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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

Commission File Number: 001-34084

POPULAR, INC.

(Exact name of registrant as specified in its charter)

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

Popular Center Building

209 Muñoz Rivera Avenue

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

(787) 765-9800

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

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

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

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

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

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

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Forward-Looking Information

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

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

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

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

- the impact of the Commonwealth of Puerto Rico s fiscal crisis, and the measures taken and to be taken by the Puerto Rico Government, on the economy and our business, and the ability of the Government to manage this crisis in an orderly manner;

- the performance of the stock and bond markets;

- competition in the financial services industry;

- additional Federal Deposit Insurance Corporation (FDIC) assessments;

- possible legislative, tax or regulatory changes; and

- risks related to the Doral Transaction, including (a) our ability to maintain customer relationships and (b) risks associated with the limited amount of diligence able to be conducted by a buyer in an FDIC transaction.

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

- negative economic conditions that adversely affect housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the level of non-performing assets, charge-offs and provision expense;

- risks associated with maintaining customer relationships from our acquisition of certain assets and deposits (other than certain brokered deposits) of Doral Bank from the FDIC as receiver;

- changes in interest rates and market liquidity which may reduce interest margins, impact funding sources and affect our ability to originate and distribute financial products in the primary and secondary markets;

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- changes in market rates and prices which may adversely impact the value of financial assets and liabilities;
- liabilities resulting from litigation and regulatory investigations;
- changes in accounting standards, rules and interpretations;
- our ability to grow our core businesses;
- decisions to downsize, sell or close units or otherwise change our business mix; and
- management s ability to identify and manage these and other risks.

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

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(UNAUDITED)

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

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

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

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

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

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

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

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

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

POPULAR, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(UNAUDITED)

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

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

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

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Quarter ended March 31, 2016	2015
Cash flows from operating activities:		
Net income	$ 84,999	$ 74,826
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	44,835	40,035
Amortization of intangibles	3,114	2,104
Depreciation and amortization of premises and equipment	11,707	11,919
Net accretion of discounts and amortization of premiums and deferred fees	(11,158)	(19,100)
Fair value adjustments on mortgage servicing rights	8,477	4,929
FDIC loss share expense (income)	3,146	(4,139)
Adjustments (expense) to indemnity reserves on loans sold	4,098	4,526
Earnings from investments under the equity method	(7,089)	(2,301)
Deferred income tax expense	23,218	23,380
(Gain) loss on:		
Disposition of premises and equipment and other productive assets	(1,946)	(978)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	(7,101)	(7,222)
Sale of foreclosed assets, including write-downs	2,802	14,851
Acquisitions of loans held-for-sale	(66,451)	(121,929)
Proceeds from sale of loans held-for-sale	22,253	27,547
Net originations on loans held-for-sale	(110,528)	(179,604)
Net decrease (increase) in:		
Trading securities	176,598	177,942
Accrued income receivable	3,926	(13)
Other assets	20,996	(28,027)
Net (decrease) increase in:		
Interest payable	(12,261)	(10,216)
Pension and other postretirement benefits obligation	1,536	1,019
Other liabilities	(17,010)	(19,377)
Total adjustments	93,162	(84,654)
Net cash provided by (used in) operating activities	178,161	(9,828)
Cash flows from investing activities:		
Net decrease (increase) in money market investments	262,632	(484,829)
Purchases of investment securities:		

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

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

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

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Notes to Consolidated Financial Statements (Unaudited)

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Note 1 Nature of Operations

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

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

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Note 2 Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

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

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

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

Use of Estimates in the Preparation of Financial Statements

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

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Note 3 New accounting pronouncements

Recently Adopted Accounting Standards Updates

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

The FASB issued ASU 2015-03 in April 2015, which simplified the presentation of debt issuance costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability.

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

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

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

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

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

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

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

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

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

2015-04)

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

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

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

Recently Issued Accounting Standards Updates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 4 Discontinued operations and restructuring plan

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

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

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

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

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

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

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

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Note 5 Business combination

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

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

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

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

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

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

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

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

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

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

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

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

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

The Corporation s banking subsidiaries, BPPR and BPNA, are required by federal and state regulatory agencies to maintain average reserve balances with the Federal Reserve Bank of New York (the Fed) or other banks. Those required average reserve balances amounted to $ 1.1 billion at March 31, 2016 (December 31, 2015 $ 1.1 billion). Cash and due from banks, as well as other short-term, highly liquid securities, are used to cover the required average reserve balances.

At March 31, 2016, the Corporation held $52 million in restricted assets in the form of funds deposited in money market accounts, trading account securities and investment securities available for sale (December 31, 2015 $44 million). The amounts held in trading account securities and investment securities available for sale consist primarily of restricted assets held for the Corporation s non-qualified retirement plans and fund deposits guaranteeing possible liens or encumbrances over the title of insured properties.

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Note 7 Investment securities available-for-sale

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

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

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

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

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

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

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

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

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

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

The following tables present the Corporation s fair value and gross unrealized losses of investment securities available-for-sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2016 and December 31, 2015.

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

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

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

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

At March 31, 2016, management performed its quarterly analysis of all debt securities in an unrealized loss position. Based on the analyses performed, management concluded that no individual debt security was other-than-temporarily impaired as of such date. However, further negative evidence impacting the factors described above with respect to the Obligations of Puerto Rico, States and political subdivisions , could result in a charge to earnings to recognize estimated credit losses determined to be other-than-temporary. At March 31, 2016, the Corporation did not have the intent to sell debt securities in an unrealized loss position and it is more likely than not that the Corporation will not have to sell the investment securities prior to recovery of their amortized cost basis.

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

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

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Note 8 Investment securities held-to-maturity

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

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

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

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

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

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

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

The following tables present the Corporation s fair value and gross unrealized losses of investment securities held-to-maturity, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2016 and December 31, 2015.

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

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

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

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

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

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Note 9 Loans

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

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

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

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

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

Non-covered loans

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

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(In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
	March 31, 2016 Puerto Rico					
Commercial multi-family	$ 652	$ 168	$ 1,418	$ 2,238	$ 172,413	$ 174,651
Commercial real estate non-owner occupied	46,119	3,102	103,719	152,940	2,506,513	2,659,453
Commercial real estate owner occupied	16,339	6,608	141,443	164,390	1,703,399	1,867,789
Commercial and industrial	7,267	4,297	39,529	51,093	2,615,305	2,666,398
Construction	678	372	13,133	14,183	90,961	105,144
Mortgage	352,313	134,842	823,440	1,310,595	4,789,164	6,099,759
Leasing	7,209	1,598	3,419	12,226	630,916	643,142
Consumer:						
Credit cards	10,915	7,159	18,864	36,938	1,061,845	1,098,783
Home equity lines of credit	82	141	280	503	9,126	9,629
Personal	12,963	7,693	20,495	41,151	1,150,239	1,191,390
Auto	32,638	6,029	10,844	49,511	776,794	826,305
Other	1,337	282	19,220	20,839	162,145	182,984
Total	$ 488,512	$ 172,291	$ 1,195,804	$ 1,856,607	$ 15,668,820	$ 17,525,427

(In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
	March 31, 2016 U.S. mainland					
Commercial multi-family	$ 32	$	$ 246	$ 278	$ 762,276	$ 762,554
Commercial real estate non-owner occupied	9,556		11,155	20,711	969,937	990,648
Commercial real estate owner occupied	3,817		193	4,010	219,791	223,801
Commercial and industrial	16,935	156	84,086	101,177	781,918	883,095
Construction	15,091		671	15,762	613,952	629,714
Mortgage	18,877	514	12,069	31,460	847,982	879,442
Legacy	3,119	400	4,046	7,565	53,479	61,044
Consumer:						
Credit cards	187	157	382	726	12,292	13,018
Home equity lines of credit	1,701	845	4,309	6,855	287,405	294,260
Personal	1,624	639	1,429	3,692	240,722	244,414
Auto			6	6	18	24
Other			10	10	286	296
Total	$ 70,939	$ 2,711	$ 118,602	$ 192,252	$ 4,790,058	$ 4,982,310

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

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

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

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

	December 31, 2015					
	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	$ 459	$ 217	$ 1,316	$ 1,992	$ 130,154	$ 132,146
Commercial real estate non-owner occupied	166,732	12,520	84,982	264,234	2,404,858	2,669,092
Commercial real estate owner occupied	14,245	5,624	138,778	158,647	1,750,597	1,909,244
Commercial and industrial	6,010	6,059	38,464	50,533	2,607,204	2,657,737
Construction	238	253	13,738	14,229	86,719	100,948

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

(In thousands)	December 31, 2015 U.S. mainland Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 33	$ 253	$	$ 286	$ 693,647	$ 693,933
Commercial real estate non-owner occupied	160		253	413	962,610	963,023
Commercial real estate owner occupied	1,490	429	221	2,140	200,204	202,344
Commercial and industrial	13,647	1,526	75,575	90,748	780,896	871,644
Construction					580,158	580,158
Mortgage	18,957	3,424	13,538	35,919	872,671	908,590
Legacy	1,160	662	3,649	5,471	58,965	64,436
Consumer:						
Credit cards	327	134	437	898	13,037	13,935
Home equity lines of credit	3,149	1,114	4,176	8,439	296,045	304,484
Personal	1,836	690	1,240	3,766	168,860	172,626
Auto			6	6	22	28
Other		10	5	15	289	304
Total	$ 40,759	$ 8,242	$ 99,100	$ 148,101	$ 4,627,404	$ 4,775,505

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

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

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

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

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

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

[1] Non-covered loans of $288 million accounted for under ASC Subtopic 310-30 are excluded from the above table as they are considered to be performing due to the application of the accretion method, in which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analysis.

[2] For purposes of this table non-performing loans exclude $ 43 million in non-performing loans held-for-sale.

[3] It is the Corporation s policy to report delinquent residential mortgage loans insured by FHA or guaranteed by the VA as accruing loans past due 90 days or more as opposed to non-performing since the principal repayment is insured. These balances include $161 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of March 31, 2016. Furthermore, the Corporation has approximately $68 million in reverse mortgage loans in Puerto Rico which are guaranteed by FHA, but which are currently not accruing interest. Due to the guaranteed nature of the loans, it is the Corporation s policy to exclude these balances from non-performing assets.

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

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

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

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

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

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

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

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

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

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

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

Covered loans

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

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

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

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

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

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

The following table presents covered loans in non-performing status and accruing loans past-due 90 days or more by loan class at March 31, 2016 and December 31, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other loans acquired with deteriorated credit quality

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

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

(In thousands)	Activity in the accretable yield - Other acquired loans ASC 310-30 For the quarters ended March 31, 2016	March 31, 2015
Beginning balance	$ 221,128	$ 116,304
Additions	4,340	50,662
Accretion	(8,555)	(3,223)
Change in expected cash flows	50,855	(5,319)
Ending balance	$ 267,768	$ 158,424

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

For the quarters ended

(In thousands)

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

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

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

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Note 10 Allowance for loan losses

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

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

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

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

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

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

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

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

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

For the quarter ended March 31, 2016 Puerto Rico - Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 186,925	$ 4,957	$ 128,327	$ 10,993	$ 138,721	$ 469,923
Provision (reversal of provision)	13,369	(409)	10,869	1,680	18,362	43,871
Charge-offs	(8,968)	(544)	(15,972)	(2,127)	(27,379)	(54,990)
Recoveries	6,264	233	1,276	489	6,081	14,343
Ending balance	$ 197,590	$ 4,237	$ 124,500	$ 11,035	$ 135,785	$ 473,147
Specific ALLL	$ 55,098	$ 172	$ 41,660	$ 608	$ 24,326	$ 121,864
General ALLL	$ 142,492	$ 4,065	$ 82,840	$ 10,427	$ 111,459	$ 351,283
Loans held-in-portfolio:						
Impaired non-covered loans	$ 338,980	$ 2,020	$ 471,183	$ 2,391	$ 109,920	$ 924,494
Non-covered loans held-in-portfolio excluding impaired loans	7,029,311	103,124	5,628,576	640,751	3,199,171	16,600,933
Total non-covered loans held-in-portfolio	$ 7,368,291	$ 105,144	$ 6,099,759	$ 643,142	$ 3,309,091	$ 17,525,427

For the quarter ended March 31, 2016 Puerto Rico - Covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 33,967	$	$ 209	$ 34,176
Provision (reversal of provision)			(3,149)		44	(3,105)
Charge-offs			(1,221)		(33)	(1,254)
Recoveries			225		3	228
Ending balance	$	$	$ 29,822	$	$ 223	$ 30,045
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 29,822	$	$ 223	$ 30,045

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

For the quarter ended March 31, 2016

U.S. Mainland

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

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For the quarter ended March 31, 2016
Popular, Inc.

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

For the quarter ended March 31, 2015
Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 201,589	$ 5,483	$ 120,860	$ 7,131	$ 154,072	$ 489,135
Provision (reversal of provision)	(1,321)	(6,813)	16,192	846	23,009	31,913
Charge-offs	(9,572)		(10,973)	(1,237)	(29,699)	(51,481)
Recoveries	4,770	2,925	500	468	6,046	14,709
Ending balance	$ 195,466	$ 1,595	$ 126,579	$ 7,208	$ 153,428	$ 484,276
Specific ALLL	$ 69,946	$ 158	$ 42,229	$ 687	$ 25,223	$ 138,243
General ALLL	$ 125,520	$ 1,437	$ 84,350	$ 6,521	$ 128,205	$ 346,033
Loans held-in-portfolio:						
Impaired non-covered loans	$ 417,377	$ 9,838	$ 445,506	$ 2,924	$ 114,416	$ 990,061

Non-covered loans held-in-portfolio excluding impaired loans	5,984,132	88,868	5,725,741	578,195	3,237,790	15,614,726
Total non-covered loans held-in-portfolio	$ 6,401,509	$ 98,706	$ 6,171,247	$ 581,119	$ 3,352,206	$ 16,604,787

	For the quarter ended March 31, 2015 Puerto Rico - Covered Loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 30,871	$ 7,202	$ 40,948	$	$ 3,052	$ 82,073
Provision (reversal of provision)	1,995	6,276	2,802		(749)	10,324
Charge-offs	(14,239)	(9,046)	(3,386)			(26,671)
Recoveries	2,640	3,275	105		727	6,747
Ending balance	$ 21,267	$ 7,707	$ 40,469	$	$ 3,030	$ 72,473
Specific ALLL	$ 1,473	$	$	$	$	$ 1,473
General ALLL	$ 19,794	$ 7,707	$ 40,469	$	$ 3,030	$ 71,000
Loans held-in-portfolio:						
Impaired covered loans	$ 8,394	$ 2,336	$	$	$	$ 10,730
Covered loans held-in-portfolio excluding impaired loans	1,562,753	55,489	795,477		32,103	2,445,822
Total covered loans held-in-portfolio	$ 1,571,147	$ 57,825	$ 795,477	$	$ 32,103	$ 2,456,552

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	For the quarter ended March 31, 2015 U.S. Mainland - Continuing Operations					
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 9,648	$ 1,187	$ 2,462	$ 2,944	$ 14,343	$ 30,584
Provision (reversal of provision)	299	662	(6,127)	(1,810)	4,774	(2,202)
Charge-offs	(450)		(221)	(474)	(2,518)	(3,663)
Recoveries	929		67	2,302	1,251	4,549
Net recoveries (write-down)			6,081		(3,401)	2,680
Ending balance	$ 10,426	$ 1,849	$ 2,262	$ 2,962	$ 14,449	$ 31,948
Specific ALLL	$	$	$ 341	$	$ 381	$ 722
General ALLL	$ 10,426	$ 1,849	$ 1,921	$ 2,962	$ 14,068	$ 31,226
Loans held-in-portfolio:						
Impaired loans	$	$	$ 5,106	$	$ 2,048	$ 7,154
Loans held-in-portfolio excluding impaired loans	2,252,052	592,022	1,012,874	77,675	466,366	4,400,989
Total loans held-in-portfolio	$ 2,252,052	$ 592,022	$ 1,017,980	$ 77,675	$ 468,414	$ 4,408,143

	For the quarter ended March 31, 2015 Popular, Inc.						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 242,108	$ 13,872	$ 164,270	$ 2,944	$ 7,131	$ 171,467	$ 601,792
Provision (reversal of provision)	973	125	12,867	(1,810)	846	27,034	40,035
Charge-offs	(24,261)	(9,046)	(14,580)	(474)	(1,237)	(32,217)	(81,815)
Recoveries	8,339	6,200	672	2,302	468	8,024	26,005
Net recoveries (write-down)			6,081			(3,401)	2,680
Ending balance	$ 227,159	$ 11,151	$ 169,310	$ 2,962	$ 7,208	$ 170,907	$ 588,697
Specific ALLL	$ 71,419	$ 158	$ 42,570	$	$ 687	$ 25,604	$ 140,438
General ALLL	$ 155,740	$ 10,993	$ 126,740	$ 2,962	$ 6,521	$ 145,303	$ 448,259
Loans held-in-portfolio:							
Impaired loans	$ 425,771	$ 12,174	$ 450,612	$	$ 2,924	$ 116,464	$ 1,007,945
	9,798,937	736,379	7,534,092	77,675	578,195	3,736,259	22,461,537

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

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

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

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Impaired loans

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

	March 31, 2016							
	Puerto Rico							
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 107,706	$ 112,100	$ 37,638	$ 13,636	$ 23,754	$ 121,342	$ 135,854	$ 37,638
Commercial real estate owner occupied	120,121	139,841	10,888	38,763	63,165	158,884	203,006	10,888
Commercial and industrial	39,347	40,849	6,572	19,407	21,525	58,754	62,374	6,572
Construction	2,020	5,472	172			2,020	5,472	172
Mortgage	418,321	460,813	41,660	52,862	62,090	471,183	522,903	41,660
Leasing	2,391	2,391	608			2,391	2,391	608
Consumer:								
Credit cards	37,778	37,778	5,963			37,778	37,778	5,963
Personal	67,834	67,834	17,517			67,834	67,834	17,517
Auto	3,863	3,863	771			3,863	3,863	771
Other	445	445	75			445	445	75
Total Puerto Rico	$ 799,826	$ 871,386	$ 121,864	$ 124,668	$ 170,534	$ 924,494	$ 1,041,920	$ 121,864

	March 31, 2016							
	U.S. mainland							
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Mortgage	$ 4,774	$ 5,487	$ 1,592	$ 3,135	$ 3,903	$ 7,909	$ 9,390	$ 1,592
Consumer:								
HELOCs	921	921	352	715	715	1,636	1,636	352
Personal	530	530	229	81	81	611	611	229

Total U.S. mainland	$ 6,225	$ 6,938	$ 2,173	$ 3,931	$ 4,699	$ 10,156	$ 11,637	$ 2,173

March 31, 2016
Popular, Inc.

	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 107,706	$ 112,100	$ 37,638	$ 13,636	$ 23,754	$ 121,342	$ 135,854	$ 37,638
Commercial real estate owner occupied	120,121	139,841	10,888	38,763	63,165	158,884	203,006	10,888
Commercial and industrial	39,347	40,849	6,572	19,407	21,525	58,754	62,374	6,572
Construction	2,020	5,472	172			2,020	5,472	172
Mortgage	423,095	466,300	43,252	55,997	65,993	479,092	532,293	43,252
Leasing	2,391	2,391	608			2,391	2,391	608
Consumer:								
Credit Cards	37,778	37,778	5,963			37,778	37,778	5,963
HELOCs	921	921	352	715	715	1,636	1,636	352
Personal	68,364	68,364	17,746	81	81	68,445	68,445	17,746
Auto	3,863	3,863	771			3,863	3,863	771
Other	445	445	75			445	445	75
Total Popular, Inc.	$ 806,051	$ 878,324	$ 124,037	$ 128,599	$ 175,233	$ 934,650	$ 1,053,557	$ 124,037

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December 31, 2015
Puerto Rico

(In thousands)	Impaired Loans With an Allowance Recorded investment	Impaired Loans With an Allowance Unpaid principal balance	Impaired Loans With an Allowance Related allowance	Impaired Loans With No Allowance Recorded investment	Impaired Loans With No Allowance Unpaid principal balance	Impaired Loans - Total Recorded investment	Impaired Loans - Total Unpaid principal balance	Impaired Loans - Total Related allowance
Commercial real estate non-owner occupied	$ 102,199	$ 106,466	$ 30,980	$ 13,779	$ 23,896	$ 115,978	$ 130,362	$ 30,980
Commercial real estate owner occupied	118,253	137,193	12,564	38,955	63,383	157,208	200,576	12,564
Commercial and industrial	42,043	43,629	5,699	21,904	32,922	63,947	76,551	5,699
Construction	2,481	7,878	264			2,481	7,878	264
Mortgage	424,885	468,240	42,965	40,232	45,881	465,117	514,121	42,965
Leasing	2,404	2,404	573			2,404	2,404	573
Consumer:								
Credit cards	38,734	38,734	6,675			38,734	38,734	6,675
Personal	68,509	68,509	16,365			68,509	68,509	16,365
Auto	1,893	1,893	338			1,893	1,893	338
Other	524	525	100			524	525	100
Total Puerto Rico	$ 801,925	$ 875,471	$ 116,523	$ 114,870	$ 166,082	$ 916,795	$ 1,041,553	$ 116,523

December 31, 2015
U.S. mainland

(In thousands)	Impaired Loans With an Allowance Recorded investment	Impaired Loans With an Allowance Unpaid principal balance	Impaired Loans With an Allowance Related allowance	Impaired Loans With No Allowance Recorded investment	Impaired Loans With No Allowance Unpaid principal balance	Impaired Loans - Total Recorded investment	Impaired Loans - Total Unpaid principal balance	Impaired Loans - Total Related allowance
Mortgage	$ 4,143	$ 5,018	$ 1,064	$ 2,672	$ 3,574	$ 6,815	$ 8,592	$ 1,064
Consumer:								
HELOCs	778	796	259	783	783	1,561	1,579	259
Personal	534	534	226	81	81	615	615	226
Total U.S. mainland	$ 5,455	$ 6,348	$ 1,549	$ 3,536	$ 4,438	$ 8,991	$ 10,786	$ 1,549

December 31, 2015

	Popular, Inc.							
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial real estate non-owner occupied	$ 102,199	$ 106,466	$ 30,980	$ 13,779	$ 23,896	$ 115,978	$ 130,362	$ 30,980
Commercial real estate owner occupied	118,253	137,193	12,564	38,955	63,383	157,208	200,576	12,564
Commercial and industrial	42,043	43,629	5,699	21,904	32,922	63,947	76,551	5,699
Construction	2,481	7,878	264			2,481	7,878	264
Mortgage	429,028	473,258	44,029	42,904	49,455	471,932	522,713	44,029
Leasing	2,404	2,404	573			2,404	2,404	573
Consumer:								
Credit Cards	38,734	38,734	6,675			38,734	38,734	6,675
HELOCs	778	796	259	783	783	1,561	1,579	259
Personal	69,043	69,043	16,591	81	81	69,124	69,124	16,591
Auto	1,893	1,893	338			1,893	1,893	338
Other	524	525	100			524	525	100
Total Popular, Inc.	$ 807,380	$ 881,819	$ 118,072	$ 118,406	$ 170,520	$ 925,786	$ 1,052,339	$ 118,072

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The following tables present the average recorded investment and interest income recognized on impaired loans for the quarters ended March 31, 2016 and 2015.

	For the quarter ended March 31, 2016					
	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 real estate non-owner occupied	$ 118,660	$ 1,159	$	$	$ 118,660	$ 1,159
Commercial real estate owner occupied	158,046	1,393			158,046	1,393
Commercial and industrial	61,351	516			61,351	516
Construction	2,251	21			2,251	21
Mortgage	468,150	3,387	7,362		475,512	3,387
Leasing	2,398				2,398	
Consumer:						
Credit cards	38,256				38,256	
Helocs			1,599		1,599	
Personal	68,172		613		68,785	
Auto	2,878				2,878	
Other	485				485	
Total Popular, Inc.	$ 920,647	$ 6,476	$ 9,574	$	$ 930,221	$ 6,476

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

Total Popular, Inc.	$ 964,116	$ 12,226	$ 6,818	$ 13	$ 970,934	$ 12,239

Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to $ 1.2 billion at March 31, 2016 (December 31, 2015 $ 1.2 billion). The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings amounted $9 million related to the commercial loan portfolio at March 31, 2016 (December 31, 2015 $11 million).

A modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession. For a summary of the accounting policy related to TDRs, refer to the summary of significant accounting policies included in Note 2 of the 2015 Form 10-K.

The following tables present the non-covered and covered loans classified as TDRs according to their accruing status at March 31, 2016 and December 31, 2015.

Popular, Inc.
Non-Covered Loans

	March 31, 2016				December 31, 2015			
(In thousands)	Accruing	Non-Accruing	Total	Related Allowance	Accruing	Non-Accruing	Total	Related Allowance
Commercial	$ 170,534	$ 87,841	$ 258,375	$ 47,571	$ 166,415	$ 88,117	$ 254,532	$ 37,355
Construction	194	1,826	2,020	172	221	2,259	2,480	264
Mortgage	679,719	120,694	800,413	43,252	644,013	130,483	774,496	44,029
Leases	1,749	642	2,391	608	1,791	609	2,400	573
Consumer	104,133	12,576	116,709	24,907	104,630	12,805	117,435	23,963
Total	$ 956,329	$ 223,579	$ 1,179,908	$ 116,510	$ 917,070	$ 234,273	$ 1,151,343	$ 106,184

Popular, Inc.
Covered Loans

	March 31, 2016				December 31, 2015			
(In thousands)	Accruing	Non-Accruing	Total	Related Allowance	Accruing	Non-Accruing	Total	Related Allowance
Mortgage	$ 2,958	$ 2,500	$ 5,458	$	$ 3,328	$ 3,268	$ 6,596	$
Total	$ 2,958	$ 2,500	$ 5,458	$	$ 3,328	$ 3,268	$ 6,596	$

The following tables present the loan count by type of modification for those loans modified in a TDR during the quarters ended March 31, 2016 and 2015.

Puerto Rico
For the quarter ended March 31, 2016

	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	1	1		
Commercial real estate owner occupied	16	1		
Commercial and industrial	6			
Mortgage	20	10	112	54
Consumer:				

Credit cards	175			174
Personal	261	5		
Auto		2	2	
Other	10			
Total	489	19	114	228

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U.S. mainland
For the quarter ended March 31, 2016

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Mortgage			11	1
Consumer:				
HELOCs			1	
Total			12	1

Popular, Inc.
For the quarter ended March 31, 2016

	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	1	1		
Commercial real estate owner occupied	16	1		
Commercial and industrial	6			
Mortgage	20	10	123	55
Leasing				
Consumer:				
Credit cards	175			174
HELOCs			1	
Personal	261	5		
Auto		2	2	
Other	10			
Total	489	19	126	229

Puerto Rico
For the quarter ended March 31, 2015

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

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

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

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

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

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

The following tables present by class, quantitative information related to loans modified as TDRs during the quarters ended March 31, 2016 and 2015.

Puerto Rico

For the quarter ended March 31, 2016

(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	$ 6,323	$ 6,307	$ 4,163
Commercial real estate owner occupied	17	3,095	3,149	136
Commercial and industrial	6	2,529	2,527	5
Mortgage	196	24,405	23,244	1,806
Consumer:				
Credit cards	349	3,256	3,665	576
Personal	266	4,413	4,411	887
Auto	4	72	76	12
Other	10	23	24	4
Total	850	$ 44,116	$ 43,403	$ 7,589

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U.S. Mainland
For the quarter ended March 31, 2016

(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	12	$ 1,167	$ 1,230	$ 423
Consumer:				
HELOCs	1	147	147	77
Total	13	$ 1,314	$ 1,377	$ 500

Popular, Inc.
For the quarter ended March 31, 2016

(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	$ 6,323	$ 6,307	$ 4,163
Commercial real estate owner occupied	17	3,095	3,149	136
Commercial and industrial	6	2,529	2,527	5
Mortgage	208	25,572	24,474	2,229
Consumer:				
Credit cards	349	3,256	3,665	576
HELOCs	1	147	147	77
Personal	266	4,413	4,411	887
Auto	4	72	76	12
Other	10	23	24	4
Total	863	$ 45,430	$ 44,780	$ 8,089

Puerto Rico
For the quarter ended March 31, 2015

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of

				modification
Commercial multi-family	2	$ 551	$ 551	$ 2
Commercial real estate non-owner occupied	3	18,000	17,998	2,986
Commercial real estate owner occupied	5	4,759	4,552	171
Commercial and industrial	10	5,534	5,889	224
Construction	1	268	259	(166)
Mortgage	145	15,902	16,766	1,339
Leasing	13	323	325	73
Consumer:				
Credit cards	415	3,617	4,066	629
Personal	242	4,502	4,500	967
Auto	4		51	8
Other	11	29	29	5
Total	851	$ 53,485	$ 54,986	$ 6,238

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

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

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

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

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, 2016 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, 2016

(Dollars in thousands)	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied	2	$ 327
Commercial real estate owner occupied	6	2,456
Mortgage	27	3,235
Consumer:		
Credit cards	106	1,122
Personal	43	1,139
Auto	1	17
Other	1	4
Total [1]	186	$ 8,300

[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.

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During the quarter ended March 31, 2016, there were no U.S. mainland TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date.

Popular, Inc.
Defaulted during the quarter ended March 31, 2016

(Dollars In thousands)	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied	2	$ 327
Commercial real estate owner occupied	6	2,456
Mortgage	27	3,235
Consumer:		
Credit cards	106	1,122
Personal	43	1,139
Auto	1	17
Other	1	4
Total	186	$ 8,300

Puerto Rico
Defaulted during the quarter ended March 31, 2015

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

[1] 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.

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

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

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

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, 2016 and December 31, 2015.

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	March 31, 2016							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 2,899	$ 1,021	$ 6,917	$	$	$ 10,837	$ 163,814	$ 174,651
Commercial real estate non-owner occupied	320,015	417,911	389,243			1,127,169	1,532,284	2,659,453
Commercial real estate owner occupied	355,306	145,492	431,370	2,056		934,224	933,565	1,867,789
Commercial and industrial	174,205	135,002	247,095	635	45	556,982	2,109,416	2,666,398
Total Commercial	852,425	699,426	1,074,625	2,691	45	2,629,212	4,739,079	7,368,291
Construction	4,015	6,028	18,165			28,208	76,936	105,144
Mortgage	4,566	3,337	218,542			226,445	5,873,314	6,099,759
Leasing			3,399		20	3,419	639,723	643,142
Consumer:								
Credit cards			18,864			18,864	1,079,919	1,098,783
HELOCs			280			280	9,349	9,629
Personal	1,668	1,066	21,013			23,747	1,167,643	1,191,390
Auto			10,811		33	10,844	815,461	826,305
Other			18,727		440	19,167	163,817	182,984
Total Consumer	1,668	1,066	69,695		473	72,902	3,236,189	3,309,091
Total Puerto Rico	$ 862,674	$ 709,857	$ 1,384,426	$ 2,691	$ 538	$ 2,960,186	$ 14,565,241	$ 17,525,427
U.S. mainland								
Commercial multi-family	$ 12,264	$ 7,147	$ 985	$	$	$ 20,396	$ 742,158	$ 762,554
Commercial real estate non-owner occupied	38,732	4,054	25,414			68,200	922,448	990,648
Commercial real estate owner occupied	7,386	204	3,882			11,472	212,329	223,801
	9,671	3,759	131,844			145,274	737,821	883,095

Commercial and industrial								
Total Commercial	68,053	15,164	162,125			245,342	2,614,756	2,860,098
Construction		32,041	22,456			54,497	575,217	629,714
Mortgage			12,068			12,068	867,374	879,442
Legacy	1,678	1,186	6,200			9,064	51,980	61,044
Consumer:								
Credit cards			382			382	12,636	13,018
HELOCs			2,013		2,296	4,309	289,951	294,260
Personal			689		740	1,429	242,985	244,414
Auto			6			6	18	24
Other					10	10	286	296
Total Consumer			3,090		3,046	6,136	545,876	552,012
Total U.S. mainland	$ 69,731	$ 48,391	$ 205,939	$	$ 3,046	$ 327,107	$ 4,655,203	$ 4,982,310
Popular, Inc.								
Commercial multi-family	$ 15,163	$ 8,168	$ 7,902	$	$	$ 31,233	$ 905,972	$ 937,205
Commercial real estate non-owner occupied	358,747	421,965	414,657			1,195,369	2,454,732	3,650,101
Commercial real estate owner occupied	362,692	145,696	435,252	2,056		945,696	1,145,894	2,091,590
Commercial and industrial	183,876	138,761	378,939	635	45	702,256	2,847,237	3,549,493
Total Commercial	920,478	714,590	1,236,750	2,691	45	2,874,554	7,353,835	10,228,389
Construction	4,015	38,069	40,621			82,705	652,153	734,858
Mortgage	4,566	3,337	230,610			238,513	6,740,688	6,979,201
Legacy	1,678	1,186	6,200			9,064	51,980	61,044
Leasing			3,399		20	3,419	639,723	643,142
Consumer:								
Credit cards			19,246			19,246	1,092,555	1,111,801
HELOCs			2,293		2,296	4,589	299,300	303,889
Personal	1,668	1,066	21,702		740	25,176	1,410,628	1,435,804
Auto			10,817		33	10,850	815,479	826,329
Other			18,727		450	19,177	164,103	183,280
Total Consumer	1,668	1,066	72,785		3,519	79,038	3,782,065	3,861,103

Total Popular, Inc.	$ 932,405	$ 758,248	$ 1,590,365	$ 2,691	$ 3,584	$ 3,287,293	$ 19,220,444	$ 22,507,737

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The following table presents the weighted average obligor risk rating at March 31, 2016 for those classifications that consider a range of rating scales.

Weighted average obligor risk rating	(Scales 11 and 12)	(Scales 1 through 8)
Puerto Rico:[1]	Substandard	Pass
Commercial multi-family	11.17	6.04
Commercial real estate non-owner occupied	11.08	6.67
Commercial real estate owner occupied	11.25	7.05
Commercial and industrial	11.14	7.10
Total Commercial	11.16	6.93
Construction	11.18	7.50
U.S. mainland:	Substandard	Pass
Commercial multi-family	11.25	7.15
Commercial real estate non-owner occupied	11.44	6.98
Commercial real estate owner occupied	11.05	6.94
Commercial and industrial	11.63	6.16
Total Commercial	11.59	6.80
Construction	11.03	7.76
Legacy	11.18	7.78

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

	December 31, 2015							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 1,750	$ 1,280	$ 8,103	$	$	$ 11,133	$ 121,013	$ 132,146
Commercial real estate non-owner occupied	319,564	423,095	399,076			1,141,735	1,527,357	2,669,092
Commercial real estate owner occupied	316,079	162,395	436,442	1,915		916,831	992,413	1,909,244
Commercial and industrial	187,620	146,216	256,821	690	29	591,376	2,066,361	2,657,737
Total Commercial	825,013	732,986	1,100,442	2,605	29	2,661,075	4,707,144	7,368,219
Construction	7,269	5,522	19,806			32,597	68,351	100,948
Mortgage	4,810	2,794	238,002			245,606	5,881,885	6,127,491
Leasing			3,009			3,009	624,641	627,650
Consumer:								
Credit cards			19,098			19,098	1,109,247	1,128,345
HELOCs			394			394	10,294	10,688
Personal	1,606	1,448	23,116			26,170	1,176,665	1,202,835
Auto			11,609		30	11,639	804,311	815,950
Other			18,656		575	19,231	169,253	188,484
Total Consumer	1,606	1,448	72,873		605	76,532	3,269,770	3,346,302
Total Puerto Rico	$ 838,698	$ 742,750	$ 1,434,132	$ 2,605	$ 634	$ 3,018,819	$ 14,551,791	$ 17,570,610
U.S. mainland								
Commercial multi-family	$ 14,129	$ 7,189	$ 427	$	$	$ 21,745	$ 672,188	$ 693,933
Commercial real estate non-owner occupied	57,450	6,741	16,646			80,837	882,186	963,023
Commercial real estate owner occupied	11,978	1,074	2,967			16,019	186,325	202,344
	10,827	5,344	131,933			148,104	723,540	871,644

Commercial and industrial								
Total Commercial	94,384	20,348	151,973			266,705	2,464,239	2,730,944
Construction	15,091	16,948	18,856			50,895	529,263	580,158
Mortgage			13,537			13,537	895,053	908,590
Legacy	1,823	1,973	6,134			9,930	54,506	64,436
Consumer:								
Credit cards							13,935	13,935
HELOCs			1,550		2,626	4,176	300,308	304,484
Personal			637		603	1,240	171,386	172,626
Auto							28	28
Other					5	5	299	304
Total Consumer			2,187		3,234	5,421	485,956	491,377
Total U.S. mainland	$ 111,298	$ 39,269	$ 192,687	$	$ 3,234	$ 346,488	$ 4,429,017	$ 4,775,505
Popular, Inc.								
Commercial multi-family	$ 15,879	$ 8,469	$ 8,530	$	$	$ 32,878	$ 793,201	$ 826,079
Commercial real estate non-owner occupied	377,014	429,836	415,722			1,222,572	2,409,543	3,632,115
Commercial real estate owner occupied	328,057	163,469	439,409	1,915		932,850	1,178,738	2,111,588
Commercial and industrial	198,447	151,560	388,754	690	29	739,480	2,789,901	3,529,381
Total Commercial	919,397	753,334	1,252,415	2,605	29	2,927,780	7,171,383	10,099,163
Construction	22,360	22,470	38,662			83,492	597,614	681,106
Mortgage	4,810	2,794	251,539			259,143	6,776,938	7,036,081
Legacy	1,823	1,973	6,134			9,930	54,506	64,436
Leasing			3,009			3,009	624,641	627,650
Consumer:								
Credit cards			19,098			19,098	1,123,182	1,142,280
HELOCs			1,944		2,626	4,570	310,602	315,172
Personal	1,606	1,448	23,753		603	27,410	1,348,051	1,375,461
Auto			11,609		30	11,639	804,339	815,978
Other			18,656		580	19,236	169,552	188,788
Total Consumer	1,606	1,448	75,060		3,839	81,953	3,755,726	3,837,679

Total Popular, Inc.	$ 949,996	$ 782,019	$ 1,626,819	$ 2,605	$ 3,868	$ 3,365,307	$ 18,980,808	$ 22,346,115

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

Weighted average obligor risk rating	(Scales 11 and 12)	(Scales 1 through 8)
Puerto Rico:[1]	Substandard	Pass
Commercial multi-family	11.13	6.04
Commercial real estate non-owner occupied	11.09	6.67
Commercial real estate owner occupied	11.23	7.08
Commercial and industrial	11.15	7.13
Total Commercial	11.16	6.95
Construction	11.18	7.56
U.S. mainland:	Substandard	Pass
Commercial multi-family	11.00	7.15
Commercial real estate non-owner occupied	11.02	6.92
Commercial real estate owner occupied	11.07	7.23
Commercial and industrial	11.57	6.24
Total Commercial	11.50	6.81
Construction	11.00	7.79
Legacy	11.11	7.78

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

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Note 11 FDIC loss-share asset and true-up payment obligation

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

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

	Quarters ended March 31,	
(In thousands)	2016	2015
Balance at beginning of period	$ 310,221	$ 542,454
Amortization of loss share indemnification asset	(4,042)	(27,316)
Credit impairment losses (reversal) to be covered under loss-sharing agreements	(2,093)	8,246
Reimbursable expenses	3,950	21,545
Net payments from FDIC under loss-sharing agreements	(88,588)	(132,265)
Other adjustments attributable to FDIC loss-sharing agreements		(2,820)
Balance at end of period	$ 219,448	$ 409,844

As a result of the expiration of the shared-loss arrangement under the commercial loss-share agreement on June 30, 2015, loans with a carrying amount at June 30, 2015 of approximately $248.7 million, which were reclassified to non-covered in the accompanying statement of financial condition, are subject to the resolution of several arbitration proceedings currently ongoing with the FDIC related primarily to (i) the FDIC s denial of reimbursements for certain charge-offs claimed by BPPR with respect to certain loans and the treatment of those loans as shared-loss assets under the commercial loss-share agreement; and (ii) the denial by the FDIC of portfolio sale proposals submitted by BPPR pursuant to the applicable commercial shared-loss agreement provision governing portfolio sales. Until the disputes described above are finally resolved, the terms of the commercial loss-share agreement will remain in effect with respect to any such items under dispute. As of March 31, 2016, losses amounting to $149 million related to these assets are reflected in the FDIC indemnification asset as a receivable from the FDIC. Refer to additional information of these disputes on Note 23, Commitments and Contingencies.

The weighted average life of the single family loan portfolio accounted for under ASC 310-30 subject to the FDIC loss-sharing agreement at March 31, 2016 is 7.92 years.

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

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Of the four components used to estimate the true-up payment obligation (intrinsic loss estimate, asset discount, cumulative shared-loss payments, and period servicing amounts) only the cumulative shared-loss payments and the period servicing amounts will change on a quarterly basis. These two variables are the main drivers of changes in the undiscounted true-up payment obligation. In order to estimate the true-up obligation, actual and expected portfolio performance for loans under both the commercial and residential loss sharing agreement are contemplated. The cumulative shared loss payments and cumulative servicing amounts are derived from our quarterly loss reassessment process for covered loans accounted for under ASC 310-30.

Once the undiscounted true-up payment obligation is determined, the fair value is estimated based on the contractual remaining term to settle the obligation and a discount rate that is composed of the sum of the interpolated U.S. Treasury Note (T Note), defined by the remaining term of the true-up payment obligation, and a risk premium determined by the spread of the Corporation s outstanding senior unsecured debt over the equivalent T Note.

The following table provides the fair value and the undiscounted amount of the true-up payment obligation at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016	December 31, 2015
Carrying amount (fair value)	$ 120,188	$ 119,745
Undiscounted amount	$ 168,525	$ 168,692

The increase in the fair value of the true-up payment obligation was principally driven by the regular accretion of the instrument, which was partially offset by an increase in the discount rate from 7.64% in 2015 to 7.98% in 2016. An enhancement in the methodology used to calculate the discount rate, incorporating a volume weighted adjusted price, was the driver of the increase in the discount rate.

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

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Note 12 Mortgage banking activities

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

The following table presents the components of mortgage banking activities:

	Quarters ended March 31,	
(In thousands)	2016	2015
Mortgage servicing fees, net of fair value adjustments:		
Mortgage servicing fees	$ 14,802	$ 12,248
Mortgage servicing rights fair value adjustments	(8,477)	(4,929)
Total mortgage servicing fees, net of fair value adjustments	6,325	7,319
Net gain on sale of loans, including valuation on loans	7,110	7,280
Trading account (loss):		
Unrealized (losses) gains on outstanding derivative positions	(80)	17
Realized losses on closed derivative positions	(2,804)	(1,764)
Total trading account loss	(2,884)	(1,747)
Total mortgage banking activities	$ 10,551	$ 12,852

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Note 13 Transfers of financial assets and mortgage servicing assets

The Corporation typically transfers conforming residential mortgage loans in conjunction with GNMA and FNMA securitization transactions whereby the loans are exchanged for cash or securities and servicing rights. The securities issued through these transactions are guaranteed by the corresponding agency and, as such, under seller/service agreements the Corporation is required to service the loans in accordance with the agencies servicing guidelines and standards. Substantially all mortgage loans securitized by the Corporation in GNMA and FNMA securities have fixed rates and represent conforming loans. As seller, the Corporation has made certain representations and warranties with respect to the originally transferred loans and, in some instances, has sold loans with credit recourse to a government-sponsored entity, namely FNMA. Refer to Note 22 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, 2016 and 2015 because they did not contain any credit recourse arrangements. During the quarter ended March 31, 2016 the Corporation recorded a net gain of $6.4 million (March 31, 2015 $6.4 million) related to the residential mortgage loans securitized.

The following tables present the initial fair value of the assets obtained as proceeds from residential mortgage loans securitized during the quarters ended March 31, 2016 and 2015.

	Proceeds Obtained During the Quarter Ended March 31, 2016			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities GNMA	$	$ 134,012	$	$ 134,012
Mortgage-backed securities FNMA		36,236		36,236
Total trading account securities	$	$ 170,248	$	$ 170,248
Mortgage servicing rights	$	$	$ 1,870	$ 1,870
Total	$	$ 170,248	$ 1,870	$ 172,118

	Proceeds Obtained During the Quarter Ended March 31, 2015			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities GNMA	$	$ 156,456	$	$ 156,456
Mortgage-backed securities FNMA		46,958		46,958
Total trading account securities	$	$ 203,414	$	$ 203,414
Mortgage servicing rights	$	$	$ 2,562	$ 2,562

Total	$	$ 203,414	$ 2,562	$ 205,976

During the quarter ended March 31, 2016, the Corporation retained servicing rights on whole loan sales involving approximately $18.5 million in principal balance outstanding (March 31, 2015 $22 million), with realized gains of approximately $0.7 million (March 31, 2015 gains of $1.0 million). All loan sales performed during the quarters ended March 31, 2016 and 2015 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.

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The following table presents the changes in MSRs measured using the fair value method for the quarters ended March 31, 2016 and 2015.

Residential MSRs		
(In thousands)	March 31, 2016	March 31, 2015
Fair value at beginning of period	$ 211,405	$ 148,694
Additions	2,123	5,259
Changes due to payments on loans[1]	(4,254)	(3,789)
Reduction due to loan repurchases	(357)	(456)
Changes in fair value due to changes in valuation model inputs or assumptions	(3,866)	(684)
Fair value at end of period	$ 205,051	$ 149,024

[1] Represents changes due to collection / realization of expected cash flows over time.
Mortgage servicing rights as of March 31, 2016 include those acquired as part of the Doral Bank Transaction.

Residential mortgage loans serviced for others were $20.3 billion at March 31, 2016 (December 31, 2015 $20.6 billion).

Net mortgage servicing fees, a component of mortgage banking activities in the consolidated statements of operations, include the changes from period to period in the fair value of the MSRs, including changes due to collection / realization of expected cash flows. Mortgage servicing fees, excluding fair value adjustments, for the quarter ended March 31, 2016 amounted to $14.8 million (March 31, 2015 $12.2 million). The banking subsidiaries receive servicing fees based on a percentage of the outstanding loan balance. At March 31, 2016, those weighted average mortgage servicing fees were 0.29% (March 31, 2015 0.26%). 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, 2016 and 2015 were as follows:

	Quarters ended	
	March 31, 2016	March 31, 2015
Prepayment speed	5.4%	7.3%
Weighted average life	10.0 years	13.7 years
Discount rate (annual rate)	11.1%	10.9%

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:

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Originated MSRs		
(In thousands)	March 31, 2016	December 31, 2015
Fair value of servicing rights	$ 95,043	$ 98,648
Weighted average life	7.3 years	7.3 years
Weighted average prepayment speed (annual rate)	6.0%	6.0%
Impact on fair value of 10% adverse change	$ (2,376)	$ (2,488)
Impact on fair value of 20% adverse change	$ (4,982)	$ (5,241)
Weighted average discount rate (annual rate)	11.5%	11.5%
Impact on fair value of 10% adverse change	$ (3,853)	$ (4,083)
Impact on fair value of 20% adverse change	$ (7,723)	$ (8,206)

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, 2016	December 31, 2015
Fair value of servicing rights	$ 110,008	$ 112,757
Weighted average life	6.2 years	6.2 years
Weighted average prepayment speed (annual rate)	6.7%	6.9%
Impact on fair value of 10% adverse change	$ (2,795)	$ (2,871)
Impact on fair value of 20% adverse change	$ (5,842)	$ (6,034)
Weighted average discount rate (annual rate)	11.0%	11.0%
Impact on fair value of 10% adverse change	$ (4,077)	$ (4,211)
Impact on fair value of 20% adverse change	$ (8,221)	$ (8,525)

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, 2016, the Corporation serviced $1.8 billion (December 31, 2015 $1.9 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, 2016, the Corporation had recorded $146 million in mortgage loans on its consolidated statements of financial condition related to this buy-back option program (December 31, 2015 $140 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, 2016, the Corporation repurchased approximately $ 17 million (March 31, 2015 $24 million) of mortgage loans under the GNMA buy-back option program. The determination to repurchase these loans was based on the economic benefits of the transaction, which results in a reduction of the servicing costs for these severely delinquent loans, mostly related to principal and interest advances. Furthermore, due to their guaranteed nature, the risk associated with the loans is minimal. The Corporation places these loans under its loss mitigation programs and once brought back to current status, these may be either retained in portfolio or re-sold in the secondary market.

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Note 14 Other real estate owned

The following tables present the activity related to Other Real Estate Owned (OREO), for the quarters ended March 31, 2016 and 2015.

	For the quarter ended March 31, 2016			
(In thousands)	Non-covered OREO Commercial/ Construction	Non-covered OREO Mortgage	Covered OREO Mortgage	Total
Balance at beginning of period	$ 32,471	$ 122,760	$ 36,685	$ 191,916
Write-downs in value	(1,717)	(2,016)	(500)	(4,233)
Additions	1,810	24,276	4,483	30,569
Sales	(1,595)	(8,500)	(3,649)	(13,744)
Other adjustments	(615)	(914)	(622)	(2,151)
Ending balance	$ 30,354	$ 135,606	$ 36,397	$ 202,357

	For the quarter ended March 31, 2015				
(In thousands)	Non-covered OREO Commercial/ Construction	Non-covered OREO Mortgage	Covered OREO Commercial/ Construction	Covered OREO Mortgage	Total
Balance at beginning of period	$ 38,983	$ 96,517	$ 85,394	$ 44,872	$ 265,766
Write-downs in value	(5,887)	(1,372)	(9,395)	(1,282)	(17,936)
Additions	2,035	21,075	4,038	5,381	32,529
Sales	(9,427)	(13,086)	(9,464)	(5,822)	(37,799)
Other adjustments	(96)	(572)		(165)	(833)
Ending balance	$ 25,608	$ 102,562	$ 70,573	$ 42,984	$ 241,727

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Note 15 Other assets

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

(In thousands)	March 31, 2016	December 31, 2015
Net deferred tax assets (net of valuation allowance)	$ 1,275,017	$ 1,302,452
Investments under the equity method	216,076	212,838
Prepaid taxes	174,558	180,969
Other prepaid expenses	81,300	79,215
Derivative assets	15,012	16,959
Trades receivable from brokers and counterparties	87,590	78,759
Others	306,477	321,970
Total other assets	$ 2,156,030	$ 2,193,162

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Note 16 Goodwill and other intangible assets

Goodwill

The changes in the carrying amount of goodwill for the quarters ended March 31, 2016 and 2015, allocated by reportable segments, were as follows (refer to Note 35 for the definition of the Corporation s reportable segments):

2016				
(In thousands)	Balance at January 1, 2016	Goodwill on acquisition	Purchase accounting adjustments	Balance at March 31, 2016
Banco Popular de Puerto Rico	$ 280,221	$	$	$ 280,221
Banco Popular North America	346,167		4,707	350,874
Total Popular, Inc.	$ 626,388	$	$ 4,707	$ 631,095

2015				
(In thousands)	Balance at January 1, 2015	Goodwill on acquisition	Purchase accounting adjustments	Balance at March 31, 2015
Banco Popular de Puerto Rico	$ 250,109	$ 3,899	$	$ 254,008
Banco Popular North America	215,567	38,735		254,302
Total Popular, Inc.	$ 465,676	$ 42,634	$	$ 508,310

During the quarter ended March 31, 2016, the Corporation recorded adjustments to its initial fair value estimates in connection with the Doral Bank Transaction. As a result, the discount on the loans increased by $4.7 million with a corresponding increase to goodwill. The goodwill recorded during the first quarter of 2015 was related to the Doral Bank Transaction. Refer to Note 5, Business Combination, for additional information.

The following tables present the gross amount of goodwill and accumulated impairment losses by reportable segments.

March 31, 2016						
(In thousands)	Balance at January 1, 2016 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2016 (net amounts)	Balance at March 31, 2016 (gross amounts)	Accumulated impairment losses	Balance at March 31, 2016 (net amounts)
Banco Popular de Puerto Rico	$ 280,221	$	$ 280,221	$ 280,221	$	$ 280,221
Banco Popular North America	510,578	164,411	346,167	515,285	164,411	350,874

Total Popular, Inc.	$ 790,799	$ 164,411	$ 626,388	$ 795,506	$ 164,411	$ 631,095

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(In thousands)	December 31, 2015 Balance at January 1, 2015 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2015 (net amounts)	Balance at December 31, 2015 (gross amounts)	Accumulated impairment losses	Balance at December 31, 2015 (net amounts)
Banco Popular de Puerto Rico	$ 250,109	$	$ 250,109	$ 280,221	$	$ 280,221
Banco Popular North America	379,978	164,411	215,567	510,578	164,411	346,167
Total Popular, Inc.	$ 630,087	$ 164,411	$ 465,676	$ 790,799	$ 164,411	$ 626,388

Other Intangible Assets

At March 31, 2016 and December 31, 2015, the Corporation had $ 6.1 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, 2016			
Core deposits	$ 63,539	$ 40,132	$ 23,407
Other customer relationships	36,786	12,227	24,559
Total other intangible assets	$ 100,325	$ 52,359	$ 47,966
December 31, 2015			
Core deposits	$ 63,539	$ 38,464	$ 25,075
Other customer relationships	37,665	10,745	26,920
Total other intangible assets	$ 101,204	$ 49,209	$ 51,995

During the quarter ended March 31, 2016, the Corporation recognized $ 3.1 million in amortization expense related to other intangible assets with definite useful lives (March 31, 2015 $ 2.1 million).

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

(In thousands)	
Remaining 2016	$ 9,030
Year 2017	9,378

Year 2018	9,286
Year 2019	9,042
Year 2020	4,967
Year 2021	2,157

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Note 17 Deposits

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

(In thousands)	March 31, 2016	December 31, 2015
Savings accounts	$ 7,307,272	$ 7,010,391
NOW, money market and other interest bearing demand deposits	5,957,465	5,632,449
Total savings, NOW, money market and other interest bearing demand deposits	13,264,737	12,642,840
Certificates of deposit:		
Under $100,000	3,798,028	4,014,359
$100,000 and over	4,079,735	4,151,009
Total certificates of deposit	7,877,763	8,165,368
Total interest bearing deposits	$ 21,142,500	$ 20,808,208

A summary of certificates of deposit by maturity at March 31, 2016 follows:

(In thousands)	
2016	$ 3,780,813
2017	1,452,245
2018	800,872
2019	517,844
2020	974,612
2021 and thereafter	351,377
Total certificates of deposit	$ 7,877,763

At March 31, 2016, the Corporation had brokered deposits amounting to $ 0.9 billion (December 31, 2015 $ 1.3 billion).

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans was $9 million at March 31, 2016 (December 31, 2015 $11 million).

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Note 18 Borrowings

The following table presents the composition of fed funds purchased and assets sold under agreements to repurchase at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016	December 31, 2015
Federal funds purchased	$ 50,000	$ 50,000
Assets sold under agreements to repurchase	710,154	712,145
Total federal funds purchased and assets sold under agreements to repurchase	$ 760,154	$ 762,145

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

Repurchase agreements accounted for as secured borrowings

(In thousands)	March 31, 2016 Repurchase liability	December 31, 2015 Repurchase liability
Obligations of U.S. government sponsored entities		
Within 30 days	$ 87,809	$ 243,708
After 30 to 90 days	54,361	
After 90 days	192,238	23,366
Total obligations of U.S. government sponsored entities	334,408	267,074
Mortgage-backed securities		
Within 30 days	28,340	124,878
After 30 to 90 days	57,224	154,582
After 90 days	264,321	142,441
Total mortgage-backed securities	349,885	421,901
Collateralized mortgage obligations		
Within 30 days	10,458	10,298
After 30 to 90 days		12,872
After 90 days	15,403	

Total collateralized mortgage obligations	25,861	23,170
Total	$ 710,154	$ 712,145

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

The following table presents the composition of other short-term borrowings at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016	December 31, 2015
Securities sold not yet purchased	$ 5,170	$
Others	1,200	1,200
Total other short-term borrowings	$ 6,370	$ 1,200

Note: Refer to the Corporation s 2015 Form 10-K for rates information at December 31, 2015.

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The following table presents the composition of notes payable at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016	December 31, 2015
Advances with the FHLB with maturities ranging from 2016 through 2029 paying interest at monthly fixed rates ranging from 0.71% to 4.19 % (2015 0.45% to 4.19%)	$ 638,848	$ 747,072
Advances with the FHLB maturing on 2019 paying interest monthly at a floating rate of 0.34% over the 1 month LIBOR	13,000	
Advances with the FHLB with maturities ranging from 2017 through 2019 paying interest quarterly at a floating rate from 0.01% to 0.24% over the 3 month LIBOR	30,313	14,429
Unsecured senior debt securities maturing on 2019 paying interest semiannually at a fixed rate of 7.00%, net of debt issuance costs of $6,775 (2015 $7,296)	443,225	442,704
Junior subordinated deferrable interest debentures (related to trust preferred securities) with maturities ranging from 2027 to 2034 with fixed interest rates ranging from 6.125% to 8.327%, net of debt issuance costs of $497 (2015 $505)	439,303	439,295
Others	18,779	19,008
Total notes payable	$ 1,583,468	$ 1,662,508

Note: Refer to the Corporation s 2015 Form 10-K for rates information at December 31, 2015.

At March 31, 2016, the Corporation s banking subsidiaries had credit facilities authorized with the FHLB and the Federal Reserve discount window aggregating to $4.1 billion and $1.3 billion (December 31, 2015 $3.9 billion and $1.3 billion, respectively), which were collateralized by loans held-in-portfolio. At March 31, 2016, the Corporation used $922 million of the available credit facility with the FHLB (December 31, 2015 $762 million), which includes $240 million used for a municipal letter of credit to secure deposits, while the borrowing capacity at the discount window remains unused.

A breakdown of borrowings by contractual maturities at March 31, 2016 is included in the table below.

(In thousands)	Fed funds purchased and assets sold under agreements to repurchase	Short-term borrowings	Notes payable	Total
Year				
2016	$ 760,154	$ 6,370	$ 145,402	$ 911,926

2017			90,939	90,939
2018			144,503	144,503
2019			551,314	551,314
2020			92,529	92,529
Later years			558,781	558,781
Total borrowings	$ 760,154	$ 6,370	$ 1,583,468	$ 2,349,992

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Note 19 Offsetting of financial assets and liabilities

The following tables present the potential effect of rights of setoff associated with the Corporation s recognized financial assets and liabilities at March 31, 2016 and December 31, 2015.

As of March 31, 2016

				Gross Amounts Not Offset in the Statement of Financial Position			
(In thousands)	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Financial Instruments	Securities Collateral Received	Cash Collateral Received	Net Amount
Derivatives	$ 15,012	$	$ 15,012	$ 35	$	$	$ 14,977
Reverse repurchase agreements	97,830		97,830		97,830		
Total	$ 112,842	$	$ 112,842	$ 35	$ 97,830	$	$ 14,977

As of March 31, 2016

				Gross Amounts Not Offset in the Statement of Financial Position			
(In thousands)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Financial Instruments	Securities Collateral Pledged	Cash Collateral Pledged	Net Amount
Derivatives	$ 12,068	$	$ 12,068	$ 35	$ 3,153	$	$ 8,880
Repurchase agreements	710,154		710,154		710,154		
Total	$ 722,222	$	$ 722,222	$ 35	$ 713,307	$	$ 8,880

As of December 31, 2015

Gross Amounts Not Offset in the Statement of Financial Position

(In thousands)	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Financial Instruments	Securities Collateral Received	Cash Collateral Received	Net Amount
Derivatives	$ 16,959	$	$ 16,959	$ 114	$	$	$ 16,845
Reverse repurchase agreements	96,338		96,338		96,338		
Total	$ 113,297	$	$ 113,297	$ 114	$ 96,338	$	$ 16,845

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As of December 31, 2015							
				Gross Amounts Not Offset in the Statement of Financial Position			
(In thousands)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Financial Instruments	Securities Collateral Pledged	Cash Collateral Received	Net Amount
Derivatives	$ 14,343	$	$ 14,343	$ 114	$ 4,050	$	$ 10,179
Repurchase agreements	712,145		712,145		712,145		
Total	$ 726,488	$	$ 726,488	$ 114	$ 716,195	$	$ 10,179

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

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Note 20 Stockholders equity

During the quarter ended March 31, 2016 the Corporation declared a cash dividend of $0.15 per share on its outstanding common stock, which was paid on April 1, 2016 to shareholders of record at the close of business on March 11, 2016. This represents a payout of approximately $15.5 million.

BPPR statutory reserve

The Banking Act of the Commonwealth of Puerto Rico requires that a minimum of 10% of BPPR s net income for the year be transferred to a statutory reserve account until such statutory reserve equals the total of paid-in capital on common and preferred stock. Any losses incurred by a bank must first be charged to retained earnings and then to the reserve fund. Amounts credited to the reserve fund may not be used to pay dividends without the prior consent of the Puerto Rico Commissioner of Financial Institutions. The failure to maintain sufficient statutory reserves would preclude BPPR from paying dividends. BPPR s statutory reserve fund amounted to $495 million at March 31, 2016 (December 31, 2015 $495 million). There were no transfers between the statutory reserve account and the retained earnings account during the quarters ended March 31, 2016 and March 31, 2015.

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Note 21 Other comprehensive loss

The following table presents changes in accumulated other comprehensive loss by component for the quarters ended March 31, 2016 and 2015.

	Changes in Accumulated Other Comprehensive Loss by Component [1]		
		Quarters ended March 31,	
(In thousands)		2016	2015
Foreign currency translation	Beginning Balance	$ (35,930)	$ (32,832)
	Other comprehensive loss before reclassifications	(705)	(581)
	Amounts reclassified from accumulated other comprehensive loss		
	Net change	(705)	(581)
	Ending balance	$ (36,635)	$ (33,413)
Adjustment of pension and postretirement benefit plans	Beginning Balance	$ (211,276)	$ (205,187)
	Amounts reclassified from accumulated other comprehensive loss for amortization of net losses	3,346	3,065
	Amounts reclassified from accumulated other comprehensive loss for amortization of prior service cost	(580)	(579)
	Net change	2,766	2,486
	Ending balance	$ (208,510)	$ (202,701)
Unrealized net holding gains on investments	Beginning Balance	$ (9,560)	$ 8,465
	Other comprehensive income before reclassifications	73,351	34,285
	Net change	73,351	34,285
	Ending balance	$ 63,791	$ 42,750
Unrealized net losses on cash flow hedges	Beginning Balance	$ (120)	$ (318)

Other comprehensive loss before reclassifications	(1,219)	(1,546)
Amounts reclassified from other accumulated other comprehensive loss	943	828
Net change	(276)	(718)
Ending balance	$ (396)	$ (1,036)
Total	$ (181,750)	$ (194,400)

[1] All amounts presented are net of tax.

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The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss during the quarters ended March 31, 2016 and 2015.

	Reclassifications Out of Accumulated Other Comprehensive Loss		
	Affected Line Item in the	Quarters ended March 31,	
(In thousands)	Consolidated Statements of Operations	2016	2015
Adjustment of pension and postretirement benefit plans			
Amortization of net losses	Personnel costs	$ (5,486)	$ (5,025)
Amortization of prior service cost	Personnel costs	950	950
	Total before tax	(4,536)	(4,075)
	Income tax benefit	1,770	1,589
	Total net of tax	$ (2,766)	$ (2,486)
Unrealized net losses on cash flow hedges			
Forward contracts	Mortgage banking activities	$ (1,545)	$ (1,358)
	Total before tax	(1,545)	(1,358)
	Income tax benefit	602	530
	Total net of tax	$ (943)	$ (828)
	Total reclassification adjustments, net of tax	$ (3,709)	$ (3,314)

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Note 22 Guarantees

At March 31, 2016 the Corporation recorded a liability of $0.7 million (December 31, 2015 $0.5 million), which represents the unamortized balance of the obligations undertaken in issuing the guarantees under the standby letters of credit. Management does not anticipate any material losses related to these instruments.

From time to time, the Corporation securitized mortgage loans into guaranteed mortgage-backed securities subject to limited, and in certain instances, lifetime credit recourse on the loans that serve as collateral for the mortgage-backed securities. The Corporation has not sold any mortgage loans subject to credit recourse since 2009. At March 31, 2016 the Corporation serviced $1.8 billion (December 31, 2015 $1.9 billion) in residential mortgage loans subject to credit recourse provisions, principally loans associated with FNMA and FHLMC residential mortgage loan securitization programs. In the event of any customer default, pursuant to the credit recourse provided, the Corporation is required to repurchase the loan or reimburse the third party investor for the incurred loss. The maximum potential amount of future payments that the Corporation would be required to make under the recourse arrangements in the event of nonperformance by the borrowers is equivalent to the total outstanding balance of the residential mortgage loans serviced with recourse and interest, if applicable. During the quarter ended March 31, 2016, the Corporation repurchased approximately $ 13 million of unpaid principal balance in mortgage loans subject to the credit recourse provisions (March 31, 2015 $ 16 million). In the event of nonperformance by the borrower, the Corporation has rights to the underlying collateral securing the mortgage loan. The Corporation suffers ultimate losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing the related property. At March 31, 2016 the Corporation s liability established to cover the estimated credit loss exposure related to loans sold or serviced with credit recourse amounted to $ 58 million (December 31, 2015 $ 59 million).

The following table shows the changes in the Corporation s liability of estimated losses related to loans serviced with credit recourse provisions during the quarters ended March 31, 2016 and 2015.

	March 31,	
(In thousands)	2016	2015
Balance as of beginning of period	$ 58,663	$ 59,438
Provision for recourse liability	3,920	6,500
Net charge-offs	(4,589)	(6,553)
Balance as of end of period	$ 57,994	$ 59,385

When the Corporation sells or securitizes mortgage loans, it generally makes customary representations and warranties regarding the characteristics of the loans sold. To the extent the loans do not meet specified characteristics, the Corporation may be required to repurchase such loans or indemnify for losses and bear any subsequent loss related to the loans. During the quarters ended March 31, 2016 and March 31, 2015, BPPR did not repurchase loans under representation and warranty arrangements. A substantial amount of these loans reinstate to performing status or have mortgage insurance, and thus the ultimate losses on the loans are not deemed significant.

From time to time, the Corporation sells loans and agrees to indemnify the purchaser for credit losses or any breach of certain representations and warranties made in connection with the sale. The following table presents the changes in the Corporation s liability for estimated losses associated with indemnifications and representations and warranties related to loans sold by BPPR for the quarters ended March 31, 2016 and 2015.

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(In thousands)	2016	2015
Balance as of beginning of period	$ 8,087	$ 15,959
Provision (reversal) for representation and warranties	106	(1,901)
Net charge-offs	(191)	(14)
Balance as of end of period	$ 8,002	$ 14,044

In addition, at March 31, 2016, the Corporation has reserves for customary representations and warranties related to loans sold by its U.S. subsidiary E-LOAN prior to 2009. These loans were sold to investors on a servicing released basis subject to certain representation and warranties. Although the risk of loss or default was generally assumed by the investors, the Corporation made certain representations relating to borrower creditworthiness, loan documentation and collateral, which if not correct, may result in requiring the Corporation to repurchase the loans or indemnify investors for any related losses associated with these loans. At March 31, 2016, the Corporation s reserve for estimated losses from such representation and warranty arrangements amounted to $ 4 million, which was included as part of other liabilities in the consolidated statement of financial condition (December 31, 2015 $ 4 million). E-LOAN is no longer originating and selling loans since the subsidiary ceased these activities in 2008 and most of the outstanding agreements with major counterparties were settled during 2010 and 2011.

Servicing agreements relating to the mortgage-backed securities programs of FNMA and GNMA, and to mortgage loans sold or serviced to certain other investors, including FHLMC, require the Corporation to advance funds to make scheduled payments of principal, interest, taxes and insurance, if such payments have not been received from the borrowers. At March 31, 2016, the Corporation serviced $20.3 billion in mortgage loans for third-parties, including the loans serviced with credit recourse (December 31, 2015 $20.6 billion). The Corporation generally recovers funds advanced pursuant to these arrangements from the mortgage owner, from liquidation proceeds when the mortgage loan is foreclosed or, in the case of FHA/VA loans, under the applicable FHA and VA insurance and guarantees programs. However, in the meantime, the Corporation must absorb the cost of the funds it advances during the time the advance is outstanding. The Corporation must also bear the costs of attempting to collect on delinquent and defaulted mortgage loans. In addition, if a defaulted loan is not cured, the mortgage loan would be canceled as part of the foreclosure proceedings and the Corporation would not receive any future servicing income with respect to that loan. At March 31, 2016, the outstanding balance of funds advanced by the Corporation under such mortgage loan servicing agreements was approximately $76 million, including advances on the portfolio acquired from Doral Bank (March 31, 2015 $31 million). To the extent the mortgage loans underlying the Corporation s servicing portfolio experience increased delinquencies, the Corporation would be required to dedicate additional cash resources to comply with its obligation to advance funds as well as incur additional administrative costs related to increases in collection efforts.

Popular, Inc. Holding Company (PIHC) fully and unconditionally guarantees certain borrowing obligations issued by certain of its wholly-owned consolidated subsidiaries amounting to $ 0.2 billion at March 31, 2016 (December 31, 2015 $ 0.2 billion). In addition, at March 31, 2016 and December 31, 2015, PIHC fully and unconditionally guaranteed on a subordinated basis $ 0.4 billion and $ 0.4 billion, respectively, of capital securities (trust preferred securities) issued by wholly-owned issuing trust entities to the extent set forth in the applicable guarantee agreement.

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Note 23 Commitments and contingencies

Off-balance sheet risk

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

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

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

(In thousands)	March 31, 2016	December 31, 2015
Commitments to extend credit:		
Credit card lines	$ 4,562,439	$ 4,552,331
Commercial and construction lines of credit	2,711,061	2,619,092
Other consumer unused credit commitments	259,134	262,685
Commercial letters of credit	1,560	2,040
Standby letters of credit	36,252	49,670
Commitments to originate or fund mortgage loans	25,079	21,311

At March 31, 2016 and December 31, 2015, the Corporation maintained a reserve of approximately $10 million for potential losses associated with unfunded loan commitments related to commercial and consumer lines of credit.

Other commitments

At March 31, 2016 and December 31, 2015, the Corporation also maintained other non-credit commitments for approximately $9 million, primarily for the acquisition of other investments.

Business concentration

Since the Corporation s business activities are currently concentrated primarily in Puerto Rico, its results of operations and financial condition are dependent upon the general trends of the Puerto Rico economy and, in particular, the residential and commercial real estate markets. The concentration of the Corporation s operations in Puerto Rico exposes it to greater risk than other banking companies with a wider geographic base. Its asset and revenue composition by geographical area is presented in Note 35 to the consolidated financial statements.

Since February 2014, the three principal rating agencies (Moody s, S&P and Fitch) have lowered their ratings on the General Obligation bonds of the Commonwealth and the bonds of several other Commonwealth instrumentalities to non-investment grade ratings. In connection with their rating actions, the rating agencies noted various factors, including high levels of public debt, the lack of a clear economic growth catalyst, recurring fiscal budget deficits, the financial condition of the public sector employee pension plans and, more recently, liquidity concerns regarding the Commonwealth and the GDB and their ability to access the capital markets. Currently, the Commonwealth s general obligation ratings are as follows: S&P, CC , Moody s, Caa3 , and Fitch, CC .

At March 31, 2016, the Corporation s direct exposure to the Puerto Rico government and its instrumentalities and municipalities amounted to $ 656 million, of which approximately $ 565 million is outstanding ($669 million and $ 578 million, respectively, at December 31, 2015). Of the amount outstanding, $ 490 million consists of loans and $ 75 million are securities ($ 502 million and $ 76 million at December 31, 2015). Also, of the amount outstanding, $ 61 million represents obligations from the Government of Puerto Rico and public corporations that have a specific source of income or revenues identified for their repayment ($ 76 million at December 31, 2015). Some of these obligations consist of senior and subordinated loans to public corporations that obtain

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revenues from rates charged for services or products, such as public utilities. Public corporations have varying degrees of independence from the central Government and many receive appropriations or other payments from it. The remaining $ 504 million outstanding represents obligations from various municipalities in Puerto Rico for which, in most cases, the good faith, credit and unlimited taxing power of the applicable municipality has been pledged to their repayment ($ 502 million at December 31, 2015). These municipalities are required by law to levy special property taxes in such amounts as shall be required for the payment of all of its general obligation bonds and loans. These loans have seniority to the payment of operating cost and expenses of the municipality. Further deterioration of the fiscal crisis of the Government of Puerto Rico could further affect the value of these loans and securities, resulting in losses to us. At March 31, 2016, BPPR is a lender in a syndicated credit facility to PREPA and its exposure was of $40.9 million. The facility is classified as held-for-sale as BPPR has the ability and intent to sell the loan. The following table details the loans and investments representing the Corporation s direct exposure to the Puerto Rico government according to their maturities:

(In thousands)	Investment Portfolio	Loans	Total Outstanding	Total Exposure
Central Government				
Within 1 year	$	$	$	$ 50,794
After 1 to 5 years	887		887	887
After 5 to 10 years	3,044		3,044	3,044
After 10 years	13,688		13,688	13,688
Total Central Government	17,619		17,619	68,413
Government Development Bank (GDB)				
Within 1 year	3		3	3
After 1 to 5 years	1,092		1,092	1,092
After 5 to 10 years	360		360	360
Total Government Development Bank (GDB)	1,455		1,455	1,455
Public Corporations:				
Puerto Rico Aqueduct and Sewer Authority				
Within 1 year				27,186
After 10 years	464		464	464
Total Puerto Rico Aqueduct and Sewer Authority	464		464	27,650
Puerto Rico Electric Power Authority				
Within 1 year		40,914	40,914	40,914
After 10 years	22		22	22
Total Puerto Rico Electric Power Authority	22	40,914	40,936	40,936
Puerto Rico Highways and Transportation Authority				
After 5 to 10 years	4		4	4

Total Puerto Rico Highways and Transportation Authority	4		4	4
Municipalities				
Within 1 year	3,050	56,956	60,006	73,324
After 1 to 5 years	14,270	130,935	145,205	145,205
After 5 to 10 years	18,930	138,187	157,117	157,117
After 10 years	18,690	123,371	142,061	142,061
Total Municipalities	54,940	449,449	504,389	517,707
Total Direct Government Exposure	$ 74,504	$ 490,363	$ 564,867	$ 656,165

In addition, at March 31, 2016, the Corporation had $417 million in indirect exposure to loans or securities that are payable by non-governmental entities, but which carry a government guarantee to cover any shortfall in collateral in the event of borrower default ($394 million at December 31, 2015). These included $339 million in residential mortgage loans that are guaranteed by the Puerto Rico Housing Finance Authority (December 31, 2015 $316 million). These mortgage loans are secured by the underlying properties and the guarantees serve to cover shortfalls in collateral in the event of a borrower default. Under recently enacted legislation, the Governor is authorized to impose a temporary moratorium on the financial obligations of Puerto Housing Finance Authority. Also, the Corporation had $51 million in Puerto Rico pass-through housing bonds backed by FNMA, GNMA or residential loans CMO s, and $27 million of commercial real estate notes ($50 million and $28 million at December 31, 2015, respectively).

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Other contingencies

As indicated in Note 11 to the consolidated financial statements, as part of the loss sharing agreements related to the Westernbank FDIC-assisted transaction, the Corporation agreed to make a true-up payment to the FDIC on the date that is 45 days following the last day of the final shared loss month, or upon the final disposition of all covered assets under the loss sharing agreements in the event losses on the loss sharing agreements fail to reach expected levels. The fair value of the true-up payment obligation was estimated at $ 120 million at March 31, 2016 (December 31, 2015 $ 120 million). For additional information refer to Note 11.

Legal Proceedings

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

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

In certain cases, exposure to loss exists in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes and estimates that the aggregate range of reasonably possible losses (with respect to those matters where such limits may be determined, in excess of amounts accrued), for current legal proceedings ranges from $0 to approximately $37.3 million as of March 31, 2016. For certain other cases, management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the proceedings, and the inherent uncertainty of the various potential outcomes of such proceedings. Accordingly, management s estimate will change from time-to-time, and actual losses may be more or less than the current estimate.

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

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

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

PCB removed the case to federal court (SDNY) and plaintiffs subsequently filed a motion to remand the action to state court, which the Court granted on August 6, 2013. A motion to dismiss was filed on September 9, 2013. On October 25, 2013, plaintiffs filed an amended complaint seeking to limit the putative class to New York account holders. A motion to dismiss the amended complaint was filed in February 2014. In August 2014, the Court entered an order granting in part PCB s motion to dismiss. The sole surviving claim relates to PCB s item processing policy. On September 10, 2014, plaintiffs filed a motion for leave to file a second amended complaint to correct certain deficiencies noted in the court s decision and order. PCB subsequently filed a motion in opposition to plaintiff s motion for leave to amend and further sought to compel arbitration. In June 2015, this matter was reassigned to a new judge and on July 22, 2015, such Court denied PCB s motion to compel arbitration and granted plaintiffs motion for leave to amend the complaint to replead certain claims based on item processing reordering, misstatement of balance information and failure to notify customers in advance of potential overdrafts. The Court did not, however, allow plaintiffs to replead their claim for the alleged breach of the implied covenant of good faith and fair dealing. On August 12, 2015, the Plaintiffs filed a second amended complaint. On August 24, 2015, PCB filed a Notice of Appeal as to the order granting leave to file the second amended complaint and on September 17, 2015, it filed a motion to dismiss the second amended complaint. On February 18, 2016, the Court granted in part and denied in part PCB s pending motion to dismiss. The Court dismissed plaintiffs unfair and deceptive acts and trade practices claim to the extent it sought to recover overdraft fees incurred prior to September 2011. On March 28, 2016, PCB filed an answer to second amended complaint and on April 7, 2016, it filed a notice of appeal the partial denial of PCB s motion to dismiss. Plaintiffs are to file a motion requesting class certification by August 19, 2016. Discovery is ongoing.

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

BPPR and Popular Securities have also been named defendants in a putative class action complaint captioned *Nora Fernandez, et al. v. UBS, et al.*, filed in the United States District Court for the Southern District of New York (SDNY) on May 5, 2014 on behalf of investors in 23 Puerto Rico closed-end investment companies. UBS Financial Services Incorporated of Puerto Rico, another named defendant, is the sponsor and co-sponsor of all 23 funds, while BPPR was co-sponsor, together with UBS, of nine (9) of those funds. Plaintiffs allege breach of fiduciary duty and breach of contract against Popular Securities, aiding and abetting breach of fiduciary duty against BPPR, and similar claims against the UBS entities. The complaint seeks unspecified damages, including disgorgement of fees and attorneys fees. On May 30, 2014, plaintiffs voluntarily dismissed their class action in the SDNY and on that same date, they filed a virtually identical complaint in the USDC-PR and requested that the case be consolidated with the matter of *In re: UBS Financial Services Securities Litigation*, a class action currently pending before the USDC-PR in which neither BPPR nor Popular Securities are parties. The UBS defendants filed an opposition to the consolidation request and moved to transfer the case back to the SDNY on the ground that the relevant agreements between the parties contain a choice of forum clause, with New York as the selected forum. The Popular defendants joined this opposition and motion. By order dated January 30, 2015, the court denied the plaintiffs motion to consolidate. By order dated March 30, 2015, the court granted defendants motion to transfer. On May 8, 2015, plaintiffs filed an amended complaint in the SDNY containing virtually identical allegations with respect to Popular Securities and

BPPR. Defendants filed motions to dismiss the amended complaint on June 18, 2015. Those motions remain pending to date.

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

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

On November 23, 2015, the parties attended a mediation session, as a result of which the parties agreed to settle this matter for an immaterial amount, with BPPR contributing approximately $45,000. On February 22, 2016, the RadioShack defendants submitted an opposition to the bar provisions of BPPR s proposed settlement whereby they conditioned such settlement to BPPR s agreement to a proportional methodology to any subsequent settlement. Under this scenario, BPPR could remain potentially liable for an additional proportional amount, should plaintiffs appeal the dismissal of their claim and win on appeal. A settlement fairness hearing has been set for July 18, 2016.

Other Matters

The volatility in prices and declines in value that Puerto Rico municipal bonds and closed-end investment companies that invest primarily in Puerto Rico municipal bonds have experienced since August 2013 have led to regulatory inquiries, customer complaints and arbitrations for most broker-dealers in Puerto Rico, including Popular Securities, a wholly owned subsidiary of the Corporation. Popular Securities has received customer complaints and is named as a respondent (among other broker-dealers) in 56 arbitration proceedings with aggregate claimed damages of approximately $136 million, including one arbitration with claimed damages of $78 million in which one other Puerto Rico broker-dealer is a co-defendant. The proceedings are in their early stages and it is the view of the Corporation that Popular Securities has meritorious defenses to the claims asserted. The Government s recent announcements regarding its ability to pay its debt and its intention to pursue a comprehensive debt restructuring, including specifically its decision on May 2, 2016 to declare a moratorium on certain principal payments on bonds issued by Government Development Bank for Puerto Rico (the GDB), may increase the number of customer complaints (and claimed damages) against Popular Securities concerning Puerto Rico bonds, including bonds issued by GDB, and closed-end investment companies that invest primarily in Puerto Rico bonds. An adverse result in the matters described above or a significant increase in customer complaints could have a material adverse effect on Popular.

As mortgage lenders, the Corporation and its subsidiaries from time to time receive requests for information from departments of the U.S. government that investigate mortgage-related conduct. In particular, the BPPR has received subpoenas and other requests for information from the Federal Housing Finance Agency s Office of the Inspector General, the Civil Division of the Department of Justice and the Special Inspector General for the Troubled Asset Relief Program concerning mortgages and real estate appraisals in Puerto Rico. The Corporation is cooperating with these requests.

Other Significant Proceedings

As described under Note 11 FDIC loss share asset and true-up payment obligation , in connection with the Westernbank FDIC-assisted transaction, on April 30, 2010, BPPR entered into loss share agreements with the FDIC with respect to the covered loans and other real estate owned (OREO) that it acquired in the transaction. Pursuant to the terms of the loss share agreements, the FDIC s obligation to reimburse BPPR for losses with respect to covered assets begins with the first dollar of loss incurred. The FDIC reimburses BPPR for 80% of losses with respect to covered assets, and BPPR reimburses the FDIC for 80% of recoveries with respect to losses for which the FDIC paid 80% reimbursement under those loss share agreements. The loss share agreements contain specific terms and conditions regarding the management of the covered assets that BPPR must follow in order to receive reimbursement for losses from the FDIC. BPPR believes that it has complied with such terms and conditions. The loss share agreement applicable to the covered commercial and OREO described below provides for loss sharing by the FDIC through the quarter ending June 30, 2015 and for reimbursement to the FDIC for recoveries through the quarter ending June 30, 2018.

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

OREO. In accordance with the terms of the commercial loss share agreement, BPPR applied a methodology for charge-offs for late stage real-estate-collateral-dependent loans that conforms to its regulatory supervisory criteria and is calculated in accordance with BPPR s charge-off policy for non-covered assets. The FDIC stated that it believed that BPPR should use a different methodology for those charge-offs. Notwithstanding the FDIC s refusal to reimburse BPPR for certain shared-loss claims, BPPR had continued to calculate shared-loss claims for quarters subsequent to June 30, 2012 in accordance with its charge-off policy for non-covered assets.

BPPR s loss share agreements with the FDIC specify that disputes can be submitted to arbitration before a review board under the commercial arbitration rules of the American Arbitration Association. On July 31, 2013, BPPR filed a statement of claim with the American Arbitration Association requesting that a review board determine certain matters relating to the loss-share claims under its commercial loss share agreement with the FDIC, including that the review board award BPPR the amounts owed under its unpaid quarterly certificates. The statement of claim also included requests for reimbursement of certain valuation adjustments for discounts to appraised values, costs to sell troubled assets and other items. The review board was comprised of one arbitrator appointed by BPPR, one arbitrator appointed by the FDIC and a third arbitrator selected by agreement of those arbitrators.

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

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

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

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

BPPR disagrees with the FDIC s characterization of the November and December 2014 portfolio sale proposals and with the FDIC s interpretation of the commercial loss share agreement provision governing portfolio sales. Accordingly, on March 13, 2015, BPPR delivered to the FDIC a notice of dispute under the commercial loss share agreement. On June 8, 2015, BPPR filed a statement of claim with the American Arbitration Association requesting that a review board resolve the disputes concerning those proposed portfolio sales. On June 15, 2015, BPPR amended its statement of claim to include a claim for the FDIC-R s refusal to timely concur in the third sale proposed in March 2015. On June 29, 2015, the FDIC informed BPPR that it would reimburse the bank for losses arising from the primary portfolio of the third proposed sale, but only subject to conditions to which BPPR objected. The FDIC also informed BPPR that it would not concur in the sale of the remainder (the secondary portfolio) of the third proposed sale or in the fourth proposed sale. On September 4, 2015, BPPR filed a second amended statement of claim concerning the FDIC s refusal to concur in the third and fourth portfolio sales as proposed by BPPR. On November 25, 2015, BPPR conducted an auction sale of the loans in the primary portfolio of the third proposed sale and intends to submit a claim for reimbursement of the losses arising from that sale. The review board in the arbitration concerning the proposed portfolio sales is comprised of one arbitrator appointed by BPPR, one arbitrator appointed by the FDIC and a third arbitrator selected by agreement of those arbitrators. The arbitration hearing is scheduled to be held in the fall of 2016.

On November 12, 2015, the FDIC notified BPPR that it (a) would deny certain claims included in BPPR s Second Quarter 2015 Quarterly Certificate and (b) withhold payment of approximately $5.5 million attributed to the $6.9 million in losses claimed under the denied claims. In support of its denial, the FDIC alleged that BPPR did not comply with its obligation under the commercial loss share agreement, including compliance with certain provisions of GAAP, acting in accordance with prudent banking practices, managing Shared-Loss Assets in the same manner as BPPR s non-Shared-Loss Assets, and using best efforts to maximize collections on the Shared-Loss Assets. BPPR disagrees with the FDIC s allegations relating to the denied claims included in BPPR s Second Quarter 2015 Quarterly Certificate, and accordingly, on January 27, 2016 delivered to the FDIC a notice of dispute under the commercial loss share agreement.

The shared-loss arrangement described above expired on June 30, 2015. As of March 31, 2016, BPPR had unreimbursed loss claims related to the commercial loss-sharing arrangement amounting to approximately $149 million, reflected in the FDIC indemnification asset as a receivable from the FDIC, which are subject to the arbitration proceedings described above. This figure may continue to increase to the extent that the assets that are the subject of the portfolio sales arbitration further decline in value. Until these disputes are finally resolved, the terms of the commercial loss share agreement will remain in effect with respect to any such items under dispute. No assurance can be given that we will receive reimbursement from the FDIC with respect to the foregoing items, which could require us to make a material adjustment to the value of our loss share asset and the related true up payment obligation to the FDIC and could have a material adverse effect on our financial results for the period in which such adjustment is taken.

The loss sharing agreement applicable to single-family residential mortgage loans provides for FDIC loss sharing and BPPR reimbursement to the FDIC for ten years (ending on June 30, 2020), and the loss sharing agreement applicable to commercial and other assets provides for FDIC loss sharing and BPPR reimbursement to the FDIC for five years (which ended on June 30, 2015), with additional recovery sharing for three years thereafter. As of March 31, 2016, the carrying value of covered loans approximated $625 million, mainly comprised of single-family residential mortgage loans. To the extent that estimated losses on covered loans are not realized before the expiration of the applicable loss sharing agreement, such losses would not be subject to reimbursement from the FDIC and, accordingly, would require us to make a material adjustment in the value of our loss share asset and the related true up payment obligation to the FDIC and could have a material adverse effect on our financial results for the period in which such adjustment is taken.

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Note 24 Non-consolidated variable interest entities

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

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

ASU 2009-17 requires that an ongoing primary beneficiary assessment should be made to determine whether the Corporation is the primary beneficiary of any of the VIEs it is involved with. The conclusion on the assessment of these trusts and guaranteed mortgage securitization transactions has not changed since their initial evaluation. The Corporation concluded that it is still not the primary beneficiary of these VIEs, and therefore, these VIEs are not required to be consolidated in the Corporation s financial statements at March 31, 2016.

The Corporation holds variable interests in these VIEs in the form of agency mortgage-backed securities and collateralized mortgage obligations, including those securities originated by the Corporation and those acquired from third parties. Additionally, the Corporation holds agency mortgage-backed securities, agency collateralized mortgage obligations and private label collateralized mortgage obligations issued by third party VIEs in which it has no other form of continuing involvement. Refer to Note 26 to the consolidated financial statements for additional information on the debt securities outstanding at March 31, 2016 and December 31, 2015, which are classified as available-for-sale and trading securities in the Corporation s consolidated statements of financial condition. In addition, the Corporation may retain the right to service the transferred loans in those government-sponsored special purpose entities (SPEs) and may also purchase the right to service loans in other government-sponsored SPEs that were transferred to those SPEs by a third-party. Pursuant to ASC Subtopic 810-10, the servicing fees that the Corporation receives for its servicing role are considered variable interests in the VIEs since the servicing fees are subordinated to the principal and interest that first needs to be paid to the mortgage-backed securities investors and to the guaranty fees that need to be paid to the federal agencies.

The following table presents the carrying amount and classification of the assets related to the Corporation s variable interests in non-consolidated VIEs and the maximum exposure to loss as a result of the Corporation s involvement as servicer with non-consolidated VIEs at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016	December 31, 2015
Assets		
Servicing assets:		
Mortgage servicing rights	$ 156,250	$ 163,224
Total servicing assets	$ 156,250	$ 163,224
Other assets:		
Servicing advances	$ 21,941	$ 24,431
Total other assets	$ 21,941	$ 24,431
Total assets	$ 178,191	$ 187,655
Maximum exposure to loss	$ 178,191	$ 187,655

The size of the non-consolidated VIEs, in which the Corporation has a variable interest in the form of servicing fees, measured as the total unpaid principal balance of the loans, amounted to $12.7 billion at March 31, 2016 (December 31, 2015 $12.8 billion).

Maximum exposure to loss represents the maximum loss, under a worst case scenario, that would be incurred by the Corporation, as servicer for the VIEs, assuming all loans serviced are delinquent and that the value of the Corporation s interests and any associated collateral declines to zero, without any consideration of recovery. The Corporation determined that the maximum exposure to loss includes the fair value of the MSRs and the assumption that the servicing advances at March 31, 2016 and December 31, 2015, will not be recovered. The agency debt securities are not included as part of the maximum exposure to loss since they are guaranteed by the related agencies.

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

BPPR provided financing to the joint venture for the acquisition of the loans in an amount equal to the sum of 57 % of the purchase price of the loans, or $84 million, and $2 million of closing costs, for a total acquisition loan of $86 million (the acquisition loan). The acquisition loan has a 5-year maturity and bears a variable interest at 30-day LIBOR plus 300 basis points and is secured by a pledge of all of the acquiring entity s assets. In addition, BPPR provided the joint venture with a non-revolving advance facility (the advance facility) of $68.5 million to cover unfunded commitments and costs-to-complete related to certain construction projects, and a revolving working capital line (the working capital line) of $20 million to fund certain operating expenses of the joint venture. Cash proceeds received by the joint venture are first used to cover debt service payments for the acquisition loan, advance facility, and the working capital line described above which must be paid in full before proceeds can be used for other purposes. The distributable cash proceeds are determined based on a pro-rata basis in accordance with the respective equity ownership percentages. BPPR s equity interest in the joint venture ranks pari-passu with those of other parties involved. As part of the transaction executed in September 2011, BPPR received $ 48 million in cash and a 24.9 % equity interest in the joint venture. The Corporation is not required to provide any other financial support to the joint venture.

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

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

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

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The initial fair value of the Corporation s equity interest in the joint venture was determined based on the fair value of the loans and real estate owned transferred to the joint venture of $148 million which represented the purchase price of the loans agreed by the

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

The following table presents the carrying amount and classification of the assets and liabilities related to the Corporation s variable interests in the non-consolidated VIE, PRLP 2011 Holdings, LLC, and its maximum exposure to loss at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016		December 31, 2015	
Assets				
Loans held-in-portfolio:				
Advances under the working capital line	$		$	579
Advances under the advance facility				401
Total loans held-in-portfolio	$		$	980
Accrued interest receivable	$		$	10
Other assets:				
Investment in PRLP 2011 Holdings LLC	$	10,749	$	13,069
Total assets	$	10,749	$	14,059
Deposits	$	(3,347)	$	(18,808)
Total liabilities	$	(3,347)	$	(18,808)
Total net assets (liabilities)	$	7,402	$	(4,749)
Maximum exposure to loss	$	7,402	$	

The Corporation determined that the maximum exposure to loss under a worst case scenario at March 31, 2016 would be not recovering the equity interest held by the Corporation, net of the deposits.

On March 25, 2013, BPPR completed a sale of assets with a book value of $509.0 million, of which $500.6 million were in non-performing status, comprised of commercial and construction loans, and commercial and single family real estate owned, with a combined unpaid principal balance on loans and appraised value of other real estate owned of approximately $987.0 million to a newly created joint venture, PR Asset Portfolio 2013-1. The joint venture was created for the limited purpose of acquiring the loans from BPPR; servicing the loans through a third-party servicer; ultimately working out, resolving and/or foreclosing the loans; and indirectly owning, operating, constructing, developing, leasing and selling any real properties acquired by the joint venture through deed in lieu of foreclosure, foreclosure, or by resolution of any loan.

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

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

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

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

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

The following table presents the carrying amount and classification of the assets and liabilities related to the Corporation s variable interests in the non-consolidated VIE, PR Asset Portfolio 2013-1 International, LLC, and its maximum exposure to loss at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016	December 31, 2015
Assets		
Loans held-in-portfolio:		
Acquisition loan	$ 9,932	$ 35,121
Advances under the working capital line	829	885
Advances under the advance facility	24,267	22,296
Total loans held-in-portfolio	$ 35,028	$ 58,302
Accrued interest receivable	$ 130	$ 169
Other assets:		
Investment in PR Asset Portfolio 2013-1 International, LLC	$ 24,572	$ 25,094
Total assets	$ 59,730	$ 83,565
Deposits	$ (10,360)	$ (11,772)
Total liabilities	$ (10,360)	$ (11,772)
Total net assets	$ 49,370	$ 71,793

Maximum exposure to loss	$	49,370	$	71,793

The Corporation determined that the maximum exposure to loss under a worst case scenario at March 31, 2016 would be not recovering the carrying amount of the acquisition loan, the advances on the advance facility and working capital line, if any, and the equity interest held by the Corporation, net of the deposits.

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Note 25 Related party transactions

EVERTEC

The Corporation has an investment in EVERTEC, Inc. (EVERTEC), which provides various processing and information technology services to the Corporation and its subsidiaries and gives BPPR access to the ATH network owned and operated by EVERTEC. As of March 31, 2016, the Corporation s stake in EVERTEC was 15.58%.The Corporation continues to have significant influence over EVERTEC. Accordingly, the investment in EVERTEC is accounted for under the equity method and is evaluated for impairment if events or circumstances indicate that a decrease in value of the investment has occurred that is other than temporary.

As disclosed in its recent SEC filings, EVERTEC has announced that it will restate its financial statements as of December 31, 2014 and 2013 and for the three year period ending in December 31, 2014 and as of the end of and for each quarterly period in 2014 and 2015. Specifically, EVERTEC identified an accounting position that required reevaluation with respect to a net operating loss pertaining to certain 2010 expenditures. These expenditures resulted in a deferred tax asset of approximately $14 million as of December 31, 2010 which is being reevaluated along with any additional related tax liabilities and the impact in subsequent periods. As of the date of this filing, EVERTEC has not completed its restatement of its financial statements and therefore Popular s results for the first quarter of 2016 do not include the impact of any related adjustments, which would be limited to our 15.58% ownership stake. Popular does not expect that the impact of these adjustments will have a material effect on its financial statements.

The Corporation received $ 1.2 million in dividend distributions during the quarter ended March 31, 2016 from its investments in EVERTEC s holding company (March 31, 2015 $ 1.2 million). The Corporation s equity in EVERTEC is presented in the table which follows and is included as part of other assets in the consolidated statements of financial condition.

(In thousands)	March 31, 2016	December 31, 2015
Equity investment in EVERTEC	$ 35,162	$ 33,590

The Corporation had the following financial condition balances outstanding with EVERTEC at March 31, 2016 and December 31, 2015. Items that represent liabilities to the Corporation are presented with parenthesis.

(In thousands)	March 31, 2016	December 31, 2015
Accounts receivable (Other assets)	$ 2,980	$ 3,148
Deposits	(21,322)	(23,973)
Accounts payable (Other liabilities)	(17,480)	(16,192)
Net total	$ (35,822)	$ (37,017)

The Corporation s proportionate share of income or loss from EVERTEC is included in other operating income in the consolidated statements of operations. The Corporation s proportionate share of EVERTEC s income and changes in stockholders equity was immaterial for the quarters ended March 31, 2016 and 2015.

The following tables present the impact of transactions and service payments between the Corporation and EVERTEC (as an affiliate) and their impact on the results of operations for the quarters ended March 31, 2016 and 2015. Items that represent expenses to the Corporation are presented with parenthesis.

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(In thousands)	Quarters ended March 31, 2016	2015	Category
Interest expense on deposits	$ (19)	$ (11)	Interest expense
ATH and credit cards interchange income from services to EVERTEC	6,918	6,487	Other service fees
Rental income charged to EVERTEC	1,736	1,724	Net occupancy
Processing fees on services provided by EVERTEC	(43,516)	(39,504)	Professional fees
Other services provided to EVERTEC	256	324	Other operating expenses
Total	$ (34,625)	$ (30,980)	

EVERTEC had a letter of credit issued by BPPR for an amount of $ 4.2 million at December 31, 2015, which expired on February 10, 2016.

PRLP 2011 Holdings, LLC

As indicated in Note 24 to the consolidated financial statements, the Corporation holds a 24.9 % equity interest in PRLP 2011 Holdings, LLC and currently holds certain deposits from the entity.

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

(In thousands)	March 31, 2016	December 31, 2015
Equity investment in PRLP 2011 Holdings, LLC	$ 10,749	$ 13,069

The Corporation had the following financial condition balances outstanding with PRLP 2011 Holdings, LLC at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016	December 31, 2015
Loans	$	$ 980
Accrued interest receivable		10
Deposits (non-interest bearing)	(3,347)	(18,808)
Net total	$ (3,347)	$ (17,818)

The Corporation s proportionate share of income or loss from PRLP 2011 Holdings, LLC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of income (loss) from PRLP 2011 Holdings, LLC for the quarters ended March 31, 2016 and 2015.

	Quarters ended March 31,

(In thousands)	2016	2015
Share of (loss) income from the equity investment in PRLP 2011 Holdings, LLC	$ (542)	$ 1,033

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The following table presents transactions between the Corporation and PRLP 2011 Holdings, LLC and their impact on the Corporation s results of operations for the quarters ended March 31, 2016 and 2015.

	Quarters ended March 31,		
(In thousands)	2016	2015	Category
Interest income on loan to PRLP 2011 Holdings, LLC	$ 11	$ 62	Interest income

PR Asset Portfolio 2013-1 International, LLC

As indicated in Note 24 to the consolidated financial statements, effective March 2013 the Corporation holds a 24.9 % equity interest in PR Asset Portfolio 2013-1 International, LLC and currently provides certain financing to the joint venture as well as holds certain deposits from the entity.

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

(In thousands)	March 31, 2016	December 31, 2015
Equity investment in PR Asset Portfolio 2013-1 International, LLC	$ 24,572	$ 25,094

The Corporation had the following financial condition balances outstanding with PR Asset Portfolio 2013-1 International, LLC, at March 31, 2016 and December 31, 2015.

(In thousands)	March 31, 2016	December 31, 2015
Loans	$ 35,028	$ 58,302
Accrued interest receivable	130	169
Deposits	(10,360)	(11,772)
Net total	$ 24,798	$ 46,699

The Corporation s proportionate share of income or loss from PR Asset Portfolio 2013-1 International, LLC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of loss from PR Asset Portfolio 2013-1 International, LLC for quarters ended March 31, 2016 and 2015.

	Quarters ended March 31,	
(In thousands)	2016	2015
Share of loss from the equity investment in PR Asset Portfolio 2013-1 International, LLC	$ (522)	$ (4,335)

The following table presents transactions between the Corporation and PR Asset Portfolio 2013-1 International, LLC and their impact on the Corporation s results of operations for the quarters ended March 31, 2016 and 2015.

(In thousands)	Quarters ended March 31, 2016	2015	Category
Interest income on loan to PR Asset Portfolio 2013-1 International, LLC	$ 445	$ 866	Interest income
Interest expense on deposits	(1)		Interest expense
Total	$ 444	$ 866	

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Note 26 Fair value measurement

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

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

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

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

The Corporation maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Fair value is based upon quoted market prices when available. If listed prices or quotes are not available, the Corporation employs internally-developed models that primarily use market-based inputs including yield curves, interest rates, volatilities, and credit curves, among others. Valuation adjustments are limited to those necessary to ensure that the financial instrument s fair value is adequately representative of the price that would be received or paid in the marketplace. These adjustments include amounts that reflect counterparty credit quality, the Corporation s credit standing, constraints on liquidity and unobservable parameters that are applied consistently. There have been no changes in the Corporation s methodologies used to estimate the fair value of assets and liabilities from those disclosed in the 2015 Form 10-K.

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

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Fair Value on a Recurring and Nonrecurring Basis

The following fair value hierarchy tables present information about the Corporation s assets and liabilities measured at fair value on a recurring basis at March 31, 2016 and December 31, 2015:

	At March 31, 2016			
(In thousands)	Level 1	Level 2	Level 3	Total
RECURRING FAIR VALUE MEASUREMENTS				
Assets				
Investment securities available-for-sale:				
U.S. Treasury securities	$	$ 1,323,352	$	$ 1,323,352
Obligations of U.S. Government sponsored entities		932,938		932,938
Obligations of Puerto Rico, States and political subdivisions		23,730		23,730
Collateralized mortgage obligations federal agencies		1,513,571		1,513,571
Mortgage-backed securities		2,842,284	1,422	2,843,706
Equity securities	285	2,154		2,439
Other		10,094		10,094
Total investment securities available-for-sale	$ 285	$ 6,648,123	$ 1,422	$ 6,649,830
Trading account securities, excluding derivatives:				
Obligations of Puerto Rico, States and political subdivisions	$	$ 4,307	$	$ 4,307
Collateralized mortgage obligations		217	1,783	2,000
Mortgage-backed securities federal agencies		46,716	5,397	52,113
Other		12,201	663	12,864
Total trading account securities	$	$ 63,441	$ 7,843	$ 71,284
Mortgage servicing rights	$	$	$ 205,051	$ 205,051
Derivatives		15,012		15,012
Total assets measured at fair value on a recurring basis	$ 285	$ 6,726,576	$ 214,316	$ 6,941,177
Liabilities				
Derivatives	$	$ (12,068)	$	$ (12,068)
Contingent consideration			(120,823)	(120,823)
Total liabilities measured at fair value on a recurring basis	$	$ (12,068)	$ (120,823)	$ (132,891)

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At December 31, 2015				
(In thousands)	Level 1	Level 2	Level 3	Total
RECURRING FAIR VALUE MEASUREMENTS				
Assets				
Investment securities available-for-sale:				
U.S. Treasury securities	$	$ 1,183,328	$	$ 1,183,328
Obligations of U.S. Government sponsored entities		939,641		939,641
Obligations of Puerto Rico, States and political subdivisions		22,359		22,359
Collateralized mortgage obligations federal agencies		1,560,837		1,560,837
Mortgage-backed securities		2,342,762	1,434	2,344,196
Equity securities	276	2,122		2,398
Other		10,233		10,233
Total investment securities available-for-sale	$ 276	$ 6,061,282	$ 1,434	$ 6,062,992
Trading account securities, excluding derivatives:				
Obligations of Puerto Rico, States and political subdivisions	$	$ 4,590	$	$ 4,590
Collateralized mortgage obligations		223	1,831	2,054
Mortgage-backed securities federal agencies		44,701	6,454	51,155
Other		13,173	687	13,860
Total trading account securities	$	$ 62,687	$ 8,972	$ 71,659
Mortgage servicing rights	$	$	$ 211,405	$ 211,405
Derivatives		16,959		16,959
Total assets measured at fair value on a recurring basis	$ 276	$ 6,140,928	$ 221,811	$ 6,363,015
Liabilities				
Derivatives	$	$ (14,343)	$	$ (14,343)
Contingent consideration			(120,380)	(120,380)
Total liabilities measured at fair value on a recurring basis	$	$ (14,343)	$ (120,380)	$ (134,723)

The fair value information included in the following table is not as of period end, but as of the date that the fair value measurement was recorded during the quarters ended March 31, 2016 and 2015 and excludes nonrecurring fair value measurements of assets no longer held by the Corporation.

Quarter ended March 31, 2016				
(In thousands)	Level 1	Level 2	Level 3	Total

NONRECURRING FAIR VALUE MEASUREMENTS					
Assets					Write-downs
Loans[1]	$	$	$ 30,785	$ 30,785	$ (22,850)
Loans held-for-sale[2]			1,829	1,829	(296)
Other real estate owned[3]			18,592	18,592	(3,920)
Other foreclosed assets[3]			66	66	(11)
Total assets measured at fair value on a nonrecurring basis	$	$	$ 51,272	$ 51,272	$ (27,077)

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

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

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

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(In thousands)	Quarter ended March 31, 2015 Level 1	Level 2	Level 3	Total		Write-downs
NONRECURRING FAIR VALUE MEASUREMENTS						
Assets						Write-downs
Loans[1]	$	$	$ 132,007	$ 132,007	$	(26,817)
Other real estate owned[3]		6,098	30,304	36,402		(17,936)
Other foreclosed assets[3]		20	131	151		(608)
Total assets measured at fair value on a nonrecurring basis	$	$ 6,118	$ 162,442	$ 168,560	$	(45,361)

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

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

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

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarters ended March 31, 2016 and 2015.

Quarter ended March 31, 2016

(In thousands)	MBS classified as investment securities available-for-sale	CMOs classified as trading account securities	MBS classified as trading account securities	Other securities classified as trading account securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at January 1, 2016	$ 1,434	$ 1,831	$ 6,454	$ 687	$ 211,405	$ 221,811	$ (120,380)	$ (120,380)
Gains (losses) included in earnings	(2)	(6)	89	(24)	(8,477)	(8,420)	(443)	(443)
Gains (losses) included in OCI	15					15		
Additions		174	338		2,123	2,635		
Sales		(106)	(1,120)			(1,226)		
Settlements	(25)	(110)	(364)			(499)		
Balance at March 31, 2016	$ 1,422	$ 1,783	$ 5,397	$ 663	$ 205,051	$ 214,316	$ (120,823)	$ (120,823)

Changes in unrealized gains (losses) included in earnings relating to assets still held at March 31, 2016	$		$	(3)	$	86	$	11	$	(3,866)	$	(3,772)	$	(443)	$	(443)

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(In thousands)	Quarter ended March 31, 2015 MBS classified as securities available-for-sale	CMOs classified as trading account securities	MBS classified as trading account securities	Other securities classified as trading account securities	Mortgage servicing rights	Total assets	Contingent consideration	Total liabilities
Balance at January 1, 2015	$ 1,325	$ 1,375	$ 6,229	$ 1,563	$ 148,694	$ 159,186	$ (133,634)	$ (133,634)
Gains (losses) included in earnings	(8)	(2)	16	(19)	(4,929)	(4,942)	4,164	4,164
Additions	118		130		5,259	5,507		
Sales		(44)	(80)			(124)		
Settlements		(87)	(74)			(161)		
Balance at March 31, 2015	$ 1,435	$ 1,242	$ 6,221	$ 1,544	$ 149,024	$ 159,466	$ (129,470)	$ (129,470)
Changes in unrealized gains (losses) included in earnings relating to assets still held at March 31, 2015	$	$ (2)	$ 18	$ 23	$ (684)	$ (645)	$ 4,164	$ 4,164

There were no transfers in and/or out of Level 1, Level 2, or Level 3 for financial instruments measured at fair value on a recurring basis during the quarters ended March 31, 2016 and 2015.

Gains and losses (realized and unrealized) included in earnings for the quarters ended March 31, 2016 and 2015 for Level 3 assets and liabilities included in the previous tables are reported in the consolidated statements of operations as follows:

(In thousands)	Quarter ended March 31, 2016 Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date	Quarter ended March 31, 2015 Total gains (losses) included in earnings	Changes in unrealized gains (losses) relating to assets still held at reporting date
Interest income	$ (2)	$	$ (8)	$
FDIC loss share (expense) income	(443)	(443)	4,164	4,164
Other service fees	(8,477)	(3,866)	(4,929)	(684)
Trading account (loss) profit	59	94	(5)	39
Total	$ (8,863)	$ (4,215)	$ (778)	$ 3,519

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

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(In thousands)	Fair value at March 31, 2016	Valuation technique	Unobservable inputs	Weighted average (range)
CMO s - trading	$ 1,783	Discounted cash flow model	Weighted average life	2.9 years (0.4 - 4.6 years)
			Yield	3.8% (1.1% - 4.7%)
			Prepayment speed	20.8% (18.0% - 24.1%)
Other - trading	$ 663	Discounted cash flow model	Weighted average life	5.4 years
			Yield	12.2%
			Prepayment speed	10.8%
Mortgage servicing rights	$ 205,051	Discounted cash flow model	Prepayment speed	6.4% (0.2% - 12.0%)
			Weighted average life	6.6 years (0.1 - 15.8 years)
			Discount rate	11.2% (9.5% - 15.0%)
Contingent consideration	$ (120,188)	Discounted cash flow model	Credit loss rate on covered loans	2.9% (0.0% - 100.0%)
			Risk premium component of discount rate	6.9%
Loans held-in-portfolio	$ 30,785[1]	External appraisal	Haircut applied on external appraisals	40.0% (39.7% - 40.0%)
Other real estate owned	$ 18,368[2]	External appraisal	Haircut applied on external appraisals	20.1% (10.0% - 40.0%)

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

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

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

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Note 27 Fair value of financial instruments

The fair value of financial instruments is the amount at which an assets or obligations could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For those financial instruments with no quoted market prices available, fair values have been estimated using present value calculations or other valuation techniques, as well as management s best judgment with respect to current economic conditions, including discount rates, estimates of future cash flows, and prepayment assumptions. Many of these estimates involve various assumptions and may vary significantly from amounts that could be realized in actual transactions.

The fair values reflected herein have been determined based on the prevailing rate environment at March 31, 2016 and December 31, 2015, as applicable. In different interest rate environments, fair value estimates can differ significantly, especially for certain fixed rate financial instruments. In addition, the fair values presented do not attempt to estimate the value of the Corporation s fee generating businesses and anticipated future business activities, that is, they do not represent the Corporation s value as a going concern.

The following tables present the carrying amount, or notional amounts, as applicable, and estimated fair values of financial instruments with their corresponding level in the fair value hierarchy. The aggregate fair value amounts of the financial instruments disclosed do not represent management s estimate of the underlying value of the Corporation.

	March 31, 2016				
(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Fair value
Financial Assets:					
Cash and due from banks	$ 409,623	$ 409,623	$	$	$ 409,623
Money market investments	1,917,460	1,808,513	108,947		1,917,460
Trading account securities, excluding derivatives[1]	71,284		63,441	7,843	71,284
Investment securities available-for-sale[1]	6,649,830	285	6,648,123	1,422	6,649,830
Investment securities held-to-maturity:					
Obligations of Puerto Rico, States and political subdivisions	$ 97,130	$	$	$ 78,849	$ 78,849
Collateralized mortgage obligation-federal agency	86			91	91
Other	2,000		1,736	238	1,974
Total investment securities held-to-maturity	$ 99,216	$	$ 1,736	$ 79,178	$ 80,914
Other investment securities:					
FHLB stock	$ 55,817	$	$ 55,817	$	$ 55,817
FRB stock	93,086		93,086		93,086
Trust preferred securities	13,198		13,198		13,198
Other investments	1,923			5,010	5,010

Total other investment securities	$	164,024	$		$	162,101	$	5,010	$	167,111
Loans held-for-sale	$	125,315	$		$		$	126,872	$	126,872
Loans not covered under loss sharing agreement with the FDIC		21,999,310						20,633,219		20,633,219
Loans covered under loss sharing agreements with the FDIC		595,085						553,280		553,280
FDIC loss share asset		219,448						235,943		235,943
Mortgage servicing rights		205,051						205,051		205,051
Derivatives		15,012				15,012				15,012

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(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Fair value
	March 31, 2016				
Financial Liabilities:					
Deposits:					
Demand deposits	$ 19,648,830	$	$ 19,648,830	$	$ 19,648,830
Time deposits	7,877,763		7,855,406		7,855,406
Total deposits	$ 27,526,593	$	$ 27,504,236	$	$ 27,504,236
Federal funds purchased and assets sold under agreements to repurchase	$ 760,154	$	$ 762,053	$	$ 762,053
Other short-term borrowings[2]	$ 6,370	$	$ 6,370	$	$ 6,370
Notes payable:					
FHLB advances	$ 682,161	$	$ 708,394	$	$ 708,394
Unsecured senior debt securities	443,225		421,463		421,463
Junior subordinated deferrable interest debentures (related to trust preferred securities)	439,303		351,345		351,345
Others	18,779			18,779	18,779
Total notes payable	$ 1,583,468	$	$ 1,481,202	$ 18,779	$ 1,499,981
Derivatives	$ 12,068	$	$ 12,068	$	$ 12,068
Contingent consideration	$ 120,823	$	$	$ 120,823	$ 120,823

(In thousands)	**Notional amount**	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Commitments to extend credit	$ 7,532,634	$	$	$ 518	$ 518
Letters of credit	37,812			767	767

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	December 31, 2015				
(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Fair value
Financial Assets:					
Cash and due from banks	$ 363,674	$ 363,674	$	$	$ 363,674
Money market investments	2,180,092	2,083,839	96,253		2,180,092
Trading account securities, excluding derivatives[1]	71,659		62,687	8,972	71,659
Investment securities available-for-sale[1]	6,062,992	276	6,061,282	1,434	6,062,992
Investment securities held-to-maturity:					
Obligations of Puerto Rico, States and political subdivisions	98,817			80,815	80,815
Collateralized mortgage obligation-federal agency	86			91	91
Other	2,000		1,740	243	1,983
Total investment securities held-to-maturity	$ 100,903	$	$ 1,740	$ 81,149	$ 82,889
Other investment securities:					
FHLB stock	$ 59,387	$	$ 59,387	$	$ 59,387
FRB stock	97,740		97,740		97,740
Trust preferred securities	13,198		13,198		13,198
Other investments	1,923			4,966	4,966
Total other investment securities	$ 172,248	$	$ 170,325	$ 4,966	$ 175,291
Loans held-for-sale	$ 137,000	$	$ 1,364	$ 138,031	$ 139,395
Loans not covered under loss sharing agreement with the FDIC	21,843,180			20,849,150	20,849,150
Loans covered under loss sharing agreements with the FDIC	611,939			593,002	593,002
FDIC loss share asset	310,221			313,224	313,224
Mortgage servicing rights	211,405			211,405	211,405
Derivatives	16,959		16,959		16,959

	December 31, 2015				
(In thousands)	Carrying amount	Level 1	Level 2	Level 3	Fair value
Financial Liabilities:					
Deposits:					
Demand deposits	$ 19,044,355	$	$ 19,044,355	$	$ 19,044,355
Time deposits	8,165,368		8,134,029		8,134,029
Total deposits	$ 27,209,723	$	$ 27,178,384	$	$ 27,178,384

Federal funds purchased and assets sold under agreements to repurchase	$ 762,145	$	$ 764,599	$	$ 764,599
Other short-term borrowings[2]	$ 1,200	$	$ 1,200	$	$ 1,200
Notes payable:					
FHLB advances	761,501		780,411		780,411
Unsecured senior debt	442,704		435,186		435,186
Junior subordinated deferrable interest debentures (related to trust preferred securities)	439,295		352,673		352,673
Others	19,008			19,008	19,008
Total notes payable	$ 1,662,508	$	$ 1,568,270	$ 19,008	$ 1,587,278
Derivatives	$ 14,343	$	$ 14,343	$	$ 14,343
Contingent consideration	$ 120,380	$	$	$ 120,380	$ 120,380

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(In thousands)	Notional amount	Level 1	Level 2	Level 3	Fair value
Commitments to extend credit	$ 7,434,108	$	$	$ 1,080	$ 1,080
Letters of credit	51,710			572	572

[1] Refer to Note 26 to the consolidated financial statements for the fair value by class of financial asset and its hierarchy level.
[2] Refer to Note 18 to the consolidated financial statements for the composition of short-term borrowings.

Following is a description of the Corporation s valuation methodologies and inputs used to estimate the fair values for each class of financial assets and liabilities not measured at fair value, but for which the fair value is disclosed.

Cash and due from banks

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

Money market investments

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

Investment securities held-to-maturity

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

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

Other: Other securities include foreign debt and a private non-profit institution security. Given that the fair value was based on quoted prices for similar instruments, foreign debt is classified as Level 2. Since the fair value of the private non-profit institution security was internally derived using a price/yield methodology, in which the spread was defined based on the obligor risk rating and the corresponding transfer price, this security is classified as Level 3.

Other investment securities

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

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

Trust preferred securities: These securities represent the equity-method investment in the common stock of these trusts. Book value is the same as fair value for these securities since the fair value of the junior subordinated debentures is the same amount as the fair value of the trust preferred securities issued to the public. The equity-method investment in the common stock of these trusts is classified as Level 2.

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

Loans held-for-sale

For loans held-for-sale originated with the intent to sell in the secondary market, its fair value was determined using similar characteristics of loans and secondary market prices assuming the conversion to mortgage-backed securities. Given that the valuation methodology uses internal assumptions based on loan level data, these loans are classified as Level 3. The fair value of certain other loans held-for-sale is based on bids received from potential buyers; binding offers; or external appraisals, net of internal adjustments and estimated costs to sell. Loans held-for-sale based on binding offers are classified as Level 2. Loans held-for-sale based on indicative offers and/or external appraisals are classified as Level 3.

Loans held-in-portfolio

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

FDIC loss share asset

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

Deposits

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

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

Assets sold under agreements to repurchase

Securities sold under agreements to repurchase: Securities sold under agreements to repurchase with short-term maturities approximate fair value because of the short-term nature of those instruments. Resell and repurchase agreements with long-term maturities were valued using discounted cash flows based on the three-month LIBOR. In determining the non-performance credit risk valuation adjustment, the collateralization levels of these long-term securities sold under agreements to repurchase were considered. Securities sold under agreements to repurchase are classified as Level 2.

Other short-term borrowings

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

Notes payable

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

Unsecured senior debt securities: The fair value of publicly-traded unsecured senior debt securities was determined using recent trades of similar transactions. Publicly-traded unsecured senior debt securities are classified as Level 2.

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

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

Commitments to extend credit and letters of credit

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

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Note 28 Net income per common share

The following table sets forth the computation of net income per common share (EPS), basic and diluted, for the quarters ended March 31, 2016 and 2015:

	Quarters ended March 31,	
(In thousands, except per share information)	2016	2015
Net income from continuing operations	$ 84,999	$ 73,485
Net income from discontinued operations		1,341
Preferred stock dividends	(931)	(930)
Net income applicable to common stock	$ 84,068	$ 73,896
Average common shares outstanding	103,188,815	102,939,928
Average potential dilutive common shares	80,998	196,381
Average common shares outstanding assuming dilution	103,269,813	103,136,309
Basic EPS from continuing operations	$ 0.81	$ 0.71
Basic EPS from discontinued operations	$	$ 0.01
Total Basic EPS	$ 0.81	$ 0.72
Diluted EPS from continuing operations	$ 0.81	$ 0.71
Diluted EPS from discontinued operations	$	$ 0.01
Total Diluted EPS	$ 0.81	$ 0.72

For the quarter ended March 31, 2016 the Corporation calculated the impact of potential dilutive common shares under the treasury method, consistent with the method used for the preparation of the financial statements for the year ended December 31, 2015. For a discussion of the calculation under the treasury stock method, refer to Note 37 of the consolidated financial statements included in the 2015 Form 10-K.

For the quarters ended March 31, 2016 and 2015, there were no stock options outstanding.

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Note 29 Other service fees

The caption of other services fees in the consolidated statements of operations consists of the following major categories:

	Quarters ended March 31,	
(In thousands)	2016	2015
Insurance fees	$ 12,850	$ 12,041
Credit card fees	16,858	16,149
Debit card fees	11,287	11,125
Sale and administration of investment products	4,839	5,930
Trust fees	4,235	4,602
Other fees	3,313	3,779
Total other service fees	$ 53,382	$ 53,626

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Note 30 FDIC loss share (expense) income

The caption of FDIC loss-share (expense) income in the consolidated statements of operations consists of the following major categories:

(In thousands)	Quarters ended March 31, 2016	2015
Amortization of loss share indemnification asset	$ (4,042)	$ (27,316)
80% mirror accounting on credit impairment losses (reversal)[1]	(2,093)	8,246
80% mirror accounting on reimbursable expenses	3,950	21,545
80% mirror accounting on recoveries on covered assets, including rental income on OREOs, subject to reimbursement to the FDIC	(645)	(2,619)
Change in true-up payment obligation	(443)	4,164
Other	127	119
Total FDIC loss share (expense) income	$ (3,146)	$ 4,139

[1] Reductions in expected cash flows for ASC 310-30 loans, which may impact the provision for loan losses, may consider reductions in both principal and interest cash flow expectations. The amount covered under the FDIC loss sharing agreements for interest not collected from borrowers is limited under the agreements (approximately 90 days); accordingly, these amounts are not subject fully to the 80% mirror accounting.

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Note 31 Pension and postretirement benefits

The Corporation has a non-contributory defined benefit pension plan and supplementary pension benefit restoration plans for regular employees of certain of its subsidiaries. The accrual of benefits under the plans is frozen to all participants.

The components of net periodic pension cost for the periods presented were as follows:

	Pension Plan		Benefit Restoration Plans	
	Quarters ended March 31,		Quarters ended March 31,	
(In thousands)	2016	2015	2016	2015
Interest cost	$ 6,291	$ 7,403	$ 348	$ 407
Expected return on plan assets	(9,623)	(11,056)	(538)	(589)
Amortization of net loss	4,880	4,465	331	311
Total net periodic pension cost (benefit)	$ 1,548	$ 812	$ 141	$ 129

During the quarter ended March 31, 2016 the Corporation made a contribution to the benefit restoration plans of $43 thousand. The total contributions expected to be paid during the year 2016 for the pension and benefit restoration plans amount to approximately $173 thousand.

The Corporation also provides certain postretirement health care benefits for retired employees of certain subsidiaries. The table that follows presents the components of net periodic postretirement benefit cost.

	Quarters ended March 31,	
(In thousands)	2016	2015
Service cost	$ 289	$ 368
Interest cost	1,505	1,589
Amortization of prior service cost	(950)	(950)
Amortization of net loss	275	249
Total postretirement cost	$ 1,119	$ 1,256

Contributions made to the postretirement benefit plan for the quarter ended March 31, 2016 amounted to approximately $1.6 million. The total contributions expected to be paid during the year 2016 for the postretirement benefit plan amount to approximately $6.4 million.

Note 32 Stock-based compensation

The Corporation maintained a Stock Option Plan (the Stock Option Plan), which permitted the granting of incentive awards in the form of qualified stock options, incentive stock options, or non-statutory stock options of the Corporation. In April 2004, the Corporation s shareholders adopted the Popular, Inc. 2004 Omnibus Incentive Plan (the Incentive Plan), which replaced and superseded the Stock Option Plan. The adoption of the Incentive Plan did not alter the original terms of the grants made under the Stock Option Plan prior to the adoption of the Incentive Plan.

Stock Option Plan

Employees and directors of the Corporation or any of its subsidiaries were eligible to participate in the Stock Option Plan. The Board of Directors or the Compensation Committee of the Board had the absolute discretion to determine the individuals that were eligible to participate in the Stock Option Plan. This plan provided for the issuance of Popular, Inc. s common stock at a price equal to its fair market value at the grant date, subject to certain plan provisions. The shares are to be made available from authorized but unissued shares of common stock or treasury stock. The Corporation s policy has been to use authorized but unissued shares of common stock to cover each grant. The maximum option term is ten years from the date of grant. Unless an option agreement provides otherwise, all options granted are 20% exercisable after the first year and an additional 20% is exercisable after each subsequent year, subject to an acceleration clause at termination of employment due to retirement.

As of March 31, 2016 there were no stock options outstanding. During the quarter ended March 31, 2015, all stock options outstanding which amounted to 44,797 with a weighted average exercise price of $ 272 expired.

Incentive Plan

The Incentive Plan permits the granting of incentive awards in the form of Annual Incentive Awards, Long-term Performance Unit Awards, Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units or Performance Shares. Participants in the Incentive Plan are designated by the Compensation Committee of the Board of Directors (or its delegate as determined by the Board). Employees and directors of the Corporation and/or any of its subsidiaries are eligible to participate in the Incentive Plan.

Under the Incentive Plan, the Corporation has issued restricted shares, which become vested based on the employees continued service with Popular. Unless otherwise stated in an agreement, the compensation cost associated with the shares of restricted stock is determined based on a two-prong vesting schedule. The first part is vested ratably over five years commencing at the date of grant and the second part is vested at termination of employment after attainment of 55 years of age and 10 years of service. The five-year vesting part is accelerated at termination of employment after attaining 55 years of age and 10 years of service. The vesting schedule for restricted shares granted on or after 2014 was modified as follows, the first part ratably over four years commencing at the date of the grant and the second part is vested at termination of employment after attainment of the earlier of 55 years of age and 10 years of service or 60 years of age and 5 years of service. The four year vesting part is accelerated at termination of employment after attaining the earlier of 55 years of age and 10 years of service or 60 years of age and 5 years of service. The restricted shares granted consistent with the requirements of the TARP Interim Final Rule vest in two years from grant date.

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The following table summarizes the restricted stock activity under the Incentive Plan for members of management.

(Not in thousands)	Shares	Weighted-Average Grant Date Fair Value	
Non-vested at December 31, 2014	628,009	$	27.13
Granted	323,814		33.37
Vested	(430,646)		30.45
Forfeited	(25,446)		28.65
Non-vested at December 31, 2015	495,731	$	28.25
Granted	226,098		24.05
Quantity adjusted by TSR factor	(8,914)		28.47
Vested	(256,501)		25.90
Non-vested at March 31, 2016	456,414	$	27.12

During the quarter ended March 31, 2016, 161,500 shares of restricted stock were awarded to management under the Incentive Plan. During the quarter ended March 31, 2015, no shares of restricted stock were awarded to management. No shares were awarded consistent with the requirements of the TARP Interim Final Rule for the quarters ended March 31, 2016 and 2015.

Beginning in 2015, the Corporation authorized the issuance of performance shares, in addition to restricted shares, under the Incentive Plan. The performance share awards consist of the opportunity to receive shares of Popular, Inc. s common stock provided that the Corporation achieves certain goals during a three-year performance cycle. The goals will be based on two metrics weighted equally: the Relative Total Shareholder Return (TSR) and the Absolute Earnings per Share (EPS) goals. The TSR metric is considered to be a market condition under ASC 718. For equity settled awards based on a market condition, the fair value is determined as of the grant date and is not subsequently revised based on actual performance. The EPS performance metric is considered to be a performance condition under ASC 718. The fair value is determined based on the probability of achieving the EPS goal as of each reporting period. The TSR and EPS metrics are equally weighted and work independently. The number of shares that will ultimately vest ranges from 50% to a 150% of target based on both market (TSR) and performance (EPS) conditions. The performance shares vest at the end of the three-year performance cycle. The vesting is accelerated at termination of employment after attaining the earlier of 55 years of age and 10 years of service or 60 years of age and 5 years of service. For the quarter ended March 31, 2016, 64,598 performance shares were granted under this plan.

During the quarter ended March 31, 2016, the Corporation recognized $ 3.7 million of restricted stock expense related to management incentive awards, with a tax benefit of $ 0.5 million (March 31, 2015 $ 2.0 million, with a tax benefit of $ 0.3 million). For the quarter ended March 31, 2016, the fair market value of the restricted stock vested was $3.6 million at grant date and $3.3 million at vesting date. This triggers a shortfall, of $0.1 million of which $31 thousand was recorded against the windfall pool in additional paid in capital. No additional shortfall was recorded for the remaining $79 thousand due to the valuation allowance of the deferred tax asset. For the quarter ended March 31, 2016, the Corporation recognized $1.0 million of performance shares expense, with a tax benefit of $0.1 million. The total unrecognized compensation cost related to non-vested restricted stock awards and performance shares to members of management at March 31, 2016 was $ 8.2 million and is expected to be recognized over a weighted-average period of 2.3 years.

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The following table summarizes the restricted stock activity under the Incentive Plan for members of the Board of Directors:

(Not in thousands)	Restricted Stock	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2014		$
Granted	22,119	32.29
Vested	(22,119)	32.29
Forfeited		
Non-vested at December 31, 2015		$
Granted	2,338	23.95
Vested	(2,338)	23.95
Forfeited		
Non-vested at March 31, 2016		$

During the quarter ended March 31, 2016, the Corporation granted 2,338 shares of restricted stock to members of the Board of Directors of Popular, Inc., which became vested at grant date (March 31, 2015   2,643). During this period, the Corporation recognized $0.1 million of restricted stock expense related to these restricted stock grants, with a tax benefit of $15 thousand (March 31, 2015 $0.1 million, with a tax benefit of $16 thousand). The fair value at vesting date of the restricted stock vested during the quarter ended March 31, 2016 for directors was $ 56 thousand.

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Note 33 Income taxes

The reason for the difference between the income tax expense applicable to income before provision for income taxes and the amount computed by applying the statutory tax rate in Puerto Rico, were as follows:

	Quarters ended			
	March 31, 2016		March 31, 2015	
(In thousands)	Amount	% of pre-tax income	Amount	% of pre-tax income
Computed income tax expense at statutory rates	$ 45,733	39%	$ 41,361	39%
Net benefit of tax exempt interest income	(15,584)	(13)	(15,027)	(14)
Deferred tax asset valuation allowance	5,273	5	5,639	5
Difference in tax rates due to multiple jurisdictions	(864)	(1)	(275)	
Effect of income subject to preferential tax rate	(3,414)	(3)	(2,471)	(2)
State and local taxes	2,927	3	1,331	1
Others	(1,806)	(2)	2,010	2
Income tax expense	$ 32,265	28%	$ 32,568	31%

The following table presents a breakdown of the significant components of the Corporation s deferred tax assets and liabilities.

(In thousands)	March 31, 2016	December 31, 2015
Deferred tax assets:		
Tax credits available for carryforward	$ 13,651	$ 13,651
Net operating loss and other carryforward available	1,264,077	1,262,197
Postretirement and pension benefits	114,866	116,036
Deferred loan origination fees	6,063	6,420
Allowance for loan losses	658,220	670,592
Deferred gains	5,688	5,966
Accelerated depreciation	8,209	8,335
Intercompany deferred gains	2,492	2,743
Difference in outside basis from pass-through entities	11,889	12,684
Other temporary differences	30,348	29,208
Total gross deferred tax assets	2,115,503	2,127,832
Deferred tax liabilities:		
FDIC-assisted transaction	92,156	90,778
Indefinite-lived intangibles	66,175	63,573
Unrealized net gain on trading and available-for-sale securities	37,662	22,281

Other temporary differences	7,232	6,670
Total gross deferred tax liabilities	203,225	183,302
Valuation allowance	637,911	642,727
Net deferred tax asset	$ 1,274,367	$ 1,301,803

The net deferred tax asset shown in the table above at March 31, 2016 is reflected in the consolidated statements of financial condition as $1.3 billion in net deferred tax assets in the Other assets caption (December 31, 2015 $1.3 billion) and $649 thousand in deferred tax liabilities in the Other liabilities caption (December 31, 2015 $649 thousand), reflecting the aggregate deferred tax assets or liabilities of individual tax-paying subsidiaries of the Corporation.

A deferred tax asset should be reduced by a valuation allowance if based on the weight of all available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or the entire deferred tax asset will not be realized. The valuation allowance should be sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized. The determination of whether a deferred tax asset is realizable is based on weighting all available evidence, including both positive and negative evidence. The realization of deferred tax assets, including carryforwards and deductible temporary differences, depends upon the existence of sufficient taxable income of the same character during the carryback or carryforward period. The analysis considers all sources of taxable income available to realize the deferred tax asset, including the future reversal of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in prior carryback years and tax-planning strategies.

During the year ended December 31, 2015, after weighting all positive and negative evidence, the Corporation concluded that it is more likely than not that a portion of the total deferred tax asset from the U.S. operations, amounting to $1.2 billion and comprised mainly of net operating losses, will be realized. The Corporation based this determination on its estimated earnings for the remaining carryforward period of eighteen years beginning with the 2016 fiscal year, available to utilize the deferred tax asset, to reduce its income tax obligations. The recent historical level of book income adjusted by permanent differences, together with the estimated earnings after the reorganization of the U.S. operations and additional estimated earnings from the Doral Bank Transaction were objective positive evidence considered by the Corporation. As of March 31, 2016 the U.S. operations are not in a three year cumulative loss position, taking into account taxable income exclusive of reversing temporary differences. All of these factors lead management to conclude that it is more likely than not that a portion of the deferred tax asset from its U.S. operations will be realized. Management will continue to evaluate the realization of the deferred tax asset each quarter and adjust as deemed necessary. At March 31, 2016 a valuation allowance is recorded on the deferred tax asset of the U.S. operation in the amount of $602 million.

At March 31, 2016, the Corporation s net deferred tax assets related to its Puerto Rico operations amounted to $730 million.

The Corporation s Puerto Rico Banking operation is not in a cumulative three year loss position, taking into account taxable income exclusive of reversing temporary differences, and has sustained profitability for the three year period ended March 31, 2016. This is considered a strong piece of objectively verifiable positive evidence that outweighs any negative evidence considered by management in the evaluation of the realization of the deferred tax asset. Based on this evidence and management s estimate of future taxable income, the Corporation has concluded that it is more likely than not that such net deferred tax asset of the Puerto Rico Banking operations will be realized.

The Holding Company operation is not in a cumulative loss taking into account taxable income exclusive of reversing temporary differences, for the three year period ended March 31, 2016. However, it has sustained losses for year ended December 31, 2015 and the period ended March 31, 2016. Management expect these losses will be a trend in early future years. The losses in recent periods together with the expected losses in future years is considered by management a strong negative evidence that will suggest that income in future years will be insufficient to support the realization of all deferred tax asset. After weighting of all positive and negative evidence management concluded, as of the reporting date, that it is more likely than not that the Holding Company will not be able to realize any portion of the deferred tax assets, considering the criteria of ASC Topic 740. Accordingly, a full valuation allowance is recorded on the deferred tax asset at the Holding Company, which amounted to $36 million as of March 31, 2016.

The reconciliation of unrecognized tax benefits was as follows:

(In millions)	2016	2015
Balance at January 1	$ 9.0	$ 8.0

Additions for tax positions - January through March	0.4	0.3
Reduction as a result of settlements - January through March		(0.5)
Balance at March 31	$ 9.4	$ 7.8

At March 31, 2016, the total amount of interest recognized in the statement of financial condition approximated $3.7 million (December 31, 2015 $3.2 million). The total interest expense recognized at March 31, 2016 was $485 thousand (December 31, 2015 $57 thousand). Management determined that at March 31, 2016 and December 31, 2015 there was no need to accrue for the payment of penalties. The Corporation s policy is to report interest related to unrecognized tax benefits in income tax expense, whiles the penalties, if any, are reported in other operating expenses in the consolidated statements of operations.

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After consideration of the effect on U.S. federal tax of unrecognized U.S. state tax benefits, the total amount of unrecognized tax benefits, including U.S. and Puerto Rico, that if recognized, would affect the Corporation s effective tax rate, was approximately $12.0 million at March 31, 2016 (December 31, 2015 $11.2 million).

The amount of unrecognized tax benefits may increase or decrease in the future for various reasons including adding amounts for current tax year positions, expiration of open income tax returns due to the statutes of limitation, changes in management s judgment about the level of uncertainty, status of examinations, litigation and legislative activity and the addition or elimination of uncertain tax positions.

The Corporation and its subsidiaries file income tax returns in Puerto Rico, the U.S. federal jurisdiction, various U.S. states and political subdivisions, and foreign jurisdictions. At March 31, 2016, the following years remain subject to examination in the U.S. Federal jurisdiction: 2012 and thereafter; and in the Puerto Rico jurisdiction, 2010 and thereafter. The Corporation anticipates a reduction in the total amount of unrecognized tax benefits within the next 12 months, which could amount to approximately $3.3 million.

Note 34 Supplemental disclosure on the consolidated statements of cash flows

Additional disclosures on cash flow information and non-cash activities for the quarters ended March 31, 2016 and March 31, 2015 are listed in the following table:

(In thousands)	March 31, 2016	March 31, 2015
Non-cash activities:		
Loans transferred to other real estate	$ 26,919	$ 30,802
Loans transferred to other property	7,693	8,979
Total loans transferred to foreclosed assets	34,612	39,781
Transfers from loans held-in-portfolio to loans held-for-sale		10,839
Transfers from loans held-for-sale to loans held-in-portfolio	3,821	4,858
Loans securitized into investment securities[1]	170,248	203,414
Trades receivable from brokers and counterparties	87,590	112,287
Trades payable to brokers and counterparties	32,774	19,097
Recognition of mortgage servicing rights on securitizations or asset transfers	2,136	2,859

[1] Includes loans securitized into trading securities and subsequently sold before quarter end.

As previously disclosed in Note 5, Business Combination, on February 27, 2015, the Corporation s Puerto Rico banking subsidiary, BPPR, in an alliance with co-bidders, including the Corporation s U.S. mainland banking subsidiary, BPNA, acquired certain assets and all deposits (other than certain brokered deposits) of Doral Bank from the FDIC as receiver. As part of this transaction, BPPR received during the quarter ended March 31, 2015 net cash proceeds of approximately $ 711 million for consideration of the assets and liabilities acquired.

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Note 35 Segment reporting

The Corporation s corporate structure consists of two reportable segments Banco Popular de Puerto Rico and Banco Popular North America. These reportable segments pertain only to the continuing operations of Popular, Inc. As previously indicated in Note 4 to the consolidated financial statements, the regional operations in California, Illinois and Central Florida were classified as discontinued operations and sold during 2014.

Management determined the reportable segments based on the internal reporting used to evaluate performance and to assess where to allocate resources. The segments were determined based on the organizational structure, which focuses primarily on the markets the segments serve, as well as on the products and services offered by the segments.

Banco Popular de Puerto Rico:

Given that Banco Popular de Puerto Rico constitutes a significant portion of the Corporation s results of operations and total assets at March 31, 2016, additional disclosures are provided for the business areas included in this reportable segment, as described below:

Commercial banking represents the Corporation s banking operations conducted at BPPR, which are targeted mainly to corporate, small and middle size businesses. It includes aspects of the lending and depository businesses, as well as other finance and advisory services. BPPR allocates funds across business areas based on duration matched transfer pricing at market rates. This area also incorporates income related with the investment of excess funds, as well as a proportionate share of the investment function of BPPR.

Consumer and retail banking represents the branch banking operations of BPPR which focus on retail clients. It includes the consumer lending business operations of BPPR, as well as the lending operations of Popular Auto and Popular Mortgage. Popular Auto focuses on auto and lease financing, while Popular Mortgage focuses principally on residential mortgage loan originations. The consumer and retail banking area also incorporates income related with the investment of excess funds from the branch network, as well as a proportionate share of the investment function of BPPR.

Other financial services include the trust and asset management service units of BPPR, the brokerage and investment banking operations of Popular Securities, and the insurance agency and reinsurance businesses of Popular Insurance, Popular Insurance V.I., Popular Risk Services, and Popular Life Re. Most of the services that are provided by these subsidiaries generate profits based on fee income.

Banco Popular North America:

Banco Popular North America s reportable segment consists of the banking operations of BPNA, E-LOAN, Popular Equipment Finance, Inc. and Popular Insurance Agency, U.S.A. BPNA operates through a retail branch network in the U.S. mainland under the name of Popular Community Bank, while E-LOAN supports BPNA s deposit gathering through its online platform. All direct lending activities at E-LOAN were ceased during 2008. During the third quarter of 2015, BPNA and E-LOAN completed an asset purchase and sale transaction in which E-LOAN sold to BPNA all of its outstanding loan portfolio, including residential mortgage loans and home equity lines of credit, which had a carrying value of approximately $213 million. Prior to this transaction, the Corporation provided additional disclosures for the BPNA reportable segment related to E-LOAN. After the close of the above mentioned asset purchase and sale transaction, additional disclosures with respect to E-LOAN are no longer considered relevant to the financial statements and accordingly are not presented. Popular Equipment Finance, Inc. also holds a running-off loan portfolio as this subsidiary ceased originating loans during 2009. Popular Insurance Agency, U.S.A. offers investment and insurance services across the BPNA branch network.

The Corporate group consists primarily of the holding companies: Popular, Inc., Popular North America, Popular International Bank and certain of the Corporation s investments accounted for under the equity method, including EVERTEC and Centro Financiero BHD, S.A. The Corporate group also includes the expenses of certain corporate areas that are identified as critical to the organization: Finance, Risk Management and Legal.

The accounting policies of the individual operating segments are the same as those of the Corporation. Transactions between reportable segments are primarily conducted at market rates, resulting in profits that are eliminated for reporting consolidated results of operations.

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The tables that follow present the results of operations and total assets by reportable segments:

2016

For the quarter ended March 31, 2016 (In thousands)	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	$ 305,350	$ 62,257	$
Provision for loan losses	40,800	4,069	
Non-interest income	98,566	4,950	
Amortization of intangibles	2,948	166	
Depreciation expense	10,197	1,333	
Other operating expenses	224,669	41,331	
Income tax expense	31,877	8,456	
Net income	$ 93,425	$ 11,852	$
Segment assets	$ 28,108,702	$ 7,880,357	$ (52,740)

For the quarter ended March 31, 2016 (In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	$ 367,607	$ (15,195)	$	$ 352,412
Provision (reversal of provision) for loan losses	44,869	(34)		44,835
Non-interest income	103,516	8,177	(63)	111,630
Amortization of intangibles	3,114			3,114
Depreciation expense	11,530	177		11,707
Other operating expenses	266,000	21,731	(609)	287,122
Income tax expense (benefit)	40,333	(8,281)	213	32,265
Net income (loss)	$ 105,277	$ (20,611)	$ 333	$ 84,999
Segment assets	$ 35,936,319	$ 4,938,750	$ (4,728,060)	$ 36,147,009

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2015

For the quarter ended March 31, 2015 (In thousands)	Banco Popular de Puerto Rico	Banco Popular North America	Intersegment Eliminations
Net interest income	$ 306,611	$ 52,101	$
Provision (reversal of provision) for loan losses	42,237	(2,202)	
Non-interest income	103,529	6,167	
Amortization of intangibles	1,998	106	
Depreciation expense	10,108	1,617	
Other operating expenses	227,576	54,484	
Income tax expense	37,448	937	
Net income	$ 90,773	$ 3,326	$
Segment assets	$ 28,803,521	$ 6,717,758	$ (128,481)

For the quarter ended March 31, 2015 (In thousands)	Reportable Segments	Corporate	Eliminations	Total Popular, Inc.
Net interest income (expense)	$ 358,712	$ (15,517)	$	$ 343,195
Provision for loan losses	40,035			40,035
Non-interest income	109,696	5,643	(104)	115,235
Amortization of intangibles	2,104			2,104
Depreciation expense	11,725	194		11,919
Other operating expenses	282,061	16,990	(732)	298,319
Income tax expense (benefit)	38,385	(6,062)	245	32,568
Net income (loss)	$ 94,098	$ (20,996)	$ 383	$ 73,485
Segment assets	$ 35,392,798	$ 4,896,192	$ (4,673,543)	$ 35,615,447

Additional disclosures with respect to the Banco Popular de Puerto Rico reportable segment are as follows:

2016

For the quarter ended March 31, 2016

Banco Popular de Puerto Rico

	Consumer	Other	Total Banco

(In thousands)	Commercial Banking	and Retail Banking	Financial Services	Eliminations	Popular de Puerto Rico
Net interest income	$ 114,903	$ 187,195	$ 1,615	$ 1,637	$ 305,350
Provision for loan losses	14,908	25,892			40,800
Non-interest income	21,731	55,608	21,311	(84)	98,566
Amortization of intangibles	22	1,836	1,090		2,948
Depreciation expense	4,275	5,691	231		10,197
Other operating expenses	57,232	150,212	17,309	(84)	224,669
Income tax expense	18,169	12,379	1,329		31,877
Net income	$ 42,028	$ 46,793	$ 2,967	$ 1,637	$ 93,425
Segment assets	$ 11,273,486	$ 17,090,030	$ 342,867	$ (597,681)	$ 28,108,702

2015

(In thousands)	For the quarter ended March 31, 2015 Banco Popular de Puerto Rico Commercial Banking	Consumer and Retail Banking	Other Financial Services	Eliminations	Total Banco Popular de Puerto Rico
Net interest income	$ 118,475	$ 186,252	$ 1,880	$ 4	$ 306,611
(Reversal of provision) provision for loan losses	(3,556)	45,793			42,237
Non-interest income	27,150	56,004	20,470	(95)	103,529
Amortization of intangibles	29	1,772	197		1,998
Depreciation expense	4,320	5,512	276		10,108
Other operating expenses	65,856	145,068	16,747	(95)	227,576
Income tax expense	26,053	9,778	1,617		37,448
Net income	$ 52,923	$ 34,333	$ 3,513	$ 4	$ 90,773
Segment assets	$ 10,056,505	$ 20,053,145	$ 486,998	$ (1,793,127)	$ 28,803,521

Geographic Information

(In thousands)	Quarter ended March 31, 2016	March 31, 2015
Revenues:[1]		
Puerto Rico	$ 380,036	$ 385,054
United States	64,640	56,710
Other	19,366	16,666
Total consolidated revenues	$ 464,042	$ 458,430

[1] Total revenues include net interest income (expense), service charges on deposit accounts, other service fees, mortgage banking activities, net gain (loss) and valuation adjustments on investment securities, trading account (loss) profit, net (loss) gain on sale of loans and valuation adjustments on loans held-for-sale, adjustments to indemnity reserves on loans sold, FDIC loss share (expense) income and other operating income.

Selected Balance Sheet Information:

(In thousands)	March 31, 2016	December 31, 2015
Puerto Rico		
Total assets	$ 27,150,601	$ 26,764,184

Loans		17,370,172		17,477,070
Deposits		21,015,800		20,893,232
United States				
Total assets	$	8,063,912	$	7,859,217
Loans		5,121,648		4,873,504
Deposits		5,445,760		5,288,886
Other				
Total assets	$	932,496	$	1,138,332
Loans		766,362		778,656
Deposits [1]		1,065,033		1,027,605

[1] Represents deposits from BPPR operations located in the U.S. and British Virgin Islands.

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Note 36 Condensed consolidating financial information of guarantor and issuers of registered guaranteed securities

The following condensed consolidating financial information presents the financial position of Popular, Inc. Holding Company (PIHC) (parent only), Popular North America, Inc. (PNA) and all other subsidiaries of the Corporation at March 31, 2016 and 2015, and the results of their operations and cash flows for periods ended March 31, 2016 and December 31, 2015.

PNA is an operating, wholly-owned subsidiary of PIHC and is the holding company of its wholly-owned subsidiaries: Equity One, Inc. and Banco Popular North America (BPNA), including BPNA s wholly-owned subsidiaries Popular Equipment Finance, Inc., Popular Insurance Agency, U.S.A., and E-LOAN, Inc.

PIHC fully and unconditionally guarantees all registered debt securities issued by PNA.

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Condensed Consolidating Statement of Financial Condition (Unaudited)

	At March 31, 2016				
(In thousands)	Popular Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Assets:					
Cash and due from banks	$ 21,133	$ 598	$ 409,315	$ (21,423)	$ 409,623
Money market investments	255,251	18,519	1,917,209	(273,519)	1,917,460
Trading account securities, at fair value	2,121		69,163		71,284
Investment securities available-for-sale, at fair value	227		6,649,603		6,649,830
Investment securities held-to-maturity, at amortized cost			99,216		99,216
Other investment securities, at lower of cost or realizable value	9,850	4,492	149,682		164,024
Investment in subsidiaries	5,679,385	1,819,384		(7,498,769)	
Loans held-for-sale, at lower of cost or fair value			125,315		125,315
Loans held-in-portfolio:					
Loans not covered under loss-sharing agreements with the FDIC	1,167		22,617,321		22,618,488
Loans covered under loss-sharing agreements with the FDIC			625,130		625,130
Less Unearned income			110,751		110,751
Allowance for loan losses	2		538,470		538,472
Total loans held-in-portfolio, net	1,165		22,593,230		22,594,395
FDIC loss-share asset			219,448		219,448
Premises and equipment, net	2,999		524,494		527,493
Other real estate not covered under loss-sharing agreements with the FDIC	566		165,394		165,960
Other real estate covered under loss-sharing agreements with the FDIC			36,397		36,397
Accrued income receivable	73	36	120,229	(30)	120,308
Mortgage servicing assets, at fair value			205,051		205,051
Other assets	57,670	23,453	2,091,857	(16,950)	2,156,030
Goodwill			631,095		631,095

Other intangible assets	553		53,527		54,080
Total assets	$ 6,030,993	$ 1,866,482	$ 36,060,225	$ (7,810,691)	$ 36,147,009
Liabilities and Stockholders Equity					
Liabilities:					
Deposits:					
Non-interest bearing	$	$	$ 6,405,516	$ (21,423)	$ 6,384,093
Interest bearing			21,416,019	(273,519)	21,142,500
Total deposits			27,821,535	(294,942)	27,526,593
Federal funds purchased and assets sold under agreements to repurchase			760,154		760,154
Other short-term borrowings			6,370		6,370
Notes payable	734,036	148,492	700,940		1,583,468
Other liabilities	46,657	3,591	985,598	(17,537)	1,018,309
Liabilities from discontinued operations			1,815		1,815
Total liabilities	780,693	152,083	30,276,412	(312,479)	30,896,709
Stockholders equity:					
Preferred stock	50,160				50,160
Common stock	1,039	2	56,307	(56,309)	1,039
Surplus	4,222,706	4,111,208	5,712,604	(9,815,285)	4,231,233
Retained earnings (accumulated deficit)	1,165,003	(2,409,905)	195,181	2,206,197	1,156,476
Treasury stock, at cost	(6,858)				(6,858)
Accumulated other comprehensive loss, net of tax	(181,750)	13,094	(180,279)	167,185	(181,750)
Total stockholders equity	5,250,300	1,714,399	5,783,813	(7,498,212)	5,250,300
Total liabilities and stockholders equity	$ 6,030,993	$ 1,866,482	$ 36,060,225	$ (7,810,691)	$ 36,147,009

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Condensed Consolidating Statement of Financial Condition (Unaudited)

	At December 31, 2015				
(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Assets:					
Cash and due from banks	$ 24,298	$ 600	$ 363,620	$ (24,844)	$ 363,674
Money market investments	262,204	23,931	2,179,887	(285,930)	2,180,092
Trading account securities, at fair value	2,020		69,639		71,659
Investment securities available-for-sale, at fair value	216		6,062,776		6,062,992
Investment securities held-to-maturity, at amortized cost			100,903		100,903
Other investment securities, at lower of cost or realizable value	9,850	4,492	157,906		172,248
Investment in subsidiaries	5,539,325	1,789,512		(7,328,837)	
Loans held-for-sale, at lower of cost or fair value			137,000		137,000
Loans held-in-portfolio:					
Loans not covered under loss-sharing agreements with the FDIC	1,176		22,452,637		22,453,813
Loans covered under loss-sharing agreements with the FDIC			646,115		646,115
Less Unearned income			107,698		107,698
Allowance for loan losses	3		537,108		537,111
Total loans held-in-portfolio, net	1,173		22,453,946		22,455,119
FDIC loss-share asset			310,221		310,221
Premises and equipment, net	2,823		499,788		502,611
Other real estate not covered under loss-sharing agreements with the FDIC	532		154,699		155,231
Other real estate covered under loss-sharing agreements with the FDIC			36,685		36,685
Accrued income receivable	85	115	124,070	(36)	124,234
Mortgage servicing assets, at fair value			211,405		211,405
Other assets	54,908	23,596	2,132,616	(17,958)	2,193,162
Goodwill			626,388		626,388
Other intangible assets	554		57,555		58,109

Total assets	$ 5,897,988	$ 1,842,246	$ 35,679,104	$ (7,657,605)	$ 35,761,733
Liabilities and Stockholders Equity					
Liabilities:					
Deposits:					
Non-interest bearing	$	$	$ 6,426,359	$ (24,844)	$ 6,401,515
Interest bearing			21,094,138	(285,930)	20,808,208
Total deposits			27,520,497	(310,774)	27,209,723
Federal funds purchased and assets sold under agreements to repurchase			762,145		762,145
Other short-term borrowings			1,200		1,200
Notes payable	733,516	148,483	780,509		1,662,508
Other liabilities	59,148	6,659	971,429	(18,218)	1,019,018
Liabilities from discontinued operations			1,815		1,815
Total liabilities	792,664	155,142	30,037,595	(328,992)	30,656,409
Stockholders equity:					
Preferred stock	50,160				50,160
Common stock	1,038	2	56,307	(56,309)	1,038
Surplus	4,220,629	4,111,208	5,712,635	(9,815,316)	4,229,156
Retained earnings (accumulated deficit)	1,096,484	(2,416,251)	128,459	2,279,265	1,087,957
Treasury stock, at cost	(6,101)				(6,101)
Accumulated other comprehensive loss, net of tax	(256,886)	(7,855)	(255,892)	263,747	(256,886)
Total stockholders equity	5,105,324	1,687,104	5,641,509	(7,328,613)	5,105,324
Total liabilities and stockholders equity	$ 5,897,988	$ 1,842,246	$ 35,679,104	$ (7,657,605)	$ 35,761,733

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Condensed Consolidating Statement of Operations (Unaudited)

	Quarter ended March 31, 2016				
(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Interest and dividend income:					
Dividend income from subsidiaries	$ 29,700	$	$	$ (29,700)	$
Loans	19		363,178		363,197
Money market investments	255	21	2,863	(276)	2,863
Investment securities	238	80	35,953		36,271
Trading account securities			1,689		1,689
Total interest and dividend income	30,212	101	403,683	(29,976)	404,020
Interest expense:					
Deposits			30,150	(276)	29,874
Short-term borrowings			1,861		1,861
Long-term debt	13,117	2,693	4,063		19,873
Total interest expense	13,117	2,693	36,074	(276)	51,608
Net interest income (expense)	17,095	(2,592)	367,609	(29,700)	352,412
Provision (reversal) for loan losses-non-covered loans	(34)		47,974		47,940
Provision (reversal) for loan losses-covered loans			(3,105)		(3,105)
Net interest income (expense) after provision for loan losses	17,129	(2,592)	322,740	(29,700)	307,577
Service charges on deposit accounts			39,862		39,862
Other service fees			53,439	(57)	53,382
Mortgage banking activities			10,551		10,551
Trading account profit (loss)	24		(186)		(162)
Net loss on sale of loans, including valuation adjustments on loans held-for-sale			(304)		(304)
Adjustments (expense) to indemnity reserves on loans sold			(4,098)		(4,098)
FDIC loss-share expense			(3,146)		(3,146)
Other operating income	3,256	(1,303)	13,599	(7)	15,545
Total non-interest income	3,280	(1,303)	109,717	(64)	111,630

Operating expenses:					
Personnel costs	15,421		111,670		127,091
Net occupancy expenses	916		19,514		20,430
Equipment expenses	445		14,103		14,548
Other taxes	47		10,148		10,195
Professional fees	2,881	30	72,605	(57)	75,459
Communications	137		6,183		6,320
Business promotion	465		10,645		11,110
FDIC deposit insurance			7,370		7,370
Other real estate owned (OREO) expenses			9,141		9,141
Other operating expenses	(20,428)	39	38,106	(552)	17,165
Amortization of intangibles			3,114		3,114
Total operating expenses	(116)	69	302,599	(609)	301,943
Income (loss) before income tax and equity in earnings of subsidiaries	20,525	(3,964)	129,858	(29,155)	117,264
Income tax expense (benefit)	3	(1,387)	33,436	213	32,265
Income (loss) before equity in earnings of subsidiaries	20,522	(2,577)	96,422	(29,368)	84,999
Equity in undistributed earnings of subsidiaries	64,477	8,923		(73,400)	
Net Income	$ 84,999	$ 6,346	$ 96,422	$ (102,768)	$ 84,999
Comprehensive income, net of tax	$ 160,135	$ 27,295	$ 172,035	$ (199,330)	$ 160,135

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Condensed Consolidating Statement of Operations (Unaudited)

	Quarter ended March 31, 2015				
(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Interest income:					
Dividend income from subsidiaries	$ 1,500	$	$	$ (1,500)	$
Loans	140		355,613	(122)	355,631
Money market investments	2	2	1,444	(2)	1,446
Investment securities	143	81	30,077		30,301
Trading account securities			2,696		2,696
Total interest income	1,785	83	389,830	(1,624)	390,074
Interest expense:					
Deposits			25,866	(2)	25,864
Short-term borrowings		101	1,755	(122)	1,734
Long-term debt	13,118	2,695	3,468		19,281
Total interest expense	13,118	2,796	31,089	(124)	46,879
Net interest (expense) income	(11,333)	(2,713)	358,741	(1,500)	343,195
Provision for loan losses- non-covered loans			29,711		29,711
Provision for loan losses- covered loans			10,324		10,324
Net interest (expense) income after provision for loan losses	(11,333)	(2,713)	318,706	(1,500)	303,160
Service charges on deposit accounts			39,017		39,017
Other service fees			53,714	(88)	53,626
Mortgage banking activities			12,852		12,852
Trading account profit	40		374		414
Net loss on sale of loans, including valuation adjustments on loans held-for-sale			(79)		(79)
Adjustments (expense) to indemnity reserves on loans sold			(4,526)		(4,526)
FDIC loss-share income			4,139		4,139
Other operating income	2,968	(828)	7,668	(16)	9,792
Total non-interest income	3,008	(828)	113,159	(104)	115,235

Operating expenses:					
Personnel costs	11,908		104,550		116,458
Net occupancy expenses	980		20,729		21,709
Equipment expenses	545		12,866		13,411
Other taxes	(1,458)		10,032		8,574
Professional fees	2,774	410	72,432	(88)	75,528
Communications	117		6,059		6,176
Business promotion	436		10,377		10,813
FDIC deposit insurance			6,398		6,398
Other real estate owned (OREO) expenses			23,069		23,069
Other operating expenses	(16,935)	109	34,819	(644)	17,349
Amortization of intangibles			2,104		2,104
Restructuring cost			10,753		10,753
Total operating expenses	(1,633)	519	314,188	(732)	312,342
(Loss) income before income tax and equity in earnings of subsidiaries	(6,692)	(4,060)	117,677	(872)	106,053
Income tax expense	47		32,276	245	32,568
(Loss) income before equity in earnings of subsidiaries	(6,739)	(4,060)	85,401	(1,117)	73,485
Equity in undistributed earnings of subsidiaries	80,224	1,269		(81,493)	
Income (loss) from continuing operations	73,485	(2,791)	85,401	(82,610)	73,485
Income from discontinued operations, net of tax			1,341		1,341
Equity in undistributed earnings of discontinued operations	1,341	1,341		(2,682)	
Net Income (loss)	$ 74,826	$ (1,450)	$ 86,742	$ (85,292)	$ 74,826
Comprehensive income, net of tax	$ 110,298	$ 11,841	$ 122,078	$ (133,919)	$ 110,298

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Condensed Consolidating Statement of Cash Flows (Unaudited)

	Quarter ended March 31,2016				
(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Cash flows from operating activities:					
Net income	$ 84,999	$ 6,346	$ 96,422	$ (102,768)	$ 84,999
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Equity in undistributed earnings of subsidiaries	(64,477)	(8,923)		73,400	
Provision (reversal) for loan losses	(34)		44,869		44,835
Amortization of intangibles			3,114		3,114
Depreciation and amortization of premises and equipment	177		11,530		11,707
Net accretion of discounts and amortization of premiums and deferred fees	521	8	(11,687)		(11,158)
Fair value adjustments on mortgage servicing rights			8,477		8,477
FDIC loss-share income			3,146		3,146
Adjustments (expense) to indemnity reserves on loans sold			4,098		4,098
(Earnings) losses from investments under the equity method	(3,256)	1,303	(5,136)		(7,089)
Deferred income tax expense (benefit)	3	(1,387)	24,389	213	23,218
(Gain) loss on:					
Disposition of premises and equipment and other productive assets			(1,946)		(1,946)
Sale of loans, including valuation adjustments on loans held for sale and mortgage banking activities			(7,101)		(7,101)
Sale of foreclosed assets, including write-downs			2,802		2,802
Acquisitions of loans held-for-sale			(66,451)		(66,451)
Proceeds from sale of loans held-for-sale			22,253		22,253
Net originations on loans held-for-sale			(110,528)		(110,528)
Net (increase) decrease in:					
Trading securities	(101)		176,699		176,598
Accrued income receivable	12	79	3,842	(7)	3,926
Other assets	1	21	22,194	(1,220)	20,996
Net (decrease) increase in:					

Interest payable	(7,875)	(2,685)	(1,708)	7	(12,261)
Pension and other postretirement benefits obligations			1,536		1,536
Other liabilities	(4,622)	(382)	(12,681)	675	(17,010)
Total adjustments	(79,651)	(11,966)	111,711	73,068	93,162
Net cash provided by (used in) operating activities	5,348	(5,620)	208,133	(29,700)	178,161
Cash flows from investing activities:					
Net decrease in money market investments	6,952	5,412	262,679	(12,411)	262,632
Purchases of investment securities:					
Available-for-sale			(742,859)		(742,859)
Other			(59,786)		(59,786)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:					
Available-for-sale			239,399		239,399
Held-to-maturity			2,108		2,108
Other			41,664		41,664
Proceeds from sale of investment securities:					
Other			26,346		26,346
Net repayments on loans	8		13,327		13,335
Proceeds from sale of loans			1,128		1,128
Acquisition of loan portfolios			(212,798)		(212,798)
Net payments from FDIC under loss-sharing agreements			88,588		88,588
Return of capital from equity method investments		206			206
Acquisition of premises and equipment	(398)		(38,421)		(38,819)
Proceeds from sale of:					
Premises and equipment and other productive assets	46		5,046		5,092
Foreclosed assets			14,513		14,513
Net cash provided by (used in) investing activities	6,608	5,618	(359,066)	(12,411)	(359,251)
Cash flows from financing activities:					
Net increase (decrease) in:					
Deposits			302,718	15,832	318,550
Federal funds purchased and assets sold under agreements to repurchase			(1,991)		(1,991)
Other short-term borrowings			5,170		5,170
Payments of notes payable			(108,452)		(108,452)
Proceeds from issuance of notes payable			28,883		28,883
Proceeds from issuance of common stock	2,109				2,109

Dividends paid to parent company			(29,700)	29,700	
Dividends paid	(16,473)				(16,473)
Net payments for repurchase of common stock	(757)				(757)
Net cash (used in) provided by financing activities	(15,121)		196,628	45,532	227,039
Net (decrease) increase in cash and due from banks	(3,165)	(2)	45,695	3,421	45,949
Cash and due from banks at beginning of period	24,298	600	363,620	(24,844)	363,674
Cash and due from banks at end of period	$ 21,133	$ 598	$ 409,315	$ (21,423)	$ 409,623

During the quarter ended March 31, 2016 there have not been any cash flows associated with discontinued operations.

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Condensed Consolidating Statement of Cash Flows (Unaudited)

	Quarter ended March 31, 2015				
(In thousands)	Popular, Inc. Holding Co.	PNA Holding Co.	All other subsidiaries and eliminations	Elimination entries	Popular, Inc. Consolidated
Cash flows from operating activities:					
Net income (loss)	$ 74,826	$ (1,450)	$ 86,742	$ (85,292)	$ 74,826
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:					
Equity in undistributed (earnings) losses of subsidiaries	(81,565)	(2,610)		84,175	
Provision for loan losses			40,035		40,035
Amortization of intangibles			2,104		2,104
Depreciation and amortization of premises and equipment	194		11,725		11,919
Net accretion of discounts and amortization of premiums and deferred fees			(19,100)		(19,100)
Fair value adjustments on mortgage servicing rights			4,929		4,929
FDIC loss-share income			(4,139)		(4,139)
Adjustments (expense) to indemnity reserves on loans sold			4,526		4,526
Earnings from investments under the equity method	(2,968)	828	(161)		(2,301)
Deferred income tax expense			23,135	245	23,380
(Gain) loss on:					
Disposition of premises and equipment			(978)		(978)
Sale of loans, including valuation adjustments on loans held for sale and mortgage banking activities			(7,222)		(7,222)
Sale of foreclosed assets, including write-downs			14,851		14,851
Acquisitions of loans held-for-sale			(121,929)		(121,929)
Proceeds from sale of loans held-for-sale			27,547		27,547
Net originations on loans held-for-sale			(179,604)		(179,604)
Net (increase) decrease in:					
Trading securities	(126)		178,068		177,942
Accrued income receivable	(56)	81	(94)	56	(13)
Other assets	3,716	28	(27,900)	(3,871)	(28,027)
Net (decrease) increase in:					

Interest payable	(7,875)	(2,629)	344	(56)	(10,216)
Pension and other postretirement benefits obligations			1,019		1,019
Other liabilities	(12,816)	(7)	(9,797)	3,243	(19,377)
Total adjustments	(101,496)	(4,309)	(62,641)	83,792	(84,654)
Net cash (used in) provided by operating activities	(26,670)	(5,759)	24,101	(1,500)	(9,828)
Cash flows from investing activities:					
Net (increase) decrease in money market investments	(38)	(1,457)	(484,791)	1,457	(484,829)
Purchases of investment securities:					
Available-for-sale			(411,189)		(411,189)
Held-to-maturity			(250)		(250)
Other			(2,520)		(2,520)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:					
Available-for-sale			385,672		385,672
Held-to-maturity			2,231		2,231
Other			30,785		30,785
Proceeds from sale of investment securities:					
Other			1,388		1,388
Net repayments on loans	10,392		154,788	(10,386)	154,794
Proceeds from sale of loans			19,127		19,127
Acquisition of loan portfolios			(49,510)		(49,510)
Net payments from FDIC under loss-sharing agreements			132,265		132,265
Net cash received and acquired from business combination			711,051		711,051
Mortgage servicing rights purchased			(2,400)		(2,400)
Acquisition of premises and equipment	(242)		(9,989)		(10,231)
Proceeds from sale of:					
Premises and equipment	3		3,090		3,093
Foreclosed assets			40,161		40,161
Net cash provided by (used in) investing activities	10,115	(1,457)	519,909	(8,929)	519,638
Cash flows from financing activities:					
Net increase (decrease) in:					
Deposits			250,582	15,324	265,906
Federal funds purchased and assets sold under agreements to repurchase			(139,013)		(139,013)
Other short-term borrowings		7,214	(165,815)	10,386	(148,215)
Payments of notes payable			(419,487)		(419,487)
Proceeds from issuance of notes payable			46,000		46,000
Proceeds from issuance of common stock	1,405				1,405

Dividends paid to parent company			(1,500)	1,500	
Dividends paid	(620)				(620)
Net payments for repurchase of common stock	(1,105)				(1,105)
Net cash (used in) provided by financing activities	(320)	7,214	(429,233)	27,210	(395,129)
Net (decrease) increase in cash and due from banks	(16,875)	(2)	114,777	16,781	114,681
Cash and due from banks at beginning of period	20,448	608	380,890	(20,851)	381,095
Cash and due from banks at end of period	$ 3,573	$ 606	$ 495,667	$ (4,070)	$ 495,776

The Condensed Consolidating Statements of Cash Flows include the cash flows from operating, investing and financing activities associated with discontinued operations.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report includes management s discussion and analysis (MD&A) of the consolidated financial position and financial performance of Popular, Inc. (the Corporation or Popular). All accompanying tables, financial statements and notes included elsewhere in this report should be considered an integral part of this analysis.

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 (U.S.) mainland, and the U.S. and British Virgin Islands. In Puerto Rico, the Corporation provides retail, mortgage, and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico (BPPR), as well as investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. In the U.S. mainland, the Corporation operates Banco Popular North America (BPNA), including its wholly-owned subsidiary E-LOAN. BPNA focuses efforts and resources on the core community banking business. BPNA operates branches in New York, New Jersey and Southern Florida under the name of Popular Community Bank (PCB). E-LOAN markets deposit accounts under its name for the benefit of BPNA. Note 35 to the consolidated financial statements presents information about the Corporation s business segments. As of March 31, 2016, the Corporation had a 15.58% interest in the holding company of EVERTEC, which provides transaction processing services throughout the Caribbean and Latin America, including servicing many of the Corporation s system infrastructures and transaction processing businesses. At March 31, 2016, the Corporation s investment in EVERTEC had a carrying amount of $35.2 million. Also, the Corporation had a 15.84% stake in Centro Financiero BHD Leon, S.A. (BHD Leon), one of the largest banking and financial services groups in the Dominican Republic. During the quarter ended March 31, 2016 the Corporation recorded $6.2 million in earnings from its investment in BHD Leon, which had a carrying amount of $122.6 million, as of the end of the quarter.

OVERVIEW

For the quarter ended March 31, 2016, the Corporation recorded net income of $85.0 million, compared to a net income of $74.8 million for the same quarter of the previous year. The increase of $10.2 million in net income was driven by higher net interest income and lower operating expenses, partially offset by a higher provision for loan losses and lower non-interest income.

Table 1 provides selected financial data and performance indicators for the quarters ended March 31, 2016 and 2015.

Table 1 Financial highlights

Financial Condition Highlights				**Average for the First Quarter**		
(In thousands)	March 31, 2016	December 31, 2015	Variance	March 31, 2016	March 31, 2015	Variance
Money market investments	$ 1,917,460	$ 2,180,092	$ (262,632)	$ 2,186,771	$ 1,930,393	$ 256,378
Investment and trading securities	6,984,354	6,407,802	576,552	6,764,453	5,836,371	928,082
Loans	23,258,182	23,129,230	128,952	22,985,578	22,504,974	480,604
Earning assets	32,159,996	31,717,124	442,872	31,936,802	30,271,738	1,665,064
Total assets	36,147,009	35,761,733	385,276	35,891,768	33,806,058	2,085,710
Deposits	27,526,593	27,209,723	316,870	27,337,586	25,585,108	1,752,478

Borrowings	2,349,992	2,425,853	(75,861)	2,440,979	2,876,718	(435,739)
Stockholders equity	5,250,300	5,105,324	144,976	5,191,395	4,321,095	870,300
Liabilities from discontinued operations	1,815	1,815		1,815	2,894	(1,079)

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Operating Highlights	First Quarter		
(In thousands, except per share information)	2016	2015	Variance
Net interest income	$ 352,412	$ 343,195	$ 9,217
Provision for loan losses non-covered loans	47,940	29,711	18,229
Provision for loan losses covered loans	(3,105)	10,324	(13,429)
Non-interest income	111,630	115,235	(3,605)
Operating expenses	301,943	312,342	(10,399)
Income from continuing operations before income tax	117,264	106,053	11,211
Income tax expense	32,265	32,568	(303)
Income from continuing operations	$ 84,999	$ 73,485	$ 11,514
Income from discontinued operations, net of tax		1,341	(1,341)
Net income	$ 84,999	$ 74,826	$ 10,173
Net income applicable to common stock	$ 84,068	$ 73,896	$ 10,172
Net income from continuing operations	$ 0.81	$ 0.71	$ 0.10
Net income from discontinued operations	$	$ 0.01	$ (0.01)
Net income per common share Basic	$ 0.81	$ 0.72	$ 0.09
Net income from continuing operations	$ 0.81	$ 0.71	$ 0.10
Net income from discontinued operations	$	$ 0.01	$ (0.01)
Net income per common share Diluted	$ 0.81	$ 0.72	$ 0.09
Dividends declared per common share Basic	$ 0.15	$	$ 0.15

	First Quarter	
Selected Statistical Information	2016	2015
Common Stock Data		
Market price		
High	$ 28.80	$ 35.58
Low	22.62	30.52
End	28.61	34.39
Book value per common share at period end	50.16	41.81
Profitability Ratios		
Return on assets	0.95%	0.90%
Return on common equity	6.58	7.02
Net interest spread (taxable equivalent)	4.47	4.64

Net interest margin (taxable equivalent)	4.70	4.85
Capitalization Ratios		
Average equity to average assets	14.46%	12.78%
Common equity Tier 1 capital	15.79	15.74
Tier I capital	15.79	16.11
Total capital	18.78	18.71
Tier 1 leverage	11.46	11.80

Adjusted results of operations   Non-GAAP financial measure

The Corporation prepares its Consolidated Financial Statements using accounting principles generally accepted in the U.S. (U.S. GAAP), or the (reported basis). In addition to analyzing the Corporation s results on a reported basis, management monitors the performance of the Corporation on an   adjusted basis   and excludes the impact of certain transactions on the results of its operations. Throughout this MD&A, the Corporation presents a discussion of its financial results excluding the impact of these events to arrive at the   adjusted results . Management believes that the   adjusted results   provide meaningful information about the underlying performance of the Corporation s ongoing operations. The   adjusted results   are a Non-GAAP financial measure. Refer to tables 40 and 41 for a reconciliation of the reported results for the quarter ended March 31, 2015. No adjustments are included for the quarter ended March 31, 2016.

Non-GAAP financial measures used by the Corporation may not be comparable to similarly named non-GAAP financial measures used by other companies.

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Financial highlights for the quarter ended March 31, 2016

The Corporation recorded net income of $85.0 million, compared to a net income of $74.8 million for the same quarter of the previous year. The adjusted net income for the first quarter of 2015 was $90.3 million. Refer to table 41 for a detail of the adjustments to arrive at the adjusted net income.

Net interest income, on a taxable equivalent basis, increased by $9.7 million, driven by higher volume of investment securities and loans which benefited from the acquisition of the Doral Bank portfolio. The income from the WB loans declined as the portfolio continues its expected run off. Net interest margin, on a taxable equivalent basis, for the first quarter of 2016 was 4.70% compared to 4.85% in the same quarter of 2015. An unfavorable variance in the FDIC loss share expense and lower mortgage banking income drove non-interest income down, which was partially offset by higher income from equity method investments, for a net decline of $2.5 million on an adjusted basis. The total provision for loan losses increased by $4.8 million, reflecting the prevailing economic conditions in Puerto Rico and growth in the U.S. portfolio, mainly on commercial loans. Operating expenses increased by $10.4 million, mainly from higher personnel costs, including incentives and the impact of actuarial revisions for pension costs, offset by lower OREO expenses. Refer to the Operating Results Analysis section of this MD&A for additional information.

Total non-performing assets, including covered, were $848 million at March 31, 2016, an increase of $5 million, or 1%, from December 31, 2015. The increase was mainly due to higher OREOs at BPPR and the impact of a single $11 million credit relationship at BPNA, partially offset by lower mortgage NPLs at BPPR driven by improved collection efforts. At March 31, 2016, NPLs to total loans held-in-portfolio remained flat at 2.7% from December 31, 2015. Refer to the Credit Risk Management and Loan Quality section of this MD&A for an explanation of the main factors impacting the provision for loan losses and a detailed analysis of net charge-offs, non-performing assets, the allowance for loan losses and selected loan losses statistics.

The Corporation s total assets at March 31, 2016 amounted to $36.1 billion, compared to $35.8 billion, at December 31, 2015. Money market and investment securities increased by $323.8 million, due mainly to purchases of mortgage backed securities. The loan portfolios experienced an increase of $129 million, mainly from growth in the U.S. commercial, construction and consumer portfolios. Total deposits increased by $316.9 million, mainly from government deposit accounts at BPPR and money market accounts at BPNA, offset by lower brokered CDs. Total borrowings declined by $76 million due to maturities of advances from the Federal Home Loan Bank of New York.

Stockholders equity totalled $5.3 billion at March 31, 2016, compared with $5.1 billion at December 31, 2015. The increase resulted from the Corporation s net income of $85 million, a favorable variance of $73 million in unrealized gains on securities available-for-sale, partially offset by payments of dividends of $15.5 million on common stock of $0.15 per share and $0.9 million in dividends on preferred stock.

Refer to the Financial Condition Analysis section of this MD&A for additional information.

Capital ratios continued to be strong. As of March 31, 2016, the Corporation s Common equity Tier 1 Capital ratio was 15.79% while the tangible common equity ratio was 12.73%. Refer to Table 13 for capital ratios and Table 14 for Non-GAAP reconciliations.

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As a financial services company, the Corporation s earnings are significantly affected by general business and economic conditions. Lending and deposit activities and fee income generation are influenced by the level of business spending and investment, consumer income, spending and savings, capital market activities, competition, customer preferences, interest rate conditions and prevailing market rates on competing products.

The Corporation continuously monitors general business and economic conditions, industry-related indicators and trends, competition, interest rate volatility, credit quality indicators, loan and deposit demand, operational and systems efficiencies, revenue enhancements and changes in the regulation of financial services companies.

The Corporation operates in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations. Also, competition with other financial institutions could adversely affect its profitability.

The description of the Corporation s business contained in Item 1 of the Corporation s 2015 Form 10-K, while not all inclusive, discusses additional information about the business of the Corporation and risk factors, many beyond the Corporation s control that, in addition to the other information in this Form 10-Q, readers should consider.

The Corporation s common stock is traded on the NASDAQ Global Select Market under the symbol BPOP.

CRITICAL ACCOUNTING POLICIES / ESTIMATES

The accounting and reporting policies followed by the Corporation and its subsidiaries conform to generally accepted accounting principles in the United States of America and general practices within the financial services industry. Various elements of the Corporation s accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. These estimates are made under facts and circumstances at a point in time and changes in those facts and circumstances could produce actual results that differ from those estimates.

Management has discussed the development and selection of the critical accounting policies and estimates with the Corporation s Audit Committee. The Corporation has identified as critical accounting policies those related to: (i) Fair Value Measurement of Financial Instruments; (ii) Loans and Allowance for Loan Losses; (iii) Acquisition Accounting for Loans and Related Indemnification Asset; (iv) Income Taxes; (v) Goodwill, and (vi) Pension and Postretirement Benefit Obligations. For a summary of these critical accounting policies and estimates, refer to that particular section in the MD&A included in Popular, Inc. s 2015 Form 10-K. Also, refer to Note 2 to the consolidated financial statements included in the 2015 Form 10-K for a summary of the Corporation s significant accounting policies.

OPERATING RESULTS ANALYSIS

Net interest income

Net interest income on a taxable equivalent basis-Non-GAAP financial measure

Net interest income, on a taxable equivalent basis, is presented with its different components on Table 2 for the quarter ended March 31, 2016 as compared with the same period in 2015, segregated by major categories of interest earning assets and interest bearing liabilities.

The interest earning assets include investment securities and loans that are exempt from income tax, principally in Puerto Rico. The main sources of tax-exempt interest income are certain investments in obligations of the U.S. Government, its agencies and sponsored entities, and certain obligations of the Commonwealth of Puerto Rico and its agencies and assets held by the Corporation s international banking entities. To facilitate the comparison of all interest related to these assets, the interest income has been converted to a taxable equivalent basis, using the applicable statutory income tax rates for each period. The taxable

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equivalent computation considers the interest expense and other related expense disallowances required by the Puerto Rico tax law. Under this law, the exempt interest can be deducted up to the amount of taxable income. Net interest income on a taxable equivalent basis is a non-GAAP financial measure. Management believes that this presentation provides meaningful information since it facilitates the comparison of revenues arising from taxable and exempt sources.

Average outstanding securities balances are based on amortized cost excluding any unrealized gains or losses on securities available-for-sale. Non-accrual loans have been included in the respective average loans and leases categories. Loan fees collected and costs incurred in the origination of loans are deferred and amortized over the term of the loan as an adjustment to interest yield. Prepayment penalties, late fees collected and the amortization of premiums / discounts on purchased loans are also included as part of the loan yield. Interest income for the quarter ended March 31, 2016 included a favorable impact, excluding the discount accretion on covered loans accounted for under Subtopic ASC 310-30, of $4.8 million, related to those items, compared with a favorable impact of $1.6 million in the same period in 2015; the increase is driven by the amortizations related to Doral acquired loans.

Net interest margin, on a taxable equivalent basis, for the first quarter of 2016 was 4.70% compared to 4.85% in the same quarter of 2015, a decrease of 15 basis points. Net interest income increased by $9.7 million compared to the same quarter in the previous year. The main drivers of the increase in net interest income and decrease in net interest margin are:

Positive variances:

- Higher interest income from investment securities due mainly to higher volumes of mortgage backed securities as part of the Corporation s investment strategy.

- Increase in interest income from loans excluding Westernbank Bank (WB) loans mostly related to the acquisition of Doral Bank in February 27, 2015 and higher volume of auto loans due to improved lending activity at Popular Auto.

These positive variances were partially offset by:

- Lower interest income from WB loans related to a lower volume as part of the normal portfolio run-off and lower yields, reflecting the impact on the quarterly recast process.

- Higher interest expense on deposits mainly due to higher average volumes also related to the Doral Bank acquisition and to fund U.S. loan growth, partially offset by a decrease in broker CDs. The increase in deposit cost is mostly related to a higher cost of time deposits and money markets in the U.S.

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Table 2 Analysis of Levels & Yields on a Taxable Equivalent Basis for Continuing Operations

Quarters ended March 31,

Average Volume			Average Yields / Costs				Interest			Variance Attributable to	
2016	2015	Variance	2016	2015	Variance		2016	2015	Variance	Rate	Volume
($ in millions)									(In thousands)		
$ 2,187	$ 1,930	$ 257	0.53%	0.30%	0.23%	Money market investments	$ 2,863	$ 1,447	$ 1,416	$ 1,332	$ 84
6,641	5,637	1,004	2.90	2.67	0.23	Investment securities	48,117	37,643	10,474	175	10,299
123	200	(77)	7.08	6.77	0.31	Trading securities	2,172	3,344	(1,172)	176	(1,348)
8,951	7,767	1,184	2.38	2.19	0.19	Total money market, investment and trading securities	53,152	42,434	10,718	1,683	9,035
						Loans:					
8,957	8,383	574	5.12	5.17	(0.05)	Commercial	114,091	106,887	7,204	(97)	7,301
704	435	269	5.30	5.67	(0.37)	Construction	9,288	6,076	3,212	(361)	3,573
630	569	61	6.78	7.01	(0.23)	Leasing	10,675	9,974	701	(339)	1,040
6,830	6,733	97	5.50	5.35	0.15	Mortgage	93,895	90,042	3,853	2,543	1,310
3,807	3,845	(38)	10.51	10.36	0.15	Consumer	99,520	98,249	1,271	1,786	(515)
20,928	19,965	963	6.28	6.29	(0.01)	Sub-total loans	327,469	311,228	16,241	3,532	12,709
2,058	2,540	(482)	8.76	9.14	(0.38)	WB loans	44,904	57,431	(12,527)	(1,780)	(10,747)
22,986	22,505	481	6.50	6.62	(0.12)	Total loans	372,373	368,659	3,714	1,752	1,962
$ 31,937	$ 30,272	$ 1,665	5.35%	5.48%	(0.13)%	Total earning assets	$ 425,525	$ 411,093	$ 14,432	$ 3,435	$ 10,997