POPULAR INC
Form 10-Q
August 08, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2017

Commission File Number: 001-34084

POPULAR, INC.

(Exact name of registrant as specified in its charter)

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

Popular Center Building 209 Muñoz Rivera Avenue	
Hato Rey, Puerto Rico	**00918**
(Address of principal executive offices)	**(Zip code)**

(787) 765-9800

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: Common Stock, $0.01 par value, 102,010,797 shares outstanding as of August 4, 2017.

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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;

- the impact of the current fiscal and economic crisis of the Commonwealth of Puerto Rico (the Commonwealth or Puerto Rico) and the measures taken and to be taken by the Puerto Rico Government and the Federally-appointed oversight board on the economy, our customers and our business;

- the impact of the pending debt restructuring proceedings under Title III of the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) and of other actions taken or to be taken to address Puerto Rico s fiscal crisis on the value of our portfolio of Puerto Rico government securities and loans to governmental entities, and the possibility that these actions may result in credit losses that are higher than currently expected;

- 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;

- the fiscal and monetary policies of the federal government and its agencies;

- changes in federal bank regulatory and supervisory policies, including required levels of capital and the impact of proposed capital standards on our capital ratios;

- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) on our businesses, business practices and cost of operations;

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

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

- the performance of the stock and bond markets;

- competition in the financial services industry;

- additional Federal Deposit Insurance Corporation (FDIC) assessments;

- possible legislative, tax or regulatory changes; and

- a failure in or breach of our operational or security systems or infrastructure or those of EVERTEC, Inc., our provider of core financial transaction processing and information technology services, as a result of cyberattacks, including e-fraud, denial-of-services and computer intrusion, that might result in loss or breach of customer data, disruption of services, reputational damage or additional costs to Popular.

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:

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

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

- liabilities resulting from litigation and regulatory investigations;

- changes in accounting standards, rules and interpretations;

- our ability to grow our core businesses;

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

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

Moreover, the outcome of legal proceedings, as discussed in Part II, Item I. Legal Proceedings, is inherently uncertain and depends on judicial interpretations of law and the findings of regulators, judges and juries. Investors should refer to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2016 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)	June 30, 2017	December 31, 2016
Assets:		
Cash and due from banks	$ 405,688	$ 362,394
Money market investments:		
Securities purchased under agreements to resell		23,637
Time deposits with other banks	4,219,630	2,866,580
Total money market investments	4,219,630	2,890,217
Trading account securities, at fair value:		
Pledged securities with creditors right to repledge	4,871	11,486
Other trading securities	45,422	48,319
Investment securities available-for-sale, at fair value:		
Pledged securities with creditors right to repledge	417,303	491,843
Other investment securities available-for-sale	8,992,099	7,717,963
Investment securities held-to-maturity, at amortized cost (fair value 2017 - $81,584; 2016 - $75,576)	96,286	98,101
Other investment securities, at lower of cost or realizable value (realizable value 2017 - $173,576; 2016 - $170,890)	170,177	167,818
Loans held-for-sale, at lower of cost or fair value	69,797	88,821
Loans held-in-portfolio:		
Loans not covered under loss-sharing agreements with the FDIC	23,046,078	22,895,172
Loans covered under loss-sharing agreements with the FDIC	536,341	572,878
Less Unearned income	127,807	121,425
Allowance for loan losses	540,014	540,651
Total loans held-in-portfolio, net	22,914,598	22,805,974
FDIC loss-share asset	52,583	69,334
Premises and equipment, net	546,986	543,981
Other real estate not covered under loss-sharing agreements with the FDIC	181,096	180,445
Other real estate covered under loss-sharing agreements with the FDIC	25,350	32,128
Accrued income receivable	136,104	138,042
Mortgage servicing assets, at fair value	188,728	196,889
Other assets	2,108,296	2,145,510
Goodwill	627,294	627,294
Other intangible assets	40,361	45,050

Total assets	$ 41,242,669	$ 38,661,609
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 7,481,732	$ 6,980,443
Interest bearing	25,640,301	23,515,781
Total deposits	33,122,033	30,496,224
Assets sold under agreements to repurchase	406,385	479,425
Other short-term borrowings	1,200	1,200
Notes payable	1,560,834	1,574,852
Other liabilities	874,172	911,951
Total liabilities	35,964,624	33,463,652
Commitments and contingencies (Refer to Note 21)		
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; 104,154,626 shares issued (2016 - 104,058,684) and 101,986,758 shares outstanding (2016 - 103,790,932)	1,041	1,040
Surplus	4,263,370	4,255,022
Retained earnings	1,356,504	1,220,307
Treasury stock - at cost, 2,167,868 shares (2016 - 267,752)	(90,087)	(8,286)
Accumulated other comprehensive loss, net of tax	(302,943)	(320,286)
Total stockholders equity	5,278,045	5,197,957
Total liabilities and stockholders equity	$ 41,242,669	$ 38,661,609

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 June 30,		Six months ended June 30,	
(In thousands, except per share information)	2017	2016	2017	2016
Interest income:				
Loans	$ 367,669	$ 369,721	$ 730,805	$ 732,918
Money market investments	11,131	3,889	17,704	6,752
Investment securities	48,537	36,725	93,423	72,996
Trading account securities	1,396	1,875	2,796	3,564
Total interest income	428,733	412,210	844,728	816,230
Interest expense:				
Deposits	34,092	30,599	67,849	60,473
Short-term borrowings	1,115	2,058	2,210	3,919
Long-term debt	19,047	19,002	38,092	38,875
Total interest expense	54,254	51,659	108,151	103,267
Net interest income	374,479	360,551	736,577	712,963
Provision for loan losses - non-covered loans	49,965	39,668	92,022	87,608
Provision (reversal) for loan losses - covered loans	2,514	804	1,155	(2,301)
Net interest income after provision for loan losses	322,000	320,079	643,400	627,656
Service charges on deposit accounts	41,073	40,296	80,609	80,158
Other service fees (Refer to Note 27)	59,168	56,945	115,343	110,327
Mortgage banking activities (Refer to Note 10)	10,741	16,227	22,110	26,778
Net gain on sale of investment securities	19	1,583	181	1,583
Other-than-temporary impairment losses on investment securities	(8,299)	(209)	(8,299)	(209)
Trading account (loss) profit	(655)	1,117	(933)	955
Net loss on sale of loans, including valuation adjustments on loans held-for-sale				(304)
Adjustments (expense) to indemnity reserves on loans sold	(2,930)	(5,746)	(4,896)	(9,844)
FDIC loss-share expense (Refer to Note 28)	(475)	(12,576)	(8,732)	(15,722)
Other operating income	18,151	12,866	37,279	28,411
Total non-interest income	116,793	110,503	232,662	222,133
Operating expenses:				

Personnel costs	118,815	116,708	244,422	243,799
Net occupancy expenses	22,265	21,714	43,041	42,144
Equipment expenses	16,250	15,261	32,220	29,809
Other taxes	10,740	10,170	21,709	20,365
Professional fees	72,934	80,625	142,184	156,084
Communications	5,899	6,012	11,848	12,332
Business promotion	13,366	13,705	24,942	24,815
FDIC deposit insurance	6,172	5,362	12,665	12,732
Other real estate owned (OREO) expenses	16,670	12,980	29,488	22,121
Other operating expenses	21,380	23,515	50,945	40,680
Amortization of intangibles	2,344	3,097	4,689	6,211
Total operating expenses	306,835	309,149	618,153	611,092
Income before income tax	131,958	121,433	257,909	238,697
Income tax expense	35,732	32,446	68,738	64,711
Net Income	$ 96,226	$ 88,987	$ 189,171	$ 173,986
Net Income Applicable to Common Stock	$ 95,295	$ 88,056	$ 187,309	$ 172,124
Net Income per Common Share Basic	$ 0.94	$ 0.85	$ 1.83	$ 1.67
Net Income per Common Share Diluted	$ 0.94	$ 0.85	$ 1.83	$ 1.67
Dividends Declared per Common Share	$ 0.25	$ 0.15	$ 0.50	$ 0.30

The accompanying notes are an integral part of these Consolidated Financial Statements.

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(In thousands)	Quarters ended, June 30, 2017	Quarters ended, June 30, 2016	Six months ended, June 30, 2017	Six months ended, June 30, 2016
Net income	$ 96,226	$ 88,987	$ 189,171	$ 173,986
Other comprehensive income before tax:				
Foreign currency translation adjustment	(1,588)	(1,435)	(1,449)	(2,140)
Amortization of net losses of pension and postretirement benefit plans	5,606	5,487	11,213	10,973
Amortization of prior service credit of pension and postretirement benefit plans	(950)	(950)	(1,900)	(1,900)
Unrealized holding gains on investments arising during the period	8,804	38,092	5,897	114,328
Other-than-temporary impairment included in net income	8,299	209	8,299	209
Reclassification adjustment for gains included in net income	(19)		(181)	
Unrealized net losses on cash flow hedges	(377)	(1,539)	(1,014)	(3,539)
Reclassification adjustment for net losses included in net income	1,035	1,271	1,890	2,816
Other comprehensive income before tax	20,810	41,135	22,755	120,747
Income tax expense	(3,841)	(4,997)	(5,412)	(9,473)
Total other comprehensive income, net of tax	16,969	36,138	17,343	111,274
Comprehensive income, net of tax	$ 113,195	$ 125,125	$ 206,514	$ 285,260

Tax effect allocated to each component of other comprehensive income:

(In thousands)	Quarters ended June 30, 2017	Quarters ended June 30, 2016	Six months ended, June 30, 2017	Six months ended, June 30, 2016
Amortization of net losses of pension and postretirement benefit plans	$ (2,185)	$ (2,140)	$ (4,371)	$ (4,280)
Amortization of prior service credit of pension and postretirement benefit plans	370	370	740	740
Unrealized holding gains on investments arising during the period	(214)	(3,289)	84	(6,174)
Other-than-temporary impairment included in net income	(1,559)	(42)	(1,559)	(42)
Reclassification adjustment for gains included in net income	4		36	

Unrealized net losses on cash flow hedges		147		600		395		1,381
Reclassification adjustment for net losses included in net income		(404)		(496)		(737)		(1,098)
Income tax expense	$	(3,841)	$	(4,997)	$	(5,412)	$	(9,473)

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(UNAUDITED)

(In thousands)	Common stock	Preferred stock	Surplus	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance at December 31, 2015	$ 1,038	$ 50,160	$ 4,229,156	$ 1,087,957	$ (6,101)	$ (256,886)	$ 5,105,324
Net income				173,986			173,986
Issuance of stock	1		3,708				3,709
Tax shortfall expense on vesting of restricted stock			(29)				(29)
Dividends declared:							
Common stock				(31,102)			(31,102)
Preferred stock				(1,862)			(1,862)
Common stock purchases					(1,476)		(1,476)
Common stock reissuance					7		7
Other comprehensive income, net of tax						111,274	111,274
Balance at June 30, 2016	$ 1,039	$ 50,160	$ 4,232,835	$ 1,228,979	$ (7,570)	$ (145,612)	$ 5,359,831
Balance at December 31, 2016	$ 1,040	$ 50,160	$ 4,255,022	$ 1,220,307	$ (8,286)	$ (320,286)	$ 5,197,957
Net income				189,171			189,171
Issuance of stock	1		3,830				3,831
Dividends declared:							
Common stock				(51,112)			(51,112)
Preferred stock				(1,862)			(1,862)
Common stock purchases			4,518		(81,801)		(77,283)
Other comprehensive income, net of tax						17,343	17,343
Balance at June 30, 2017	$ 1,041	$ 50,160	$ 4,263,370	$ 1,356,504	$ (90,087)	$ (302,943)	$ 5,278,045

	June 30,	June 30,

Disclosure of changes in number of shares:	2017	2016
Preferred Stock:		
Balance at beginning and end of period	2,006,391	2,006,391
Common Stock Issued:		
Balance at beginning of period	104,058,684	103,816,185
Issuance of stock	95,942	136,530
Balance at end of period	104,154,626	103,952,715
Treasury stock	(2,167,868)	(249,674)
Common Stock Outstanding	101,986,758	103,703,041

The accompanying notes are an integral part of these Consolidated Financial Statements.

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six months ended June 30,	
(In thousands)	2017	2016
Cash flows from operating activities:		
Net income	$ 189,171	$ 173,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	93,177	85,307
Amortization of intangibles	4,689	6,211
Depreciation and amortization of premises and equipment	23,928	23,141
Net accretion of discounts and amortization of premiums and deferred fees	(13,510)	(24,724)
Other-than-temporary impairment on investment securities	8,299	209
Fair value adjustments on mortgage servicing rights	14,000	12,817
FDIC loss share expense	8,732	15,722
Adjustments (expense) to indemnity reserves on loans sold	4,896	9,844
Earnings from investments under the equity method	(21,413)	(13,681)
Deferred income tax expense	52,354	49,316
Loss (gain) on:		
Disposition of premises and equipment and other productive assets	5,517	2,424
Sale and valuation adjustments of investment securities	(181)	(1,583)
Sale of loans, including valuation adjustments on loans held-for-sale and mortgage banking activities	(12,631)	(15,577)
Sale of foreclosed assets, including write-downs	13,603	9,571
Acquisitions of loans held-for-sale	(153,085)	(148,725)
Proceeds from sale of loans held-for-sale	58,857	43,110
Net originations on loans held-for-sale	(224,278)	(247,287)
Net decrease (increase) in:		
Trading securities	333,819	393,178
Accrued income receivable	1,939	3,255
Other assets	7,423	(21,351)
Net (decrease) increase in:		
Interest payable	(189)	(1,208)
Pension and other postretirement benefits obligation	883	2,300
Other liabilities	(16,018)	6,310
Total adjustments	190,811	188,579
Net cash provided by operating activities	379,982	362,565
Cash flows from investing activities:		
Net increase in money market investments	(1,329,413)	(605,407)

Purchases of investment securities:		
Available-for-sale	(1,738,920)	(1,682,199)
Other	(4,900)	(70,302)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	541,660	632,284
Held-to-maturity	2,860	2,209
Other		47,859
Proceeds from sale of investment securities:		
Available-for-sale	423	
Other	2,541	27,710
Net repayments (disbursements) on loans	5,088	(61,199)
Proceeds from sale of loans		95,940
Acquisition of loan portfolios	(261,987)	(308,949)
Net payments (to) from FDIC under loss sharing agreements	(14,819)	88,588
Return of capital from equity method investments	3,862	324
Acquisition of premises and equipment	(29,992)	(60,744)
Proceeds from sale of:		
Premises and equipment and other productive assets	5,186	2,839
Foreclosed assets	60,603	28,895
Net cash used in investing activities	(2,757,808)	(1,862,152)
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	2,625,731	1,530,091
Federal funds purchased and assets sold under agreements to repurchase	(73,040)	59,460
Other short-term borrowings		30,000
Payments of notes payable	(35,074)	(216,501)
Proceeds from issuance of notes payable	20,000	128,883
Proceeds from issuance of common stock	3,831	3,710
Dividends paid	(43,045)	(32,953)
Net payments for repurchase of common stock	(75,666)	(238)
Payments related to tax withholding for share-based compensation	(1,617)	(1,231)
Net cash provided by financing activities	2,421,120	1,501,221
Net increase in cash and due from banks	43,294	1,634
Cash and due from banks at beginning of period	362,394	363,674
Cash and due from banks at the end of the period	$ 405,688	$ 365,308

The accompanying notes are an integral part of these Consolidated Financial Statements.

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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). 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.

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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, 2016 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 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, 2016, included in the Corporation s 2016 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.

Note 3 New accounting pronouncements

Recently Issued Accounting Standards Updates

FASB Accounting Standards Update (ASU) 2017-11, Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): Part I: Accounting for Certain Financial Instruments with Down Round Features; Part II: Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception

The FASB issued ASU 2017-11 in July 2017, which changes the classification analysis of certain equity-linked financial instruments with down round features. When determining whether these instruments should be classified as liabilities or equity, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity s own stock. For EPS purposes, the effect of the down round feature should be recognized as a dividend when triggered.

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The amendments in this Update may be applied using either a modified retrospective approach or a full retrospective approach.

The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect on its consolidated statements of financial condition and results of operations since it does not have any outstanding equity-linked financial instruments with a down round feature.

FASB Accounting Standards Update (ASU) 2017-09, Compensation Stock Compensation (Topic 718): Scope of Modification Accounting

The FASB issued ASU 2017-09 in May 2017, which clarifies that modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions.

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The amendments in this Update should be applied prospectively to an award modified on or after the adoption date.

The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect on its consolidated statements of financial condition and results of operations since it is not customary for the Corporation to modify the terms or conditions of its share-based payment awards.

FASB Accounting Standards Update (ASU) 2017-08, Receivables Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities

The FASB issued ASU 2017-08 in March 2017, which amends the amortization period for certain callable debt securities held at a premium by shortening such period to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity.

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The amendments in this Update should be applied on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.

The Corporation does not anticipate that the adoption of this accounting pronouncement will have a material effect on its consolidated statements of financial condition and results of operations since the premium of purchased callable debt securities is not significant.

FASB Accounting Standards Update (ASU) 2017-07, Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

The FASB issued ASU 2017-07 in March 2017, which requires that an employer disaggregate the service cost component from the other components of net benefit cost. The amendments also provide guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization.

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The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The amendments in this Update should be applied retrospectively for the presentation of the service cost component and other components of net benefit cost and prospectively for the capitalization of the service cost component.

The Corporation does not expect that the limitation to capitalize only the service cost component of the net periodic benefit cost will have a material impact on its consolidated statement of operations. Upon adoption, the Corporation will segregate the presentation of the service cost from the other components of net periodic benefit costs, all which are currently reported within personnel costs in its accompanying consolidated statement of operations.

FASB Accounting Standards Update (ASU) 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

The Corporation has continued its evaluation and implementation efforts for ASU 2016-13, Financial Instruments Credit Losses, and has established a cross-discipline governance structure. A Current Expected Credit Losses (CECL) Working Group, with members from different areas within the organization, has been created and assigned the responsibility of assessing the impact of the standard, evaluating interpretative issues, evaluating the current credit loss models against the new guidance to determine any changes necessary and other related implementation activities. The Working Group provides periodic updates to the CECL Steering Committee, which has oversight responsibilities for the implementation efforts.

The Corporation plans to adopt ASU 2016-13 on January 1, 2020 using a modified retrospective approach. Although early adoption is permitted beginning in the first quarter of 2019, the Corporation does not expect to make that election. The Corporation expects an increase in its allowance for loan and lease losses due to the consideration of lifetime credit losses as part of the calculation. For additional information on ASU 2016-13 and other recently issued Accounting Standards Updates not yet effective, refer to Note 3 to the Consolidated Financial Statements included in the 2016 Form 10-K.

FASB Accounting Standards Updates (ASUs), Revenue from Contracts with Customers (Topic 606)

The Corporation s implementation efforts regarding ASU 2014-09, Revenue from Contracts with Customers, have included a scoping analysis of revenue streams and related costs, reviewing the associated contracts, evaluating the timing of when revenues are currently being recognized in light of when the performance obligations are fulfilled and assessing principal vs. agent considerations. The Corporation does not expect material changes in the timing of when revenues are recognized upon the adoption of this standard. Nonetheless, the Corporation continues to evaluate certain costs, including card interchange fees and certain broker-dealer activities, to determine if these would require changes from a net presentation within revenues to a gross basis. The Corporation plans to adopt this guidance on January 1, 2018 using the modified retrospective approach.

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Note 4 - 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 $ 1.2 billion at June 30, 2017 (December 31, 2016 - $ 1.2 billion). Cash and due from banks, as well as other highly liquid securities, are used to cover the required average reserve balances.

At June 30, 2017, the Corporation held $90 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, 2016 - $31 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 5 Investment securities available-for-sale

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of investment securities available-for-sale at June 30, 2017 and December 31, 2016.

	At June 30, 2017				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 1,084,686	$ 31	$ 826	$ 1,083,891	1.00%
After 1 to 5 years	1,846,416	1,603	9,145	1,838,874	1.27
Total U.S. Treasury securities	2,931,102	1,634	9,971	2,922,765	1.17
Obligations of U.S. Government sponsored entities					
Within 1 year	126,014	5	132	125,887	1.04
After 1 to 5 years	537,162	478	1,757	535,883	1.42
After 5 to 10 years	200	1		201	5.64
Total obligations of U.S. Government sponsored entities	663,376	484	1,889	661,971	1.35
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	6,542		76	6,466	2.65
After 5 to 10 years	2,988			2,988	1.22
After 10 years	11,352			11,352	1.44
Total obligations of Puerto Rico, States and political subdivisions	20,882		76	20,806	1.79
Collateralized mortgage obligations - federal agencies					
Within 1 year	142			142	2.94
After 1 to 5 years	17,607	328	38	17,897	2.88
After 5 to 10 years	31,542	205	39	31,708	2.69
After 10 years	1,051,189	4,898	20,995	1,035,092	2.03
Total collateralized mortgage obligations - federal agencies	1,100,480	5,431	21,072	1,084,839	2.06
Mortgage-backed securities					
Within 1 year	29			29	4.45
After 1 to 5 years	16,764	350	53	17,061	3.70

After 5 to 10 years	313,735	2,882	2,238	314,379	2.23
After 10 years	4,408,536	26,964	59,081	4,376,419	2.48
Total mortgage-backed securities	4,739,064	30,196	61,372	4,707,888	2.46
Equity securities (without contractual maturity)	1,008	860		1,868	8.17
Other					
Within 1 year	8,351	5		8,356	2.16
After 5 to 10 years	887	22		909	3.62
Total other	9,238	27		9,265	2.30
Total investment securities available-for-sale[1]	$ 9,465,150	$ 38,632	$ 94,380	$ 9,409,402	1.94%

[1] Includes $6.2 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 $5.4 billion serve as collateral for public funds.

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	At December 31, 2016				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 844,002	$ 1,254	$ 28	$ 845,228	1.00%
After 1 to 5 years	1,300,729	214	9,551	1,291,392	1.11
Total U.S. Treasury securities	2,144,731	1,468	9,579	2,136,620	1.06
Obligations of U.S. Government sponsored entities					
Within 1 year	100,050	102		100,152	0.98
After 1 to 5 years	613,293	710	2,505	611,498	1.38
After 5 to 10 years	200			200	5.64
Total obligations of U.S. Government sponsored entities	713,543	812	2,505	711,850	1.32
Obligations of Puerto Rico, States and political subdivisions					
After 1 to 5 years	6,419		161	6,258	2.89
After 5 to 10 years	5,000		1,550	3,450	3.80
After 10 years	17,605		4,542	13,063	7.09
Total obligations of Puerto Rico, States and political subdivisions	29,024		6,253	22,771	5.60
Collateralized mortgage obligations - federal agencies					
Within 1 year	13			13	1.23
After 1 to 5 years	18,524	429	28	18,925	2.89
After 5 to 10 years	39,178	428	61	39,545	2.68
After 10 years	1,180,686	6,313	23,956	1,163,043	1.99
Total collateralized mortgage obligations - federal agencies	1,238,401	7,170	24,045	1,221,526	2.02
Mortgage-backed securities					
Within 1 year	55	1		56	4.76
After 1 to 5 years	19,960	537	43	20,454	3.86
After 5 to 10 years	317,185	3,701	1,721	319,165	2.29
After 10 years	3,805,675	28,772	68,790	3,765,657	2.47
Total mortgage-backed securities	4,142,875	33,011	70,554	4,105,332	2.46
Equity securities (without contractual maturity)	1,246	876		2,122	7.94
Other					

Within 1 year	8,539	11		8,550	1.78
After 5 to 10 years	1,004	31		1,035	3.62
Total other	9,543	42		9,585	1.97
Total investment securities available-for-sale[1]	$ 8,279,363	$ 43,379	$ 112,936	$ 8,209,806	1.94%

[1] Includes $4.1 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 $3.4 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.

During the six months ended June 30, 2017, the Corporation sold equity securities with a realized gain of $181 thousand. The proceeds from these sales were $ 423 thousand. There were no securities sold during the six months ended June 30, 2016.

The following tables present the Corporation s fair value and gross unrealized losses of investment securities available-for-sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2017 and December 31, 2016.

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	At June 30, 2017					
	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	$ 2,095,200	$ 9,971	$	$	$ 2,095,200	$ 9,971
Obligations of U.S. Government sponsored entities	525,694	1,763	24,952	126	550,646	1,889
Obligations of Puerto Rico, States and political subdivisions	6,466	76			6,466	76
Collateralized mortgage obligations - federal agencies	459,463	7,491	312,521	13,581	771,984	21,072
Mortgage-backed securities	3,641,726	59,757	72,282	1,615	3,714,008	61,372
Total investment securities available-for-sale in an unrealized loss position	$ 6,728,549	$ 79,058	$ 409,755	$ 15,322	$ 7,138,304	$ 94,380

	At December 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
U.S. Treasury securities	$ 1,162,110	$ 9,579	$	$	$ 1,162,110	$ 9,579
Obligations of U.S. Government sponsored entities	430,273	2,426	3,126	79	433,399	2,505
Obligations of Puerto Rico, States and political subdivisions	6,258	161	16,512	6,092	22,770	6,253
Collateralized mortgage obligations - federal agencies	505,503	8,112	339,236	15,933	844,739	24,045
Mortgage-backed securities	3,537,606	70,173	15,113	381	3,552,719	70,554
Total investment securities available-for-sale in an unrealized loss position	$ 5,641,750	$ 90,451	$ 373,987	$ 22,485	$ 6,015,737	$ 112,936

As of June 30, 2017, the available-for-sale investment portfolio reflects gross unrealized losses of approximately $94 million, driven by Mortgage backed securities and Collateralized mortgage obligations.

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.

During the second quarter of 2017, the Corporation recognized an other-than-temporary impairment charge of $8.3 million on senior Puerto Rico Sales Tax Financing Corporation (COFINA) bonds classified as available-for-sale. On May 5, 2017, the federally-appointed Puerto Rico Management and Oversight Board filed, at the request of the Commonwealth, a petition pursuant to the Title III of PROMESA with respect to COFINA. On May 30, 2017, the U.S. District Court directed that funds held by the Bank of New York Mellon (BONY), as trustee for the COFINA bonds, be escrowed pending resolution of certain legal disputes. The withholding of COFINA funds ordered by the Court during June 2017 resulted in the first missed interest payment on COFINA bonds. As such, the Corporation determined the entire unrealized loss on these securities to be other-than-temporary.

At June 30, 2017, the Corporation did not have the intent to sell debt securities in an unrealized loss position and it was not more likely than not that the Corporation would have to sell the investments securities prior to recovery of their amortized cost basis. Notwithstanding the above, the Corporation sold all senior COFINA bonds held as available-for-sale in July 2017.

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During the second quarter of 2016, the Corporation recognized an other-than-temporary impairment charge of $209 thousand on an investment security available-for-sale classified as obligations from the Puerto Rico government and its political subdivisions. The Corporation determined that the entire balance of the unrealized loss carried by this security was attributed to estimated credit losses. Accordingly, an other-than-temporary impairment was recognized in its entirety in the consolidated statement of operations and no amount remained recognized in the statement of other comprehensive income related to this specific security. The security, for which an other-than-temporary impairment was recorded, was sold during the fourth quarter of 2016.

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.

	June 30, 2017		December 31, 2016	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	$ 3,541,838	$ 3,505,997	$ 3,255,844	$ 3,211,443
Freddie Mac	1,463,278	1,446,857	1,381,197	1,361,933

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Note 6 Investment securities held-to-maturity

The following tables present the amortized cost, gross unrealized gains and losses, approximate fair value, weighted average yield and contractual maturities of investment securities held-to-maturity at June 30, 2017 and December 31, 2016.

	At June 30, 2017				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	$ 3,235	$	$ 936	$ 2,299	5.94%
After 1 to 5 years	15,200		5,522	9,678	6.03
After 5 to 10 years	17,485		5,527	11,958	6.24
After 10 years	58,296	3,327	6,020	55,603	1.79
Total obligations of Puerto Rico, States and political subdivisions	94,216	3,327	18,005	79,538	3.44
Collateralized mortgage obligations - federal agencies					
After 5 to 10 years	70	4		74	5.45
Total collateralized mortgage obligations - federal agencies	70	4		74	5.45
Other					
Within 1 year	1,250		19	1,231	1.40
After 1 to 5 years	750		9	741	2.79
Total other	2,000		28	1,972	1.92
Total investment securities held-to-maturity[1]	$ 96,286	$ 3,331	$ 18,033	$ 81,584	3.41%

[1] Includes $94.2 million pledged to secure public and trust deposits that the secured parties are not permitted to sell or repledge the collateral.

	At December 31, 2016				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
Obligations of Puerto Rico, States and political subdivisions					

Within 1 year	$ 3,105	$	$ 1,240	$ 1,865	5.90%
After 1 to 5 years	14,540		5,957	8,583	6.02
After 5 to 10 years	18,635		7,766	10,869	6.20
After 10 years	59,747	1,368	8,892	52,223	1.91
Total obligations of Puerto Rico, States and political subdivisions	96,027	1,368	23,855	73,540	3.49
Collateralized mortgage obligations - federal agencies					
After 5 to 10 years	74	4		78	5.45
Total collateralized mortgage obligations - federal agencies	74	4		78	5.45
Other					
Within 1 year	1,000		3	997	1.65
After 1 to 5 years	1,000		39	961	2.44
Total other	2,000		42	1,958	2.05
Total investment securities held-to-maturity[1]	$ 98,101	$ 1,372	$ 23,897	$ 75,576	3.46%

[1] Includes $53.1 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 June 30, 2017 and December 31, 2016.

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	At June 30, 2017					
	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	$ 6,925	$ 98	$ 33,083	$ 17,907	$ 40,008	$ 18,005
Other	491	9	1,231	19	1,722	28
Total investment securities held-to-maturity in an unrealized loss position	$ 7,416	$ 107	$ 34,314	$ 17,926	$ 41,730	$ 18,033

	At December 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	$ 31,294	$ 1,702	$ 30,947	$ 22,153	$ 62,241	$ 23,855
Other	491	9	1,217	33	1,708	42
Total investment securities held-to-maturity in an unrealized loss position	$ 31,785	$ 1,711	$ 32,164	$ 22,186	$ 63,949	$ 23,897

As indicated in Note 5 to these Consolidated Financial Statements, management evaluates investment securities for OTTI declines in fair value on a quarterly basis.

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at June 30, 2017 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. This includes $51 million of general and special obligation bonds issued by three municipalities of Puerto Rico, which are payable primarily from, and have a lien on, certain property taxes imposed by the issuing municipality. In the case of general obligations, they also benefit from a pledge of the full faith, credit and unlimited taxing power of the issuing municipality and issuing municipalities are required by law to levy property taxes in an amount sufficient for the payment of debt service on such general obligations bonds.

The portfolio also includes approximately $43 million in securities for which the underlying source of payment is not the central government, but in which a government instrumentality 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 held-to-maturity was other-than-temporarily impaired at June 30, 2017. 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.

Refer to Note 21 for additional information on the Corporation s exposure to the Puerto Rico Government.

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Note 7 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 9.

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 2016 Form 10-K.

During the quarter and six months ended June 30, 2017, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $124 million and $260 million, respectively; consumer loans of $108 million and $150 million, respectively; and leases of $2 million, for the six months ended June 30, 2017. During the quarter and six months ended June 30, 2016, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $118 million and $240 million, respectively; consumer loans of $58 million and $164 million, respectively; and commercial loans of $51 million during the six months ended June 30, 2016.

The Corporation performed whole-loan sales involving approximately $26 million and $54 million of residential mortgage loans during the quarter and six months ended June 30, 2017, respectively (June 30, 2016 $19 million and $40 million, respectively). Excluding the bulk sale of Westernbank loans with a carrying value of approximately $100 million, the Corporation sold commercial and construction loans with a carrying value of approximately $1 million during the six months ended June 30, 2016. Also, the Corporation securitized approximately $ 136 million and $ 283 million of mortgage loans into Government National Mortgage Association (GNMA) mortgage-backed securities during the quarter and six months ended June 30, 2017, respectively (June 30, 2016 $ 170 million and $ 304 million, respectively). Furthermore, the Corporation securitized approximately $ 37 million and $ 65 million of mortgage loans into Federal National Mortgage Association (FNMA) mortgage-backed securities during the quarter and six months ended June 30, 2017, respectively (June 30, 2016 - $ 43 million and $ 79 million, respectively).

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 June 30, 2017 and December 31, 2016, including loans previously covered by the commercial FDIC loss sharing agreements.

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June 30, 2017 Puerto Rico (In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$ 199	$ 603	$ 561	$ 1,363	$ 146,928	$ 148,291
Commercial real estate non-owner occupied	85,929	12,304	39,102	137,335	2,398,639	2,535,974
Commercial real estate owner occupied	13,388	5,928	105,755	125,071	1,561,362	1,686,433
Commercial and industrial	3,185	2,559	44,445	50,189	2,735,199	2,785,388
Construction			170	170	96,734	96,904
Mortgage	307,222	151,129	743,059	1,201,410	4,616,873	5,818,283
Leasing	7,225	1,214	2,065	10,504	733,099	743,603
Consumer:						
Credit cards	12,067	7,831	19,012	38,910	1,052,164	1,091,074
Home equity lines of credit			926	926	6,574	7,500
Personal	13,174	7,903	19,288	40,365	1,131,067	1,171,432
Auto	31,917	6,955	10,634	49,506	776,453	825,959
Other	681	174	16,764	17,619	148,205	165,824
Total	$ 474,987	$ 196,600	$ 1,001,781	$ 1,673,368	$ 15,403,297	$ 17,076,665

June 30, 2017 U.S. mainland (In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$	$	$ 503	$ 503	$ 1,145,927	$ 1,146,430
Commercial real estate non-owner occupied	1,489	1,029	1,778	4,296	1,492,403	1,496,699
Commercial real estate owner occupied	2,926		487	3,413	248,560	251,973
Commercial and industrial	3,232	6,863	87,468	97,563	898,608	996,171
Construction					687,485	687,485
Mortgage	1,188	5,888	12,280	19,356	715,157	734,513
Legacy	594	309	3,360	4,263	34,804	39,067
Consumer:						
Credit cards	17		2	19	124	143
Home equity lines of credit	5,007	2,600	7,922	15,529	197,796	213,325
Personal	1,950	1,524	2,179	5,653	269,963	275,616
Auto					5	5
Other		21	3	24	155	179
Total	$ 16,403	$ 18,234	$ 115,982	$ 150,619	$ 5,690,987	$ 5,841,606

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(In thousands)	June 30, 2017 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	$ 199	$ 603	$ 1,064	$ 1,866	$ 1,292,855	$ 1,294,721
Commercial real estate non-owner occupied	87,418	13,333	40,880	141,631	3,891,042	4,032,673
Commercial real estate owner occupied	16,314	5,928	106,242	128,484	1,809,922	1,938,406
Commercial and industrial	6,417	9,422	131,913	147,752	3,633,807	3,781,559
Construction			170	170	784,219	784,389
Mortgage	308,410	157,017	755,339	1,220,766	5,332,030	6,552,796
Leasing	7,225	1,214	2,065	10,504	733,099	743,603
Legacy[3]	594	309	3,360	4,263	34,804	39,067
Consumer:						
Credit cards	12,084	7,831	19,014	38,929	1,052,288	1,091,217
Home equity lines of credit	5,007	2,600	8,848	16,455	204,370	220,825
Personal	15,124	9,427	21,467	46,018	1,401,030	1,447,048
Auto	31,917	6,955	10,634	49,506	776,458	825,964
Other	681	195	16,767	17,643	148,360	166,003
Total	$ 491,390	$ 214,834	$ 1,117,763	$ 1,823,987	$ 21,094,284	$ 22,918,271

[1] Non-covered loans held-in-portfolio are net of $128 million in unearned income and exclude $70 million in loans held-for-sale.

[2] Includes $7.4 billion pledged to secure credit facilities and public funds that the secured parties are not permitted to sell or repledge the collateral, of which $4.6 billion were pledged at the Federal Home Loan Bank (FHLB) as collateral for borrowings, $2.3 billion at the Federal Reserve Bank (FRB) for discount window borrowings and $0.5 billion serve as collateral for public funds.

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

(In thousands)	December 31, 2016 Puerto Rico Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$ 232	$	$ 664	$ 896	$ 173,644	$ 174,540
Commercial real estate non-owner occupied	98,604	4,785	51,435	154,824	2,409,461	2,564,285
Commercial real estate owner occupied	12,967	5,014	112,997	130,978	1,660,497	1,791,475
Commercial and industrial	19,156	2,638	32,147	53,941	2,617,976	2,671,917

Construction			1,668	1,668	83,890	85,558
Mortgage	289,635	136,558	801,251	1,227,444	4,689,056	5,916,500
Leasing	6,619	1,356	3,062	11,037	691,856	702,893
Consumer:						
Credit cards	11,646	8,752	18,725	39,123	1,061,484	1,100,607
Home equity lines of credit		65	185	250	8,101	8,351
Personal	12,148	7,918	20,686	40,752	1,109,425	1,150,177
Auto	32,441	7,217	12,320	51,978	774,614	826,592
Other	1,259	294	19,311	20,864	154,665	175,529
Total	$ 484,707	$ 174,597	$ 1,074,451	$ 1,733,755	$ 15,434,669	$ 17,168,424

December 31, 2016						
U.S. mainland						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 5,952	$	$ 206	$ 6,158	$ 1,058,138	$ 1,064,296
Commercial real estate non-owner occupied	1,992	379	1,195	3,566	1,353,750	1,357,316
Commercial real estate owner occupied	2,116	540	472	3,128	240,617	243,745
Commercial and industrial	960	610	101,257	102,827	828,106	930,933
Construction					690,742	690,742
Mortgage	15,974	5,272	11,713	32,959	746,902	779,861
Legacy	833	346	3,337	4,516	40,777	45,293
Consumer:						
Credit cards	8	28	30	66	92	158
Home equity lines of credit	2,908	1,055	4,762	8,725	243,450	252,175
Personal	2,547	1,675	1,864	6,086	234,521	240,607
Auto					9	9
Other			8	8	180	188
Total	$ 33,290	$ 9,905	$ 124,844	$ 168,039	$ 5,437,284	$ 5,605,323

December 31, 2016						
Popular, Inc.						
	Past due					Non-covered loans HIP Popular, Inc.[1] [2]
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	
Commercial multi-family	$ 6,184	$	$ 870	$ 7,054	$ 1,231,782	$ 1,238,836
Commercial real estate non-owner occupied	100,596	5,164	52,630	158,390	3,763,211	3,921,601
Commercial real estate owner occupied	15,083	5,554	113,469	134,106	1,901,114	2,035,220
Commercial and industrial	20,116	3,248	133,404	156,768	3,446,082	3,602,850
Construction			1,668	1,668	774,632	776,300
Mortgage	305,609	141,830	812,964	1,260,403	5,435,958	6,696,361
Leasing	6,619	1,356	3,062	11,037	691,856	702,893
Legacy[3]	833	346	3,337	4,516	40,777	45,293
Consumer:						
Credit cards	11,654	8,780	18,755	39,189	1,061,576	1,100,765
Home equity lines of credit	2,908	1,120	4,947	8,975	251,551	260,526
Personal	14,695	9,593	22,550	46,838	1,343,946	1,390,784
Auto	32,441	7,217	12,320	51,978	774,623	826,601
Other	1,259	294	19,319	20,872	154,845	175,717
Total	$ 517,997	$ 184,502	$ 1,199,295	$ 1,901,794	$ 20,871,953	$ 22,773,747

[1] Non-covered loans held-in-portfolio are net of $121 million in unearned income and exclude $89 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 $4.5 billion were pledged at the FHLB as collateral for borrowings, $2.3 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 June 30, 2017 and December 31, 2016. Accruing loans past due 90 days or more consist primarily of credit cards, Federal Housing Administration (FHA) / U.S. Department of Veterans Affairs (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 June 30, 2017						
	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	$ 561	$	$ 503	$	$ 1,064	$
Commercial real estate non-owner occupied	23,107		1,778		24,885	
Commercial real estate owner occupied	94,979		487		95,466	
Commercial and industrial	44,216	229	1,233		45,449	229
Mortgage[3]	306,642	370,756	12,280		318,922	370,756
Leasing	2,065				2,065	
Legacy			3,360		3,360	
Consumer:						
Credit cards		19,012	2		2	19,012
Home equity lines of credit		926	7,922		7,922	926
Personal	19,049	11	2,179		21,228	11
Auto	10,634				10,634	
Other	16,129	635	3		16,132	635
Total[2]	$ 517,382	$ 391,569	$ 29,747	$	$ 547,129	$ 391,569

[1] Non-covered loans of $179 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 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 $160 million of residential mortgage loans in Puerto Rico insured by FHA or guaranteed by the VA that are no longer accruing interest as of June 30, 2017. Furthermore, the Corporation has approximately $57 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, 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	$ 664	$	$ 206	$	$ 870	$
Commercial real estate non-owner occupied	24,611		1,195		25,806	

Commercial real estate owner occupied	102,771		472		103,243	
Commercial and industrial	31,609	538	1,820		33,429	538
Mortgage[3]	318,194	406,583	11,713		329,907	406,583
Leasing	3,062				3,062	
Legacy			3,337		3,337	
Consumer:						
Credit cards		18,725	30		30	18,725
Home equity lines of credit		185	4,762		4,762	185
Personal	20,553	34	1,864		22,417	34
Auto	12,320				12,320	
Other	18,724	587	8		18,732	587
Total[2]	$ 532,508	$ 426,652	$ 25,407	$	$ 557,915	$ 426,652

[1] Non-covered loans by $215 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 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 $181 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, 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.

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Covered loans

The following tables present the composition of loans by past due status at June 30, 2017 and December 31, 2016 for covered loans held-in-portfolio. The information considers covered loans accounted for under ASC Subtopic 310-20 and ASC Subtopic 310-30.

June 30, 2017						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP [1]
Mortgage	$ 24,506	$ 12,270	$ 56,079	$ 92,855	$ 428,211	$ 521,066
Consumer	650	305	851	1,806	13,469	15,275
Total covered loans	$ 25,156	$ 12,575	$ 56,930	$ 94,661	$ 441,680	$ 536,341

[1] Includes $314 million pledged to secure credit facilities at the FHLB which are not permitted to sell or repledge the collateral.

December 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	$ 25,506	$ 12,904	$ 69,856	$ 108,266	$ 448,304	$ 556,570
Consumer	751	245	1,074	2,070	14,238	16,308
Total covered loans	$ 26,257	$ 13,149	$ 70,930	$ 110,336	$ 462,542	$ 572,878

[1] Includes $337 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 June 30, 2017 and December 31, 2016.

	June 30, 2017		December 31, 2016	
(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	$ 3,866	$	$ 3,794	$
Consumer	160		121	

Total[1]	$ 4,026	$	$ 3,915	$

[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 June 30, 2017 (December 31, 2016 $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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	June 30, 2017			December 31, 2016		
	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	$ 908,923	$ 14,764	$ 923,687	$ 985,181	$ 14,440	$ 999,621
Commercial and industrial	96,795		96,795	103,476		103,476
Construction		170	170		1,668	1,668
Mortgage	555,771	22,822	578,593	587,949	25,781	613,730
Consumer	17,707	835	18,542	18,775	1,059	19,834
Carrying amount [1]	1,579,196	38,591	1,617,787	1,695,381	42,948	1,738,329
Allowance for loan losses	(59,165)	(6,509)	(65,674)	(61,855)	(7,022)	(68,877)
Carrying amount, net of allowance	$ 1,520,031	$ 32,082	$ 1,552,113	$ 1,633,526	$ 35,926	$ 1,669,452

[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 $526 million as of June 30, 2017 and $563 million as of December 31, 2016.

The outstanding principal balance of Westernbank loans accounted pursuant to ASC Subtopic 310-30, amounted to $2.0 billion at June 30, 2017 (December 31, 2016 - $2.1 billion). At June 30, 2017, 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 and six months ended June 30, 2017 and 2016, were as follows:

	Activity in the accretable yield Westernbank loans ASC 310-30 For the quarters ended					
	June 30, 2017			June 30, 2016		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 973,681	$ 7,525	$ 981,206	$ 1,118,276	$ 10,532	$ 1,128,808
Accretion	(35,679)	(809)	(36,488)	(45,137)	(3,339)	(48,476)
Change in expected cash flows	(1,798)	(252)	(2,050)	(11,168)	2,516	(8,652)
Ending balance	$ 936,204	$ 6,464	$ 942,668	$ 1,061,971	$ 9,709	$ 1,071,680

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	Activity in the accretable yield Westernbank loans ASC 310-30 For the six months ended					
	June 30, 2017			June 30, 2016		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,001,908	$ 8,179	$ 1,010,087	$ 1,105,732	$ 6,726	$ 1,112,458
Accretion	(71,695)	(1,685)	(73,380)	(87,137)	(4,872)	(92,009)
Change in expected cash flows	5,991	(30)	5,961	43,376	7,855	51,231
Ending balance	$ 936,204	$ 6,464	$ 942,668	$ 1,061,971	$ 9,709	$ 1,071,680

	Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30 For the quarters ended					
	June 30, 2017			June 30, 2016		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,648,328	$ 40,572	$ 1,688,900	$ 1,865,940	$ 69,501	$ 1,935,441
Accretion	35,679	809	36,488	45,137	3,339	48,476
Collections / loan sales / charge-offs[1]	(104,811)	(2,790)	(107,601)	(156,464)	(27,510)	(183,974)
Ending balance[2]	$ 1,579,196	$ 38,591	$ 1,617,787	$ 1,754,613	$ 45,330	$ 1,799,943
Allowance for loan losses ASC 310-30 Westernbank loans	(59,165)	(6,509)	(65,674)	(57,895)	(9,100)	(66,995)
Ending balance, net of ALLL	$ 1,520,031	$ 32,082	$ 1,552,113	$ 1,696,718	$ 36,230	$ 1,732,948

[1] For the quarter ended June 30, 2016, includes the impact of the bulk sale of loans with a carrying value of approximately $99 million.

[2] 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 $ 526 million as of June 30, 2017 (June 30, 2016- $597 million).

	Carrying amount of Westernbank loans accounted for pursuant to ASC 310-30 For the six months ended					
	June 30, 2017			June 30, 2016		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,695,381	$ 42,948	$ 1,738,329	$ 1,898,146	$ 76,355	$ 1,974,501

Accretion	71,695	1,685	73,380	87,137	4,872	92,009
Collections / loan sales / charge-offs[1]	(187,880)	(6,042)	(193,922)	(230,670)	(35,897)	(266,567)
Ending balance[2]	$ 1,579,196	$ 38,591	$ 1,617,787	$ 1,754,613	$ 45,330	$ 1,799,943
Allowance for loan losses ASC 310-30 Westernbank loans	(59,165)	(6,509)	(65,674)	(57,895)	(9,100)	(66,995)
Ending balance, net of ALLL	$ 1,520,031	$ 32,082	$ 1,552,113	$ 1,696,718	$ 36,230	$ 1,732,948

[1] For the quarter ended June 30, 2016, includes the impact of the bulk sale of loans with a carrying value of approximately $99 million.

[2] 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 $526 million as of June 30, 2017 (June 30, 2016- $597 million).

Other loans acquired with deteriorated credit quality

The outstanding principal balance of other acquired loans accounted pursuant to ASC Subtopic 310-30, amounted to $679 million at June 30, 2017 (December 31, 2016 - $700 million). At June 30, 2017, 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.

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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 June 30, 2017 and 2016 were as follows:

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

(In thousands)	For the quarter ended June 30, 2017	For the quarter ended June 30, 2016
Beginning balance	$ 309,778	$ 267,768
Additions	2,601	4,171
Accretion	(8,422)	(8,730)
Change in expected cash flows	(953)	9,400
Ending balance	$ 303,004	$ 272,609

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

(In thousands)	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Beginning balance	$ 278,896	$ 221,128
Additions	5,855	8,511
Accretion	(17,258)	(17,285)
Change in expected cash flows	35,511	60,255
Ending balance	$ 303,004	$ 272,609

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

(In thousands)	For the quarter ended June 30, 2017	For the quarter ended June 30, 2016
Beginning balance	$ 556,724	562,723
Additions	4,298	8,354
Accretion	8,422	8,730
Collections and charge-offs	(18,567)	(17,062)
Ending balance	$ 550,877	$ 562,745
Allowance for loan losses ASC 310-30 other acquired loans	(37,923)	(16,059)
Ending balance, net of ALLL	$ 512,954	$ 546,686

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

(In thousands)	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Beginning balance	$ 562,695	$ 564,050
		(4,707)

Purchase accounting adjustments related to the Doral Bank Transaction (Refer to Note 14)				
Additions		9,879		18,405
Accretion		17,258		17,285
Collections and charge-offs		(38,955)		(32,288)
Ending balance	$	550,877	$	562,745
Allowance for loan losses ASC 310-30 other acquired loans		(37,923)		(16,059)
Ending balance, net of ALLL	$	512,954	$	546,686

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Note 8 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 June 30, 2017, 39% (June 30, 2016 51%) 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 personal, other consumer and commercial and industrial portfolios for 2017 and in the other consumer, mortgage, commercial multi-family and commercial and industrial loan portfolios for 2016.

For the period ended June 30, 2017, 2% (June 30, 2016 1 %) of our 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 commercial multifamily loan and legacy portfolios for 2017 and in the consumer loan portfolio for 2016.

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.

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 and six months ended June 30, 2017 and 2016.

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(In thousands)	For the quarter ended June 30, 2017 Puerto Rico - Non-covered loans Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 187,631	$ 1,961	$ 144,937	$ 7,897	$ 124,091	$ 466,517
Provision (reversal of provision)	(1,697)	(2,858)	23,682	1,544	21,502	42,173
Charge-offs	(21,575)	(68)	(21,493)	(1,956)	(28,002)	(73,094)
Recoveries	9,830	2,438	740	518	5,313	18,839
Ending balance	$ 174,189	$ 1,473	$ 147,866	$ 8,003	$ 122,904	$ 454,435
Specific ALLL	$ 41,982	$	$ 47,954	$ 487	$ 21,999	$ 112,422
General ALLL	$ 132,207	$ 1,473	$ 99,912	$ 7,516	$ 100,905	$ 342,013
Loans held-in-portfolio:						
Impaired non-covered loans	$ 333,936	$	$ 505,244	$ 1,668	$ 103,798	$ 944,646
Non-covered loans held-in-portfolio excluding impaired loans	6,822,150	96,904	5,313,039	741,935	3,157,991	16,132,019
Total non-covered loans held-in-portfolio	$ 7,156,086	$ 96,904	$ 5,818,283	$ 743,603	$ 3,261,789	$ 17,076,665

(In thousands)	For the quarter ended June 30, 2017 Puerto Rico - Covered loans Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 27,341	$	$ 430	$ 27,771
Provision (reversal of provision)			2,405		109	2,514
Charge-offs			(606)		(17)	(623)
Recoveries			1,144		2	1,146
Ending balance	$	$	$ 30,284	$	$ 524	$ 30,808
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 30,284	$	$ 524	$ 30,808
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			521,066		15,275	536,341

Total covered loans held-in-portfolio	$	$	$ 521,066	$	$ 15,275	$ 536,341

For the quarter ended June 30, 2017
U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 21,053	$ 8,036	$ 4,282	$ 1,166	$ 15,671	$ 50,208
Provision (reversal of provision)	6,623	(1,508)	302	(471)	2,846	7,792
Charge-offs	(151)		(845)	(542)	(4,786)	(6,324)
Recoveries	794		383	840	1,078	3,095
Ending balance	$ 28,319	$ 6,528	$ 4,122	$ 993	$ 14,809	$ 54,771
Specific ALLL	$	$	$ 2,194	$	$ 694	$ 2,888
General ALLL	$ 28,319	$ 6,528	$ 1,928	$ 993	$ 14,115	$ 51,883
Loans held-in-portfolio:						
Impaired loans	$	$	$ 8,896	$	$ 3,229	$ 12,125
Loans held-in-portfolio excluding impaired loans	3,891,273	687,485	725,617	39,067	486,039	5,829,481
Total loans held-in-portfolio	$ 3,891,273	$ 687,485	$ 734,513	$ 39,067	$ 489,268	$ 5,841,606

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For the quarter ended June 30, 2017 Popular, Inc.							
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 208,684	$ 9,997	$ 176,560	$ 1,166	$ 7,897	$ 140,192	$ 544,496
Provision (reversal of provision)	4,926	(4,366)	26,389	(471)	1,544	24,457	52,479
Charge-offs	(21,726)	(68)	(22,944)	(542)	(1,956)	(32,805)	(80,041)
Recoveries	10,624	2,438	2,267	840	518	6,393	23,080
Ending balance	$ 202,508	$ 8,001	$ 182,272	$ 993	$ 8,003	$ 138,237	$ 540,014
Specific ALLL	$ 41,982	$	$ 50,148	$	$ 487	$ 22,693	$ 115,310
General ALLL	$ 160,526	$ 8,001	$ 132,124	$ 993	$ 7,516	$ 115,544	$ 424,704
Loans held-in-portfolio:							
Impaired loans	$ 333,936	$	$ 514,140	$	$ 1,668	$ 107,027	$ 956,771
Loans held-in-portfolio excluding impaired loans	10,713,423	784,389	6,559,722	39,067	741,935	3,659,305	22,497,841
Total loans held-in-portfolio	$ 11,047,359	$ 784,389	$ 7,073,862	$ 39,067	$ 743,603	$ 3,766,332	$ 23,454,612

For the six months ended June 30, 2017 Puerto Rico - Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 189,686	$ 1,353	$ 143,320	$ 7,662	$ 125,963	$ 467,984
Provision (reversal of provision)	(1,114)	(2,394)	38,854	2,592	35,713	73,651
Charge-offs	(32,646)	(3,655)	(36,476)	(3,297)	(49,814)	(125,888)
Recoveries	18,263	6,169	2,168	1,046	11,042	38,688
Ending balance	$ 174,189	$ 1,473	$ 147,866	$ 8,003	$ 122,904	$ 454,435
Specific ALLL	$ 41,982	$	$ 47,954	$ 487	$ 21,999	$ 112,422
General ALLL	$ 132,207	$ 1,473	$ 99,912	$ 7,516	$ 100,905	$ 342,013
Loans held-in-portfolio:						
Impaired non-covered loans	$ 333,936	$	$ 505,244	$ 1,668	$ 103,798	$ 944,646

Non-covered loans held-in-portfolio excluding impaired loans	6,822,150	96,904	5,313,039	741,935	3,157,991	16,132,019
Total non-covered loans held-in-portfolio	$ 7,156,086	$ 96,904	$ 5,818,283	$ 743,603	$ 3,261,789	$ 17,076,665

	For the six months ended June 30, 2017 Puerto Rico - Covered loans					
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 30,159	$	$ 191	$ 30,350
Provision (reversal of provision)			715		440	1,155
Charge-offs			(1,837)		(110)	(1,947)
Recoveries			1,247		3	1,250
Ending balance	$	$	$ 30,284	$	$ 524	$ 30,808
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 30,284	$	$ 524	$ 30,808
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			521,066		15,275	536,341
Total covered loans held-in-portfolio	$	$	$ 521,066	$	$ 15,275	$ 536,341

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For the six months ended June 30, 2017

U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 12,968	$ 8,172	$ 4,614	$ 1,343	$ 15,220	$ 42,317
Provision (reversal of provision)	14,245	(1,644)	(134)	(1,136)	7,040	18,371
Charge-offs	(221)		(951)	(583)	(9,519)	(11,274)
Recoveries	1,327		593	1,369	2,068	5,357
Ending balance	$ 28,319	$ 6,528	$ 4,122	$ 993	$ 14,809	$ 54,771
Specific ALLL	$	$	$ 2,194	$	$ 694	$ 2,888
General ALLL	$ 28,319	$ 6,528	$ 1,928	$ 993	$ 14,115	$ 51,883
Loans held-in-portfolio:						
Impaired loans	$	$	$ 8,896	$	$ 3,229	$ 12,125
Loans held-in-portfolio excluding impaired loans	3,891,273	687,485	725,617	39,067	486,039	5,829,481
Total loans held-in-portfolio	$ 3,891,273	$ 687,485	$ 734,513	$ 39,067	$ 489,268	$ 5,841,606

For the six months ended June 30, 2017

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 202,654	$ 9,525	$ 178,093	$ 1,343	$ 7,662	$ 141,374	$ 540,651
Provision (reversal of provision)	13,131	(4,038)	39,435	(1,136)	2,592	43,193	93,177
Charge-offs	(32,867)	(3,655)	(39,264)	(583)	(3,297)	(59,443)	(139,109)
Recoveries	19,590	6,169	4,008	1,369	1,046	13,113	45,295
Ending balance	$ 202,508	$ 8,001	$ 182,272	$ 993	$ 8,003	$ 138,237	$ 540,014
Specific ALLL	$ 41,982	$	$ 50,148	$	$ 487	$ 22,693	$ 115,310
General ALLL	$ 160,526	$ 8,001	$ 132,124	$ 993	$ 7,516	$ 115,544	$ 424,704
Loans held-in-portfolio:							
Impaired loans	$ 333,936	$	$ 514,140	$	$ 1,668	$ 107,027	$ 956,771
Loans held-in-portfolio excluding impaired loans	10,713,423	784,389	6,559,722	39,067	741,935	3,659,305	22,497,841

Total loans held-in-portfolio	$ 11,047,359	$ 784,389	$ 7,073,862	$ 39,067	$ 743,603	$ 3,766,332	$ 23,454,612

For the quarter ended June 30, 2016

Puerto Rico - Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 197,590	$ 4,237	$ 124,500	$ 11,035	$ 135,785	$ 473,147
Provision (reversal of provision)	3,515	(4,772)	25,688	(507)	14,427	38,351
Charge-offs	(24,489)	(1,531)	(13,950)	(879)	(26,011)	(66,860)
Recoveries	18,842	4,757	486	445	6,108	30,638
Net recoveries (write-downs)	4,369	914			162	5,445
Ending balance	$ 199,827	$ 3,605	$ 136,724	$ 10,094	$ 130,471	$ 480,721
Specific ALLL	$ 53,350	$ 116	$ 42,106	$ 548	$ 24,167	$ 120,287
General ALLL	$ 146,477	$ 3,489	$ 94,618	$ 9,546	$ 106,304	$ 360,434
Loans held-in-portfolio:						
Impaired non-covered loans	$ 335,881	$ 1,036	$ 476,161	$ 2,110	$ 109,130	$ 924,318
Non-covered loans held-in-portfolio excluding impaired loans	6,881,171	102,606	5,544,401	661,984	3,212,552	16,402,714
Total non-covered loans held-in-portfolio	$ 7,217,052	$ 103,642	$ 6,020,562	$ 664,094	$ 3,321,682	$ 17,327,032

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(In thousands)	For the quarter ended June 30, 2016 Puerto Rico - Covered Loans Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$ 29,822	$	$ 223	$ 30,045
Provision (reversal of provision)			828		(24)	804
Charge-offs			(884)		427	(457)
Recoveries			185		4	189
Ending balance	$	$	$ 29,951	$	$ 630	$ 30,581
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 29,951	$	$ 630	$ 30,581
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			589,256		17,914	607,170
Total covered loans held-in-portfolio	$	$	$ 589,256	$	$ 17,914	$ 607,170

(In thousands)	For the quarter ended June 30, 2016 U.S. Mainland - Continuing Operations Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 9,587	$ 4,739	$ 5,099	$ 2,484	$ 13,371	$ 35,280
Provision (reversal of provision)	(998)	2,721	(321)	(1,525)	1,440	1,317
Charge-offs	(390)		(132)	(134)	(2,662)	(3,318)
Recoveries	1,655		116	1,027	1,341	4,139
Ending balance	$ 9,854	$ 7,460	$ 4,762	$ 1,852	$ 13,490	$ 37,418
Specific ALLL	$	$	$ 1,803	$	$ 731	$ 2,534
General ALLL	$ 9,854	$ 7,460	$ 2,959	$ 1,852	$ 12,759	$ 34,884
Loans held-in-portfolio:						
Impaired loans	$	$	$ 8,564	$	$ 2,480	$ 11,044
Loans held-in-portfolio excluding impaired loans	3,142,763	613,690	834,992	49,709	561,431	5,202,585
Total loans held-in-portfolio	$ 3,142,763	$ 613,690	$ 843,556	$ 49,709	$ 563,911	$ 5,213,629

For the quarter ended June 30, 2016
Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 207,177	$ 8,976	$ 159,421	$ 2,484	$ 11,035	$ 149,379	$ 538,472
Provision (reversal of provision)	2,517	(2,051)	26,195	(1,525)	(507)	15,843	40,472
Charge-offs	(24,879)	(1,531)	(14,966)	(134)	(879)	(28,246)	(70,635)
Recoveries	20,497	4,757	787	1,027	445	7,453	34,966
Net recovery (write-downs)	4,369	914				162	5,445
Ending balance	$ 209,681	$ 11,065	$ 171,437	$ 1,852	$ 10,094	$ 144,591	$ 548,720
Specific ALLL	$ 53,350	$ 116	$ 43,909	$	$ 548	$ 24,898	$ 122,821
General ALLL	$ 156,331	$ 10,949	$ 127,528	$ 1,852	$ 9,546	$ 119,693	$ 425,899
Loans held-in-portfolio:							
Impaired loans	$ 335,881	$ 1,036	$ 484,725	$	$ 2,110	$ 111,610	$ 935,362
Loans held-in-portfolio excluding impaired loans	10,023,934	716,296	6,968,649	49,709	661,984	3,791,897	22,212,469
Total loans held-in-portfolio	$ 10,359,815	$ 717,332	$ 7,453,374	$ 49,709	$ 664,094	$ 3,903,507	$ 23,147,831

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For the six months ended June 30, 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)	16,884	(5,181)	36,557	1,173	32,789	82,222
Charge-offs	(33,457)	(2,075)	(29,922)	(3,006)	(53,390)	(121,850)
Recoveries	25,106	4,990	1,762	934	12,189	44,981
Net recoveries (write-downs)	4,369	914			162	5,445
Ending balance	$ 199,827	$ 3,605	$ 136,724	$ 10,094	$ 130,471	$ 480,721
Specific ALLL	$ 53,350	$ 116	$ 42,106	$ 548	$ 24,167	$ 120,287
General ALLL	$ 146,477	$ 3,489	$ 94,618	$ 9,546	$ 106,304	$ 360,434
Loans held-in-portfolio:						
Impaired non-covered loans	$ 335,881	$ 1,036	$ 476,161	$ 2,110	$ 109,130	$ 924,318
Non-covered loans held-in-portfolio excluding impaired loans	6,881,171	102,606	5,544,401	661,984	3,212,552	16,402,714
Total non-covered loans held-in-portfolio	$ 7,217,052	$ 103,642	$ 6,020,562	$ 664,094	$ 3,321,682	$ 17,327,032

For the six months ended June 30, 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)			(2,321)		20	(2,301)
Charge-offs			(2,105)		394	(1,711)
Recoveries			410		7	417
Ending balance	$	$	$ 29,951	$	$ 630	$ 30,581
Specific ALLL	$	$	$	$	$	$
General ALLL	$	$	$ 29,951	$	$ 630	$ 30,581
Loans held-in-portfolio:						
Impaired covered loans	$	$	$	$	$	$
Covered loans held-in-portfolio excluding impaired loans			589,256		17,914	607,170

Total covered loans held-in-portfolio	$	$	$ 589,256	$	$ 17,914	$ 607,170

For the six months ended June 30, 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)	(1,114)	3,548	23	(1,975)	4,904	5,386
Charge-offs	(885)		(573)	(243)	(5,310)	(7,011)
Recoveries	1,945		327	1,383	2,376	6,031
Ending balance	$ 9,854	$ 7,460	$ 4,762	$ 1,852	$ 13,490	$ 37,418
Specific ALLL	$	$	$ 1,803	$	$ 731	$ 2,534
General ALLL	$ 9,854	$ 7,460	$ 2,959	$ 1,852	$ 12,759	$ 34,884
Loans held-in-portfolio:						
Impaired loans	$	$	$ 8,564	$	$ 2,480	$ 11,044
Loans held-in-portfolio excluding impaired loans	3,142,763	613,690	834,992	49,709	561,431	5,202,585
Total loans held-in-portfolio	$ 3,142,763	$ 613,690	$ 843,556	$ 49,709	$ 563,911	$ 5,213,629

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For the six months ended June 30, 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)	15,770	(1,633)	34,259	(1,975)	1,173	37,713	85,307
Charge-offs	(34,342)	(2,075)	(32,600)	(243)	(3,006)	(58,306)	(130,572)
Recoveries	27,051	4,990	2,499	1,383	934	14,572	51,429
Net recoveries (write-downs)	4,369	914				162	5,445
Ending balance	$ 209,681	$ 11,065	$ 171,437	$ 1,852	$ 10,094	$ 144,591	$ 548,720
Specific ALLL	$ 53,350	$ 116	$ 43,909	$	$ 548	$ 24,898	$ 122,821
General ALLL	$ 156,331	$ 10,949	$ 127,528	$ 1,852	$ 9,546	$ 119,693	$ 425,899
Loans held-in-portfolio:							
Impaired loans	$ 335,881	$ 1,036	$ 484,725	$	$ 2,110	$ 111,610	$ 935,362
Loans held-in-portfolio excluding impaired loans	10,023,934	716,296	6,968,649	49,709	661,984	3,791,897	22,212,469
Total loans held-in-portfolio	$ 10,359,815	$ 717,332	$ 7,453,374	$ 49,709	$ 664,094	$ 3,903,507	$ 23,147,831

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

	ASC 310-30			
	For the quarters ended		For the six months ended	
(In thousands)	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Balance at beginning of period	$ 66,544	$ 62,967	$ 68,877	$ 63,563
Provision (reversal of provision)	5,541	(5,861)	5,219	(4,070)
Net recoveries (charge-offs)	(6,411)	9,889	(8,422)	7,502
Balance at end of period	$ 65,674	$ 66,995	$ 65,674	$ 66,995

Impaired loans

The following tables present loans individually evaluated for impairment at June 30, 2017 and December 31, 2016.

June 30, 2017 Puerto Rico								
	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$ 77	$ 77	$ 28	$	$	$ 77	$ 77	$ 28
Commercial real estate non-owner occupied	110,127	120,481	25,962	7,742	12,905	117,869	133,386	25,962
Commercial real estate owner occupied	123,667	148,233	9,729	30,907	67,500	154,574	215,733	9,729
Commercial and industrial	54,002	58,477	6,263	7,414	15,284	61,416	73,761	6,263
Mortgage	448,981	497,626	47,954	56,263	67,871	505,244	565,497	47,954
Leasing	1,668	1,668	487			1,668	1,668	487
Consumer:								
Credit cards	35,672	35,672	5,424			35,672	35,672	5,424
Personal	65,166	65,166	16,025			65,166	65,166	16,025
Auto	2,080	2,080	414			2,080	2,080	414
Other	880	880	136			880	880	136
Total Puerto Rico	$ 842,320	$ 930,360	$ 112,422	$ 102,326	$ 163,560	$ 944,646	$ 1,093,920	$ 112,422

June 30, 2017
U.S. mainland

(In thousands)	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Mortgage	$ 6,344	$ 8,080	$ 2,194	$ 2,552	$ 3,461	$ 8,896	$ 11,541	$ 2,194
Consumer:								
HELOCs	1,952	1,961	476	523	538	2,475	2,499	476
Personal	536	536	218	218	218	754	754	218
Total U.S. mainland	$ 8,832	$ 10,577	$ 2,888	$ 3,293	$ 4,217	$ 12,125	$ 14,794	$ 2,888

June 30, 2017
Popular, Inc.

(In thousands)	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$ 77	$ 77	$ 28	$	$	$ 77	$ 77	$ 28
Commercial real estate non-owner occupied	110,127	120,481	25,962	7,742	12,905	117,869	133,386	25,962
Commercial real estate owner occupied	123,667	148,233	9,729	30,907	67,500	154,574	215,733	9,729
Commercial and industrial	54,002	58,477	6,263	7,414	15,284	61,416	73,761	6,263
Mortgage	455,325	505,706	50,148	58,815	71,332	514,140	577,038	50,148
Leasing	1,668	1,668	487			1,668	1,668	487
Consumer:								
Credit Cards	35,672	35,672	5,424			35,672	35,672	5,424
HELOCs	1,952	1,961	476	523	538	2,475	2,499	476
Personal	65,702	65,702	16,243	218	218	65,920	65,920	16,243
Auto	2,080	2,080	414			2,080	2,080	414
Other	880	880	136			880	880	136
Total Popular, Inc.	$ 851,152	$ 940,937	$ 115,310	$ 105,619	$ 167,777	$ 956,771	$ 1,108,714	$ 115,310

December 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 multi-family	$ 82	$ 82	$ 34	$	$	$ 82	$ 82	$ 34
Commercial real estate non-owner occupied	104,119	105,047	24,537	15,935	29,631	120,054	134,678	24,537
Commercial real estate owner occupied	131,634	169,013	13,007	31,962	50,094	163,596	219,107	13,007
Commercial and industrial	46,862	49,301	4,797	7,828	11,478	54,690	60,779	4,797
Mortgage	426,737	466,249	42,428	70,751	87,806	497,488	554,055	42,428
Leasing	1,817	1,817	535			1,817	1,817	535
Consumer:								
Credit cards	37,464	37,464	5,588			37,464	37,464	5,588
Personal	66,043	66,043	16,955			66,043	66,043	16,955
Auto	2,117	2,117	474			2,117	2,117	474
Other	991	991	168			991	991	168
Total Puerto Rico	$ 817,866	$ 898,124	$ 108,523	$ 126,476	$ 179,009	$ 944,342	$ 1,077,133	$ 108,523

	December 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	$ 6,381	$ 7,971	$ 2,182	$ 2,495	$ 3,369	$ 8,876	$ 11,340	$ 2,182
Consumer:								
HELOCs	2,421	2,429	667	300	315	2,721	2,744	667
Personal	39	39	5	79	79	118	118	5
Total U.S. mainland	$ 8,841	$ 10,439	$ 2,854	$ 2,874	$ 3,763	$ 11,715	$ 14,202	$ 2,854

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	December 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 multi-family	$ 82	$ 82	$ 34	$	$	$ 82	$ 82	$ 34
Commercial real estate non-owner occupied	104,119	105,047	24,537	15,935	29,631	120,054	134,678	24,537
Commercial real estate owner occupied	131,634	169,013	13,007	31,962	50,094	163,596	219,107	13,007
Commercial and industrial	46,862	49,301	4,797	7,828	11,478	54,690	60,779	4,797
Mortgage	433,118	474,220	44,610	73,246	91,175	506,364	565,395	44,610
Leasing	1,817	1,817	535			1,817	1,817	535
Consumer:								
Credit Cards	37,464	37,464	5,588			37,464	37,464	5,588
HELOCs	2,421	2,429	667	300	315	2,721	2,744	667
Personal	66,082	66,082	16,960	79	79	66,161	66,161	16,960
Auto	2,117	2,117	474			2,117	2,117	474
Other	991	991	168			991	991	168
Total Popular, Inc.	$ 826,707	$ 908,563	$ 111,377	$ 129,350	$ 182,772	$ 956,057	$ 1,091,335	$ 111,377

The following tables present the average recorded investment and interest income recognized on impaired loans for the quarters and six months ended June 30, 2017 and 2016.

	For the quarter ended June 30, 2017					
	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	$ 78	$ 1	$	$	$ 78	$ 1
Commercial real estate non-owner occupied	117,744	1,341			117,744	1,341
Commercial real estate owner occupied	160,001	1,534			160,001	1,534
Commercial and industrial	63,558	502			63,558	502
Mortgage	503,446	4,814	8,909	22	512,355	4,836
Leasing	1,736				1,736	
Consumer:						
Credit cards	36,812				36,812	
Helocs			2,570		2,570	
Personal	65,394		435		65,829	

Auto	2,075				2,075	
Other	736				736	
Total Popular, Inc.	$ 951,580	$ 8,192	$ 11,914	$ 22	$ 963,494	$ 8,214

For the quarter ended June 30, 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	$ 139,910	$ 1,362	$	$	$ 139,910	$ 1,362
Commercial real estate owner occupied	139,722	1,316			139,722	1,316
Commercial and industrial	57,799	491			57,799	491
Construction	1,528	14			1,528	14
Mortgage	473,672	3,385	8,237	65	481,909	3,450
Leasing	2,251				2,251	
Consumer:						
Credit cards	38,078				38,078	
Helocs			1,762		1,762	
Personal	67,642		602		68,244	
Auto	3,371				3,371	
Other	435				435	
Total Popular, Inc.	$ 924,408	$ 6,568	$ 10,601	$ 65	$ 935,009	$ 6,633

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For the six months ended June 30, 2017

	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	$ 79	$ 3	$	$	$ 79	$ 3
Commercial real estate non-owner occupied	118,514	2,697			118,514	2,697
Commercial real estate owner occupied	161,199	3,198			161,199	3,198
Commercial and industrial	60,602	1,144			60,602	1,144
Mortgage	501,460	8,184	8,898	66	510,358	8,250
Leasing	1,763				1,763	
Consumer:						
Credit cards	37,029				37,029	
HELOCs			2,620		2,620	
Personal	65,610		329		65,939	
Auto	2,089				2,089	
Other	821				821	
Total Popular, Inc.	$ 949,166	$ 15,226	$ 11,847	$ 66	$ 961,013	$ 15,292

For the six months ended June 30, 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	$ 131,933	$ 2,591	$	$	$ 131,933	$ 2,591
Commercial real estate owner occupied	145,550	2,767			145,550	2,767
Commercial and industrial	59,848	1,001			59,848	1,001
Construction	1,846	35			1,846	35
Mortgage	470,820	6,773	7,763	65	478,583	6,838
Leasing	2,302				2,302	
Consumer:						
Credit cards	38,296				38,296	
HELOCs			1,695		1,695	
Personal	67,931		606		68,537	
Auto	2,878				2,878	
Other	465				465	
Total Popular, Inc.	$ 921,869	$ 13,167	$ 10,064	$ 65	$ 931,933	$ 13,232

Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to $ 1.3 billion at June 30, 2017 (December 31, 2016 - $ 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 June 30, 2017 (December 31, 2016 - $8 million).

At June 30, 2017, the mortgage loan TDRs include $430 million guaranteed by U.S. sponsored entities at BPPR, compared to $407 million at December 31, 2016.

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 2016 Form 10-K.

The following tables present the non-covered and covered loans classified as TDRs according to their accruing status and the related allowance at June 30, 2017 and December 31, 2016.

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	Popular, Inc. Non-Covered Loans							
	June 30, 2017				December 31, 2016			
(In thousands)	Accruing	Non-Accruing	Total	Related Allowance	Accruing	Non-Accruing	Total	Related Allowance
Commercial	$ 171,068	$ 65,505	$ 236,573	$ 38,506	$ 176,887	$ 83,157	$ 260,044	$ 40,810
Mortgage	781,636	123,726	905,362	50,148	744,926	127,071	871,997	44,610
Leases	1,253	415	1,668	487	1,383	434	1,817	535
Consumer	98,057	12,313	110,370	22,693	100,277	12,442	112,719	23,857
Total	$ 1,052,014	$ 201,959	$ 1,253,973	$ 111,834	$ 1,023,473	$ 223,104	$ 1,246,577	$ 109,812

	Popular, Inc. Covered Loans							
	June 30, 2017				December 31, 2016			
(In thousands)	Accruing	Non-Accruing	Total	Related Allowance	Accruing	Non-Accruing	Total	Related Allowance
Mortgage	$ 2,796	$ 3,003	$ 5,799	$	$ 2,950	$ 2,580	$ 5,530	$
Total	$ 2,796	$ 3,003	$ 5,799	$	$ 2,950	$ 2,580	$ 5,530	$

The following tables present the loan count by type of modification for those loans modified in a TDR during the quarters and six months ended June 30, 2017 and 2016. Loans modified as TDRs for the U.S. operations are considered insignificant to the Corporation.

	Popular, Inc.							
	For the quarter ended June 30, 2017				For the six months ended June 30, 2017			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	4				4	1		
Commercial real estate owner occupied	1	8			3	9		
Commercial and industrial		15			2	21		
Mortgage	18	15	114	32	32	21	218	100

Leasing		1	2			1	5	
Consumer:								
Credit cards	159			152	285		1	310
HELOCs		1	1			1	1	
Personal	250				512	4		1
Auto		3	1	1		4	2	1
Other	8	1		1	16	1		1
Total	440	44	118	186	854	63	227	413

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	Popular, Inc.							
	For the quarter ended June 30, 2016				For the six months ended June 30, 2016			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial real estate non-owner occupied	1				2	1		
Commercial real estate owner occupied	13	4			29	5		
Commercial and industrial	8	1			14	1		
Mortgage	18	24	119	35	38	34	242	90
Consumer:								
Credit cards	210			199	385			373
HELOCs			1	1			2	1
Personal	259	5		1	520	10		1
Auto		5	2			7	4	
Other	11				21			
Total	520	39	122	236	1,009	58	248	465

The following tables present by class, quantitative information related to loans modified as TDRs during the quarters and six months ended June 30, 2017 and 2016.

	Popular, Inc.			
	For the quarter ended June 30, 2017			
(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	4	$ 1,928	$ 1,762	$ 156
Commercial real estate owner occupied	9	1,546	1,535	87
Commercial and industrial	15	509	535	49
Mortgage	179	20,017	18,819	1,226
Leasing	3	122	120	34
Consumer:				

Credit cards	311	2,502	2,757	332
HELOCs	2	486	483	13
Personal	250	4,436	4,443	998
Auto	5	1,965	1,920	348
Other	10	1,891	1,891	55
Total	788	$ 35,402	$ 34,265	$ 3,298

Popular, Inc.
For the quarter ended June 30, 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	1	$ 197	$ 197	$ 7
Commercial real estate owner occupied	17	7,755	6,625	201
Commercial and industrial	9	1,057	1,056	(25)
Mortgage	196	18,764	18,547	1,398
Consumer:				
Credit cards	409	3,775	4,388	651
HELOCs	2	208	251	139
Personal	265	4,195	4,237	1,044
Auto	7	61	64	13
Other	11	32	33	5
Total	917	$ 36,044	$ 35,398	$ 3,433

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Popular, Inc.
For the six months ended June 30, 2017

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	5	$ 2,069	$ 1,901	$ 145
Commercial real estate owner occupied	12	2,703	2,682	143
Commercial and industrial	23	828	2,923	468
Mortgage	371	41,085	38,332	2,240
Leasing	6	236	235	66
Consumer:				
Credit cards	596	4,904	5,400	644
HELOCs	2	486	483	13
Personal	517	9,034	9,038	2,031
Auto	7	2,001	1,957	354
Other	18	1,956	1,956	64
Total	1,557	$ 65,302	$ 64,907	$ 6,168

Popular, Inc.
For the six months ended June 30, 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	3	$ 6,520	$ 6,504	$ 4,169
Commercial real estate owner occupied	34	10,850	9,774	337
Commercial and industrial	15	3,586	3,583	(20)
Mortgage	404	44,336	43,021	3,627
Consumer:				
Credit cards	758	7,031	8,053	1,227
HELOCs	3	355	398	216
Personal	531	8,608	8,648	1,931
Auto	11	133	140	25
Other	21	55	57	10
Total	1,780	$ 81,474	$ 80,178	$ 11,522

During the six months ended June 30, 2017, two loans with an aggregate unpaid principal balance of $766 thousand, were restructured into multiple notes (Note A / B split). The Corporation recorded $239 thousand charge-offs as part of those loan restructurings during the quarter ended June 30, 2017. The restructuring of those loans was made after analyzing the borrowers capacity to repay the debt, collateral and ability to perform under the modified terms. The recorded investment on those commercial TDRs amounted to approximately $527 thousand at June 30, 2017 with a related allowance for loan losses amounting to approximately $96 thousand.

The following tables present by class, TDRs that were subject to payment default and that had been modified as a TDR during the twelve months preceding the default date. Payment default is defined as a restructured loan becoming 90 days past due after being modified, foreclosed or charged-off, whichever occurs first. The recorded investment at June 30, 2017 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.

	Popular, Inc.			
	Defaulted during the quarter ended June 30, 2017		Defaulted during the six months ended June 30, 2017	
(Dollars in thousands)	Loan count	Recorded investment as of first default date	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied	1	$ 195	2	$ 457
Commercial real estate owner occupied	2	1,483	3	1,749
Commercial and industrial	1	21	3	565
Mortgage	30	2,542	62	5,896
Consumer:				
Credit cards	27	349	46	648
HELOCs	1	97	2	140
Personal	55	1,095	82	2,070
Auto	1	19	3	54
Other	1	9	1	9
Total	119	$ 5,810	204	$ 11,588

	Popular, Inc.			
	Defaulted during the quarter ended June 30, 2016		Defaulted during the six months ended June 30, 2016	
(Dollars in thousands)	Loan count	Recorded investment as of first default date	Loan count	Recorded investment as of first default date
Commercial real estate non-owner occupied		$	2	$ 327
Commercial real estate owner occupied	1	47	7	2,503
Commercial and industrial	2	27	2	27
Mortgage	55	5,501	82	8,734
Leasing	1	32	5	63
Consumer:				
Credit cards	56	594	171	1,758
Personal	37	711	64	1,473
Auto	1	16	2	33
Total	153	$ 6,928	335	$ 14,918

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

Credit Quality

The following table presents the outstanding balance, net of unearned income, of non-covered loans held-in-portfolio based on the Corporation s assignment of obligor risk ratings as defined at June 30, 2017 and December 31, 2016.

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	June 30, 2017							
(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/Unrated	Total
Puerto Rico[1]								
Commercial multi-family	$ 1,509	$ 300	$ 6,462	$	$	$ 8,271	$ 140,020	$ 148,291
Commercial real estate non-owner occupied	336,155	313,237	323,878			973,270	1,562,704	2,535,974
Commercial real estate owner occupied	270,326	131,016	330,045	12,222		743,609	942,824	1,686,433
Commercial and industrial	273,237	139,075	209,627	4,305	24	626,268	2,159,120	2,785,388
Total Commercial	881,227	583,628	870,012	16,527	24	2,351,418	4,804,668	7,156,086
Construction	125	2,056	170			2,351	94,553	96,904
Mortgage	2,809	3,153	179,471			185,433	5,632,850	5,818,283
Leasing			2,028		37	2,065	741,538	743,603
Consumer:								
Credit cards			19,012			19,012	1,072,062	1,091,074
HELOCs			926			926	6,574	7,500
Personal	844	665	19,943			21,452	1,149,980	1,171,432
Auto			10,487		147	10,634	815,325	825,959
Other			16,349		398	16,747	149,077	165,824
Total Consumer	844	665	66,717		545	68,771	3,193,018	3,261,789
Total Puerto Rico	$ 885,005	$ 589,502	$ 1,118,398	$ 16,527	$ 606	$ 2,610,038	$ 14,466,627	$ 17,076,665
U.S. mainland								
Commercial multi-family	$ 17,553	$ 6,429	$ 943	$	$	$ 24,925	$ 1,121,505	$ 1,146,430
Commercial real estate non-owner occupied	52,497	44,479	2,698			99,674	1,397,025	1,496,699
Commercial real estate owner occupied	20,182	2,938	8,995			32,115	219,858	251,973
Commercial and industrial	1,531	8,533	152,927			162,991	833,180	996,171
Total Commercial	91,763	62,379	165,563			319,705	3,571,568	3,891,273
Construction	26,338	19,652	29,818			75,808	611,677	687,485
Mortgage			12,278			12,278	722,235	734,513
Legacy	775	509	3,882			5,166	33,901	39,067

Consumer:								
Credit cards			2			2	141	143
HELOCs			3,971		3,950	7,921	205,404	213,325
Personal			1,456		721	2,177	273,439	275,616
Auto							5	5
Other			3			3	176	179
Total Consumer			5,432		4,671	10,103	479,165	489,268
Total U.S. mainland	$ 118,876	$ 82,540	$ 216,973	$	$ 4,671	$ 423,060	$ 5,418,546	$ 5,841,606
Popular, Inc.								
Commercial multi-family	$ 19,062	$ 6,729	$ 7,405	$	$	$ 33,196	$ 1,261,525	$ 1,294,721
Commercial real estate non-owner occupied	388,652	357,716	326,576			1,072,944	2,959,729	4,032,673
Commercial real estate owner occupied	290,508	133,954	339,040	12,222		775,724	1,162,682	1,938,406
Commercial and industrial	274,768	147,608	362,554	4,305	24	789,259	2,992,300	3,781,559
Total Commercial	972,990	646,007	1,035,575	16,527	24	2,671,123	8,376,236	11,047,359
Construction	26,463	21,708	29,988			78,159	706,230	784,389
Mortgage	2,809	3,153	191,749			197,711	6,355,085	6,552,796
Legacy	775	509	3,882			5,166	33,901	39,067
Leasing			2,028		37	2,065	741,538	743,603
Consumer:								
Credit cards			19,014			19,014	1,072,203	1,091,217
HELOCs			4,897		3,950	8,847	211,978	220,825
Personal	844	665	21,399		721	23,629	1,423,419	1,447,048
Auto			10,487		147	10,634	815,330	825,964
Other			16,352		398	16,750	149,253	166,003
Total Consumer	844	665	72,149		5,216	78,874	3,672,183	3,751,057
Total Popular, Inc.	$ 1,003,881	$ 672,042	$ 1,335,371	$ 16,527	$ 5,277	$ 3,033,098	$ 19,885,173	$ 22,918,271

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The following table presents the weighted average obligor risk rating at June 30, 2017 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	11.10	6.23
Commercial real estate non-owner occupied	11.07	6.93
Commercial real estate owner occupied	11.24	7.11
Commercial and industrial	11.19	7.20
Total Commercial	11.16	7.08
Construction	11.00	7.61
U.S. mainland:	Substandard	Pass
Commercial multi-family	11.53	7.22
Commercial real estate non-owner occupied	11.66	6.71
Commercial real estate owner occupied	11.05	7.21
Commercial and industrial	11.69	6.13
Total Commercial	11.65	6.77
Construction	11.00	7.68
Legacy	11.11	7.92

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

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(In thousands)	Watch	Special Mention	Substandard	Doubtful	Loss	Sub-total	Pass/ Unrated	Total
	December 31, 2016							
Puerto Rico[1]								
Commercial multi-family	$ 2,016	$ 383	$ 6,108	$	$	$ 8,507	$ 166,033	$ 174,540
Commercial real estate non-owner occupied	310,510	377,858	342,054	155		1,030,577	1,533,708	2,564,285
Commercial real estate owner occupied	310,484	109,873	360,941	17,788		799,086	992,389	1,791,475
Commercial and industrial	136,091	133,270	227,360	11,514	12	508,247	2,163,670	2,671,917
Total Commercial	759,101	621,384	936,463	29,457	12	2,346,417	4,855,800	7,202,217
Construction	50	1,705	1,668			3,423	82,135	85,558
Mortgage	4,407	1,987	190,090			196,484	5,720,016	5,916,500
Leasing			3,062			3,062	699,831	702,893
Consumer:								
Credit cards			18,725			18,725	1,081,882	1,100,607
HELOCs			185			185	8,166	8,351
Personal	1,068	812	21,496			23,376	1,126,801	1,150,177
Auto			12,321			12,321	814,271	826,592
Other			19,311			19,311	156,218	175,529
Total Consumer	1,068	812	72,038			73,918	3,187,338	3,261,256
Total Puerto Rico	$ 764,626	$ 625,888	$ 1,203,321	$ 29,457	$ 12	$ 2,623,304	$ 14,545,120	$ 17,168,424
U.S. mainland								
Commercial multi-family	$ 13,537	$ 7,796	$ 658	$	$	$ 21,991	$ 1,042,305	$ 1,064,296
Commercial real estate non-owner occupied	57,111	9,778	1,720			68,609	1,288,707	1,357,316
Commercial real estate owner occupied	9,271		9,119			18,390	225,355	243,745
Commercial and industrial	3,048	937	153,793			157,778	773,155	930,933
Total Commercial	82,967	18,511	165,290			266,768	3,329,522	3,596,290
Construction	3,000	8,153	16,950			28,103	662,639	690,742
Mortgage			11,711			11,711	768,150	779,861
Legacy	921	786	4,400			6,107	39,186	45,293
Consumer:								
Credit cards			30			30	128	158

HELOCs			1,923		2,839	4,762	247,413	252,175
Personal			1,252		609	1,861	238,746	240,607
Auto							9	9
Other			8			8	180	188
Total Consumer			3,213		3,448	6,661	486,476	493,137
Total U.S. mainland	$ 86,888	$ 27,450	$ 201,564	$	$ 3,448	$ 319,350	$ 5,285,973	$ 5,605,323
Popular, Inc.								
Commercial multi-family	$ 15,553	$ 8,179	$ 6,766	$	$	$ 30,498	$ 1,208,338	$ 1,238,836
Commercial real estate non-owner occupied	367,621	387,636	343,774	155		1,099,186	2,822,415	3,921,601
Commercial real estate owner occupied	319,755	109,873	370,060	17,788		817,476	1,217,744	2,035,220
Commercial and industrial	139,139	134,207	381,153	11,514	12	666,025	2,936,825	3,602,850
Total Commercial	842,068	639,895	1,101,753	29,457	12	2,613,185	8,185,322	10,798,507
Construction	3,050	9,858	18,618			31,526	744,774	776,300
Mortgage	4,407	1,987	201,801			208,195	6,488,166	6,696,361
Legacy	921	786	4,400			6,107	39,186	45,293
Leasing			3,062			3,062	699,831	702,893
Consumer:								
Credit cards			18,755			18,755	1,082,010	1,100,765
HELOCs			2,108		2,839	4,947	255,579	260,526
Personal	1,068	812	22,748		609	25,237	1,365,547	1,390,784
Auto			12,321			12,321	814,280	826,601
Other			19,319			19,319	156,398	175,717
Total Consumer	1,068	812	75,251		3,448	80,579	3,673,814	3,754,393
Total Popular, Inc.	$ 851,514	$ 653,338	$ 1,404,885	$ 29,457	$ 3,460	$ 2,942,654	$ 19,831,093	$ 22,773,747

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The following table presents the weighted average obligor risk rating at December 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	11.12	5.95
Commercial real estate non-owner occupied	11.07	6.91
Commercial real estate owner occupied	11.23	7.09
Commercial and industrial	11.09	7.19
Total Commercial	11.14	7.06
Construction	11.00	7.67
U.S. mainland:	Substandard	Pass
Commercial multi-family	11.31	7.26
Commercial real estate non-owner occupied	11.70	6.67
Commercial real estate owner occupied	11.05	7.32
Commercial and industrial	11.65	6.15
Total Commercial	11.62	6.78
Construction	11.00	7.67
Legacy	11.10	7.91

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

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Note 9 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 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 following table sets forth the activity in the FDIC loss-share asset for the periods presented.

	Quarters ended June 30,		Six months ended June 30,	
(In thousands)	2017	2016	2017	2016
Balance at beginning of period	$ 64,077	$ 219,448	$ 69,334	$ 310,221
Accretion (amortization)	147	(4,036)	(629)	(8,078)
Credit impairment losses (reversal) to be covered under loss-sharing agreements	2,126	475	2,274	(1,618)
Reimbursable expenses	723	2,235	1,644	6,185
Net payments from FDIC under loss-sharing agreements	(14,003)		(14,003)	(88,588)
Other adjustments attributable to FDIC loss-sharing agreements			(5,550)	
Balance at end of period	$ 53,070	$ 218,122	$ 53,070	$ 218,122
Balance due to the FDIC for recoveries on covered assets [1]	(487)	(4,093)	(487)	(4,093)
Balance at end of period	$ 52,583	$ 214,029	$ 52,583	$ 214,029

[1] Balance due to the FDIC for recoveries on covered assets for the quarter and six months ended June 30, 2016 amounting to $ 4.1 million was included in other liabilities in the accompanying Consolidated Statement of Condition (December 31, 2016 - $27.6 million).

The loss-share component of the arrangements applicable to commercial (including construction) and consumer loans expired during the quarter ended June 30, 2015. The agreement provides for reimbursement of recoveries to the FDIC to continue through the quarter ending June 30, 2018, and for the single family mortgage loss-share component of such agreement to expire on April 30, 2020.

The weighted average life of the single family loan portfolio accounted for under ASC 310-30 subject to the FDIC loss-sharing agreement at June 30, 2017 is 7.3 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%).

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.

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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 June 30, 2017 and December 31, 2016.

(In thousands)	June 30, 2017	December 31, 2016
Carrying amount (fair value)	$ 163,668	$ 153,158
Undiscounted amount	$ 188,512	$ 188,258

The increase in the fair value of the true-up payment obligation was principally driven by a decrease in the discount rate from 5.97% in 2016 to 4.72% in 2017 due to a lower risk premium. The estimated fair value of the true-up payment obligation corresponds to the difference between the initial estimated losses to be reimbursed by the FDIC and the revised estimate of reimbursable losses. As the amount of estimated reimbursable losses decreases, the value of the true-up payment obligation increases.

As described above, the estimate of the true-up payment obligation is determined by applying the provisions of the loss sharing agreements and will change on a quarterly basis. The amount of the estimate of the true-up payment obligation is expected to change in future periods and may be subject to the interpretation of provisions of the loss sharing 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 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.

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Note 10 Mortgage banking activities

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

The following table presents the components of mortgage banking activities:

	Quarters ended June 30,		Six months ended June 30,	
(In thousands)	2017	2016	2017	2016
Mortgage servicing fees, net of fair value adjustments:				
Mortgage servicing fees	$ 13,021	$ 14,675	$ 26,473	$ 29,477
Mortgage servicing rights fair value adjustments	(8,046)	(4,340)	(14,000)	(12,817)
Total mortgage servicing fees, net of fair value adjustments	4,975	10,335	12,473	16,660
Net gain on sale of loans, including valuation on loans held-for-sale	7,250	8,474	12,631	15,584
Trading account loss:				
Unrealized gains (losses) on outstanding derivative positions	83	(59)	43	(139)
Realized losses on closed derivative positions	(1,567)	(2,523)	(3,037)	(5,327)
Total trading account loss	(1,484)	(2,582)	(2,994)	(5,466)
Total mortgage banking activities	$ 10,741	$ 16,227	$ 22,110	$ 26,778

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Note 11 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. As seller, the Corporation has made certain representations and warranties with respect to the originally transferred loans and, in the past, has sold certain loans with credit recourse to a government-sponsored entity, namely FNMA. Refer to Note 20 to the consolidated financial statements for a description of such arrangements.

No liabilities were incurred as a result of these securitizations during the quarters and six months ended June 30, 2017 and 2016 because they did not contain any credit recourse arrangements. During the quarter ended June 30, 2017, the Corporation recorded a net gain of $6.1 million (June 30, 2016 $7.8 million) related to the residential mortgage loans securitized. During the six months ended June 30, 2017, the Corporation recorded a net gain of $11.1 million (June 30, 2016 $14.2 million) related to the residential mortgage loans securitized.

The following tables present the initial fair value of the assets obtained as proceeds from residential mortgage loans securitized during the quarters and six months ended June 30, 2017 and 2016:

	Proceeds Obtained During the Quarter Ended June 30, 2017			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Investments securities available for sale:				
Mortgage-backed securities - FNMA	$	$ 6,968	$	$ 6,968
Total investment securities available-for-sale	$	$ 6,968	$	$ 6,968
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 135,961	$	$ 135,961
Mortgage-backed securities - FNMA		30,455		30,455
Total trading account securities	$	$ 166,416	$	$ 166,416
Mortgage servicing rights	$	$	$ 2,708	$ 2,708
Total	$	$ 173,384	$ 2,708	$ 176,092

	Proceeds Obtained During the Six Months Ended June 30, 2017			
(In thousands)	Level 1	Level 2	Level 3	Initial Fair Value

Assets				
Investments securities available for sale:				
Mortgage-backed securities - FNMA	$	$ 11,720	$	$ 11,720
Total investment securities available-for-sale	$	$ 11,720	$	$ 11,720
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 282,938	$	$ 282,938
Mortgage-backed securities - FNMA		53,346		53,346
Total trading account securities	$	$ 336,284	$	$ 336,284
Mortgage servicing rights	$	$	$ 5,178	$ 5,178
Total	$	$ 348,004	$ 5,178	$ 353,182

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(In thousands)	Proceeds Obtained During the Quarter Ended June 30, 2016 Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 170,115	$	$ 170,115
Mortgage-backed securities - FNMA		43,078		43,078
Total trading account securities	$	$ 213,193	$	$ 213,193
Mortgage servicing rights	$	$	$ 2,670	$ 2,670
Total	$	$ 213,193	$ 2,670	$ 215,863

(In thousands)	Proceeds Obtained During the Six Months Ended June 30, 2016 Level 1	Level 2	Level 3	Initial Fair Value
Assets				
Trading account securities:				
Mortgage-backed securities - GNMA	$	$ 304,127	$	$ 304,127
Mortgage-backed securities - FNMA		79,314		79,314
Total trading account securities	$	$ 383,441	$	$ 383,441
Mortgage servicing rights	$	$	$ 4,540	$ 4,540
Total	$	$ 383,441	$ 4,540	$ 387,981

During the six months ended June 30, 2017, the Corporation retained servicing rights on whole loan sales involving approximately $42 million in principal balance outstanding (June 30, 2016 $34 million), with realized gains of approximately $1.5 million (June 30, 2016 gains of $1.4 million). All loan sales performed during the six months ended June 30, 2017 and 2016 were without credit recourse agreements.

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

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

Corporation s loan characteristics and portfolio behavior.

The following table presents the changes in MSRs measured using the fair value method for the six months ended June 30, 2017 and 2016.

Residential MSRs		
(In thousands)	June 30, 2017	June 30, 2016
Fair value at beginning of period	$ 196,889	$ 211,405
Additions	5,839	4,989
Changes due to payments on loans[1]	(9,276)	(8,850)
Reduction due to loan repurchases	(1,102)	(734)
Changes in fair value due to changes in valuation model inputs or assumptions	(3,622)	(3,233)
Fair value at end of period	$ 188,728	$ 203,577

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

Residential mortgage loans serviced for others were $17.4 billion at June 30, 2017 (December 31, 2016 - $18.0 billion).

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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. The banking subsidiaries receive servicing fees based on a percentage of the outstanding loan balance. At June 30, 2017, those weighted average mortgage servicing fees were 0.30% (June 30, 2016 0.29%). Under these servicing agreements, the banking subsidiaries do not generally earn significant prepayment penalty fees on the underlying loans serviced.

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

Key economic assumptions used in measuring the servicing rights derived from loans securitized or sold by the Corporation during the quarters and six months ended June 30, 2017 and 2016 were as follows:

	Quarters ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Prepayment speed	4.4%	5.7%	4.0%	5.5%
Weighted average life	10.9 years	9.7 years	11.1 years	9.9 years
Discount rate (annual rate)	11.0%	11.0%	11.0%	11.0%

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 servicing rights purchased from other financial institutions, and the sensitivity to immediate changes in those assumptions, were as follows as of the end of the periods reported:

	Originated MSRs		Purchased MSRs	
(In thousands)	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Fair value of servicing rights	$ 82,334	$ 88,056	$ 106,394	$ 108,833
Weighted average life (in years)	7.5	7.8	6.6	6.9
Weighted average prepayment speed (annual rate)	5.0%	4.6%	5.6%	4.8%
Impact on fair value of 10% adverse change	$ (1,626)	$ (1,668)	$ (2,186)	$ (2,051)
Impact on fair value of 20% adverse change	$ (3,448)	$ (3,590)	$ (4,605)	$ (4,400)
Weighted average discount rate (annual rate)	11.5%	11.5%	11.0%	11.0%
Impact on fair value of 10% adverse change	$ (3,557)	$ (3,851)	$ (4,301)	$ (4,369)
Impact on fair value of 20% adverse change	$ (7,085)	$ (7,699)	$ (8,585)	$ (8,778)

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 June 30, 2017, the Corporation serviced $1.5 billion (December 31, 2016 $1.7 billion) in residential mortgage loans with credit recourse to the Corporation.

Under the GNMA securitizations, the Corporation, as servicer, has the right to repurchase (but not the obligation), at its option and without GNMA s prior authorization, any loan that is collateral for a GNMA guaranteed mortgage-backed security when certain delinquency criteria are met. At the time that individual loans meet GNMA s specified delinquency criteria and are eligible for repurchase, the Corporation is deemed to have regained effective control over these loans if the Corporation was the pool issuer. At June 30, 2017, the Corporation had recorded $48 million in mortgage loans on its Consolidated Statements of Financial Condition related to this buy-back option program (December 31, 2016 $49 million). As long as the Corporation continues to service the loans that continue to be collateral in a GNMA guaranteed mortgage-backed security, the MSR is recognized by the Corporation. During the six months ended June 30, 2017, the Corporation repurchased approximately $ 77 million (June 30, 2016 $39 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 12 Other real estate owned

The following tables present the activity related to Other Real Estate Owned (OREO), for the quarters and six months ended June 30, 2017 and 2016.

	For the quarter ended June 30, 2017			
(In thousands)	Non-covered OREO Commercial/ Construction	Non-covered OREO Mortgage	Covered OREO Mortgage	Total
Balance at beginning of period	$ 22,554	$ 163,282	$ 29,926	$ 215,762
Write-downs in value	(720)	(9,104)	(1,974)	(11,798)
Additions	3,084	24,662	4,106	31,852
Sales	(971)	(22,474)	(5,392)	(28,837)
Other adjustments	2	781	(1,316)	(533)
Ending balance	$ 23,949	$ 157,147	$ 25,350	$ 206,446

	For the six months ended June 30, 2017			
(In thousands)	Non-covered OREO Commercial/ Construction	Non-covered OREO Mortgage	Covered OREO Mortgage	Total
Balance at beginning of period	$ 20,401	$ 160,044	$ 32,128	$ 212,573
Write-downs in value	(1,979)	(11,859)	(2,746)	(16,584)
Additions	7,622	50,916	8,215	66,753
Sales	(1,964)	(42,883)	(10,789)	(55,636)
Other adjustments	(131)	929	(1,458)	(660)
Ending balance	$ 23,949	$ 157,147	$ 25,350	$ 206,446

	For the quarter ended June 30, 2016			
(In thousands)	Non-covered OREO Commercial/ Construction	Non-covered OREO Mortgage	Covered OREO Mortgage	Total
Balance at beginning of period	$ 30,354	$ 135,606	$ 36,397	$ 202,357
Write-downs in value	(561)	(1,621)	(366)	(2,548)
Additions	1,302	31,624	5,240	38,166
Sales	(6,985)	(12,403)	(3,307)	(22,695)
Other adjustments		(291)	20	(271)
Ending balance	$ 24,110	$ 152,915	$ 37,984	$ 215,009

(In thousands)	For the six months ended June 30, 2016 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	(2,278)	(3,630)	(866)	(6,774)
Additions	3,112	55,900	9,723	68,735
Sales	(8,580)	(20,903)	(6,956)	(36,439)
Other adjustments	(615)	(1,212)	(602)	(2,429)
Ending balance	$ 24,110	$ 152,915	$ 37,984	$ 215,009

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Note 13 Other assets

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

(In thousands)	June 30, 2017	December 31, 2016
Net deferred tax assets (net of valuation allowance)	$ 1,186,959	$ 1,243,668
Investments under the equity method	210,411	218,062
Prepaid taxes	169,990	172,550
Other prepaid expenses	84,038	90,320
Derivative assets	13,026	14,085
Trades receivable from brokers and counterparties	60,511	46,630
Principal, interest and escrow servicing advances	59,272	69,711
Guaranteed mortgage loan claims receivable	183,253	152,403
Others	140,836	138,081
Total other assets	$ 2,108,296	$ 2,145,510

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Note 14 Goodwill and other intangible assets

Goodwill

There were no changes in the carrying amount of goodwill for the quarter and six months ended June 30, 2017. The changes in the carrying amount of goodwill for the six months ended June 30, 2016, allocated by reportable segments, were as follows (refer to Note 33 for the definition of the Corporation s reportable segments):

	2016				
(In thousands)	Balance at January 1, 2016	Goodwill on acquisition	Purchase accounting adjustments	Goodwill impairment	Balance at June 30, 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

On February 27, 2015, BPPR, in alliance with other co-bidders, including BPNA, acquired certain assets and all deposits (other than certain brokered deposits) of former Doral Bank, from the Federal Deposit Insurance Corporation (FDIC) as receiver (the Doral Bank Transaction). During the quarter ended June 30, 2016, the Corporation recorded purchase accounting adjustments of $4.7 million, resulting in a total goodwill of $167.8 million recognized related to the Doral Bank Transaction.

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

	June 30, 2017					
(In thousands)	Balance at January 1, 2017 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2017 (net amounts)	Balance at June 30, 2017 (gross amounts)	Accumulated impairment losses	Balance at June 30, 2017 (net amounts)
Banco Popular de Puerto Rico	$ 280,221	$ 3,801	$ 276,420	$ 280,221	$ 3,801	$ 276,420
Banco Popular North America	515,285	164,411	350,874	515,285	164,411	350,874
Total Popular, Inc.	$ 795,506	$ 168,212	$ 627,294	$ 795,506	$ 168,212	$ 627,294

	December 31, 2016					
(In thousands)	Balance at January 1, 2016 (gross amounts)	Accumulated impairment losses	Balance at January 1, 2016 (net amounts)	Balance at December 31, 2016 (gross amounts)	Accumulated impairment losses	Balance at December 31, 2016 (net amounts)

Banco Popular de Puerto Rico	$ 280,221	$	$ 280,221	$ 280,221	$ 3,801	$ 276,420
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	$ 168,212	$ 627,294

Other Intangible Assets

At June 30, 2017 and December 31, 2016, the Corporation had $ 6.1 million of identifiable intangible assets, with indefinite useful lives, mostly associated with the E-LOAN trademark.

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

(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
June 30, 2017			
Core deposits	$ 37,224	$ 20,485	$ 16,739
Other customer relationships	36,449	18,990	17,459
Total other intangible assets	$ 73,673	$ 39,475	$ 34,198
December 31, 2016			
Core deposits	$ 37,274	$ 18,624	$ 18,650
Other customer relationships	36,449	16,162	20,287
Total other intangible assets	$ 73,723	$ 34,786	$ 38,937

During the quarter ended June 30, 2017, the Corporation recognized $ 2.3 million in amortization expense related to other intangible assets with definite useful lives (June 30, 2016 - $ 3.1 million). During the six months ended June 30, 2017, the Corporation recognized $ 4.7 million in amortization related to other intangible assets with definite useful lives (June 30, 2016 - $ 6.2 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 2017	$ 4,689
Year 2018	9,286
Year 2019	9,042
Year 2020	4,967
Year 2021	2,157
Year 2022	1,281
Later years	2,776

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Note 15 Deposits

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

(In thousands)	June 30, 2017	December 31, 2016
Savings accounts	$ 7,946,021	$ 7,793,533
NOW, money market and other interest bearing demand deposits	10,138,090	8,012,706
Total savings, NOW, money market and other interest bearing demand deposits	18,084,111	15,806,239
Certificates of deposit:		
Under $100,000	3,542,057	3,570,956
$100,000 and over	4,014,133	4,138,586
Total certificates of deposit	7,556,190	7,709,542
Total interest bearing deposits	$ 25,640,301	$ 23,515,781

A summary of certificates of deposit by maturity at June 30, 2017 follows:

(In thousands)	
2017	$ 2,502,313
2018	1,890,798
2019	927,541
2020	1,073,764
2021	745,287
2022 and thereafter	416,487
Total certificates of deposit	$ 7,556,190

At June 30, 2017, the Corporation had brokered deposits amounting to $ 0.6 billion (December 31, 2016 - $ 0.6 billion).

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans was $8 million at June 30, 2017 (December 31, 2016 - $6 million).

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Note 16 Borrowings

The following table presents the composition of assets sold under agreements to repurchase at June 30, 2017 and December 31, 2016.

(In thousands)	June 30, 2017	December 31, 2016
Assets sold under agreements to repurchase	$ 406,385	$ 479,425
Total assets sold under agreements to repurchase	$ 406,385	$ 479,425

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)	June 30, 2017 Repurchase liability	December 31, 2016 Repurchase liability
U.S. Treasury Securities		
Within 30 days	$ 141,811	$ 32,700
After 30 to 90 days	122,999	
After 90 days	14,679	19,819
Total U.S. Treasury Securities	279,489	52,519
Obligations of U.S. government sponsored entities		
Within 30 days	32,629	95,720
After 30 to 90 days	58,196	142,299
After 90 days		25,380
Total obligations of U.S. government sponsored entities	90,825	263,399
Mortgage-backed securities		
Within 30 days	3,939	39,108
After 30 to 90 days		58,552
After 90 days		54,560
Total mortgage-backed securities	3,939	152,220

Collateralized mortgage obligations				
Within 30 days		32,132		11,287
Total collateralized mortgage obligations		32,132		11,287
Total	$	406,385	$	479,425

Repurchase agreements in portfolio are generally short-term, often overnight. 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 information related to the Corporation s other short-term borrowings for the periods ended June 30, 2017 and December 31, 2016.

(In thousands)	June 30, 2017		December 31, 2016	
Others	$	1,200	$	1,200
Total other short-term borrowings	$	1,200	$	1,200

Note: Refer to the Corporation s 2016 Form 10-K for rates information at December 31, 2016.

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The following table presents the composition of notes payable at June 30, 2017 and December 31, 2016.

(In thousands)	June 30, 2017	December 31, 2016
Advances with the FHLB with maturities ranging from 2017 through 2029 paying interest at monthly fixed rates ranging from 0.81% to 4.19 %	$ 598,930	$ 608,193
Advances with the FHLB with maturities ranging from 2018 through 2019 paying interest monthly at a floating rate ranging from 0.22% to 0.34% over the 1 month LIBOR	34,164	34,164
Advances with the FHLB with maturities ranging from 2018 through 2019 paying interest quarterly at a floating rate from 0.09% to 0.24% over the 3 month LIBOR	25,019	30,313
Unsecured senior debt securities maturing on 2019 paying interest semiannually at a fixed rate of 7.00%, net of debt issuance costs of $4,169 (2016 - $5,212)	445,831	444,788
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 $463 (2016 - $476)	439,337	439,323
Others	17,553	18,071
Total notes payable	$ 1,560,834	$ 1,574,852

Note: Refer to the Corporation s 2016 Form 10-K for rates information at December 31, 2016.

A breakdown of borrowings by contractual maturities at June 30, 2017 is included in the table below.

(In thousands)	Assets sold under agreements to repurchase	Short-term borrowings	Notes payable	Total
Year				
2017	$ 406,385	$ 1,200	$ 61,510	$ 469,095
2018			220,183	220,183
2019			608,163	608,163
2020			112,163	112,163
2021			21,694	21,694
Later years			537,121	537,121

Total borrowings	$ 406,385	$ 1,200	$ 1,560,834	$ 1,968,419

At June 30, 2017 and December 31, 2016, the Corporation had FHLB borrowing facilities whereby the Corporation could borrow up to $3.8 billion, of which $658 million and $673 million, respectively, were used. In addition, at June 30, 2017 and December 31, 2016, the Corporation had placed $200 million of the available FHLB credit facility as collateral for a municipal letter of credit to secure deposits. The FHLB borrowing facilities are collateralized with loans held-in-portfolio, and do not have restrictive covenants or callable features.

Also, at June 30, 2017, the Corporation has a borrowing facility at the discount window of the Federal Reserve Bank of New York amounting to $1.3 billion (2016 - $1.2 billion), which remained unused at June 30, 2017 and December 31, 2016. The facility is a collateralized source of credit that is highly reliable even under difficult market conditions.

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Note 17 Offsetting of financial assets and liabilities

The following tables present the potential effect of rights of setoff associated with the Corporation s recognized financial assets and liabilities at June 30, 2017 and December 31, 2016.

As of June 30, 2017

(In thousands)	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Securities Collateral Received	Cash Collateral Received	Net Amount
Derivatives	$ 13,028	$	$ 13,028	$ 41	$	$	$ 12,987
Total	$ 13,028	$	$ 13,028	$ 41	$	$	$ 12,987

As of June 30, 2017

(In thousands)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Securities Collateral Pledged	Cash Collateral Pledged	Net Amount
Derivatives	$ 11,486	$	$ 11,486	$ 41	$ 43	$	$ 11,402
Repurchase agreements	406,385		406,385		406,385		
Total	$ 417,871	$	$ 417,871	$ 41	$ 406,428	$	$ 11,402

As of December 31, 2016

(In thousands)	Gross Amount of Recognized	Gross Amounts Offset	Net Amounts of Assets	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Securities Collateral Received	Cash Collateral Received	Net Amount

	Assets	in the Statement of Financial Position	Presented in the Statement of Financial Position				
Derivatives	$ 14,094	$	$ 14,094	$ 551	$	$	$ 13,543
Reverse repurchase agreements	23,637		23,637		23,637		
Total	$ 37,731	$	$ 37,731	$ 551	$ 23,637	$	$ 13,543

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As of December 31, 2016

(In thousands)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Securities Collateral Pledged	Cash Collateral Received	Net Amount
Derivatives	$ 12,842	$	$ 12,842	$ 551	$ 747	$	$ 11,544
Repurchase agreements	479,425		479,425		479,425		
Total	$ 492,267	$	$ 492,267	$ 551	$ 480,172	$	$ 11,544

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 18 Stockholders equity

On January 23, 2017, the Corporation s Board of Directors approved an increase in the Company s quarterly common stock dividend from $0.15 per share to $0.25 per share. During the six months ended June 30, 2017, the Corporation declared dividends on its common stock of $ 51.1 million. The quarterly dividend declared to shareholders of record as of the close of business on June 9, 2017, which amounted to $25.5 million, was paid on July 3, 2017. Also, during the first quarter of 2017, the Corporation completed a $75 million privately negotiated accelerated share repurchase transaction (ASR). As part of this transaction, the Corporation received 1,847,372 shares and recognized $79.5 million in treasury stock, based on the stock s spot price, offset by a $4.5 million adjustment to capital surplus, resulting from the decline in the Corporation s stock price during the term of the ASR.

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 $513 million at June 30, 2017 (December 31, 2016 - $513 million). There were no transfers between the statutory reserve account and the retained earnings account during the quarters and six months ended June 30, 2017 and June 30, 2016.

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Note 19 Other comprehensive loss

The following table presents changes in accumulated other comprehensive loss by component for the quarters and six months ended June 30, 2017 and 2016.

		Changes in Accumulated Other Comprehensive Loss by Component [1]			
		Quarters ended June 30,		Six months ended June 30,	
(In thousands)		2017	2016	2017	2016
Foreign currency translation	Beginning Balance	$ (39,817)	$ (36,635)	$ (39,956)	$ (35,930)
	Other comprehensive loss	(1,588)	(1,435)	(1,449)	(2,140)
	Net change	(1,588)	(1,435)	(1,449)	(2,140)
	Ending balance	$ (41,405)	$ (38,070)	$ (41,405)	$ (38,070)
Adjustment of pension and postretirement benefit plans	Beginning Balance	$ (208,769)	$ (208,510)	$ (211,610)	$ (211,276)
	Amounts reclassified from accumulated other comprehensive loss for amortization of net losses	3,421	3,347	6,842	6,693
	Amounts reclassified from accumulated other comprehensive loss for amortization of prior service credit	(580)	(580)	(1,160)	(1,160)
	Net change	2,841	2,767	5,682	5,533
	Ending balance	$ (205,928)	$ (205,743)	$ (205,928)	$ (205,743)
Unrealized holding (losses) gains on investments	Beginning Balance	$ (71,057)	$ 63,791	$ (68,318)	$ (9,560)
	Other comprehensive income before reclassifications	8,590	34,803	5,981	108,154
	Other-than-temporary impairment amount reclassified from accumulated other comprehensive (loss) income	6,740	167	6,740	167
	Amounts reclassified from accumulated other comprehensive (loss) income	(15)		(145)	

	for gains on securities				
	Net change	15,315	34,970	12,576	108,321
	Ending balance	$ (55,742)	$ 98,761	$ (55,742)	$ 98,761
Unrealized net gains (losses) on cash flow hedges	Beginning Balance	$ (269)	$ (396)	$ (402)	$ (120)
	Other comprehensive loss before reclassifications	(230)	(939)	(619)	(2,158)
	Amounts reclassified from accumulated other comprehensive loss	631	775	1,153	1,718
	Net change	401	(164)	534	(440)
	Ending balance	$ 132	$ (560)	$ 132	$ (560)
	Total	$ (302,943)	$ (145,612)	$ (302,943)	$ (145,612)

[1] All amounts presented are net of tax.

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The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss during the quarters and six months ended June 30, 2017 and 2016.

	Reclassifications Out of Accumulated Other Comprehensive Loss				
	Affected Line Item in the Consolidated Statements of Operations	Quarters ended June 30,		Six months ended June 30,	
(In thousands)		2017	2016	2017	2016
Adjustment of pension and postretirement benefit plans					
Amortization of net losses	Personnel costs	$ (5,606)	$ (5,487)	$ (11,213)	$ (10,973)
Amortization of prior service credit	Personnel costs	950	950	1,900	1,900
	Total before tax	(4,656)	(4,537)	(9,313)	(9,073)
	Income tax benefit	1,815	1,770	3,631	3,540
	Total net of tax	$ (2,841)	$ (2,767)	$ (5,682)	$ (5,533)
Unrealized holding (losses) gains on investments					
Other-than-temporary impairment	Other-than-temporary impairment losses on available-for-sale debt securities	$ (8,299)	$ (209)	$ (8,299)	$ (209)
Realized gains on sale of securities	Net gain on sale of investment securities	19		181	
	Total before tax	(8,280)	(209)	(8,118)	(209)
	Income tax benefit	1,555	42	1,523	42
	Total net of tax	$ (6,725)	$ (167)	$ (6,595)	$ (167)
Unrealized net gains (losses) on cash flow hedges					
Forward contracts	Mortgage banking activities	$ (1,035)	$ (1,271)	$ (1,890)	$ (2,816)
	Total before tax	(1,035)	(1,271)	(1,890)	(2,816)
	Income tax benefit	404	496	737	1,098
	Total net of tax	$ (631)	$ (775)	$ (1,153)	$ (1,718)
	Total reclassification adjustments, net of tax	$ (10,197)	$ (3,709)	$ (13,430)	$ (7,418)

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Note 20 Guarantees

At June 30, 2017, the Corporation recorded a liability of $0.4 million (December 31, 2016 $0.3 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 June 30, 2017, the Corporation serviced $ 1.5 billion (December 31, 2016 $ 1.7 billion) in residential mortgage loans subject to credit recourse provisions, principally loans associated with FNMA and FHLMC residential mortgage loan securitization programs. In the event of any customer default, pursuant to the credit recourse provided, the Corporation is required to repurchase the loan or reimburse the third party investor for the incurred loss. The maximum potential amount of future payments that the Corporation would be required to make under the recourse arrangements in the event of nonperformance by the borrowers is equivalent to the total outstanding balance of the residential mortgage loans serviced with recourse and interest, if applicable. During the quarter and six months ended June 30, 2017, the Corporation repurchased approximately $ 6 million and $ 15 million, respectively, of unpaid principal balance in mortgage loans subject to the credit recourse provisions (June 30, 2016 **-** $ 10 million and $ 23 million, respectively). In the event of nonperformance by the borrower, the Corporation has rights to the underlying collateral securing the mortgage loan. The Corporation suffers ultimate losses on these loans when the proceeds from a foreclosure sale of the property underlying a defaulted mortgage loan are less than the outstanding principal balance of the loan plus any uncollected interest advanced and the costs of holding and disposing the related property. At June 30, 2017, the Corporation s liability established to cover the estimated credit loss exposure related to loans sold or serviced with credit recourse amounted to $ 49 million (December 31, 2016 $ 54 million).

The following table shows the changes in the Corporation s liability of estimated losses related to loans serviced with credit recourse provisions during the quarters and six months ended June 30, 2017 and 2016.

	Quarters ended June 30,		Six months ended June 30,	
(In thousands)	2017	2016	2017	2016
Balance as of beginning of period	$ 51,540	$ 57,994	$ 54,489	$ 58,663
Provision for recourse liability	2,595	3,607	4,729	7,527
Net charge-offs	(4,740)	(4,670)	(9,823)	(9,259)
Balance as of end of period	$ 49,395	$ 56,931	$ 49,395	$ 56,931

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 six months ended June 30, 2017 and 2016, 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 and six months ended June 30, 2017 and 2016.

	Quarters ended June 30,		Six months ended June 30,	
(In thousands)	2017	2016	2017	2016
Balance as of beginning of period	$ 10,537	$ 8,002	$ 10,936	$ 8,087
Provision (reversal) for representation and warranties	18	2,695	(381)	2,801
Net (charge-offs) recoveries	(10)	5	(10)	(186)
Balance as of end of period	$ 10,545	$ 10,702	$ 10,545	$ 10,702

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 June 30, 2017, the Corporation serviced $17.4 billion in mortgage loans for third-parties, including the loans serviced with credit recourse (December 31, 2016 $18.0 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 June 30, 2017, the outstanding balance of funds advanced by the Corporation under such mortgage loan servicing agreements was approximately $59 million, including advances on the portfolio acquired from Doral Bank (December 31, 2016 $70 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 $ 149 million at June 30, 2017 and December 31, 2016. In addition, at June 30, 2017 and December 31, 2016, PIHC fully and unconditionally guaranteed on a subordinated basis $ 427 million of capital securities (trust preferred securities) issued by wholly-owned issuing trust entities to the extent set forth in the applicable guarantee agreement. Refer to Note 23 to the Consolidated Financial Statements in the 2016 Form 10-K for further information on the trust preferred securities.

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Note 21 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 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)	June 30, 2017	December 31, 2016
Commitments to extend credit:		
Credit card lines	$ 4,331,092	$ 4,562,981
Commercial and construction lines of credit	2,700,573	2,966,656
Other consumer unused credit commitments	254,077	261,856
Commercial letters of credit	1,351	1,490
Standby letters of credit	31,154	34,644
Commitments to originate or fund mortgage loans	21,564	25,622

At June 30, 2017 and December 31, 2016, the Corporation maintained a reserve of approximately $8 million and $9 million, respectively, for potential losses associated with unfunded loan commitments related to commercial and consumer lines of credit.

Other commitments

At June 30, 2017 and December 31, 2016, the Corporation also maintained other non-credit commitments for approximately $372 thousand, primarily for the acquisition of other investments.

Business concentration

Since the Corporation s business activities are 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 33 to the Consolidated Financial Statements.

Puerto Rico is in the midst of a profound fiscal and economic crisis and has commenced several proceedings under PROMESA to restructure its outstanding obligations and those of certain of its instrumentalities. As of the date of this report, the credit ratings for the Commonwealth s general obligation bonds are as follows: S&P, D , Moody s, Caa3 , and

Fitch, D .

The U.S. Congress enacted PROMESA on June 30, 2016 in response to the Commonwealth s ongoing fiscal and economic crisis. PROMESA, among other things, (i) established a seven-member oversight board (the Oversight Board) with broad powers over the finances of the Commonwealth and its instrumentalities, (ii) established an automatic stay on litigation, which expired on May 1, 2017, that applied to all financial obligations of the Commonwealth, its instrumentalities and municipalities (including to all municipal obligations owned by the Corporation), (iii) required the Commonwealth (and any instrumentality thereof designated as a covered entity under PROMESA) to submit its budgets, and if the Oversight Board so requests, a fiscal plan for certification by the Oversight Board, and (iv) established two separate processes for the restructuring of the outstanding liabilities of the Commonwealth, its instrumentalities and municipalities: (a) Title VI, a largely out-of-court process through which a government entity and its financial creditors can agree on terms to restructure such entity s debts, and (b) Title III, a court-supervised process for a comprehensive restructuring similar to Chapter 9 of the U.S. Bankruptcy Code.

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The Oversight Board has designated a number of entities as covered entities under PROMESA, including the Commonwealth, all of its public corporations (including COFINA) and retirement systems, and all affiliates and subsidiaries of the foregoing. While the Oversight Board has the power to designate any of the Commonwealth s municipalities as covered entities under PROMESA, it has not done so as of the date hereof. The Oversight Board has further approved fiscal plans for certain of these covered entities, including the Commonwealth, the Government Development Bank for Puerto Rico (GDB) and several other public corporations. The Commonwealth s fiscal plan covers various public instrumentalities with outstanding debts payable from taxes, fees or other government revenues, including COFINA. The approved fiscal plans indicate that the applicable government entities are unable to pay their outstanding obligations as currently scheduled, thus recognizing a need for a significant debt restructuring.

On May 3, 2017, the Oversight Board, on behalf of the Commonwealth, filed a petition in the U.S. District Court for the District of Puerto Rico to restructure the Commonwealth s liabilities under Title III of PROMESA. The Oversight Board has subsequently filed analogous petitions with respect to COFINA, the Employees Retirement System, the Puerto Rico Highways and Transportation Authority and the Puerto Rico Electric Power Authority. The Oversight Board has also authorized GDB to pursue a restructuring of its financial indebtedness under Title VI of PROMESA. Although as of the date hereof, these entities are the only entities for which the Oversight Board has sought to use the restructuring authority provided by PROMESA, the Oversight Board may use the restructuring authority of Title III or Title VI of PROMESA for other Commonwealth instrumentalities, including its municipalities, in the future.

At June 30, 2017, the Corporation s direct exposure to the Puerto Rico government and its instrumentalities and municipalities amounted to $ 519 million, of which approximately $ 517 million is outstanding ($584 million and $ 529 million, respectively, at December 31, 2016). Of the amount outstanding, $ 451 million consists of loans and $ 66 million are securities ($ 459 million and $ 70 million at December 31, 2016). Also, of the amount outstanding, $ 14 million represented senior obligations from COFINA ($ 17 million at December 31, 2016). Subsequent to the filing of the Title III proceeding in respect of COFINA and the non-payment of interest on the COFINA bonds in June 2017 pursuant to a court order issued in such proceeding, the Corporation took an other-than-temporary impairment charge of $8.3 million in respect of those bonds. The Corporation subsequently sold all of its COFINA bonds after quarter-end. The remaining $ 503 million outstanding ($ 512 million at December 31, 2016) 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. Such general obligation bonds and notes are payable primarily from certain special property taxes, which each municipality is required by law to levy in an amount sufficient for the payment of its outstanding general obligation bonds and notes. Those special property taxes are collected by the Municipal Revenue Collection Center (CRIM) and deposited into each municipality s Redemption Fund (a trust for which GDB acts as trustee and which is currently held in various accounts and subaccounts at BPPR (except for the portion corresponding to repayment of municipal general obligation bonds held by GDB, which was deposited at GDB)). Funds in the Redemption Fund are required to be used for the payment of the municipality s general obligation bonds and notes. To the extent that the funds deposited in a municipality s Redemption Fund are insufficient to pay the obligations in full, CRIM is required to transfer to such Redemption Fund other property tax revenues of the applicable municipality to satisfy the insufficiency.

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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				
After 5 to 10 years	$ 3,005	$	$ 3,005	$ 3,005
After 10 years	11,389		11,389	11,389
Total Central Government	14,394		14,394	14,394
Government Development Bank (GDB)				
After 1 to 5 years	3		3	3
Total Government Development Bank (GDB)	3		3	3
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	3,235	19,487	22,722	25,658
After 1 to 5 years	15,200	128,008	143,208	143,208
After 5 to 10 years	17,485	144,975	162,460	162,460
After 10 years	15,070	158,660	173,730	173,730
Total Municipalities	50,990	451,130	502,120	505,056
Total Direct Government Exposure	$ 65,391	$ 451,130	$ 516,521	$ 519,457

In addition, at June 30, 2017, the Corporation had $396 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 ($406 million at December 31, 2016). These included $317 million in residential mortgage loans that are guaranteed by the Puerto Rico Housing Finance Authority (December 31, 2016 $326 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. Although the Governor is currently authorized to impose a temporary moratorium on the financial obligations of Puerto Housing Finance Authority, it has not exercised this power as of the date hereof. Also, the Corporation had $43 million in Puerto Rico housing bonds which are backed-up by second mortgage loans, $6 million in pass-through securities that have been economically defeased and refunded and for which collateral including U.S. agencies and Treasury obligations has been escrowed, and $30 million of commercial real estate notes issued by government entities, but payable from rent paid by third parties ($43 million, $6 million and $31 million at December 31, 2016, respectively).

The Corporation has operations in the United States Virgin Islands (the USVI) and has approximately $76 million in direct exposure to USVI government entities. The USVI is experiencing a number of fiscal and economic challenges that could adversely affect the ability of its public corporations and instrumentalities to service their outstanding debt obligations.

Other contingencies

As indicated in Note 9 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 $ 164 million at June 30, 2017 (December 31, 2016 $ 153 million). For additional information refer to Note 9.

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 that 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.

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

In certain cases, exposure to loss exists in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes and estimates that the aggregate range of reasonably possible losses (with respect to those matters where such limits may be determined, in excess of amounts accrued), for current legal proceedings ranges from $0 to approximately $27.75 million as of June 30, 2017. 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 is a description of the Corporation s significant legal proceedings.

BANCO POPULAR DE PUERTO RICO

Hazard Insurance Commission-Related Litigation

Popular, Inc., BPPR and Popular Insurance, LLC (the Popular Defendants) have recently been named defendants in a putative class action complaint captioned *Perez Díaz v. Popular, Inc., et al, filed before the Court of First Instance, Arecibo Part.* The complaint seeks damages and preliminary and permanent injunctive relief on behalf of the purported class against the Popular Defendants, as well as Antilles Insurance Company and MAPFRE-PRAICO Insurance Company (the Defendant Insurance Companies). Plaintiffs essentially allege that the Popular Defendants have been unjustly enriched by failing to reimburse them for commissions paid by the Defendant Insurance Companies to the insurance agent and/or mortgagee for policy years when no claims were filed against their hazard insurance policies. They demand the reimbursement to the purported class of an estimated $400,000,000, plus legal interest, for the good experience commissions allegedly paid by the Defendant Insurance Companies during the relevant time period, as well as injunctive relief seeking to enjoin the Defendant Insurance Companies from paying commissions to the insurance agent/mortgagee and ordering them to pay those fees directly to the insured. A hearing on the request for preliminary injunction and other matters was held on February 15, 2017, as a result of which plaintiffs withdrew their request for preliminary injunctive relief. A motion for dismissal on the merits, which the Defendant Insurance Companies filed shortly before hearing, was denied with a right to replead following limited targeted discovery. On March 24, 2017, the Popular Defendants filed a certiorari petition with the Puerto Rico Court of Appeals seeking a review of the lower court s denial of the motion to dismiss. The Court of Appeals denied the Popular Defendant s request, and the Popular Defendants appealed this determination to the Puerto Rico Supreme Court, which declined review. A motion for reconsideration is pending resolution. Separately, a class certification hearing was held in June and the Court requested post-hearing briefs on this issue, which are due in August.

BPPR has separately been named a defendant in a putative class action complaint captioned *Ramirez Torres, et al. v. Banco Popular de Puerto Rico, et al, filed before the Puerto Rico Court of First Instance, San Juan Part*. The complaint seeks damages and preliminary and permanent injunctive relief on behalf of the purported class against the same Popular Defendants, as well other financial institutions with insurance brokerage subsidiaries in Puerto Rico. Plaintiffs essentially contend that in November 2015, Antilles Insurance Company obtained approval from the Puerto Rico Insurance Commissioner to market an endorsement that allowed its customers to obtain reimbursement on their insurance deductible for good experience, but that defendants failed to offer this product or disclose its existence to their customers, favoring other products instead, in violation of their duties as insurance brokers. Plaintiffs seek a determination that defendants unlawfully failed to comply with their duty to disclose the existence of this new insurance product, as well as double or treble damages (the latter subject to a determination that defendants engaged in anti-monopolistic practices in failing to offer this product). Between late March and early April, co-defendants filed motions to dismiss the complaint and opposed the request for preliminary injunctive relief. A co-defendant filed a third-party Complaint against Antilles Insurance Company. A preliminary injunction and class certification hearing originally scheduled for April 6th was subsequently postponed, pending resolution of the motions to dismiss. On July 31, 2017, the Court dismissed the complaint with prejudice. Plaintiffs may decide to appeal this judgment.

A third putative class action also tangentially related to hazard insurance policies and captioned *Morales v. Banco Popular de Puerto Rico, et al.*, was filed in May 2017. Plaintiffs aver that BPPR forced-placed hazard insurance on their mortgaged properties in violation of Puerto Rico s implied covenant of good faith, BPPR s alleged fiduciary duties as the escrow account manager of their mortgage loans, the Truth in Lending Act (TILA) and the Racketeer Influenced and Corrupt Organizations Act (RICO). Plaintiffs seek class certification, an order enjoining BPPR and other unnamed defendants from maintaining their allegedly fraudulent practices concerning forced-placed hazard insurance, unspecified compensatory damages, costs and attorneys fees. On July 19, 2017, BPPR filed a motion for summary judgment.

Mortgage-Related Litigation

BPPR has been named a defendant in a putative class action captioned *Lilliam González Camacho, et al. v. Banco Popular de Puerto Rico, et al.*, filed before the United States District Court for the District of Puerto Rico on behalf of mortgage-holders who have allegedly been subjected to illegal foreclosures and/or loan modifications through their mortgage servicers. Plaintiffs essentially contend that when they sought to reduce their loan payments, defendants failed to provide them with reduced loan payments, instead subjecting them to lengthy loss mitigation processes while filing foreclosure claims against them in parallel. Plaintiffs assert that such actions violate HAMP, HARP and other loan modification programs, as well as the Puerto Rico Mortgage Debtor Assistance Act and TILA. For the alleged violations stated above, Plaintiffs request that all Defendants (over 20 separate defendants have been named, including all local banks), jointly and severally, respond in an amount of no less than $400,000,000.00. BPPR waived service of process in June and intends to file a motion to dismiss and to sever by August.

Separately, BPPR has been named a defendant in a putative class action captioned *Costa Dorada Apartment Corp., et al. v. Banco Popular de Puerto Rico, et al.*, filed by the same counsel who filed the *González Camacho* action referenced above, on behalf of commercial customers of the defendant banks who have allegedly been subject to illegal foreclosures and/or loan modifications through their mortgage servicers. Plaintiffs essentially contend that when they sought to reduce their loan payments, defendants failed to provide them with reduced loan payments, instead subjecting them to lengthy loss mitigation processes while filing foreclosure claims against them in parallel (dual tracking), all in violation of TILA, RESPA, ECOA, FCRA, FDCPA and other consumer-protection laws and regulations. They demand in excess of $1,000,000,000 in damages. Banco Popular has not yet been served with summons in connection with this matter.

BPPR has also recently been named a defendant in a complaint for damages and breach of contract captioned *Héctor Robles Rodriguez et al. v. Municipio de Ceiba, et al.* Plaintiffs are residents of a development called Hacienda Las Lomas. Through the Doral Bank-FDIC assisted transaction, BPPR acquired a significant number of mortgage loans covering properties in this development and is currently the primary creditor in the project. Plaintiffs claim damages against the developer, contractor, the relevant insurance companies, and most recently, their mortgage lenders, as a result of a landslide that occurred in October 2015, affecting various streets and houses within the development. Plaintiffs specifically allege that the mortgage lenders, including BPPR, should be deemed liable for their alleged failure to properly inspect the subject properties. Plaintiffs demand in excess of $30 million in damages and the annulment of their mortgage deeds.

Mortgage-Related Investigations

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, the Special Inspector General for the Troubled Asset Relief Program and the Federal Department of Housing and Urban Development s Office of the Inspector General mainly concerning real estate appraisals and residential and construction loans in Puerto Rico. The Corporation is cooperating with these requests and is in discussions with the relevant U.S. government departments regarding the resolution of such matters. There can be no assurances as to the outcome of those discussions.

Other Significant Proceedings

In June 2017, a syndicate comprised of BPPR and other local banks (the Lenders) filed an involuntary Chapter 11 bankruptcy proceeding against Betteroads Asphalt and Betterecycling Corporation (the Involuntary Debtors). This filing followed attempts by the Lenders to restructure and resolve the Involuntary Debtors obligations and outstanding defaults under a certain credit agreement, first through good faith negotiations and subsequently, through the filing of a collection action against the Involuntary Debtors in local court. The Lenders ultimately joined in the commencement of the involuntary bankruptcy proceedings against the

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Debtors in order to preserve and recover the Involuntary Debtors assets, having confirmed that the Involuntary Debtors were transferring assets out of their estate for little or no consideration. The Involuntary Debtors subsequently filed a motion to dismiss the proceedings and asserting damages against the syndicate in excess of $900,000,000. The Involuntary Debtors are arguing both that this petition was filed in bad faith and that there was a bona fide dispute as to the petitioners claims, as set forth in the counterclaim filed by the Involuntary Debtors in local court. The court allowed limited discovery to take place prior to an evidentiary hearing (still unscheduled and to be held after the discovery cut-off date) to determine the merits of debtors motion to dismiss. A separate hearing will be heard in November to entertain creditors motion to appoint a trustee.

POPULAR SECURITIES

Nora Fernandez, et al. v. UBS, et al

Popular Securities was named a defendant 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, who was originally named in the complaint as well, was co-sponsor, together with UBS, of nine (9) of those funds. Plaintiffs alleged 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 sought 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 then pending before the USDC-PR in which neither BPPR nor Popular Securities were 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 contained a choice of forum clause, with New York as the selected forum. The Popular defendants joined the opposition and motion filed by UBS. 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. On December 7, 2016, Judge Stein largely granted the motion to dismiss of BPPR and Popular Securities. Judge Stein s order (the Order) dismissed all claims against BPPR and all but two breach of contract claims against Popular Securities brought by one named plaintiff. The Court granted Plaintiffs 21 days to amend the complaint for the 2012 claims only, but plaintiffs chose not to replead. On March 24, 2017, however, the sole named plaintiff s counsel filed a Notice of Death, reporting that such plaintiff had passed away. On July 6, 2017, the parties filed a stipulation and proposed order, which the court entered that same day, providing that such plaintiff s claim was dismissed with prejudice and that no party would seek to appeal from the court s rulings on the motion to dismiss with respect to claims asserted against Popular Securities and BPPR. As a consequence, that matter is concluded.

Puerto Rico Bonds and Closed-End Investment Funds

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. Popular Securities has received customer complaints and is named as a respondent (among other broker-dealers) in 73 arbitration proceedings with aggregate claimed amounts of approximately $168 million, including one arbitration with combined claimed damages of approximately $78 million in which another Puerto Rico broker-dealer is a co-defendant. While Popular Securities believes that it has meritorious defenses to the claims asserted in a number of these proceedings, it has determined that it is in its best interest to settle such claims rather than expend the money and resources required to see such cases to completion. The Government s defaults and non-payment of its various debt obligations, the Commonwealth government s and the Financial Oversight Management Board s decision to pursue restructurings under Title III and Title VI of PROMESA have increased and may continue to increase the number of customer complaints (and claimed damages) filed against Popular Securities concerning Puerto Rico bonds, including bonds issued by COFINA and 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.

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Subpoena by Unsecured Creditors Committee in PROMESA Title III Proceedings

Popular Securities has, together with Popular, Inc. and BPPR (collectively, the Popular Companies) recently filed an appearance in connection with the pending PROMESA Title III proceedings of the Commonwealth, COFINA, the Employees Retirement System and the Puerto Rico Highways and Transportation Authority. Its appearance was prompted by a request by the Commonwealth s Unsecured Creditors Committee to allow a broad discovery program under Bankruptcy Rule 2004 to investigate, among other things, the causes of the Puerto Rico financial crisis. The Rule 2004 request seeks broad discovery not only from the Popular Companies, but also from other third parties, spanning in excess of eleven (11) years. These third parties have, along with the Popular Companies, tendered separate objections to these requests on various grounds, including that they are impermissibly overbroad and should either be denied outright or substantially modified. The Oversight Board, as representative of the debtors, has also objected to the discovery program. A hearing before Magistrate Judge Gail Dein has been tentatively set for the week of August 21, 2017.

POPULAR COMMUNITY BANK

Josefina Valle v. Popular Community Bank

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 that the overdraft rates and fees assessed by PCB violate New York s usury laws. Plaintiffs seek unspecified damages, including punitive damages, interest, disbursements, and attorneys fees and costs.

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, 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 on the partial denial of PCB s motion to dismiss. A mediation session held on September 21, 2016 proved unsuccessful. On January 3, 2017, PCB filed a brief with the Appellate Division in support of its appeal of the lower Court s prior order that granted in part and denied in part PCB s motion to dismiss plaintiffs second amended complaint. Oral argument was held on April 4, 2017. On April 25, 2017, the Court issued an order denying PCB s appeal from the partial denial of our motion to dismiss. The parties have since, been engaged in significant written and oral discovery. The plaintiffs motion for class certification is currently due August 1, 2017, although that date may be extended to accommodate the assignment of a new judge, as well as continuing discovery issues.

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Note 22 Non-consolidated variable interest entities

The Corporation is involved with four statutory trusts which it created 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.

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 24 to the Consolidated Financial Statements for additional information on the debt securities outstanding at June 30, 2017 and December 31, 2016, which are classified as available-for-sale and trading securities in the Corporation s consolidated statements of financial condition. In addition, the Corporation holds variable interests in the form of servicing fees, since it retains 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.

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 of GNMA and FNMA loans at June 30, 2017 and December 31, 2016.

(In thousands)	June 30, 2017	December 31, 2016
Assets		
Servicing assets:		
Mortgage servicing rights	$ 154,948	$ 158,562
Total servicing assets	$ 154,948	$ 158,562
Other assets:		
Servicing advances	$ 17,733	$ 20,787

Total other assets	$	17,733	$	20,787
Total assets	$	172,681	$	179,349
Maximum exposure to loss	$	172,681	$	179,349

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 $12.0 billion at June 30, 2017 (December 31, 2016 $12.3 billion).

The Corporation determined that the maximum exposure to loss includes the fair value of the MSRs and the assumption that the servicing advances at June 30, 2017 and December 31, 2016, 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 to a newly created joint venture, PRLP 2011 Holdings, LLC. In March of 2013, BPPR completed a sale of commercial and construction loans, and commercial and single family real estate owned to a newly created joint venture, PR Asset Portfolio 2013-1 International, LLC.

These joint ventures were 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 ventures through deed in lieu of foreclosure, foreclosure, or by resolution of any loan.

BPPR provided financing to PRLP 2011 Holdings, LLC and PR Asset Portfolio 2013-1 International, LLC for the acquisition of the assets in an amount equal to the acquisition loan of $86 million and $182 million, respectively. The acquisition loans have a 5-year maturity and bear a variable interest at 30-day LIBOR plus 300 basis points and are secured by a pledge of all of the acquiring entity s assets. In addition, BPPR provided these joint ventures with a non-revolving advance facility (the advance facility) of $69 million and $35 million, respectively, 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 and $30 million, respectively, to fund certain operating expenses of the joint venture. As part of these transactions, BPPR received $ 48 million and $92 million, respectively, in cash and a 24.9% equity interest in each joint venture. The Corporation is not required to provide any other financial support to these joint ventures.

BPPR accounted for both transactions as a true sale pursuant to ASC Subtopic 860-10.

The Corporation has determined that PRLP 2011 Holdings, LLC and PR Asset Portfolio 2013-1 International, LLC are VIEs 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 ventures any and all documents, contracts, certificates, agreements and instruments, and to take any action deemed necessary in the benefit of the joint ventures.

The Corporation holds variable interests in these VIEs in the form of the 24.9% equity interests and the financing provided to these joint ventures. The equity interest is accounted for under the equity method of accounting pursuant to ASC Subtopic 323-10.

The following tables present the carrying amount and classification of the assets and liabilities related to the Corporation s variable interests in the non-consolidated VIEs, PRLP 2011 Holdings, LLC and PR Asset Portfolio 2013-1 International, LLC, and their maximum exposure to loss at June 30, 2017 and December 31, 2016.

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	PRLP 2011 Holdings, LLC		PR Asset Portfolio 2013-1 International, LLC	
(In thousands)	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Assets				
Loans held-in-portfolio:				
Advances under the working capital line	$	$	$	$ 1,391
Advances under the advance facility				2,475
Total loans held-in-portfolio	$	$	$	$ 3,866
Accrued interest receivable	$	$	$	$ 19
Other assets:				
Equity investment	$ 8,258	$ 9,167	$ 19,165	$ 22,378
Total assets	$ 8,258	$ 9,167	$ 19,165	$ 26,263
Liabilities				
Deposits	$ (3,674)	$ (1,127)	$ (12,210)	$ (9,692)
Total liabilities	$ (3,674)	$ (1,127)	$ (12,210)	$ (9,692)
Total net assets	$ 4,584	$ 8,040	$ 6,955	$ 16,571
Maximum exposure to loss	$ 4,584	$ 8,040	$ 6,955	$ 16,571

The Corporation determined that the maximum exposure to loss under a worst case scenario at June 30, 2017 would be not recovering the net assets held by the Corporation as of the reporting date.

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 non-consolidated VIEs 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 June 30, 2017.

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Note 23 Related party transactions

The Corporation considers its equity method investees as related parties. The following provides information on transactions with equity method investees considered related parties.

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 June 30, 2017, the Corporation s stake in EVERTEC was 16.10%.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.

The Corporation received $ 2.3 million in dividend distributions during the six months ended June 30, 2017 from its investments in EVERTEC s holding company (June 30, 2016 $ 2.3 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)	June 30, 2017	December 31, 2016
Equity investment in EVERTEC	$ 45,176	$ 38,904

The Corporation had the following financial condition balances outstanding with EVERTEC at June 30, 2017 and December 31, 2016. Items that represent liabilities to the Corporation are presented with parenthesis.

(In thousands)	June 30, 2017	December 31, 2016
Accounts receivable (Other assets)	$ 6,198	$ 6,394
Deposits	(24,564)	(14,899)
Accounts payable (Other liabilities)	(2,583)	(20,372)
Net total	$ (20,949)	$ (28,877)

The Corporation s proportionate share of income or loss from EVERTEC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of EVERTEC s income (loss) and changes in stockholders equity for the quarters and six months ended June 30, 2017 and 2016.

(In thousands)	Quarter ended June 30, 2017	Six months ended June 30, 2017
Share of income from the investment in EVERTEC	$ 3,243	$ 6,943

Share of other changes in EVERTEC s stockholders equity	1,049	1,668
Share of EVERTEC s changes in equity recognized in income	$ 4,292	$ 8,611

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016
Share of income from the investment in EVERTEC	$ 3,185	$ 6,199
Share of other changes in EVERTEC s stockholders equity	(1,537)	(1,325)
Share of EVERTEC s changes in equity recognized in income	$ 1,648	$ 4,874

The following tables present the transactions and service payments between the Corporation and EVERTEC (as an affiliate) and their impact on the results of operations for the quarters and six months ended June 30, 2017 and 2016. Items that represent expenses to the Corporation are presented with parenthesis.

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(In thousands)	Quarter ended June 30, 2017	Six months ended June 30, 2017	Category
Interest expense on deposits	$ (12)	$ (21)	Interest expense
ATH and credit cards interchange income from services to EVERTEC	7,929	15,595	Other service fees
Rental income charged to EVERTEC	1,623	3,382	Net occupancy
Processing fees on services provided by EVERTEC	(46,064)	(88,434)	Professional fees
Other services provided to EVERTEC	343	609	Other operating expenses
Total	$ (36,181)	$ (68,869)	

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016	Category
Interest expense on deposits	$ (17)	$ (36)	Interest expense
ATH and credit cards interchange income from services to EVERTEC	7,497	14,415	Other service fees
Rental income charged to EVERTEC	1,736	3,472	Net occupancy
Processing fees on services provided by EVERTEC	(43,262)	(86,778)	Professional fees
Other services provided to EVERTEC	258	514	Other operating expenses
Total	$ (33,788)	$ (68,413)	

PRLP 2011 Holdings LLC

As indicated in Note 22 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)	June 30, 2017	December 31, 2016
Equity investment in PRLP 2011 Holdings, LLC	$ 8,258	$ 9,167

The Corporation had the following financial condition balances outstanding with PRLP 2011 Holdings, LLC at June 30, 2017 and December 31, 2016.

(In thousands)		June 30, 2017		December 31, 2016
Deposits (non-interest bearing)	$	(3,674)	$	(1,127)

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 loss from PRLP 2011 Holdings, LLC for the quarters and six months ended June 30, 2017 and 2016.

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(In thousands)	Quarter ended June 30, 2017	Six months ended June 30, 2017
Share of loss from the equity investment in PRLP 2011 Holdings, LLC	$ (398)	$ (909)

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016
Share of loss from the equity investment in PRLP 2011 Holdings, LLC	$ (52)	$ (594)

During the six months ended June 30, 2016, the Corporation received $3.4 million in capital distributions from its investment in PRLP 2011 Holdings, LLC. No capital distribution was received by the Corporation during the six months ended June 30, 2017. 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 quarter and six months ended June 30, 2016.

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016	Category
Interest income on loan to PRLP 2011 Holdings, LLC	$	$ 11	Interest income

PR Asset Portfolio 2013-1 International, LLC

As indicated in Note 22 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)	June 30, 2017	December 31, 2016
Equity investment in PR Asset Portfolio 2013-1 International, LLC	$ 19,165	$ 22,378

The Corporation had the following financial condition balances outstanding with PR Asset Portfolio 2013-1 International, LLC, at June 30, 2017 and December 31, 2016.

(In thousands)	June 30, 2017	December 31, 2016
Loans	$	$ 3,866
Accrued interest receivable		19
Deposits	(12,210)	(9,692)
Net total	$ (12,210)	$ (5,807)

The Corporation s proportionate share of income or loss from PR Asset Portfolio 2013-1 International, LLC is included in other operating income in the consolidated statements of operations. The following table presents the Corporation s proportionate share of income (loss) from PR Asset Portfolio 2013-1 International, LLC for the quarters and six months ended June 30, 2017 and 2016.

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(In thousands)	Quarter ended June 30, 2017	Six months ended June 30, 2017
Share of income from the equity investment in PR Asset Portfolio 2013-1 International, LLC	$ 302	$ 149

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016
Share of income (loss) from the equity investment in PR Asset Portfolio 2013-1 International, LLC	$ 199	$ (323)

During the six months ended June 30, 2017, the Corporation received $3.4 million in capital distribution from its investment in PR Asset Portfolio 2013-1 International, LLC. No capital distribution was received by the Corporation during the six months ended June 30, 2016. The following table presents transactions between the Corporation and PR Asset Portfolio 2013-1 International, LLC and their impact on the Corporation s results of operations for the quarters and six months ended June 30, 2017 and 2016.

(In thousands)	Quarter ended June 30, 2017	Six months ended June 30, 2017	Category
Interest income on loan to PR Asset Portfolio 2013-1 International, LLC	$	$ 9	Interest income
Interest expense on deposits	(11)	(15)	Interest expense
Total	$ (11)	$ (6)	

(In thousands)	Quarter ended June 30, 2016	Six months ended June 30, 2016	Category
Interest income on loan to PR Asset Portfolio 2013-1 International, LLC	$ 289	$ 734	Interest income
Interest expense on deposits	(1)	(2)	Interest expense
Total	$ 288	$ 732	

Centro Financiero BHD León

At June 30, 2017, 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 six months ended June 30, 2017, the Corporation recorded $11.8 million in earnings from its investment in BHD Leon (2016 $ 12.5 million), which had a carrying amount of $124.2 million at June 30, 2017 (December 31, 2016 $ 125.5 million). As of December 31, 2016 BPPR had extended a credit facility of $ 50 million to BHD León, with an outstanding balance of $ 25 million. This credit facility expired during March 2017. The Corporation received $ 11.8 million in dividend distributions during the six months ended June 30, 2017 from its investment in BHD Leon (June 30, 2016 $ 12.1 million).

On June 30, 2017, BPPR extended an $8 million credit facility to Grupo Financiero Leon, S.A. Panamá (GFL), a shareholder of BHD Leon. The sources of repayment for this loan are the dividends to be received by GFL from its investment in BHD Leon. BPPR s credit facility ranks pari passu with another $8 million credit facility extended to GFL by BHD International Panama, an affiliate of BHD Leon.

Puerto Rico Investment Companies

The Corporation provides advisory services to several Puerto Rico investment companies in exchange for a fee. The Corporation also provides administrative, custody and transfer agency services to these investment companies. These fees are calculated at an annual rate of the average net assets of the investment company, as defined in each agreement. Due to its advisory role, the Corporation considers these investment companies as related parties.

For the six months ended June 30, 2017 administrative fees charged to these investment companies amounted to $ 3.9 million (2016- $ 4.0 million) and waived fees amounted to $ 1.1 million (2016 $ 1.4 million), for a net fee of $ 2.8 million (2016 $ 2.6 million).

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The Corporation, through its subsidiary Banco Popular de Puerto Rico, has also entered into lines of credit facilities with these companies. As of June 30, 2017, the available lines of credit facilities amounted to $357 million (December 31 2016 $357 million). The aggregate sum of all outstanding balances under all credit facilities that may be made available by BPPR, from time to time, to those Puerto Rico investment companies for which BPPR acts as investment advisor or co-investment advisor, shall never exceed the lesser of $200 million or 10% of BPPR s capital.

Other Related Party Transactions

In April 2010, in connection with the acquisition of the Westernbank assets from the FDIC, as receiver, BPPR acquired a term loan to a corporate borrower partially owned by an investment corporation in which the Corporation s Executive Chairman, at that time the Chief Executive Officer, as well as certain of his family members, hold an ownership interest. At the time the loan was acquired by BPPR, it had an unpaid principal balance of $40.2 million.

In May 2017, this loan was sold by BPPR to Popular, Inc., its bank holding company (BHC). At the time of sale, the loan had an unpaid principal balance of $37.9 million. Immediately upon being acquired by BHC, the loan s maturity was extended by 90 days (under the same terms as originally contracted) to provide the BHC additional time to evaluate a refinancing or long-term extension of the loan. The total consideration of $37.9 million paid by the BHC to BPPR for the loan equaled the unpaid principal balance of the loan. Of the total amount paid, $6.0 million was recognized by BPPR as a capital contribution representing the difference between the fair value and the book value of the loan at the time of transfer.

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Note 24   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 2016 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 June 30, 2017 and December 31, 2016:

	At June 30, 2017			
(In thousands)	Level 1	Level 2	Level 3	Total
RECURRING FAIR VALUE MEASUREMENTS				
Assets				
Investment securities available-for-sale:				
U.S. Treasury securities	$	$ 2,922,765	$	$ 2,922,765
Obligations of U.S. Government sponsored entities		661,971		661,971
Obligations of Puerto Rico, States and political subdivisions		20,806		20,806
Collateralized mortgage obligations federal agencies		1,084,839		1,084,839
Mortgage-backed securities		4,706,599	1,289	4,707,888
Equity securities		1,868		1,868
Other		9,265		9,265
Total investment securities available-for-sale	$	$ 9,408,113	$ 1,289	$ 9,409,402
Trading account securities, excluding derivatives:				
Obligations of Puerto Rico, States and political subdivisions	$	$ 182	$	$ 182
Collateralized mortgage obligations			858	858
Mortgage-backed securities federal agencies		30,313	4,334	34,647
Other	1	14,046	557	14,604
Total trading account securities, excluding derivatives	$ 1	$ 44,541	$ 5,749	$ 50,291
Mortgage servicing rights	$	$	$ 188,728	$ 188,728
Derivatives		13,028		13,028
Total assets measured at fair value on a recurring basis	$ 1	$ 9,465,682	$ 195,766	$ 9,661,449
Liabilities				
Derivatives	$	$ (11,486)	$	$ (11,486)
Contingent consideration			(163,668)	(163,668)
Total liabilities measured at fair value on a recurring basis	$	$ (11,486)	$ (163,668)	$ (175,154)

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At December 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	$	$ 2,136,620	$	$ 2,136,620
Obligations of U.S. Government sponsored entities		711,850		711,850
Obligations of Puerto Rico, States and political subdivisions		22,771		22,771
Collateralized mortgage obligations federal agencies		1,221,526		1,221,526
Mortgage-backed securities		4,103,940	1,392	4,105,332
Equity securities		2,122		2,122
Other		9,585		9,585
Total investment securities available-for-sale	$	$ 8,208,414	$ 1,392	$ 8,209,806
Trading account securities, excluding derivatives:				
Obligations of Puerto Rico, States and political subdivisions	$	$ 1,164	$	$ 1,164
Collateralized mortgage obligations			1,321	1,321
Mortgage-backed securities federal agencies		37,991	4,755	42,746
Other		13,963	602	14,565
Total trading account securities, excluding derivatives	$	$ 53,118	$ 6,678	$ 59,796
Mortgage servicing rights	$	$	$ 196,889	$ 196,889
Derivatives		14,094		14,094
Total assets measured at fair value on a recurring basis	$	$ 8,275,626	$ 204,959	$ 8,480,585
Liabilities				
Derivatives	$	$ (12,842)	$	$ (12,842)
Contingent consideration			(153,158)	&