Total								
Commercial	862,524	587,962	774,619	424	297	2,225,826	4,073,154	6,298,980
Construction	6,472	3,722	23,911			34,105	101,578	135,683
Mortgage			213,278			213,278	5,245,294	5,458,572
Leasing			2,870		3	2,873	543,995	546,868
Consumer:								
Credit cards			20,511			20,511	1,135,374	1,155,885
HELOCs			922		2,590	3,512	10,769	14,281
Personal			7,862		126	7,988	1,278,917	1,286,905
Auto			11,393		310	11,703	733,606	745,309
Other			2,424		1,474	3,898	209,571	213,469
Total Consumer			43,112		4,500	47,612	3,368,237	3,415,849
Total Puerto Rico	\$ 868,996	\$ 591,684	\$ 1,057,790	\$ 424	\$ 4,800	\$ 2,523,694	\$ 13,332,258	\$ 15,855,952
<b>U.S. mainland<sup>[2]</sup></b>								
Commercial multi-family	\$ 33,289	\$ 2,789	\$ 20,214	\$	\$	\$ 56,292	\$ 358,028	\$ 414,320
Commercial real estate non-owner occupied	18,326	10,337	76,039			104,702	446,452	551,154
Commercial real estate owner occupied	30,249	3,889	27,689			61,827	151,124	212,951
Commercial and industrial	9,633	3,510	26,642			39,785	638,357	678,142
Total								
Commercial	91,497	20,525	150,584			262,606	1,593,961	1,856,567
Construction							43,376	43,376
Mortgage			23,964			23,964	1,181,912	1,205,876
Legacy	14,659	8,432	31,640			54,731	108,210	162,941
Consumer:								

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Credit cards	378		378	14,919	15,297
HELOCs	2,151	5,070	7,221	367,165	374,386
Personal	761	693	1,454	118,561	120,015
Auto				270	270
Other	3		3	541	544

Total Consumer	3,293	5,763	9,056	501,456	510,512
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Total U.S. mainland	\$ 106,156	\$ 28,957	\$ 209,481	\$ 5,763	\$ 350,357	\$ 3,428,915	\$ 3,779,272
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**Popular, Inc.**

Commercial multi-family	\$ 35,440	\$ 7,478	\$ 24,720	\$	\$	\$ 67,638	\$ 408,188	\$ 475,826
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Commercial real estate non-owner occupied	174,998	146,365	257,479			578,842	1,922,194	2,501,036
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Commercial real estate owner occupied	317,962	120,459	340,850	272		779,543	978,992	1,758,535
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Commercial and industrial	425,621	334,185	302,154	152	297	1,062,409	2,357,741	3,420,150
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Total Commercial Construction	954,021	608,487	925,203	424	297	2,488,432	5,667,115	8,155,547
Mortgage	6,472	3,722	23,911			34,105	144,954	179,059
Legacy			237,242			237,242	6,427,206	6,664,448
Leasing	14,659	8,432	31,640			54,731	108,210	162,941
			2,870		3	2,873	543,995	546,868

Consumer:								
Credit cards			20,889			20,889	1,150,293	1,171,182
HELOCs			3,073		7,660	10,733	377,934	388,667
Personal			8,623		819	9,442	1,397,478	1,406,920
Auto			11,393		310	11,703	733,876	745,579
Other			2,427		1,474	3,901	210,112	214,013

Total Consumer			46,405		10,263	56,668	3,869,693	3,926,361
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Total Popular, Inc.	\$ 975,152	\$ 620,641	\$ 1,267,271	\$ 424	\$ 10,563	\$ 2,874,051	\$ 16,761,173	\$ 19,635,224
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The following table presents the weighted average obligor risk rating at June 30, 2014 for those classifications that consider a range of rating scales.

(Scales 11 and 12) (Scales 1 through 8)

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	Substandard	Pass
<b>Weighted average obligor risk rating</b>		
<b>Puerto Rico:<sup>[1]</sup></b>		
Commercial multi-family	11.63	5.73
Commercial real estate non-owner occupied	11.31	6.74
Commercial real estate owner occupied	11.33	6.84
Commercial and industrial	11.32	6.61
<b>Total Commercial</b>	<b>11.32</b>	<b>6.70</b>
Construction	11.90	7.87
	Substandard	Pass
<b>U.S. mainland:<sup>[2]</sup></b>		
Commercial multi-family	11.20	7.14
Commercial real estate non-owner occupied	11.16	6.77
Commercial real estate owner occupied	11.15	6.82
Commercial and industrial	11.14	6.45
<b>Total Commercial</b>	<b>11.16</b>	<b>6.73</b>
<b>Construction</b>		<b>7.65</b>
Legacy	11.19	7.74

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

[2] Excludes discontinued operations.

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December 31, 2013

(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
<b>Puerto Rico<sup>[1]</sup></b>								
Commercial multi-family	\$ 2,477	\$ 4,453	\$ 2,343	\$	\$	\$ 9,273	\$ 73,130	\$ 82,403
Commercial real estate non-owner occupied	230,847	156,189	115,435		112	502,583	1,361,635	1,864,218
Commercial real estate owner occupied	231,705	134,577	305,565			671,847	934,656	1,606,503
Commercial and industrial	727,647	192,404	214,531	68	446	1,135,096	1,777,370	2,912,466
Total Commercial	1,192,676	487,623	637,874	68	558	2,318,799	4,146,791	6,465,590
Construction	6,895	1,788	25,722	2,250		36,655	124,516	161,171
Mortgage			169,239			169,239	5,231,440	5,400,679
Leasing			3,495			3,495	540,266	543,761

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<b>Consumer:</b>									
Credit cards			21,044			21,044	1,148,577		1,169,621
HELOCs			665	2,426		3,091	12,087		15,178
Personal			7,483	141		7,624	1,206,260		1,213,884
Auto			10,407	155		10,562	688,929		699,491
Other			2,019	3,531		5,550	212,914		218,464
<b>Total Consumer</b>			<b>41,618</b>	<b>6,253</b>		<b>47,871</b>	<b>3,268,767</b>		<b>3,316,638</b>
<b>Total Puerto Rico</b>									
	\$ 1,199,571	\$ 489,411	\$ 877,948	\$ 2,318	\$ 6,811	\$ 2,576,059	\$ 13,311,780	\$ 15,887,839	
<b>U.S. mainland</b>									
Commercial multi-family	\$ 73,481	\$ 11,459	\$ 62,346	\$	\$	\$ 147,286	\$ 946,248	\$ 1,093,534	
Commercial real estate non-owner occupied	75,094	29,442	160,001			264,537	841,750	1,106,287	
Commercial real estate owner occupied	56,515	15,845	75,508			147,868	412,174	560,042	
Commercial and industrial	11,657	11,822	46,307			69,786	741,945	811,731	
<b>Total Commercial Construction Mortgage Legacy</b>	<b>216,747</b>	<b>68,568</b>	<b>344,162</b>			<b>629,477</b>	<b>2,942,117</b>	<b>3,571,594</b>	
			20,885			20,885	24,028	44,913	
			26,292			26,292	1,254,505	1,280,797	
	14,948	11,593	42,622			69,163	141,972	211,135	
<b>Consumer:</b>									
Credit cards			486			486	15,165	15,651	
HELOCs			3,317	5,315		8,632	454,401	463,033	
Personal			1,005	569		1,574	133,661	135,235	
Auto				2		2	487	489	
Other			20	1		21	1,159	1,180	
<b>Total Consumer</b>			<b>4,828</b>	<b>5,887</b>		<b>10,715</b>	<b>604,873</b>	<b>615,588</b>	
<b>Total U.S. mainland</b>									
	\$ 231,695	\$ 80,161	\$ 438,789	\$	\$ 5,887	\$ 756,532	\$ 4,967,495	\$ 5,724,027	

**Popular,  
Inc.**

Commercial multi-family	\$ 75,958	\$ 15,912	\$ 64,689	\$	\$	\$ 156,559	\$ 1,019,378	\$ 1,175,937
Commercial real estate non-owner occupied	305,941	185,631	275,436		112	767,120	2,203,385	2,970,505
Commercial real estate owner occupied	288,220	150,422	381,073			819,715	1,346,830	2,166,545
Commercial and industrial	739,304	204,226	260,838	68	446	1,204,882	2,519,315	3,724,197
<b>Total</b>								
Commercial	1,409,423	556,191	982,036	68	558	2,948,276	7,088,908	10,037,184
Construction	6,895	1,788	46,607	2,250		57,540	148,544	206,084
Mortgage			195,531			195,531	6,485,945	6,681,476
Legacy	14,948	11,593	42,622			69,163	141,972	211,135
Leasing			3,495			3,495	540,266	543,761
<b>Consumer:</b>								
Credit cards			21,530			21,530	1,163,742	1,185,272
HELOCs			3,982		7,741	11,723	466,488	478,211
Personal			8,488		710	9,198	1,339,921	1,349,119
Auto			10,407		157	10,564	689,416	699,980
Other			2,039		3,532	5,571	214,073	219,644
<b>Total Consumer</b>			46,446		12,140	58,586	3,873,640	3,932,226
<b>Total</b>								
Popular, Inc.	\$ 1,431,266	\$ 569,572	\$ 1,316,737	\$ 2,318	\$ 12,698	\$ 3,332,591	\$ 18,279,275	\$ 21,611,866

The following table presents the weighted average obligor risk rating at December 31, 2013 for those classifications that consider a range of rating scales.

	(Scales 11 and 12) Substandard	(Scales 1 through 8) Pass
<b>Weighted average obligor risk rating</b>		
<b>Puerto Rico:<sup>[1]</sup></b>		
Commercial multi-family	11.33	5.31
Commercial real estate non-owner occupied	11.38	6.73
Commercial real estate owner occupied	11.31	6.89
Commercial and industrial	11.34	6.63
<b>Total Commercial</b>	11.33	6.71

Construction	11.63	7.86
	Substandard	Pass
<b>U.S. mainland:</b>		
Commercial multi-family	11.34	7.08
Commercial real estate non-owner occupied	11.27	6.89
Commercial real estate owner occupied	11.31	7.04
Commercial and industrial	11.09	6.53
Total Commercial	11.27	6.89
Construction	11.27	7.64
Legacy	11.24	7.72

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

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

In connection with the Westernbank FDIC-assisted transaction, BPPR entered into loss share agreements with the FDIC with respect to the covered loans and other real estate owned. 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 loss share agreements. 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 agreement applicable to commercial (including construction) and consumer loans provides for FDIC loss sharing for five years expiring at the end of the quarter ending June 30, 2015 and BPPR reimbursement to the FDIC for eight years expiring at the end of the quarter ending June 30, 2018, in each case, on the same terms and conditions as described above.

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

(In thousands)	Quarters ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Balance at beginning of period	\$ 833,721	\$ 1,380,592	\$ 948,608	\$ 1,399,098
Amortization of loss share indemnification asset	(72,095)	(38,557)	(121,041)	(78,761)
Credit impairment losses to be covered under loss sharing agreements	10,372	25,338	25,462	39,383
Decrease due to reciprocal accounting on amortization of contingent liability on unfunded commitments		(193)		(386)
Reimbursable expenses	11,085	12,131	23,830	19,914
Payments to (from) FDIC under loss sharing agreements	(31,530)		(112,857)	107
Other adjustments attributable to FDIC loss sharing agreements		31	(12,449)	(13)
Balance at end of period	\$ 751,553	\$ 1,379,342	\$ 751,553	\$ 1,379,342

During the second quarter, the Corporation revised its analysis of expected cash flows which resulted in a net decrease of approximately \$102.9 million in estimated credit losses, which was driven mainly by certain commercial loan pools. Though this will have a positive impact on the Corporation's interest accretion in future periods, the carrying value of the indemnification asset was amortized to reflect lower levels of expected losses. This amortization is recognized over the shorter of the remaining life of the loan pools, which had an average life of approximately six years, or the indemnification asset, which as of June 30, 2014 is one year for commercial, construction and consumer loans and of six years for single-family residential mortgage loans.

The following table presents the weighted average life of the loan portfolios subject to the FDIC loss sharing agreement for the at June 30, 2014 and December 31, 2013.

	Weighted Average Life	
	June 30, 2014	December 31, 2013
Commercial	5.78 years	6.43 years
Consumer	3.16	3.13
Construction	1.35	1.30
Mortgage	6.87	6.91

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

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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%).

The following table provides the fair value and the undiscounted amount of the true-up payment obligation at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014	December 31, 2013
Carrying amount (fair value)	\$ 127,551	\$ 127,513
Undiscounted amount	\$ 192,738	\$ 185,372

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 24, Commitment and Contingencies, for additional information on the arbitration proceedings with the FDIC regarding the commercial loss share agreement.

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

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

The following table presents the components of mortgage banking activities:

(In thousands)	Quarters ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Mortgage servicing fees, net of fair value adjustments:				
Mortgage servicing fees	\$ 10,558	\$ 11,313	\$ 21,306	\$ 22,556
Mortgage servicing rights fair value adjustments	(7,740)	(5,126)	(15,836)	(10,741)
Total mortgage servicing fees, net of fair value adjustments	2,818	6,187	5,470	11,815
Net gain (loss) on sale of loans, including valuation on loans held-for-sale	8,189	(351)	15,365	13,409
Trading account (loss) profit:				
Unrealized gains (losses) on outstanding derivative positions	22	622	(738)	600
Realized (losses) gains on closed derivative positions	(7,241)	11,623	(12,631)	12,554
Total trading account (loss) profit	(7,219)	12,245	(13,369)	13,154
Total mortgage banking activities	\$ 3,788	\$ 18,081	\$ 7,466	\$ 38,378

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

The Corporation typically transfers conforming residential mortgage loans in conjunction with GNMA, FNMA and FHLMC 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, FNMA and FHLMC 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 some instances, has sold loans with credit recourse to a government-sponsored entity, namely FNMA. Refer to Note 23 to the consolidated financial statements for a description of such arrangements.

No liabilities were incurred as a result of these securitizations during the quarters and six months ended June 30, 2014 and 2013 because they did not contain any credit recourse arrangements. During the quarter ended June 30, 2014, the Corporation recorded a net gain \$9.2 million (June 30, 2013 - \$8.8 million) related to the residential mortgage loans securitized. During the six months ended June 30, 2014, the Corporation recorded a net gain \$17.0 million (June 30, 2013 - \$26.5 million) related to the residential mortgage loans securitized.

The following tables present the initial fair value of the assets obtained as proceeds from residential mortgage loans securitized during the quarters and six months ended June 30, 2014 and 2013:

(In thousands)	Proceeds Obtained During the Quarter Ended June 30, 2014			
	Level 1	Level 2	Level 3	Initial Fair Value
<b>Assets</b>				
Trading account securities:				
Mortgage-backed securities GNMA	\$	\$ 184,307	\$	\$ 184,307
Mortgage-backed securities FNMA		60,069		60,069
<b>Total trading account securities</b>	<b>\$</b>	<b>\$ 244,376</b>	<b>\$</b>	<b>\$ 244,376</b>
Mortgage servicing rights			2,919	2,919
<b>Total</b>	<b>\$</b>	<b>\$ 244,376</b>	<b>\$ 2,919</b>	<b>\$ 247,295</b>

(In thousands)	Proceeds Obtained During the Six Months Ended June 30, 2014			
	Level 1	Level 2	Level 3	Initial Fair Value
<b>Assets</b>				
Trading account securities:				
Mortgage-backed securities GNMA	\$	\$ 350,239	\$	\$ 350,239
Mortgage-backed securities FNMA		122,652		122,652
<b>Total trading account securities</b>	<b>\$</b>	<b>\$ 472,891</b>	<b>\$</b>	<b>\$ 472,891</b>
Mortgage servicing rights			6,117	6,117

Total	\$	\$	472,891	\$	6,117	\$	479,008
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(In thousands)	Proceeds Obtained During the Quarter Ended June 30, 2013				Initial Fair Value		
	Level 1	Level 2	Level 3				
<b>Assets</b>							
Trading account securities:							
Mortgage-backed securities GNMA	\$	\$	282,317	\$	\$	282,317	
Mortgage-backed securities FNMA			123,924			123,924	
Mortgage-backed securities FHLMC			26,692			26,692	
Total trading account securities	\$	\$	432,933	\$	\$	432,933	
Mortgage servicing rights						4,637	
Total	\$	\$	432,933	\$	4,637	\$	437,570

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(In thousands)	Proceeds Obtained During the Six Months Ended June 30, 2013			
	Level 1	Level 2	Level 3	Initial Fair Value
<b>Assets</b>				
Trading account securities:				
Mortgage-backed securities GNMA	\$	\$ 567,569	\$	\$ 567,569
Mortgage-backed securities FNMA		252,066		252,066
Mortgage-backed securities FHLMC		26,692		26,692
Total trading account securities	\$	\$ 846,327	\$	\$ 846,327
Mortgage servicing rights			9,380	9,380
Total	\$	\$ 846,327	\$ 9,380	\$ 855,707

During the six months ended June 30, 2014, the Corporation retained servicing rights on whole loan sales involving approximately \$53 million in principal balance outstanding (June 30, 2013 - \$40 million), with realized gains of approximately \$2.0 million (June 30, 2013 - gains of \$1.5 million). All loan sales performed during the six months ended June 30, 2014 and 2013 were without credit recourse agreements.

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

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

The following table presents the changes in MSRs measured using the fair value method for the six months ended June 30, 2014 and 2013.

(In thousands)	Residential MSRs	
	June 30, 2014	June 30, 2013
Fair value at beginning of period	\$ 161,099	\$ 154,430
Purchases		45
Servicing from securitizations or asset transfers	6,692	10,152
Changes due to payments on loans <sup>[1]</sup>	(8,164)	(12,721)
Reduction due to loan repurchases	(1,830)	(2,033)
Changes in fair value due to changes in valuation model inputs or assumptions	(5,842)	4,013
Other disposals	(4)	(442)
Fair value at end of period	\$ 151,951	\$ 153,444

[1] Represents the change due to collection / realization of expected cash flow over time.

Residential mortgage loans serviced for others were \$16.1 billion at June 30, 2014 (December 31, 2013 - \$16.3 billion).

Net mortgage servicing fees, a component of mortgage banking activities in the consolidated statements of operations, include the changes from period to period in the fair value of the MSR's, including changes due to collection / realization of expected cash flows. Mortgage servicing fees, excluding fair value adjustments, for the quarter and six months ended June 30, 2014 amounted to \$10.6 million and \$21.3 million, respectively (June 30, 2013 - \$11.3 million and \$22.6 million, respectively). The banking subsidiaries receive servicing fees based on a percentage of the outstanding loan balance. At June 30, 2014, those weighted average mortgage servicing fees were 0.26% (June 30, 2013 0.27%). Under these servicing agreements, the banking subsidiaries do not generally earn significant prepayment penalty fees on the underlying loans serviced.

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

Key economic assumptions used in measuring the servicing rights derived from loans securitized or sold by the Corporation during the quarters and six months ended June 30, 2014 and 2013 were as follows:

	Quarter ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Prepayment speed	6.3%	7.3%	6.2%	7.7%
Weighted average life	15.9 years	13.7 years	16.0 years	12.9 years
Discount rate (annual rate)	10.7%	11.1%	10.7%	11.1%

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

(In thousands)	Originated MSR's	
	June 30, 2014	December 31, 2013
Fair value of servicing rights	\$ 110,977	\$ 115,753
Weighted average life	12.5 years	12.5 years
Weighted average prepayment speed (annual rate)	8.0%	8.0%
Impact on fair value of 10% adverse change	\$ (1,703)	\$ (3,763)
Impact on fair value of 20% adverse change	\$ (5,363)	\$ (7,459)
Weighted average discount rate (annual rate)	11.6%	11.6%
Impact on fair value of 10% adverse change	\$ (2,674)	\$ (4,930)
Impact on fair value of 20% adverse change	\$ (7,136)	\$ (9,595)

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

(In thousands)	Purchased MSR's	
	June 30, 2014	December 31, 2013
Fair value of servicing rights	\$ 40,975	\$ 45,346
Weighted average life	10.8 years	10.9 years
Weighted average prepayment speed (annual rate)	8.9%	9.2%
	\$ (1,030)	\$ (1,969)

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Impact on fair value of 10% adverse change			
Impact on fair value of 20% adverse change	\$	(2,421)	\$ (3,478)
Weighted average discount rate (annual rate)		10.8%	10.8%
Impact on fair value of 10% adverse change	\$	(1,087)	\$ (2,073)
Impact on fair value of 20% adverse change	\$	(2,511)	\$ (3,655)

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.

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At June 30, 2014, the Corporation serviced \$2.3 billion (December 31, 2013 - \$2.5 billion) in residential mortgage loans with credit recourse to the Corporation.

Under the GNMA securitizations, the Corporation, as servicer, has the right to repurchase (but not the obligation), at its option and without GNMA's prior authorization, any loan that is collateral for a GNMA guaranteed mortgage-backed security when certain delinquency criteria are met. At the time that individual loans meet GNMA's specified delinquency criteria and are eligible for repurchase, the Corporation is deemed to have regained effective control over these loans if the Corporation was the pool issuer. At June 30, 2014, the Corporation had recorded \$34 million in mortgage loans on its consolidated statements of financial condition related to this buy-back option program (December 31, 2013 - \$48 million). As long as the Corporation continues to service the loans that continue to be collateral in a GNMA guaranteed mortgage-backed security, the MSR is recognized by the Corporation. During the six months ended June 30, 2014, the Corporation repurchased approximately \$ 107 million (year ended December 31, 2013 - \$209 million) of mortgage loans under the GNMA buy-back option program. The determination to repurchase these loans was based on the economic benefits of the transaction, which results in a reduction of the servicing costs for these severely delinquent loans, mostly related to principal and interest advances. Furthermore, due to their guaranteed nature, the risk associated with the loans is minimal. The Corporation places these loans under its loss mitigation programs and once brought back to current status, these may be either retained in portfolio or re-sold in the secondary market.

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

The following tables present the Other Real Estate Owned Activity, for the quarters and six months ended June 30, 2014 and 2013.

(In thousands)	For the quarter ended June 30, 2014					Total
	Non-covered	Non-covered	Covered	Covered		
	OREO	OREO	OREO	OREO		
	Commercial/Construction	Mortgage	Commercial/Construction	Mortgage		
Balance at beginning of period	\$ 48,141	\$ 88,824	\$ 110,333	\$ 48,414		\$ 295,712
Write-downs in value	(571)	(439)	(6,635)	(940)		(8,585)
Additions	6,303	15,400	22,260	4,103		48,066
Sales	(5,372)	(12,203)	(14,792)	(3,777)		(36,144)
Other adjustments	1,286	(1,949)	(3,261)	100		(3,824)
Ending balance	\$ 49,787	\$ 89,633	\$ 107,905	\$ 47,900		\$ 295,225

(In thousands)	For the six months ended June 30, 2014					Total
	Non-covered	Non-covered	Covered	Covered		
	OREO	OREO	OREO	OREO		
	Commercial/Construction	Mortgage	Commercial/Construction	Mortgage		
Balance at beginning of period	\$ 48,649	\$ 86,852	\$ 120,215	\$ 47,792		\$ 303,508
Write-downs in value	(785)	(1,108)	(11,198)	(1,147)		(14,238)
Additions	10,971	30,283	35,454	8,594		85,302
Sales	(10,334)	(24,266)	(33,213)	(6,154)		(73,967)
Other adjustments	1,286	(2,128)	(3,353)	(1,185)		(5,380)
Ending balance	\$ 49,787	\$ 89,633	\$ 107,905	\$ 47,900		\$ 295,225

(In thousands)	For the quarter ended June 30, 2013					Total
	Non-covered	Non-covered	Covered	Covered		
	OREO	OREO	OREO	OREO		
	Commercial/Construction	Mortgage	Commercial/Construction	Mortgage		
Balance at beginning of period	\$ 79,146	\$ 75,553	\$ 129,413	\$ 42,965		\$ 327,077
Write-downs in value	(987)	(462)	(3,568)	(1,482)		(6,499)
Additions	3,940	30,337	16,879	8,064		59,220
Sales	(17,264)	(13,154)	(3,839)	(5,208)		(39,465)
Other adjustments	290	1,521		1		1,812
Ending balance	\$ 65,125	\$ 93,795	\$ 138,885	\$ 44,340		\$ 342,145

For the six months ended June 30, 2013				
	Non-covered	Non-covered	Covered	Covered
	OREO	OREO	OREO	OREO

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(In thousands)	OREO Commercial/Construction	OREO Mortgage	OREO Commercial/Construction	OREO Mortgage	Total
Balance at beginning of period	\$ 135,862	\$ 130,982	\$ 99,398	\$ 39,660	\$ 405,902
Write-downs in value	(5,886)	(7,820)	(6,673)	(1,785)	(22,164)
Additions	22,258	55,185	51,674	17,037	146,154
Sales	(87,399)	(85,171)	(5,514)	(10,464)	(188,548)
Other adjustments	290	619		(108)	801
Ending balance	\$ 65,125	\$ 93,795	\$ 138,885	\$ 44,340	\$ 342,145

**Table of Contents****Note 15 Other assets**

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

(In thousands)	June 30, 2014	December 31, 2013
Net deferred tax assets (net of valuation allowance)	\$ 788,732	\$ 761,768
Investments under the equity method	214,452	197,006
Bank-owned life insurance program	230,570	228,805
Prepaid FDIC insurance assessment	379	383
Prepaid taxes	210,079	91,504
Other prepaid expenses	73,886	67,108
Derivative assets	27,559	34,710
Trades receivable from brokers and counterparties	519,495	71,680
Others	227,208	234,594
<b>Total other assets</b>	<b>\$ 2,292,360</b>	<b>\$ 1,687,558</b>

Other assets from discontinued operations are presented as part of **Assets from Discontinued Operations** in the Consolidated Statement of Condition. Refer to Note 3 to the consolidated financial statements for further information on the discontinued operations.

On February 1, 2014, Centro Financiero BHD ( **BHD** ), the Corporation's equity method investee based in the Dominican Republic, completed a merger transaction in which it acquired the net assets of Centro Financiero León. Centro Financiero León was the holding company of Banco León, the fourth largest bank in terms of assets in the Dominican Republic. In connection with the transaction, BHD issued additional shares which diluted the Corporation's equity participation from 19.99% to 15.79%. As a result of this transaction, the Corporation recognized a net gain of \$14.2 million during the first quarter of 2014, due to BHD's increase in net assets. The gain was partially offset by approximately \$7.7 million resulting from the reclassification from other comprehensive income into earnings of the cumulative foreign currency translation adjustment due to the reduction in the Corporation's ownership percentage. As of June 30, 2014, the Corporation had a 15.82% equity participation and continues to have significant influence over BHD. Accordingly, the investment in BHD 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.

Other assets as of June 30, 2014 includes \$441 million of trades receivable related to the issuance of \$450 million in Senior Notes, which settled on July 1, 2014, net of debt issuance costs of \$9 million.

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

The changes in the carrying amount of goodwill for the six months ended June 30, 2014 and 2013, allocated by reportable segments, were as follows (refer to Note 36 for the definition of the Corporation's reportable segments):

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

(In thousands)	2013					Balance at June 30, 2013
	Balance at January 1, 2013	Goodwill on acquisition	Purchase or accounting adjustments	Other		
Banco Popular de Puerto Rico	\$ 245,679	\$	\$	\$	\$	\$ 245,679
Banco Popular North America	402,078					402,078
<b>Total Popular, Inc.</b>	<b>\$ 647,757</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 647,757</b>

***Goodwill Impairment Test***

As discussed in Note 3, 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 intends to centralize certain back office operations in Puerto Rico and New York. During the second quarter of 2014, the assets and liabilities for these regions subject to the sales were reclassified as held-for-sale in accordance with ASC 360-10-45. As a result of the reclassification of these discontinued operations to held-for-sale, and in accordance with ASC 350-20-40, BPNA allocated a proportionate share of the goodwill balance to these discontinued businesses based 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 the goodwill allocated to the 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.

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For the ASC 350-20 goodwill impairment test of the remaining portion of the BPNA reporting unit, the Corporation performed an analysis similar to the annual impairment test performed during the third quarter of 2013. For the two-step test, the Corporation used a combination of methods, including market price multiples of comparable companies and transactions, as well as discounted cash flows analysis. 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 the 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 average estimated fair value calculated in Step 1 using all valuation methodologies exceeded BPNA reporting unit's equity value by approximately \$197 million. This result indicates there would be no indication of impairment on the carrying amount of goodwill allocated to the remaining portion. Accordingly, Step 2 was not required to be performed.

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

	June 30, 2014					
	Balance at January 1, 2014 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2014 (net amounts)	Balance at June 30, 2014 (gross amounts)	Accumulated impairment losses	Balance at June 30, 2014 (net amounts)
(In thousands)						
Banco Popular de Puerto Rico	\$ 245,679	\$	\$ 245,679	\$ 245,679	\$	\$ 245,679

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Banco Popular North America	566,489	164,411	402,078	379,978	164,411	215,567
<b>Total Popular, Inc.</b>	<b>\$ 812,168</b>	<b>\$ 164,411</b>	<b>\$ 647,757</b>	<b>\$ 625,657</b>	<b>\$ 164,411</b>	<b>\$ 461,246</b>

	December 31, 2013					
	Balance at January 1, 2013 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2013 (net amounts)	Balance at December 31, 2013 (gross amounts)	Accumulated impairment losses	Balance at December 31, 2013 (net amounts)
(In thousands)						
Banco Popular de Puerto Rico	\$ 245,679	\$	\$ 245,679	\$ 245,679	\$	\$ 245,679
Banco Popular North America	566,489	164,411	402,078	566,489	164,411	402,078
<b>Total Popular, Inc.</b>	<b>\$ 812,168</b>	<b>\$ 164,411</b>	<b>\$ 647,757</b>	<b>\$ 812,168</b>	<b>\$ 164,411</b>	<b>\$ 647,757</b>

**Table of Contents**Other Intangible Assets

At June 30, 2014 and December 31, 2013, the Corporation had \$ 6 million of identifiable intangible assets, with indefinite useful lives, mostly associated with E-LOAN s trademark.

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

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
June 30, 2014			
Core deposits	\$ 77,885	\$ 55,793	\$ 22,092
Other customer relationships	17,552	5,647	11,905
Other intangibles	135	124	11
<b>Total other intangible assets</b>	<b>\$ 95,572</b>	<b>\$ 61,564</b>	<b>\$ 34,008</b>
December 31, 2013			
Core deposits	\$ 77,885	\$ 51,737	\$ 26,148
Other customer relationships	17,555	4,712	12,843
Other intangibles	135	107	28
<b>Total other intangible assets</b>	<b>\$ 95,575</b>	<b>\$ 56,556</b>	<b>\$ 39,019</b>

During the quarter ended June 30, 2014, the Corporation recognized \$ 2.0 million in amortization expense related to other intangible assets with definite useful lives (June 30, 2013 - \$ 2.0 million). During the six months ended June 30, 2014, the Corporation recognized \$ 4.1 million in amortization related to other intangible assets with definite useful lives (June 30, 2013 - \$ 4.0 million).

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

(In thousands)	
Remaining 2014	\$ 4,364
Year 2015	7,227
Year 2016	6,942
Year 2017	4,194
Year 2018	4,101
Year 2019	3,969

**Table of Contents****Note 17 Deposits**

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

(In thousands)	June 30, 2014	December 31, 2013
Savings accounts	\$ 7,536,527	\$ 6,839,126
NOW, money market and other interest bearing demand deposits	4,029,167	5,637,985
<b>Total savings, NOW, money market and other interest bearing demand deposits</b>	<b>11,565,694</b>	<b>12,477,111</b>
Certificates of deposit:		
Under \$100,000	4,651,190	5,101,711
\$100,000 and over	3,017,583	3,209,641
<b>Total certificates of deposit</b>	<b>7,668,773</b>	<b>8,311,352</b>
<b>Total interest bearing deposits</b>	<b>\$ 19,234,467</b>	<b>\$ 20,788,463</b>

Deposits from discontinued operations are presented as part of **Liabilities from Discontinued Operations** in the Consolidated Statement of Condition. Refer to Note 3 to the consolidated financial statements for further information on the discontinued operations.

A summary of certificates of deposit by maturity at June 30, 2014 follows:

(In thousands)	
2014	\$ 3,892,291
2015	1,671,312
2016	753,965
2017	563,469
2018	399,040
2019 and thereafter	388,696
<b>Total certificates of deposit</b>	<b>\$ 7,668,773</b>

At June 30, 2014, the Corporation had brokered deposits amounting to \$ 2.4 billion (December 31, 2013 - \$ 2.4 billion).

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans was \$9 million at June 30, 2014 (December 31, 2013 - \$10 million).



**Table of Contents****Note 18 Borrowings**

The following table presents the composition of federal funds purchased and assets sold under agreements to repurchase at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014	December 31, 2013
Federal funds purchased	\$ 250,000	\$
Assets sold under agreements to repurchase	1,824,676	1,659,292
<b>Total federal funds purchased and assets sold under agreements to repurchase</b>	<b>\$ 2,074,676</b>	<b>\$ 1,659,292</b>

The repurchase agreements outstanding at June 30, 2014 were collateralized by \$ 1.5 billion (December 31, 2013 - \$ 1.3 billion) in investment securities available-for-sale, \$ 256 million (December 31, 2013 - \$ 309 million) in trading securities and \$ 76 million (December 31, 2013 - \$ 70 million) in securities sold not yet delivered in other assets. 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.

In addition, there were repurchase agreements outstanding collateralized by \$ 203 million in securities purchased under agreements to resell to which the Corporation has the right to repledge the securities (December 31, 2013 - \$ 189 million). It is the Corporation's policy to take possession of securities purchased under agreements to resell. However, the counterparties to such agreements maintain effective control over such securities; accordingly, these securities are not reflected in the Corporation's consolidated statements of financial condition.

The following table presents the composition of other short-term borrowings at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014	December 31, 2013
Advances with the FHLB paying interest at maturity, at a fixed rate of 0.42%	\$ 30,000	\$ 400,000
Others	1,200	1,200
<b>Total other short-term borrowings</b>	<b>\$ 31,200</b>	<b>\$ 401,200</b>

Note: Refer to the Corporation's 2013 Annual Report for rates information at December 31, 2013.

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The following table presents the composition of notes payable at June 30, 2014 and December 31, 2013.

(In thousands)	June 30, 2014	December 31, 2013
Advances with the FHLB with maturities ranging from 2014 through 2021 paying interest at monthly fixed rates ranging from 0.27% to 4.19 %	\$ 510,514	\$ 589,229
Unsecured senior debt securities maturing on 2019 paying interest semiannually at a fixed rate of 7.00%	450,000	
Term notes maturing on 2014 paying interest semiannually at a fixed rate of 7.47%	675	675
Term notes maturing on 2014 paying interest monthly at a floating rate of 3.00% over the 10-year U.S. Treasury note rate <sup>[1]</sup>	7	14
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 20)	439,800	439,800
Junior subordinated deferrable interest debentures (related to trust preferred securities) (\$936,000 less discount of \$404,460 at December 31, 2013), with no stated maturity and a fixed interest rate of 5.00% until, but excluding December 5, 2013 and 9.00% thereafter (Refer to Note 20) <sup>[2]</sup>	936,000	531,540
Others	23,093	23,496
Total notes payable	\$ 2,360,089	\$ 1,584,754

Note: Refer to the Corporation's 2013 Annual Report for rates information at December 31, 2013.

[1] The 10-year U.S. Treasury note key index rate at June 30, 2014 and December 31, 2013 was 2.53% and 3.03%, respectively.

[2] The debentures are perpetual and may be redeemed by the Corporation at any time, subject to the consent of the Board of Governors of the Federal Reserve System. The discount on the debentures was being amortized over an estimated 30-year term that started in August 2009. During the quarter ended June 30, 2014, in connection with the repayment of these Notes completed on July 2, 2014, the Corporation accelerated the related amortization of the discount and deferred costs amounting to \$414.1 million, which is reflected as interest expense in the consolidated statement of operations. The effective interest rate, including the discount accretion, was approximately 16% at December 31, 2013.

During the quarter ended June 30, 2014, the Corporation received approval from the Federal Reserve System to repay the \$935 million in TARP Capital Purchase Program funds. On July 2, 2014, the Corporation completed the repayment of these funds, which were partially funded with \$400 million from the proceeds of the issuance of its \$450 million aggregate principal amount of 7% Senior Notes due on 2019, which settled on July 1, 2014. Accordingly, during the quarter ended June 30, 2014, the Corporation accelerated the related amortization of \$414.1 million of discount and deferred costs, which is reflected as interest expense in the consolidated statement of operations. Refer to additional information on Note 20, Trust Preferred Securities and Note 37, Subsequent Events.

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A breakdown of borrowings by contractual maturities at June 30, 2014 is included in the table below.

(In thousands)	Fed funds purchased and assets sold under agreements to repurchase	Short-term borrowings	Notes payable	Total
Year				
2014	\$ 1,332,479	\$ 31,200	\$ 16,905	\$ 1,380,584
2015	174,135		29,040	203,175
2016	453,062		247,105	700,167
2017	115,000		79,033	194,033
2018			107,296	107,296
Later years			944,710	944,710
No stated maturity			936,000	936,000
<b>Total borrowings</b>	<b>\$ 2,074,676</b>	<b>\$ 31,200</b>	<b>\$ 2,360,089</b>	<b>\$ 4,465,965</b>

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

The following tables present the potential effect of rights of setoff associated with the Corporation's recognized financial assets and liabilities at June 30, 2014 and December 31, 2013.

(In thousands)	As of June 30, 2014				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amount of Recognized Assets	Gross Amount 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	\$ 27,585	\$	\$ 27,585	\$ 541	\$	\$	\$ 27,044
Reverse repurchase agreements	192,490		192,490		192,490		
<b>Total</b>	<b>\$ 220,075</b>	<b>\$</b>	<b>\$ 220,075</b>	<b>\$ 541</b>	<b>\$ 192,490</b>	<b>\$</b>	<b>\$ 27,044</b>

(In thousands)	As of June 30, 2014				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amount of Recognized Liabilities	Gross Amount 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 Pledged	Net Amount
Derivatives	\$ 25,611	\$	\$ 25,611	\$ 541	\$ 11,627	\$	\$ 13,443
Repurchase agreements	1,824,676		1,824,676		1,824,676		
<b>Total</b>	<b>\$ 1,850,287</b>	<b>\$</b>	<b>\$ 1,850,287</b>	<b>\$ 541</b>	<b>\$ 1,836,303</b>	<b>\$</b>	<b>\$ 13,443</b>

(In thousands)	As of December 31, 2013				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amount	Gross Amounts	Net Amounts of	Financial Instruments	Securities Collateral	Cash Collateral	Net Amount

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	of Recognized Assets	Offset in the Statement of Financial Position	Assets Presented in the Statement of Financial Position		Received	Received
Derivatives	\$ 34,793	\$	\$ 34,793	\$ 1,220	\$	\$ 33,573
Reverse repurchase agreements	175,965		175,965		175,965	
<b>Total</b>	<b>\$ 210,758</b>	<b>\$</b>	<b>\$ 210,758</b>	<b>\$ 1,220</b>	<b>\$ 175,965</b>	<b>\$ 33,573</b>

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		As of December 31, 2013		Gross Amounts Not Offset in the Statement of Financial Position			
		Gross Amount 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
(In thousands)	Gross Amount of Recognized Liabilities	Financial Position	Financial Position				
Derivatives	\$ 32,378	\$	\$ 32,378	\$ 1,220	\$ 14,003	\$	\$ 17,155
Repurchase agreements	1,659,292		1,659,292		1,659,292		
<b>Total</b>	<b>\$ 1,691,670</b>	<b>\$</b>	<b>\$ 1,691,670</b>	<b>\$ 1,220</b>	<b>\$ 1,673,295</b>	<b>\$</b>	<b>\$ 17,155</b>

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

**Table of Contents****Note 20 Trust preferred securities**

At June 30, 2014 and December 31, 2013, four 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. In August 2009, the Corporation established the Popular Capital Trust III for the purpose of exchanging the shares of Series C preferred stock held by the U.S. Treasury at the time for trust preferred securities issued by this trust. In connection with this exchange, the trust used the Series C preferred stock, together with the proceeds of issuance and sale of common securities of the trust, to purchase junior subordinated debentures issued by the Corporation.

The sole assets of the five 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 June 30, 2014 and December 31, 2013.

(Dollars in thousands)

Issuer	BanPonce Trust I	Popular Capital Trust I	Popular North America Capital Trust I	Popular Capital Trust II	Popular Capital Trust III
Capital securities	\$ 52,865	\$ 181,063	\$ 91,651	\$ 101,023	\$ 935,000
Distribution rate	8.327 %	6.700 %	6.564 %	6.125 %	5.000% until, but excluding December 5, 2013 and 9.000% thereafter
Common securities	\$ 1,637	\$ 5,601	\$ 2,835	\$ 3,125	\$ 1,000
Junior subordinated debentures aggregate liquidation amount	\$ 54,502	\$ 186,664	\$ 94,486	\$ 104,148	\$ 936,000
Stated maturity date	February 2027 [1],[3],[6]	November 2033 [2],[4],[5]	September 2034 [1],[3],[5]	December 2034 [2],[4],[5]	Perpetual [2],[4],[7],[8]

Reference  
notes

- [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.
- [7] The debentures are perpetual and may be redeemed by Popular at any time, subject to the consent of the Board of Governors of the Federal Reserve System.
- [8] Carrying value of junior subordinated debentures of \$ 936 million at June 30, 2014 and \$ 532 million at December 31, 2013 (\$ 936 million aggregate liquidation amount, net of \$ 404 million discount).

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During the quarter ended June 30, 2014, the Corporation received approval from the Federal Reserve System to repay the \$935 million in TARP Capital Purchase Program funds. On July 2, 2014, the Corporation completed the repurchase of \$935 million of Fixed Rate Popular Capital Trust III Capital Securities, \$1,000 liquidation amount per security (the trust capital securities), of Popular Capital Trust III, held by the U.S. Treasury. On July 23, 2014, the Corporation exchanged \$936 million of Fixed Rate Perpetual Junior Subordinated Debentures Series A (the trust debentures) held by Popular Capital Trust III for the trust capital securities and the common securities of Popular Capital Trust III, in the amount of \$1 million, held by the Corporation. The trust debentures were then cancelled and the obligations of the Corporation under the related indenture were satisfied and discharged. On the same date, Popular Capital Trust III was dissolved. In connection with the repayment of TARP, the Corporation accelerated the related amortization of the discount and deferred costs amounting to \$414.1 million during the second quarter of 2014, which is reflected as part of interest expense in the consolidated statement of operations. Refer to note 37, Subsequent Events, for additional information on the repayment of TARP.

In accordance with the Federal Reserve Board guidance under Basel I, the trust preferred securities represent restricted core capital elements and currently qualify as Tier 1 capital, subject to certain quantitative limits. The aggregate amount of restricted core capital elements that may be included in the Tier 1 capital of a banking organization must not exceed 25% of the sum of all core capital elements (including cumulative perpetual preferred stock and trust preferred securities). Amounts of restricted core capital elements in excess of this limit generally may be included in Tier 2 capital, subject to further limitations. At June 30, 2014, the Corporation's restricted core capital elements exceeded the 25% limitation as a result of the acceleration of the unamortized discount of the TARP funds and, as such, \$45 million of the outstanding trust preferred securities were included as Tier 2 capital. At December 31, 2013, the Corporation's restricted core capital elements did not exceed the 25% limitation.

In July 2013, the Board of Governors of the Federal Reserve System approved final rules (New Capital Rules) to establish a new comprehensive regulatory capital framework for all U.S. banking organizations. The New Capital Rules generally implement the Basel Committee on Banking Supervision's (the Basel Committee) December 2010 final capital framework referred to as Basel III for strengthening international capital standards and several changes to the U.S. regulatory capital regime required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). The New Capital Rules require that capital instruments such as trust preferred securities be phased-out of Tier 1 capital. The Corporation's Tier I capital level at June 30, 2014 included \$ 427 million of trust preferred securities that are subject to the phase-out provisions of the New Capital Rules. The Corporation would be allowed to include only 25% of such trust preferred securities in Tier I capital as of January 1, 2015 and 0% as of January 1, 2016 and thereafter. The New Capital Rules also permanently grandfather as Tier 2 capital such trust preferred securities. The trust preferred securities issued to the U.S. Treasury pursuant to the Emergency Economic Stabilization Act of 2008 are exempt from the phase-out provision. As mentioned above, these trust preferred securities were repaid in full on July 2, 2014.

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**Note 21 Stockholders equity**

***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 \$445 million at June 30, 2014 (December 31, 2013 - \$445 million). There were no transfers between the statutory reserve account and the retained earnings account during the quarters and six months ended June 30, 2014 and June 30, 2013.

As stated in Note 37, Subsequent Events, on July 2, 2014, the Corporation completed the repayment of the TARP funds to the U.S. Treasury. Also, on July 23, 2014, the Corporation completed the repurchase of the outstanding warrant initially issued to the U.S. Treasury under the TARP Capital Purchase Program in 2008 for a repurchase price of \$3 million. The warrant represented the right to purchase 2,093,284 shares of the Corporation's common stock at an exercise price of \$67 per share with an original term of 10 years. The purchase price of \$3.0 million will be reflected as a reduction of surplus in stockholders' equity on July 2014.

**Table of Contents****Note 22 Other comprehensive loss**

The following table presents changes in accumulated other comprehensive loss by component for the quarters and six months ended June 30, 2014 and 2013.

		Changes in Accumulated Other Comprehensive Loss by Component [1]			
		Quarters ended		Six months ended	
(In thousands)		June 30,	2013	June 30,	2013
		2014		2014	
Foreign currency translation	Beginning Balance	\$ (30,496)	\$ (30,553)	\$ (36,099)	\$ (31,277)
	Other comprehensive loss before reclassifications	(603)	(2,653)	(2,718)	(1,929)
	Amounts reclassified from accumulated other comprehensive loss			7,718	
	Net change	(603)	(2,653)	5,000	(1,929)
	Ending balance	\$ (31,099)	\$ (33,206)	\$ (31,099)	\$ (33,206)
Adjustment of pension and postretirement benefit plans	Beginning Balance	\$ (103,584)	\$ (221,528)	\$ (104,302)	\$ (225,846)
	Amounts reclassified from accumulated other comprehensive loss for amortization of net losses	1,297	3,207	2,594	7,525
	Amounts reclassified from accumulated other comprehensive loss for amortization of prior service cost	(580)		(1,159)	
	Net change	717	3,207	1,435	7,525
	Ending balance	\$ (102,867)	\$ (218,321)	\$ (102,867)	\$ (218,321)
Unrealized net holding gains (losses) on investments	Beginning Balance	\$ (22,255)	\$ 130,562	\$ (48,344)	\$ 154,568

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Other comprehensive income (loss) before reclassifications	26,326	(106,572)	52,415	(130,578)
Net change	26,326	(106,572)	52,415	(130,578)
Ending balance	\$ 4,071	\$ 23,990	\$ 4,071	\$ 23,990