POPULAR INC
Form 10-Q
May 12, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2014

Commission File Number: 001-34084

POPULAR, INC.

(Exact name of registrant as specified in its charter)

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

Popular Center Building

209 Muñoz Rivera Avenue

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

(787) 765-9800

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: Common Stock, $0.01 par value, 103,476,117 shares outstanding as of May 5, 2014.

Table of Contents

POPULAR, INC.

INDEX

Table of Contents

Forward-Looking Information

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

Table of Contents

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)	March 31, 2014	December 31, 2013
Assets:		
Cash and due from banks	$ 387,917	$ 423,211
Money market investments:		
Federal funds sold	7,490	5,055
Securities purchased under agreements to resell	178,142	175,965
Time deposits with other banks	1,436,801	677,433
Total money market investments	1,622,433	858,453
Trading account securities, at fair value:		
Pledged securities with creditors right to repledge	330,680	308,978
Other trading securities	28,567	30,765
Investment securities available-for-sale, at fair value:		
Pledged securities with creditors right to repledge	1,757,178	1,286,839
Other investment securities available-for-sale	4,011,712	4,007,961
Investment securities held-to-maturity, at amortized cost (fair value 2014 - $127,799; 2013 - $120,688)	139,019	140,496
Other investment securities, at lower of cost or realizable value (realizable value 2014 - $170,244; 2013 - $184,526)	166,556	181,752
Loans held-for-sale, at lower of cost or fair value	94,877	110,426
Loans held-in-portfolio:		
Loans not covered under loss sharing agreements with the FDIC	21,703,050	21,704,010
Loans covered under loss sharing agreements with the FDIC	2,870,054	2,984,427
Less Unearned income	91,273	92,144
Allowance for loan losses	640,348	640,555
Total loans held-in-portfolio, net	23,841,483	23,955,738
FDIC loss share asset	833,721	948,608
Premises and equipment, net	513,855	519,516
Other real estate not covered under loss sharing agreements with the FDIC	136,965	135,501
Other real estate covered under loss sharing agreements with the FDIC	158,747	168,007
Accrued income receivable	125,895	131,536
Mortgage servicing assets, at fair value	156,529	161,099
Other assets	1,747,646	1,687,558
Goodwill	647,757	647,757

Other intangible assets	42,625	45,132
Total assets	$ 36,744,162	$ 35,749,333
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 6,326,596	$ 5,922,682
Interest bearing	20,939,055	20,788,463
Total deposits	27,265,651	26,711,145
Federal funds purchased and assets sold under agreements to repurchase	2,208,213	1,659,292
Other short-term borrowings	1,200	401,200
Notes payable	1,506,408	1,584,754
Other liabilities	1,016,943	766,792
Total liabilities	31,998,415	31,123,183
Commitments and contingencies (See Note 22)		
Stockholders equity:		
Preferred stock, 30,000,000 shares authorized; 2,006,391 shares issued and outstanding	50,160	50,160
Common stock, $0.01 par value; 170,000,000 shares authorized; 103,494,430 shares issued (2013 103,435,967) and 103,455,535 shares outstanding (2013 103,397,699)	1,035	1,034
Surplus	4,171,817	4,170,152
Retained earnings	679,908	594,430
Treasury stock at cost, 38,895 shares (2013 38,268)	(898)	(881)
Accumulated other comprehensive loss, net of tax	(156,275)	(188,745)
Total stockholders equity	4,745,747	4,626,150
Total liabilities and stockholders equity	$ 36,744,162	$ 35,749,333

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

Table of Contents

POPULAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Quarters ended March 31,	
(In thousands, except per share information)	2014	2013
Interest income:		
Loans	$ 401,933	$ 385,926
Money market investments	973	955
Investment securities	35,127	37,823
Trading account securities	5,257	5,514
Total interest income	443,290	430,218
Interest expense:		
Deposits	29,392	38,356
Short-term borrowings	9,041	9,782
Long-term debt	31,890	35,767
Total interest expense	70,323	83,905
Net interest income	372,967	346,313
Provision for loan losses - non-covered loans	47,358	206,300
Provision for loan losses - covered loans	25,714	17,556
Net interest income after provision for loan losses	299,895	122,457
Service charges on deposit accounts	41,250	43,722
Other service fees (Refer to Note 28)	54,043	56,093
Mortgage banking activities (Refer to Note 10)	3,681	20,300
Trading account profit (loss)	1,977	(984)
Net gain (loss) on sale of loans, including valuation adjustments on loans held-for-sale	11,776	(62,719)
Adjustments (expense) to indemnity reserves on loans sold	(10,347)	(16,143)
FDIC loss share (expense) income (Refer to Note 29)	(24,206)	(26,266)
Other operating income	28,391	20,054
Total non-interest income	106,565	34,057
Operating expenses:		
Personnel costs	113,154	115,989
Net occupancy expenses	25,691	23,473
Equipment expenses	11,782	11,950
Other taxes	13,724	11,586
Professional fees	69,792	70,497

Communications	6,934	6,832
Business promotion	11,682	12,917
FDIC deposit insurance	11,973	9,280
Other real estate owned (OREO) expenses	6,187	46,741
Other operating expenses	23,364	21,965
Amortization of intangibles	2,504	2,468
Total operating expenses	296,787	333,698
Income (loss) before income tax	109,673	(177,184)
Income tax expense (benefit)	23,264	(56,877)
Net Income (Loss)	$ 86,409	$ (120,307)
Net Income (Loss) Applicable to Common Stock	$ 85,478	$ (121,237)
Net Income (Loss) per Common Share Basic	$ 0.83	$ (1.18)
Net Income (Loss) per Common Share Diluted	$ 0.83	$ (1.18)

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

Table of Contents

POPULAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

	Quarters ended March 31,	
(In thousands)	2014	2013
Net income (loss)	$ 86,409	$ (120,307)
Other comprehensive income (loss) before tax:		
Foreign currency translation adjustment	(2,115)	724
Reclassification adjustment for losses included in net income	7,718	
Amortization of net losses on pension and postretirement benefit plans	2,126	6,169
Amortization of prior service cost of pension and postretirement benefit plans	(950)	
Unrealized holding gains (losses) on investments arising during the period	27,582	(28,955)
Unrealized net losses on cash flow hedges	(1,725)	(99)
Reclassification adjustment for net losses (gains) included in net income	1,824	(152)
Other comprehensive income (loss) before tax	34,460	(22,313)
Income tax (expense) benefit	(1,990)	3,173
Total other comprehensive income (loss), net of tax	32,470	(19,140)
Comprehensive income (loss), net of tax	$ 118,879	$ (139,447)

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

	Quarters ended March 31,	
(In thousands)	2014	2013
Amortization of net losses on pension and postretirement benefit plans	(829)	(1,851)
Amortization of prior service cost of pension and postretirement benefit plans	371	
Unrealized holding gains (losses) on investments arising during the period	(1,493)	4,949
Unrealized net losses on cash flow hedges	672	30
Reclassification adjustment for net losses (gains) included in net income	(711)	45
Income tax (expense) benefit	$ (1,990)	$ 3,173

The accompanying notes are an integral part of these 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 (accumulated deficit)	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 loss				(120,307)			(120,307)
Issuance of stock	1		1,544				1,545
Dividends declared:							
Preferred stock				(930)			(930)
Common stock purchases					(25)		(25)
Other comprehensive loss, net of tax						(19,140)	(19,140)
Balance at March 31, 2013	$ 1,033	$ 50,160	$ 4,151,838	$ (109,411)	$ (469)	$ (122,008)	$ 3,971,143
Balance at December 31, 2013	$ 1,034	$ 50,160	$ 4,170,152	$ 594,430	$ (881)	$ (188,745)	$ 4,626,150
Net income				86,409			86,409
Issuance of stock	1		1,665				1,666
Dividends declared:							
Preferred stock				(931)			(931)
Common stock purchases					(17)		(17)
Other comprehensive income, net of tax						32,470	32,470
Balance at March 31, 2014	$ 1,035	$ 50,160	$ 4,171,817	$ 679,908	$ (898)	$ (156,275)	$ 4,745,747

Disclosure of changes in number of shares:	March 31, 2014	March 31, 2013
Preferred Stock:		
Balance at beginning and end of period	2,006,391	2,006,391
Common Stock Issued:		
Balance at beginning of period	103,435,967	103,193,303
Issuance of stock	58,463	59,715
Balance at end of the period	103,494,430	103,253,018
Treasury stock	(38,895)	(24,403)

Common Stock Outstanding	103,455,535	103,228,615

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

8

Table of Contents

POPULAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Quarter ended March 31, 2014	2013
Cash flows from operating activities:		
Net income (loss)	$ 86,409	$ (120,307)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loan losses	73,072	223,856
Amortization of intangibles	2,504	2,468
Depreciation and amortization of premises and equipment	11,965	12,254
Net accretion of discounts and amortization of premiums and deferred fees	(39,571)	(14,257)
Fair value adjustments on mortgage servicing rights	8,096	5,615
FDIC loss share expense	24,206	26,266
Adjustments (expense) to indemnity reserves on loans sold	10,347	16,143
Earnings from investments under the equity method	(16,930)	(9,594)
Deferred income tax expense (benefit)	13,898	(60,528)
Loss (gain) on:		
Disposition of premises and equipment	(1,671)	(1,468)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	(18,953)	48,959
Sale of foreclosed assets, including write-downs	(1,199)	38,363
Acquisitions of loans held-for-sale	(76,125)	(15,335)
Proceeds from sale of loans held-for-sale	45,115	51,000
Net originations on loans held-for-sale	(179,057)	(382,810)
Net (increase) decrease in:		
Trading securities	218,997	423,236
Accrued income receivable	5,641	(9,815)
Other assets	(1,463)	28,181
Net increase (decrease) in:		
Interest payable	(2,680)	(255)
Pension and other postretirement benefit obligation	(1,562)	1,470
Other liabilities	(1,193)	(28,586)
Total adjustments	73,437	355,163
Net cash provided by operating activities	159,846	234,856
Cash flows from investing activities:		
Net increase in money market investments	(763,980)	(258,664)
Purchases of investment securities:		

Available-for-sale	(436,233)	(736,069)
Held-to-maturity		(250)
Other	(34,768)	(49,018)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	194,949	497,175
Held-to-maturity	1,888	2,078
Other	49,964	35,884
Net repayments on loans	205,660	468,309
Proceeds from sale of loans	42,238	43,044
Acquisition of loan portfolios	(201,385)	(1,026,485)
Net payments from (to) FDIC under loss sharing agreements	81,327	(107)
Return of capital from equity method investments		438
Mortgage servicing rights purchased		(45)
Acquisition of premises and equipment	(11,017)	(11,983)
Proceeds from sale of:		
Premises and equipment	6,385	4,205
Foreclosed assets	38,830	71,930
Net cash used in by investing activities	(826,142)	(959,558)
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	559,972	(3,795)
Federal funds purchased and assets sold under agreements to repurchase	548,921	248,923
Other short-term borrowings	(400,000)	315,000
Payments of notes payable	(110,514)	(48,281)
Proceeds from issuance of notes payable	31,905	14,882
Proceeds from issuance of common stock	1,666	1,545
Dividends paid	(931)	(620)
Net payments for repurchase of common stock	(17)	(25)
Net cash provided by financing activities	631,002	527,629

Table of Contents

Net decrease in cash and due from banks	(35,294)	(197,073)
Cash and due from banks at beginning of period	423,211	439,363
Cash and due from banks at end of period	$ 387,917	$ 242,290

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

Notes to Consolidated Financial

Statements (Unaudited)

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 commercial and retail banking services, including mortgage loan originations, through its principal banking subsidiary, Banco Popular de Puerto Rico (BPPR), as well as investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. In the U.S. mainland, the Corporation operates Banco Popular North America (BPNA), including its wholly-owned subsidiary E-LOAN. BPNA focuses efforts and resources on the core community banking business. BPNA operates branches in New York, 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 34 to the consolidated financial statements present information about the Corporation s business segments. Note 35 presents information regarding definitive agreements entered into by Popular Community Bank to 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. During the second quarter of 2013, the Corporation discontinued the elimination of its proportionate ownership share of intercompany transactions with EVERTEC from their respective revenue and expense categories to reflect them as an equity pick-up adjustment in other operating income. Refer to Note 24 Related party transactions with affiliated company / joint venture for additional information.

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.

Table of Contents

Note 2 New accounting pronouncements

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.

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 on the first quarter of 2014 and 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.

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 income into earnings of the cumulative foreign translation adjustment related to the dilution on its equity investment in BHD. Refer to note 13 for additional information.

Table of Contents

Note 3 - 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 March 31, 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 March 31, 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.

15

Table of Contents

Note 4 Pledged assets

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

(In thousands)	March 31, 2014	December 31, 2013
Investment securities available-for-sale, at fair value	$ 2,270,951	$ 1,638,558
Investment securities held-to-maturity, at amortized cost	35,000	35,000
Loans held-for-sale measured at lower of cost or fair value	217	363
Loans held-in-portfolio covered under loss sharing agreements with the FDIC	399,688	407,257
Loans held-in-portfolio not covered under loss sharing agreements with the FDIC	8,963,825	9,108,984
Total pledged assets	$ 11,669,681	$ 11,190,162

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

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

At March 31, 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 $3.0 billion (December 31, 2013 - $3.0 billion). Refer to Notes 16 to the consolidated financial statements for borrowings outstanding under these credit facilities. At March 31, 2014, the credit facilities authorized with the FHLB were collateralized by $ 3.8 billion in loans held-in-portfolio (December 31, 2013 - $ 4.5 billion). Also, at March 31, 2014, the Corporation s banking subsidiaries had a borrowing capacity at the Federal Reserve (Fed) discount window of $3.4 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 March 31, 2014, the credit facilities with the Fed discount window were collateralized by $ 5.1 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 March 31, 2014 trades receivables from brokers and counterparties amounting to $59 million were pledged to secure repurchase agreements (December 31, 2013 - $69 million).

Table of Contents

Note 5 Investment securities available-for-sale

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

	At March 31, 2014				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
After 1 to 5 years	$ 26,281	$ 1,809	$	$ 28,090	3.86%
Total U.S. Treasury securities	26,281	1,809		28,090	3.86
Obligations of U.S. Government sponsored entities					
Within 1 year	6,998	8		7,006	0.14
After 1 to 5 years	1,803,615	1,415	12,537	1,792,493	1.20
After 5 to 10 years	377,500	163	13,396	364,267	1.52
After 10 years	23,000		1,627	21,373	3.13
Total obligations of U.S. Government sponsored entities	2,211,113	1,586	27,560	2,185,139	1.27
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	5,391	35	47	5,379	2.86
After 5 to 10 years	23,261		1,248	22,013	5.46
After 10 years	48,823	53	7,640	41,236	5.85
Total obligations of Puerto Rico, States and political subdivisions	77,475	88	8,935	68,628	5.52
Collateralized mortgage obligations - federal agencies					
After 1 to 5 years	4,510	84		4,594	1.84
After 5 to 10 years	30,681	1,036	13	31,704	2.90
After 10 years	2,398,213	17,209	63,113	2,352,309	2.06
Total collateralized mortgage obligations - federal agencies	2,433,404	18,329	63,126	2,388,607	2.07
Collateralized mortgage obligations - private label					
After 10 years	311	2		313	3.91

Total collateralized mortgage obligations - private label	311	2		313	3.91
Mortgage-backed securities					
Within 1 year	166	10		176	2.65
After 1 to 5 years	19,809	1,018		20,827	4.41
After 5 to 10 years	104,025	3,589	1,525	106,089	3.36
After 10 years	904,177	53,101	2,440	954,838	3.97
Total mortgage-backed securities	1,028,177	57,718	3,965	1,081,930	3.92
Equity securities (without contractual maturity)	3,178	1,166	135	4,209	4.12
Other					
After 1 to 5 years	9,547		75	9,472	1.68
After 10 years	2,439	63		2,502	3.61
Total other	11,986	63	75	11,974	2.07
Total investment securities available-for-sale	$ 5,791,925	$ 80,761	$ 103,796	$ 5,768,890	2.15%

Table of Contents

	At December 31, 2013				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
After 1 to 5 years	$ 26,474	$ 2,008	$	$ 28,482	3.85%
Total U.S. Treasury securities	26,474	2,008		28,482	3.85
Obligations of U.S. Government sponsored entities					
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
Total obligations of U.S. Government sponsored entities	1,664,085	1,817	36,697	1,629,205	1.38
Obligations of Puerto Rico, States and political subdivisions					
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
Total obligations of Puerto Rico, States and political subdivisions	78,178	74	11,875	66,377	5.89
Collateralized mortgage obligations - federal agencies					
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
Total collateralized mortgage obligations - federal agencies	2,474,765	19,554	76,023	2,418,296	2.06
Collateralized mortgage obligations - private label					
After 10 years	509	4		513	3.78
Total collateralized mortgage obligations - private label	509	4		513	3.78
Mortgage-backed securities					
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

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 securities sold during the quarters ended March 31, 2014 and 2013.

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

Table of Contents

	At March 31, 2014					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	$ 1,766,585	$ 26,910	$ 22,815	$ 650	$ 1,789,400	$ 27,560
Obligations of Puerto Rico, States and political subdivisions	29,571	456	35,089	8,479	64,660	8,935
Collateralized mortgage obligations - federal agencies	1,387,656	49,496	220,582	13,630	1,608,238	63,126
Mortgage-backed securities	75,600	2,895	11,817	1,070	87,417	3,965
Equity securities			1,692	135	1,692	135
Other			9,472	75	9,472	75
Total investment securities available-for-sale in an unrealized loss position	$ 3,259,412	$ 79,757	$ 301,467	$ 24,039	$ 3,560,879	$ 103,796

	At December 31, 2013					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	$ 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
Total investment securities available-for-sale in an unrealized loss position	$ 3,055,888	$ 119,453	$ 190,985	$ 10,981	$ 3,246,873	$ 130,434

As of March 31, 2014, the available-for-sale investment portfolio reflects gross unrealized losses of approximately $104 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. 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.

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

At March 31, 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.

Table of Contents

At March 31, 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.

	March 31, 2014		December 31, 2013	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	$ 2,257,350	$ 2,219,711	$ 2,318,171	$ 2,266,610
FHLB	813,953	804,431	336,933	326,220
Freddie Mac	1,522,882	1,513,135	1,434,346	1,418,216

20

Table of Contents

Note 6 Investment securities held-to-maturity

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

(In thousands)	At March 31, 2014 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 12,685	$	$ 23	$ 12,662	2.10%
After 1 to 5 years	12,595		1,034	11,561	5.93
After 5 to 10 years	20,925		5,610	15,315	6.08
After 10 years	66,200	888	5,431	61,657	2.29
Total obligations of Puerto Rico, States and political subdivisions	112,405	888	12,098	101,195	3.38
Collateralized mortgage obligations - federal agencies					
After 10 years	114		9	105	5.45
Total collateralized mortgage obligations - federal agencies	114		9	105	5.45
Other					
Within 1 year	26,250			26,250	3.39
After 1 to 5 years	250		1	249	1.37
Total other	26,500		1	26,499	3.37
Total investment securities held-to-maturity	$ 139,019	$ 888	$ 12,108	$ 127,799	3.38%

(In thousands)	At December 31, 2013 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
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.

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

Table of Contents

	At March 31, 2014					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of Puerto Rico, States and political subdivisions	$ 55,600	$ 6,718	$ 24,695	$ 5,380	$ 80,295	$ 12,098
Collateralized mortgage obligations - federal agencies	105	9			105	9
Other	249	1			249	1
Total investment securities held-to-maturity in an unrealized loss position	$ 55,954	$ 6,728	$ 24,695	$ 5,380	$ 80,649	$ 12,108

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

As indicated in Note 5 to these consolidated financial statements, management evaluates investment securities for OTTI declines in fair value on a quarterly basis.

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at March 31, 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 $40 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. 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 7 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 .

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 March 31, 2014 and December 31, 2013.

(In thousands)	March 31, 2014	December 31, 2013
Commercial multi-family	$ 1,174,906	$ 1,175,937
Commercial real estate non-owner occupied	3,013,789	2,970,505
Commercial real estate owner occupied	2,109,840	2,166,545
Commercial and industrial	3,716,186	3,724,197
Construction	176,766	206,084
Mortgage	6,669,376	6,681,476
Leasing	546,880	543,761
Legacy[2]	197,164	211,135
Consumer:		
Credit cards	1,163,617	1,185,272
Home equity lines of credit	466,783	478,211
Personal	1,424,161	1,349,119
Auto	735,976	699,980
Other	216,333	219,644

Total loans held-in-portfolio[1]	$ 21,611,777	$ 21,611,866

[1] Non-covered loans held-in-portfolio at March 31, 2014 are net of $91 million in unearned income and exclude $95 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.

Table of Contents

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

(In thousands)	March 31, 2014	December 31, 2013
Commercial real estate	$ 1,684,134	$ 1,710,229
Commercial and industrial	107,551	102,575
Construction	127,444	190,127
Mortgage	907,069	934,373
Consumer	43,856	47,123
Total loans held-in-portfolio	$ 2,870,054	$ 2,984,427

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

(In thousands)	March 31, 2014	December 31, 2013
Commercial	$	$ 603
Mortgage	94,877	109,823
Total loans held-for-sale	$ 94,877	$ 110,426

During the quarter ended March 31, 2014, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $161 million (March 31, 2013 - $1.0 billion). Additionally, the Corporation recorded purchases of $92 million in consumer loans during the quarter ended March 31, 2014 (March 31, 2013 - $0) and purchases of $21 million in commercial loans during the quarter ended March 31, 2014 (March 31, 2013 - $0).

The Corporation performed whole-loan sales involving approximately $43 million of residential mortgage loans during the quarter ended March 31, 2014 (March 31, 2013 - $50 million). Also, during the quarter ended March 31, 2014, the Corporation securitized approximately $166 million of mortgage loans into Government National Mortgage Association (GNMA) mortgage-backed securities and $63 million of mortgage loans into Federal National Mortgage Association (FNMA) mortgage-backed securities, compared to $285 million and $128 million, respectively, during the quarter ended March 31, 2013. The Corporation sold commercial and construction loans with a book value of approximately $30 million during the quarter ended March 31, 2014 (March 31, 2013 - $401 million, sold as part of the bulk sale of non-performing asset completed during such quarter).

Non-covered loans

The following tables present non-covered loans held-in-portfolio by loan class that are in non-performing status or are accruing interest but are past due 90 days or more at March 31, 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.

Table of Contents

At March 31, 2014

(In thousands)	Puerto Rico Non-accrual loans	Puerto Rico Accruing loans past-due 90 days or more	U.S. mainland Non-accrual loans	U.S. mainland Accruing loans past-due 90 days or more	Popular, Inc. Non-accrual loans	Popular, Inc. Accruing loans past-due 90 days or more
Commercial multi-family	$ 4,351	$	$ 9,655	$	$ 14,006	$
Commercial real estate non-owner occupied	46,879		26,344		73,223	
Commercial real estate owner occupied	107,617		18,456		126,073	
Commercial and industrial	87,084	691	6,543		93,627	691
Construction	22,464				22,464	
Mortgage[2][3]	229,801	386,765	22,220		252,021	386,765
Leasing	3,050				3,050	
Legacy			11,608		11,608	
Consumer:						
Credit cards		21,333	474		474	21,333
Home equity lines of credit		71	6,976		6,976	71
Personal	16,467		833		17,300	
Auto	10,887		2		10,889	
Other	3,623	550			3,623	550
Total[1]	$ 532,223	$ 409,410	$ 103,111	$	$ 635,334	$ 409,410

[1] For purposes of this table non-performing loans exclude $ 789 thousand in non-performing loans held-for-sale.

[2] Non-covered loans by $49 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 $117 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of March 31, 2014. Furthermore, the Corporation has approximately $52 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

At December 31, 2013

(In thousands)	Puerto Rico Non-accrual loans	Puerto Rico Accruing loans past-due 90 days or more	U.S. mainland Non-accrual loans	U.S. mainland Accruing loans past-due 90 days or more	Popular, Inc. Non-accrual loans	Popular, Inc. Accruing loans past-due 90 days or more

Commercial multi-family	$ 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[2][3]	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[1]	$ 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.

Table of Contents

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

	March 31, 2014 Puerto Rico					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$ 438	$	$ 4,351	$ 4,789	$ 68,503	$ 73,292
Commercial real estate non-owner occupied	19,114	1,597	46,879	67,590	1,862,095	1,929,685
Commercial real estate owner occupied	44,994	4,315	107,617	156,926	1,411,179	1,568,105
Commercial and industrial	46,108	2,056	87,775	135,939	2,735,977	2,871,916
Construction	14,441		22,464	36,905	104,698	141,603
Mortgage	293,866	159,568	666,065	1,119,499	4,305,362	5,424,861
Leasing	6,230	2,519	3,050	11,799	535,081	546,880
Consumer:						
Credit cards	13,358	9,092	21,333	43,783	1,104,767	1,148,550
Home equity lines of credit	266		71	337	14,193	14,530
Personal	13,715	6,733	16,467	36,915	1,255,697	1,292,612
Auto	33,886	8,202	10,887	52,975	682,585	735,560
Other	806	148	4,173	5,127	210,198	215,325
Total	$ 487,222	$ 194,230	$ 991,132	$ 1,672,584	$ 14,290,335	$ 15,962,919

	March 31, 2014 U.S. mainland					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 3,757	$	$ 9,655	$ 13,412	$ 1,088,202	$ 1,101,614
Commercial real estate non-owner occupied	4,364	626	26,344	31,334	1,052,770	1,084,104
Commercial real estate owner occupied	5,002	380	18,456	23,838	517,897	541,735
Commercial and industrial	10,611	1,511	6,543	18,665	825,605	844,270
Construction					35,163	35,163
Mortgage	36,914	2,181	22,220	61,315	1,183,200	1,244,515
Legacy	10,218	1,001	11,608	22,827	174,337	197,164
Consumer:						
Credit cards	218	186	474	878	14,189	15,067
Home equity lines of credit	3,350	1,387	6,976	11,713	440,540	452,253
Personal	2,897	737	833	4,467	127,082	131,549
Auto	21		2	23	393	416

Other					1,008	1,008
Total	$ 77,352	$ 8,009	$ 103,111	$ 188,472	$ 5,460,386	$ 5,648,858

26

Table of Contents

	March 31, 2014 Popular, Inc.					
	Past due					Non-covered
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	loans HIP Popular, Inc.
Commercial multi-family	$ 4,195	$	$ 14,006	$ 18,201	$ 1,156,705	$ 1,174,906
Commercial real estate non-owner occupied	23,478	2,223	73,223	98,924	2,914,865	3,013,789
Commercial real estate owner occupied	49,996	4,695	126,073	180,764	1,929,076	2,109,840
Commercial and industrial	56,719	3,567	94,318	154,604	3,561,582	3,716,186
Construction	14,441		22,464	36,905	139,861	176,766
Mortgage	330,780	161,749	688,285	1,180,814	5,488,562	6,669,376
Leasing	6,230	2,519	3,050	11,799	535,081	546,880
Legacy	10,218	1,001	11,608	22,827	174,337	197,164
Consumer:						
Credit cards	13,576	9,278	21,807	44,661	1,118,956	1,163,617
Home equity lines of credit	3,616	1,387	7,047	12,050	454,733	466,783
Personal	16,612	7,470	17,300	41,382	1,382,779	1,424,161
Auto	33,907	8,202	10,889	52,998	682,978	735,976
Other	806	148	4,173	5,127	211,206	216,333
Total	$ 564,574	$ 202,239	$ 1,094,243	$ 1,861,056	$ 19,750,721	$ 21,611,777

	December 31, 2013 Puerto Rico					
	Past due					Non-covered
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	loans HIP Puerto Rico
Commercial multi-family	$ 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
Total	$ 424,470	$ 196,677	$ 907,965	$ 1,529,112	$ 14,358,727	$ 15,887,839

Table of Contents

December 31, 2013 U.S. mainland						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 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
Total	$ 56,985	$ 27,148	$ 150,693	$ 234,826	$ 5,489,201	$ 5,724,027

December 31, 2013 Popular, Inc.						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.
Commercial multi-family	$ 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
Consumer:						
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
Total	$ 481,455	$ 223,825	$ 1,058,658	$ 1,763,938	$ 19,847,928	$ 21,611,866

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

(In thousands)	March 31, 2014	December 31, 2013
Commercial	$	$ 603
Mortgage	789	489
Total	$ 789	$ 1,092

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 $216 million at March 31, 2014 (March 31, 2013 - $148 million). At March 31, 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.

Table of Contents

Changes in the carrying amount and the accretable yield for the non-covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended March 31, 2014 and 2013 were as follows:

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

(In thousands)	For the quarters ended March 31, 2014	March 31, 2013
Beginning balance	$ 49,398	$
Additions	7,084	37,235
Accretion	(2,374)	(608)
Change in expected cash flows	13,177	
Ending balance	$ 67,285	$ 36,627

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

(In thousands)	For the quarters ended March 31, 2014	March 31, 2013
Beginning balance	$ 173,659	$
Additions	20,042	133,412
Accretion	2,374	608
Collections and charge-offs	(5,859)	(979)
Ending balance	$ 190,216	$ 133,041
Allowance for loan losses ASC 310-30 non-covered loans	(15,078)	
Ending balance, net of allowance for loan losses	$ 175,138	$ 133,041

Covered loans

The following table presents covered loans in non-performing status and accruing loans past-due 90 days or more by loan class at March 31, 2014 and December 31, 2013.

	March 31, 2014		December 31, 2013	
(In thousands)	Non-accrual loans	Accruing loans past due 90 days or more	Non-accrual loans	Accruing loans past due 90 days or more
Commercial real estate	$ 8,570	$	$ 8,345	$
Commercial and industrial	1,003		7,335	456
Construction	11,580		11,872	
Mortgage	2,537		1,739	69
Consumer	222		90	112

Total[1]	$ 23,912	$	$ 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.

Table of Contents

The following tables present loans by past due status at March 31, 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.

March 31, 2014						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP
Commercial real estate	$ 32,837	$ 4,819	$ 368,923	$ 406,579	$ 1,277,555	$ 1,684,134
Commercial and industrial	1,160	862	8,378	10,400	97,151	107,551
Construction			115,978	115,978	11,466	127,444
Mortgage	60,074	14,979	156,194	231,247	675,822	907,069
Consumer	2,346	1,025	4,014	7,385	36,471	43,856
Total covered loans	$ 96,417	$ 21,685	$ 653,487	$ 771,589	$ 2,098,465	$ 2,870,054

December 31, 2013						
	Past due					
(In thousands)	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.

	March 31, 2014			December 31, 2013		
	Carrying amount			Carrying amount		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Commercial real estate	$ 1,481,476	$ 150,681	$ 1,632,157	$ 1,483,331	$ 149,341	$ 1,632,672
Commercial and industrial	55,268	2,223	57,491	55,192	3,069	58,261
Construction	58,975	54,556	113,531	71,864	104,356	176,220
Mortgage	840,490	53,774	894,264	862,878	59,483	922,361
Consumer	33,244	2,435	35,679	35,810	2,623	38,433

Carrying amount	2,469,453	263,669	2,733,122	2,509,075	318,872	2,827,947
Allowance for loan losses	(56,953)	(33,418)	(90,371)	(57,594)	(36,321)	(93,915)
Carrying amount, net of allowance	$ 2,412,500	$ 230,251	$ 2,642,751	$ 2,451,481	$ 282,551	$ 2,734,032

The outstanding principal balance of covered loans accounted pursuant to ASC Subtopic 310-30, net of amounts charged off by the Corporation, amounted to $3.6 billion at March 31, 2014 (December 31, 2013 - $3.8 billion). At March 31, 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.

Table of Contents

Changes in the carrying amount and the accretable yield for the covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended March 31, 2014 and 2013, were as follows:

	Activity in the accretable yield Covered loans ASC 310-30 For the quarters ended					
	March 31, 2014			March 31, 2013		
(In thousands)	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	(72,552)	(6,566)	(79,118)	(61,177)	(3,813)	(64,990)
Change in expected cash flows	(12,467)	592	(11,875)	(12,829)	(1,715)	(14,544)
Ending balance	$ 1,212,706	$ 5,506	$ 1,218,212	$ 1,372,375	$ (240)	$ 1,372,135

	Carrying amount of covered loans accounted for pursuant to ASC 310-30 For the quarters ended					
	March 31, 2014			March 31, 2013		
(In thousands)	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	72,552	6,566	79,118	61,177	3,813	64,990
Collections and charge-offs	(112,174)	(61,769)	(173,943)	(354,197)	(44,889)	(399,086)
Ending balance	$ 2,469,453	$ 263,669	$ 2,733,122	$ 2,758,944	$ 398,719	$ 3,157,663
Allowance for loan losses ASC 310-30 covered loans	(56,953)	(33,418)	(90,371)	(52,542)	(39,031)	(91,573)
Ending balance, net of ALLL	$ 2,412,500	$ 230,251	$ 2,642,751	$ 2,706,402	$ 359,688	$ 3,066,090

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

Table of Contents

Note 8 Allowance for loan losses

The Corporation s assessment of the allowance for loan losses is determined in accordance with accounting guidance, specifically loss contingencies guidance in ASC Subtopic 450-20 (general reserve) and loan impairment guidance in ASC Section 310-10-35 (specific reserve).

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 for the commercial, construction and legacy loan portfolios and 6-month average loss rate for the consumer and mortgage loan portfolios, when these trends are higher than the respective base loss rates, up to a determined cap in the case of consumer and mortgage loan portfolios. The objective of this adjustment is to allow for a more recent loss trend to be captured and reflected in the ALLL estimation process, while limiting excessive pro-cyclicality on changing economic periods using caps for the consumer and mortgage portfolios given the shorter six month look back window. These caps are calibrated annually at the end of each year and consistently applied until the next annual review. As part of the periodic review of the adequacy of the ALLL models and related assumptions, management monitors and reviews the loan segments for which the caps are being triggered in order to assess the reasonability of the cap in light of the risk profile of the portfolio and current credit and loss trends. Upon the completion of these qualitative reviews, management may make reserve adjustments that may partially or fully override the effect of the caps, if warranted. The caps are determined by measuring historic periods in which the recent loss trend adjustment rates were higher than the base loss rates and setting the cap at a percentile of the historic trend loss rates.

For the period ended March 31, 2014, the recent loss trend adjustment caps for the consumer and mortgage portfolios were triggered in only one portfolio segment within the Puerto Rico consumer portfolio. Management assessed the impact of the applicable cap through a review of qualitative factors that specifically considered the drivers of recent loss trends and changes to the portfolio composition. The related effect of the aforementioned cap was immaterial for the overall level of the Allowance for Loan and Lease Losses for the Puerto Rico consumer portfolio.

For the period ended March 31, 2013, the recent loss trend adjustment caps for the consumer and mortgage portfolios were triggered in one consumer portfolio segment and one mortgage portfolio segment in the Puerto Rico region. Management assessed the adequacy of the applicable caps through a review of qualitative factors and recorded a $1.9 million qualitative offsetting adjustment that reversed the effect of the cap on the overall level of the Allowance for Loan and Lease Losses for the Puerto Rico consumer and mortgage portfolios. This offsetting adjustment considered the aforementioned review of qualitative factors, specifically, recent loss trends and changes to the portfolio composition.

At March 31, 2013, the impact of the use of recent loss trend adjustment caps on the overall level of Allowance for Loan and Lease Losses for the commercial portfolio was immaterial. The use of recent loss trend adjustment caps in the commercial portfolio was eliminated in the second quarter of 2013.

For the period ended March 31, 2014, 34% (March 31, 2013 - 51%) 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, mortgage, personal and auto loan portfolios for 2014, and in the commercial multi-family, commercial real estate non-owner occupied, commercial real estate owner occupied, mortgage, leasing and auto loan portfolios for 2013.

For the period ended March 31, 2014, 23% (March 31, 2013 - 13 %) 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, construction and legacy loan portfolios for 2014 and in the commercial multi-family and consumer loan portfolios for 2013.

Table of Contents

Environmental factors, which include credit and macroeconomic indicators such as unemployment rate, economic activity index and delinquency rates, were 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 or decreases the historical loss rate applied to each group. Environmental factors provide updated perspective on credit and economic conditions. Regression analysis was used to select these indicators and quantify the effect on the general reserve of the allowance for loan losses.

The following tables present the changes in the allowance for loan losses for the quarters ended March 31, 2014 and 2013.

	For the quarter ended March 31, 2014 Puerto Rico - Non-covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 128,150	$ 5,095	$ 130,330	$ 10,622	$ 152,578	$ 426,775
Provision (reversal of provision)	11,157	(1,394)	15,982	517	27,653	53,915
Charge-offs	(22,117)	(416)	(8,726)	(967)	(29,196)	(61,422)
Recoveries	6,944	1,794	210	311	6,213	15,472
Ending balance	$ 124,134	$ 5,079	$ 137,796	$ 10,483	$ 157,248	$ 434,740

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

	For the quarter ended March 31, 2014 U.S. Mainland					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 46,832	$ 247	$ 26,599	$ 13,704	$ 24,306	$ 111,688
Provision (reversal of provision)	(2,643)	(200)	(562)	(5,314)	2,162	(6,557)
Charge-offs	(8,082)		(1,538)	(3,445)	(5,976)	(19,041)
Recoveries	11,773	176	668	8,327	801	21,745
Ending balance	$ 47,880	$ 223	$ 25,167	$ 13,272	$ 21,293	$ 107,835

For the quarter ended March 31, 2014							
	Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 217,180	$ 24,833	$ 192,935	$ 13,704	$ 10,622	$ 181,281	$ 640,555
Provision (reversal of provision)	12,553	15,973	19,918	(5,314)	517	29,425	73,072
Charge-offs	(38,167)	(23,397)	(11,920)	(3,445)	(967)	(34,877)	(112,773)
Recoveries	19,037	3,859	878	8,327	311	7,082	39,494
Ending balance	$ 210,603	$ 21,268	$ 201,811	$ 13,272	$ 10,483	$ 182,911	$ 640,348

Table of Contents

	For the quarter ended March 31, 2013 Puerto Rico - Non-covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 217,615	$ 5,862	$ 119,027	$ 2,894	$ 99,899	$ 445,297
Provision	128,877	2,742	28,212	1,985	42,476	204,292
Charge-offs	(32,446)	(1,629)	(17,759)	(1,543)	(27,360)	(80,737)
Recoveries	8,134	1,274	986	559	7,359	18,312
Net write-down related to loans sold	(161,297)	(1,846)				(163,143)
Ending balance	$ 160,883	$ 6,403	$ 130,466	$ 3,895	$ 122,374	$ 424,021

	For the quarter ended March 31, 2013 Puerto Rico - Covered Loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 72,060	$ 9,946	$ 20,914	$	$ 5,986	$ 108,906
Provision	6,156	5,792	1,810		3,798	17,556
Charge-offs	(10,565)	(9,759)	(2,062)		(4,567)	(26,953)
Recoveries	30	314	11		3	358
Ending balance	$ 67,681	$ 6,293	$ 20,673	$	$ 5,220	$ 99,867

	For the quarter ended March 31, 2013 U.S. Mainland					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 80,067	$ 1,567	$ 30,348	$ 33,102	$ 31,320	$ 176,404
Provision (reversal of provision)	(3,219)	(531)	3,921	(1,197)	3,034	2,008
Charge-offs	(13,140)		(4,017)	(6,341)	(7,197)	(30,695)
Recoveries	4,279		1,227	5,213	1,044	11,763
Ending balance	$ 67,987	$ 1,036	$ 31,479	$ 30,777	$ 28,201	$ 159,480

	For the quarter ended March 31, 2013 Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 369,742	$ 17,375	$ 170,289	$ 33,102	$ 2,894	$ 137,205	$ 730,607
Provision (reversal of provision)	131,814	8,003	33,943	(1,197)	1,985	49,308	223,856
Charge-offs	(56,151)	(11,388)	(23,838)	(6,341)	(1,543)	(39,124)	(138,385)
Recoveries	12,443	1,588	2,224	5,213	559	8,406	30,433

Net write-down related to loans sold	(161,297)	(1,846)					(163,143)
Ending balance	$ 296,551	$ 13,732	$ 182,618	$ 30,777	$ 3,895	$ 155,795	$ 683,368

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

	ASC 310-30 Covered loans For the quarters ended	
(In thousands)	March 31, 2014	March 31, 2013
Balance at beginning of period	$ 93,915	$ 95,407
Provision for loan losses	24,555	14,041
Net charge-offs	(28,099)	(17,875)
Balance at end of period	$ 90,371	$ 91,573

Table of Contents

The following tables present information at March 31, 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.

At March 31, 2014 Puerto Rico (In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 30,892	$ 243	$ 36,322	$ 672	$ 29,170	$ 97,299
General ALLL non-covered loans	93,242	4,836	101,474	9,811	128,078	337,441
ALLL - non-covered loans	124,134	5,079	137,796	10,483	157,248	434,740
Specific ALLL covered loans						
General ALLL covered loans	38,589	15,966	38,848		4,370	97,773
ALLL - covered loans	38,589	15,966	38,848		4,370	97,773
Total ALLL	$ 162,723	$ 21,045	$ 176,644	$ 10,483	$ 161,618	$ 532,513
Loans held-in-portfolio:						
Impaired non-covered loans	$ 304,531	$ 22,011	$ 406,053	$ 2,455	$ 122,291	$ 857,341
Non-covered loans held-in-portfolio excluding impaired loans	6,138,467	119,592	5,018,808	544,425	3,284,286	15,105,578
Non-covered loans held-in-portfolio	6,442,998	141,603	5,424,861	546,880	3,406,577	15,962,919
Impaired covered loans	5,540					5,540
Covered loans held-in-portfolio excluding impaired loans	1,786,145	127,444	907,069		43,856	2,864,514
Covered loans held-in-portfolio	1,791,685	127,444	907,069		43,856	2,870,054
Total loans held-in-portfolio	$ 8,234,683	$ 269,047	$ 6,331,930	$ 546,880	$ 3,450,433	$ 18,832,973

At March 31, 2014 U.S. Mainland (In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Specific ALLL	$	$	$ 17,594	$	$ 243	$ 17,837
General ALLL	47,880	223	7,573	13,272	21,050	89,998

Total ALLL	$ 47,880	$ 223	$ 25,167	$ 13,272	$ 21,293	$ 107,835
Loans held-in-portfolio:						
Impaired loans	$ 30,444	$	$ 52,460	$ 3,710	$ 2,545	$ 89,159
Loans held-in-portfolio, excluding impaired loans	3,541,279	35,163	1,192,055	193,454	597,748	5,559,699
Total loans held-in-portfolio	$ 3,571,723	$ 35,163	$ 1,244,515	$ 197,164	$ 600,293	$ 5,648,858

Table of Contents

	At March 31, 2014						
	Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 30,892	$ 243	$ 53,916	$	$ 672	$ 29,413	$ 115,136
General ALLL non-covered loans	141,122	5,059	109,047	13,272	9,811	149,128	427,439
ALLL - non-covered loans	172,014	5,302	162,963	13,272	10,483	178,541	542,575
Specific ALLL covered loans							
General ALLL covered loans	38,589	15,966	38,848			4,370	97,773
ALLL - covered loans	38,589	15,966	38,848			4,370	97,773
Total ALLL	$ 210,603	$ 21,268	$ 201,811	$ 13,272	$ 10,483	$ 182,911	$ 640,348
Loans held-in-portfolio:							
Impaired non-covered loans	$ 334,975	$ 22,011	$ 458,513	$ 3,710	$ 2,455	$ 124,836	$ 946,500
Non-covered loans held-in-portfolio excluding impaired loans	9,679,746	154,755	6,210,863	193,454	544,425	3,882,034	20,665,277
Non-covered loans held-in-portfolio	10,014,721	176,766	6,669,376	197,164	546,880	4,006,870	21,611,777
Impaired covered loans	5,540						5,540
Covered loans held-in-portfolio excluding impaired loans	1,786,145	127,444	907,069			43,856	2,864,514
Covered loans held-in-portfolio	1,791,685	127,444	907,069			43,856	2,870,054
Total loans held-in-portfolio	$ 11,806,406	$ 304,210	$ 7,576,445	$ 197,164	$ 546,880	$ 4,050,726	$ 24,481,831

	At December 31, 2013					
	Puerto Rico					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
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
Loans held-in-portfolio:						
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

Table of Contents

(In thousands)	At December 31, 2013 U.S. Mainland Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
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
Loans held-in-portfolio:						
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 Popular, Inc. Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
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
Loans held-in-portfolio:							
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

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

Impaired loans

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

Table of Contents

March 31, 2014
Puerto Rico

(In thousands)	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 2,983	$ 6,520	$ 2,983	$ 6,520	$
Commercial real estate non-owner occupied	32,833	33,200	4,789	43,135	48,271	75,968	81,471	4,789
Commercial real estate owner occupied	62,951	82,807	7,533	44,252	55,751	107,203	138,558	7,533
Commercial and industrial	95,926	98,220	18,570	22,451	32,578	118,377	130,798	18,570
Construction	4,650	12,013	243	17,361	37,220	22,011	49,233	243
Mortgage	354,876	373,052	36,322	51,177	57,640	406,053	430,692	36,322
Leasing	2,455	2,455	672			2,455	2,455	672
Consumer:								
Credit cards	43,900	43,900	8,203			43,900	43,900	8,203
Personal	75,589	75,589	20,503			75,589	75,589	20,503
Auto	1,527	1,527	173			1,527	1,527	173
Other	1,275	1,275	291			1,275	1,275	291
Covered loans				5,540	10,381	5,540	10,381	
Total Puerto Rico	$ 675,982	$ 724,038	$ 97,299	$ 186,899	$ 248,361	$ 862,881	$ 972,399	$ 97,299

March 31, 2014
U.S. mainland

(In thousands)	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 3,655	$ 4,278	$ 3,655	$ 4,278	$
Commercial real estate non-owner occupied				13,478	22,623	13,478	22,623	
Commercial real estate owner occupied				11,722	14,986	11,722	14,986	
				1,589	1,589	1,589	1,589	

Commercial and industrial								
Mortgage	45,587	50,431	17,594	6,873	8,902	52,460	59,333	17,594
Legacy				3,710	6,234	3,710	6,234	
Consumer:								
HELOCs	2,254	2,254	243	198	198	2,452	2,452	243
Auto				87	87	87	87	
Other	6	6				6	6	
Total U.S. mainland	$ 47,847	$ 52,691	$ 17,837	$ 41,312	$ 58,897	$ 89,159	$ 111,588	$ 17,837

March 31, 2014

Popular, Inc.

	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 6,638	$ 10,798	$ 6,638	$ 10,798	$
Commercial real estate non-owner occupied	32,833	33,200	4,789	56,613	70,894	89,446	104,094	4,789
Commercial real estate owner occupied	62,951	82,807	7,533	55,974	70,737	118,925	153,544	7,533
Commercial and industrial	95,926	98,220	18,570	24,040	34,167	119,966	132,387	18,570
Construction	4,650	12,013	243	17,361	37,220	22,011	49,233	243
Mortgage	400,463	423,483	53,916	58,050	66,542	458,513	490,025	53,916
Legacy				3,710	6,234	3,710	6,234	
Leasing	2,455	2,455	672			2,455	2,455	672
Consumer:								
Credit cards	43,900	43,900	8,203			43,900	43,900	8,203
HELOCs	2,254	2,254	243	198	198	2,452	2,452	243
Personal	75,589	75,589	20,503			75,589	75,589	20,503
Auto	1,527	1,527	173	87	87	1,614	1,614	173
Other	1,281	1,281	291			1,281	1,281	291
Covered loans				5,540	10,381	5,540	10,381	
Total Popular, Inc.	$ 723,829	$ 776,729	$ 115,136	$ 228,211	$ 307,258	$ 952,040	$ 1,083,987	$ 115,136

Table of Contents

December 31, 2013
Puerto Rico

(In thousands)	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
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
Commercial and industrial	30,370	33,152	7,568	55,665	68,141	86,035	101,293	7,568
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 With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
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	
				1,828	1,828	1,828	1,828	

Commercial and industrial								
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

December 31, 2013
Popular, Inc.

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

Table of Contents

The following tables present the average recorded investment and interest income recognized on impaired loans for the quarters ended March 31, 2014 and 2013.

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

	For the quarter ended March 31, 2013					
	Puerto Rico		U.S. Mainland		Popular, Inc.	
(In thousands)	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial multi-family	$ 10,927	$ 64	$ 7,358	$ 39	$ 18,285	$ 103
Commercial real estate non-owner occupied	59,673	400	43,426	35	103,099	435
Commercial real estate owner occupied	153,908	528	20,108	26	174,016	554
Commercial and industrial	115,375	584	4,029	15	119,404	599
Construction	39,682	391	5,922		45,604	391
Mortgage	567,804	7,734	53,643	502	621,447	8,236
Legacy			16,888		16,888	
Leasing	4,620				4,620	
Consumer:						
Credit cards	33,332				33,332	
Helocs			201		201	
Personal	85,796				85,796	

Auto	817		91		908	
Other	247		2,404		2,651	
Covered loans	66,327	59			66,327	59
Total Popular, Inc.	$ 1,138,508	$ 9,760	$ 154,070	$ 617	$ 1,292,578	$ 10,377

Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to $ 1.0 billion at March 31, 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 $3 million related to the commercial loan portfolio and $895 thousand million related to the construction loan portfolio at March 31, 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.

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.

Table of Contents

The following tables present the non-covered and covered loans classified as TDRs according to their accruing status at March 31, 2014 and December 31, 2013.

Popular, Inc.
Non-Covered Loans

	March 31, 2014			December 31, 2013		
(In thousands)	Accruing	Non-Accruing	Total	Accruing	Non-Accruing	Total
Commercial	$ 107,905	$ 64,319	$ 172,224	$ 109,462	$ 80,140	$ 189,602
Construction	401	14,283	14,684	425	10,865	11,290
Legacy		949	949		949	949
Mortgage	546,411	92,019	638,430	535,357	82,786	618,143
Leases	978	1,477	2,455	270	2,623	2,893
Consumer	113,902	11,101	125,003	116,719	10,741	127,460
Total	$ 769,597	$ 184,148	$ 953,745	$ 762,233	$ 188,104	$ 950,337

Popular, Inc.
Covered Loans

	March 31, 2014			December 31, 2013		
(In thousands)	Accruing	Non-Accruing	Total	Accruing	Non-Accruing	Total
Commercial	$ 14	$ 2,631	$ 2,645	$ 7,389	$ 10,017	$ 17,406
Construction		3,232	3,232		3,464	3,464
Mortgage	211	157	368	146	189	335
Consumer	162	12	174	221	22	243
Total	$ 387	$ 6,032	$ 6,419	$ 7,756	$ 13,692	$ 21,448

The following tables present the loan count by type of modification for those loans modified in a TDR during the quarter ended March 31, 2014 and 2013.

Puerto Rico
For the quarter ended March 31, 2014

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	2	1		
Commercial real estate owner occupied	9	2		
Commercial and industrial	9			
Construction		3		

Mortgage	13	14	80	24
Leasing		4	6	
Consumer:				
Credit cards	274			155
Personal	216	17		1
Auto		2		
Other	18			1
Total	541	43	86	181

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

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

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

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	2	1		
Commercial real estate owner occupied	9	2		
Commercial and industrial	9			
Construction		3		
Mortgage	13	14	86	24
Leasing		4	6	
Consumer:				
Credit cards	274			155
Personal	216	17		1
Auto		2		
Other	18			1
Total	541	43	92	181

Puerto Rico
For the quarter ended March 31, 2013

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

			date	
Commercial real estate non-owner occupied		1		
Commercial real estate owner occupied	1	1		
Commercial and industrial	2	2		
Mortgage	4	13	130	6
Leasing		10	8	
Consumer:				
Credit cards	288			236
Personal	232	8		
Other	19			
Total	546	35	138	242

U.S. mainland
For the quarter ended March 31, 2013

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied		2		
Commercial real estate owner occupied			1	
Mortgage			3	
Total		2	4	

43

Table of Contents

Popular, Inc.
For the quarter ended March 31, 2013

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied		3		
Commercial real estate owner occupied	1	1	1	
Commercial and industrial	2	2		
Mortgage	4	13	133	6
Leasing		10	8	
Consumer:				
Credit cards	288			236
Personal	232	8		
Other	19			
Total	546	37	142	242

The following tables present by class, quantitative information related to loans modified as TDRs during the quarters ended March 31, 2014 and 2013.

Puerto Rico
For the quarter ended March 31, 2014

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

U.S. Mainland

For the quarter ended March 31, 2014

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

Table of Contents

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

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	3	$ 1,376	$ 1,454	$ (63)
Commercial real estate owner occupied	11	1,629	1,617	(26)
Commercial and industrial	9	773	770	9
Construction	3	11,358	11,358	(570)
Mortgage	137	20,311	21,589	1,133
Leasing	10	206	207	63
Consumer:				
Credit cards	429	3,583	4,091	627
Personal	234	4,075	4,074	912
Auto	2	32	33	1
Other	19	37	37	6
Total	857	$ 43,380	$ 45,230	$ 2,092

Puerto Rico
For the quarter ended March 31, 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	2	4,566	4,586	(340)
Commercial and industrial	4	160	161	(1)
Mortgage	153	24,898	26,789	3,427
Leasing	18	327	315	103
Consumer:				
Credit cards	524	4,265	5,146	37
Personal	240	3,832	3,846	993
Other	19	49	48	
Total	961	$ 39,345	$ 41,632	$ 4,209

U.S. Mainland
For the quarter ended March 31, 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	2	$ 1,594	$ 1,559	$ (2)
Commercial real estate owner occupied	1	381	287	(10)
Mortgage	3	226	228	23
Total	6	$ 2,201	$ 2,074	$ 11

Popular, Inc.
For the quarter ended March 31, 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	3	$ 2,842	$ 2,300	$ (12)
Commercial real estate owner occupied	3	4,947	4,873	(350)
Commercial and industrial	4	160	161	(1)
Mortgage	156	25,124	27,017	3,450
Leasing	18	327	315	103
Consumer:				
Credit cards	524	4,265	5,146	37
Personal	240	3,832	3,846	993
Other	19	49	48	
Total	967	$ 41,546	$ 43,706	$ 4,220

Table of Contents

During the quarters ended March 31, 2014 and 2013, one loan comprising a recorded investment of approximately $1.0 million and one loan of $1.2 million, respectively, were restructured into multiple notes (Note A / B split). The Corporation recorded no charge-offs as part of the loan restructuring during the quarter ended March 31, 2014 (March 31, 2013 - $0.5 million). The renegotiations of these loans were made after analyzing the borrowers capacity to repay the debt, collateral and ability to perform under the modified terms. The recorded investment on these commercial TDRs amounted to approximately $1.1 million at March 31, 2014 (March 31, 2013 - $0.7 million) with no related allowance for loan losses (March 31, 2013 - $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 March 31, 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.

Puerto Rico
Defaulted during the quarter ended March 31, 2014

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

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

U.S. mainland
Defaulted during the quarter ended March 31, 2014

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

Total	1	$	907

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

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

Table of Contents

Puerto Rico
Defaulted during the quarter ended March 31, 2013

(Dollars In thousands)	Loan count	Recorded investment as of first default date
Commercial and industrial	1	$ 932
Mortgage	63	8,871
Leasing	7	44
Consumer:		
Credit cards	131	1,120
Personal	41	577
Total [1]	243	$ 11,544

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

U.S. mainland
Defaulted during the quarter ended March 31, 2013

(Dollars In thousands)	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied	1	$ 1,139
Total	1	$ 1,139

Popular, Inc.
Defaulted during the quarter ended March 31, 2013

(Dollars In thousands)	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied	1	$ 1,139
Commercial and industrial	1	932
Mortgage	63	8,871
Leasing	7	44
Consumer:		
Credit cards	131	1,120
Personal	41	577
Total	244	$ 12,683

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 March 31, 2014 and December 31, 2013.

Table of Contents

	March 31, 2014							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 1,837	$ 4,649	$ 5,919	$	$	$ 12,405	$ 60,887	$ 73,292
Commercial real estate non-owner occupied	207,030	193,584	96,775		99	497,488	1,432,197	1,929,685
Commercial real estate owner occupied	198,605	131,359	304,303			634,267	933,838	1,568,105
Commercial and industrial	706,868	193,590	201,593	69	344	1,102,464	1,769,452	2,871,916
Total Commercial	1,114,340	523,182	608,590	69	443	2,246,624	4,196,374	6,442,998
Construction	2,929	1,906	12,666	2,250		19,751	121,852	141,603
Mortgage			185,433			185,433	5,239,428	5,424,861
Leasing			2,908		142	3,050	543,830	546,880
Consumer:								
Credit cards			21,954			21,954	1,126,596	1,148,550
HELOCs			586		2,554	3,140	11,390	14,530
Personal			6,837		99	6,936	1,285,676	1,292,612
Auto			10,705		182	10,887	724,673	735,560
Other			2,166		1,457	3,623	211,702	215,325
Total Consumer			42,248		4,292	46,540	3,360,037	3,406,577
Total Puerto Rico	$ 1,117,269	$ 525,088	$ 851,845	$ 2,319	$ 4,877	$ 2,501,398	$ 13,461,521	$ 15,962,919
U.S. mainland								
Commercial multi-family	$ 74,723	$ 7,571	$ 54,047	$	$	$ 136,341	$ 965,273	$ 1,101,614
Commercial real estate non-owner occupied	75,299	32,707	156,952			264,958	819,146	1,084,104
Commercial real estate owner occupied	61,891	18,072	63,764			143,727	398,008	541,735
	15,208	12,811	43,434			71,453	772,817	844,270

Commercial and industrial								
Total Commercial	227,121	71,161	318,197			616,479	2,955,244	3,571,723
Construction			671			671	34,492	35,163
Mortgage			22,220			22,220	1,222,295	1,244,515
Legacy	14,585	10,315	37,871			62,771	134,393	197,164
Consumer:								
Credit cards			474			474	14,593	15,067
HELOCs			2,000		4,976	6,976	445,277	452,253
Personal			158		665	823	130,726	131,549
Auto					2	2	414	416
Other							1,008	1,008
Total Consumer			2,632		5,643	8,275	592,018	600,293
Total U.S. mainland	$ 241,706	$ 81,476	$ 381,591	$	$ 5,643	$ 710,416	$ 4,938,442	$ 5,648,858
Popular, Inc.								
Commercial multi-family	$ 76,560	$ 12,220	$ 59,966	$	$	$ 148,746	$ 1,026,160	$ 1,174,906
Commercial real estate non-owner occupied	282,329	226,291	253,727		99	762,446	2,251,343	3,013,789
Commercial real estate owner occupied	260,496	149,431	368,067			777,994	1,331,846	2,109,840
Commercial and industrial	722,076	206,401	245,027	69	344	1,173,917	2,542,269	3,716,186
Total Commercial	1,341,461	594,343	926,787	69	443	2,863,103	7,151,618	10,014,721
Construction	2,929	1,906	13,337	2,250		20,422	156,344	176,766
Mortgage			207,653			207,653	6,461,723	6,669,376
Legacy	14,585	10,315	37,871			62,771	134,393	197,164
Leasing			2,908		142	3,050	543,830	546,880
Consumer:								
Credit cards			22,428			22,428	1,141,189	1,163,617
HELOCs			2,586		7,530	10,116	456,667	466,783
Personal			6,995		764	7,759	1,416,402	1,424,161
Auto			10,705		184	10,889	725,087	735,976
Other			2,166		1,457	3,623	212,710	216,333
Total Consumer			44,880		9,935	54,815	3,952,055	4,006,870

Total Popular, Inc.	$ 1,358,975	$ 606,564	$ 1,233,436	$ 2,319	$ 10,520	$ 3,211,814	$ 18,399,963	$ 21,611,777

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

48

Table of Contents

	(Scales 11 and 12) Substandard	(Scales 1 through 8) Pass
Weighted average obligor risk rating		
Puerto Rico:[1]		
Commercial multi-family	11.74	5.41
Commercial real estate non-owner occupied	11.48	6.66
Commercial real estate owner occupied	11.36	6.86
Commercial and industrial	11.42	6.64
Total Commercial	11.40	6.69
Construction	11.75	7.80

	Substandard	Pass
U.S. mainland:		
Commercial multi-family	11.18	7.07
Commercial real estate non-owner occupied	11.17	6.93
Commercial real estate owner occupied	11.29	7.02
Commercial and industrial	11.12	6.52
Total Commercial	11.19	6.88
Construction	11.00	7.62
Legacy	11.22	7.71

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

	December 31, 2013							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
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
Consumer:								
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
Total Consumer			41,618		6,253	47,871	3,268,767	3,316,638
Total Puerto Rico	$ 1,199,571	$ 489,411	$ 877,948	$ 2,318	$ 6,811	$ 2,576,059	$ 13,311,780	$ 15,887,839
U.S. mainland								
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
Total Commercial	216,747	68,568	344,162			629,477	2,942,117	3,571,594
Construction			20,885			20,885	24,028	44,913
Mortgage			26,292			26,292	1,254,505	1,280,797
Legacy	14,948	11,593	42,622			69,163	141,972	211,135
Consumer:								
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
Total Consumer			4,828		5,887	10,715	604,873	615,588
Total U.S. mainland	$ 231,695	$ 80,161	$ 438,789	$	$ 5,887	$ 756,532	$ 4,967,495	$ 5,724,027

Table of Contents

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
Total 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
Consumer:								
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
Total Consumer			46,446		12,140	58,586	3,873,640	3,932,226
Total 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
Weighted average obligor risk rating		
Puerto Rico:[1]		
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
Total Commercial	11.33	6.71
Construction	11.63	7.86

	Substandard	Pass
U.S. mainland:		
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 9 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.

	Quarters ended March 31,	
(In thousands)	2014	2013
Balance at beginning of year	$ 948,608	$ 1,399,098
Amortization of loss share indemnification asset	(48,946)	(40,204)
Credit impairment losses to be covered under loss sharing agreements	15,090	14,045
Decrease due to reciprocal accounting on amortization of contingent liability on unfunded commitments		(193)
Reimbursable expenses	12,745	7,783
Net payments to (from) FDIC under loss sharing agreements	(81,327)	107
Other adjustments attributable to FDIC loss sharing agreements	(12,449)	(44)
Balance at end of period	$ 833,721	$ 1,380,592

The following table presents the estimated weighted average life of the loan portfolios subject to the FDIC loss sharing agreement for the quarters ended March 31, 2014 and December 31, 2013.

	Weighted Average Life	
	March 31, 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 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 March 31, 2014 and December 31, 2013.

Table of Contents

(In thousands)	March 31, 2014	December 31, 2013
Carrying amount (fair value)	$ 126,345	$ 127,513
Undiscounted amount	$ 176,931	$ 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 22, Commitment and Contingencies, for additional information on the arbitration proceedings with the FDIC regarding the commercial loss share agreement.

Table of Contents

Note 10 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:

	Quarters ended March 31,	
(In thousands)	2014	2013
Mortgage servicing fees, net of fair value adjustments:		
Mortgage servicing fees	$ 10,751	$ 11,246
Mortgage servicing rights fair value adjustments	(8,096)	(5,615)
Total mortgage servicing fees, net of fair value adjustments	2,655	5,631
Net gain on sale of loans, including valuation on loans	7,176	13,760
Trading account (loss) profit:		
Unrealized losses on outstanding derivative positions	(760)	(22)
Realized (losses) gains on closed derivative positions	(5,390)	931
Total trading account (loss) profit	(6,150)	909
Total mortgage banking activities	$ 3,681	$ 20,300

Table of Contents

Note 11 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 21 to the consolidated financial statements for a description of such arrangements.

No liabilities were incurred as a result of these securitizations during the quarters ended March 31, 2014 and 2013 because they did not contain any credit recourse arrangements. During the quarter ended March 31, 2014 the Corporation recorded a net gain of $7.8 million (March 31, 2013 - $17.7 million) related to the residential mortgage loans securitized.

The following tables present the initial fair value of the assets obtained as proceeds from residential mortgage loans securitized during the quarters ended March 31, 2014 and 2013.

	Proceeds Obtained During the Quarter Ended March 31, 2014			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 165,932	$	$ 165,932
Mortgage-backed securities - FNMA		62,583		62,583
Total trading account securities	$	$ 228,515	$	$ 228,515
Mortgage servicing rights			3,198	3,198
Total	$	$ 228,515	$ 3,198	$ 231,713

	Proceeds Obtained During the Quarter Ended March 31, 2013			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 285,252	$	$ 285,252
Mortgage-backed securities - FNMA		128,142		128,142
Total trading account securities	$	$ 413,394	$	$ 413,394
Mortgage servicing rights			4,743	4,743

Total	$	$ 413,394	$ 4,743	$ 418,137

During the quarter ended March 31, 2014, the Corporation retained servicing rights on whole loan sales involving approximately $32 million in principal balance outstanding (March 31, 2013 - $36 million), with realized gains of approximately $1.1 million (March 31, 2013 - gains of $1.5 million). All loan sales performed during the quarters ended March 31, 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.

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.

Table of Contents

The following table presents the changes in MSRs measured using the fair value method for the quarters ended March 31, 2014 and 2013.

Residential MSRs		
(In thousands)	March 31, 2014	March 31, 2013
Fair value at beginning of period	$ 161,099	$ 154,430
Purchases		45
Servicing from securitizations or asset transfers	3,528	5,102
Changes due to payments on loans[1]	(4,151)	(6,064)
Reduction due to loan repurchases	(922)	(995)
Changes in fair value due to changes in valuation model inputs or assumptions	(3,023)	1,444
Other disposals	(2)	(13)
Fair value at end of period	$ 156,529	$ 153,949

[1] Represents changes due to collection / realization of expected cash flows over time.
Residential mortgage loans serviced for others were $16.2 billion at March 31, 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 MSRs, including changes due to collection / realization of expected cash flows. Mortgage servicing fees, excluding fair value adjustments, for the quarter ended March 31, 2014 amounted to $10.8 million (March 31, 2013 - $11.2 million). The banking subsidiaries receive servicing fees based on a percentage of the outstanding loan balance. At March 31, 2014, those weighted average mortgage servicing fees were 0.26% (March 31, 2013 0.27%). Under these servicing agreements, the banking subsidiaries do not generally earn significant prepayment penalty fees on the underlying loans serviced.

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

Key economic assumptions used in measuring the servicing rights derived from loans securitized or sold by the Corporation during the quarters ended March 31, 2014 and 2013 were as follows:

	Quarter ended	
	March 31, 2014	March 31, 2013
Prepayment speed	6.2 %	8.2 %
Weighted average life	16.1 years	12.2 years
Discount rate (annual rate)	10.7 %	11.1 %

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

Originated MSRs		
(In thousands)	March 31, 2014	December 31, 2013
Fair value of servicing rights	$ 113,563	$ 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	$ (4,550)	$ (3,763)
Impact on fair value of 20% adverse change	$ (8,166)	$ (7,459)
Weighted average discount rate (annual rate)	11.6%	11.6%
Impact on fair value of 10% adverse change	$ (5,602)	$ (4,930)
Impact on fair value of 20% adverse change	$ (10,091)	$ (9,595)

Table of Contents

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

Purchased MSRs

(In thousands)	March 31, 2014		December 31, 2013	
Fair value of servicing rights	$	42,966	$	45,346
Weighted average life		11.0 years		10.9 years
Weighted average prepayment speed (annual rate)		9.1%		9.2%
Impact on fair value of 10% adverse change	$	(1,783)	$	(1,969)
Impact on fair value of 20% adverse change	$	(3,210)	$	(3,478)
Weighted average discount rate (annual rate)		10.9%		10.8%
Impact on fair value of 10% adverse change	$	(1,865)	$	(2,073)
Impact on fair value of 20% adverse change	$	(3,346)	$	(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.

At March 31, 2014, the Corporation serviced $2.4 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 March 31, 2014, the Corporation had recorded $38 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 quarter ended March 31, 2014, the Corporation repurchased approximately $ 49 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 12 Other Real Estate Owned

The following tables present the Other Real Estate Owned Activity, for the quarters ended March 31, 2014 and 2013.

	For the quarter ended March 31, 2014				
(In thousands)	Non-covered OREO Commercial/ Construction	Non-covered OREO Mortgage	Covered OREO Commercial/ Construction	Covered OREO Mortgage	Total
Balance at beginning of period	$ 48,649	$ 86,852	$ 120,215	$ 47,792	$ 303,508
Write-downs in value	(214)	(669)	(4,563)	(207)	(5,653)
Additions	4,668	14,883	13,194	4,491	37,236
Sales	(4,962)	(12,063)	(18,421)	(2,377)	(37,823)
Other adjustments		(179)	(92)	(1,285)	(1,556)
Ending balance	$ 48,141	$ 88,824	$ 110,333	$ 48,414	$ 295,712

	For the quarter ended March 31, 2013				
(In thousands)	Non-covered OREO Commercial/ Construction	Non-covered OREO Mortgage	Covered OREO Commercial/ Construction	Covered OREO Mortgage	Total
Balance at beginning of period	$ 135,862	$ 130,982	$ 99,398	$ 39,660	$ 405,902
Write-downs in value	(4,899)	(7,358)	(3,105)	(303)	(15,665)
Additions	18,318	24,848	34,795	8,973	86,934
Sales	(70,135)	(72,017)	(1,675)	(5,256)	(149,083)
Other adjustments		(902)		(109)	(1,011)
Ending balance	$ 79,146	$ 75,553	$ 129,413	$ 42,965	$ 327,077

Table of Contents

Note 13 Other assets

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

(In thousands)	March 31, 2014	December 31, 2013
Net deferred tax assets (net of valuation allowance)	$ 773,994	$ 761,768
Investments under the equity method	219,021	197,006
Bank-owned life insurance program	229,663	228,805
Prepaid FDIC insurance assessment	379	383
Prepaid taxes	85,673	91,504
Other prepaid expenses	73,426	67,108
Derivative assets	28,996	34,710
Trades receivable from brokers and counterparties	74,603	71,680
Others	261,891	234,594
Total other assets	$ 1,747,646	$ 1,687,558

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. The Corporation 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.

Table of Contents

Note 14 Goodwill and other intangible assets

Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2014 and 2013, allocated by reportable segments, were as follows (refer to Note 34 for the definition of the Corporation s reportable segments):

2014					
(In thousands)	Balance at January 1, 2014	Goodwill on acquisition	Purchase accounting adjustments	Other	Balance at March 31,2014
Banco Popular de Puerto Rico	$ 245,679	$	$	$	$ 245,679
Banco Popular North America	402,078				402,078
Total Popular, Inc.	$ 647,757	$	$	$	$ 647,757

2013					
(In thousands)	Balance at January 1, 2013	Goodwill on acquisition	Purchase accounting adjustments	Other	Balance at March 31, 2013
Banco Popular de Puerto Rico	$ 245,679	$	$	$	$ 245,679
Banco Popular North America	402,078				402,078
Total Popular, Inc.	$ 647,757	$	$	$	$ 647,757

Purchase accounting adjustments consists of adjustments to the value of the assets acquired and liabilities assumed resulting from the completion of appraisals or other valuations, adjustments to initial estimates recorded for transaction costs, if any, and contingent consideration paid during a contractual contingency period.

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

March 31, 2014						
(In thousands)	Balance at January 1, 2014 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2014 (net amounts)	Balance at March 31, 2014 (gross amounts)	Accumulated impairment losses	Balance at March 31, 2014 (net amounts)
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
Total Popular, Inc.	$ 812,168	$ 164,411	$ 647,757	$ 812,168	$ 164,411	$ 647,757

(In thousands)	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)
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
Total Popular, Inc.	$ 812,168	$ 164,411	$ 647,757	$ 812,168	$ 164,411	$ 647,757

Table of Contents

BPNA Goodwill Impairment Test

As discussed in Note 35, Subsequent events, on April 22, 2014, the Corporation entered into definitive agreements to sell its regional operations in California, Illinois and Central Florida to three different buyers and intends to centralize certain back office operations in Puerto Rico and New York. The possibility of executing this transaction represented a triggering event to perform a goodwill impairment analysis as of March 31, 2014, considering the price indications received from the buyers of these regions. Accordingly, management performed a goodwill impairment test as of March 31, 2014 for the BPNA segment. The methodology followed to perform this impairment test was consistent with the Corporation s annual goodwill impairment test, described in the Corporation s annual report for the year ended December 31, 2013, except that in determining the fair value of the reporting unit s net assets for step 2, management considered the price indications received from the buyers and applied these to the net assets of those specific regions. This analysis resulted in no impairment as of March 31, 2014.

During the second quarter of 2014, the net assets for these regions will be 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 will be allocating a proportionate share of the goodwill balance to each regional operation based on a relative fair value basis. This allocation of goodwill and related impairment analysis is expected to result in an estimated charge within a range of $160 million to $220 million. The amount of the goodwill charge is based on a preliminary estimate and may be materially different depending on the final fair value distribution analysis. However, this non-cash charge will have no impact on the Corporation s tangible capital or regulatory capital ratios.

Other Intangible Assets

At March 31, 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
March 31, 2014			
Core deposits	$ 77,885	$ 53,766	$ 24,119
Other customer relationships	17,552	5,179	12,373
Other intangibles	135	115	20
Total other intangible assets	$ 95,572	$ 59,060	$ 36,512
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
Total other intangible assets	$ 95,575	$ 56,556	$ 39,019

There were no core deposits or any customer relationships intangibles that became fully amortized during the quarter ended March 31, 2014.

During the quarter ended March 31, 2014, the Corporation recognized $ 2.5 million in amortization expense related to other intangible assets with definite useful lives (March 31, 2013 - $ 2.5 million).

Table of Contents

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	$ 6,867
Year 2015	7,227
Year 2016	6,942
Year 2017	4,194
Year 2018	4,101
Year 2019	3,969

Note 15 Deposits

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

(In thousands)	March 31, 2014	December 31, 2013
Savings accounts	$ 6,981,432	$ 6,839,126
NOW, money market		