POPULAR INC
Form 10-Q
November 08, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2012

Commission File Number: 001-34084

POPULAR, INC.

(Exact name of registrant as specified in its charter)

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

Popular Center Building

209 Muñoz Rivera Avenue

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

(787) 765-9800

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: Common Stock, $0.01 par value, 103,105,983 shares outstanding as of October 31, 2012.

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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 conditi results of operations, plans, objectives, future performance and 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 expressions and future or conditional verbs such as will, would, should, co may, or similar expressions are generally intended to identify forward-looking statements.

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

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

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

possible legislative, tax or regulatory changes.

Other possible events or factors that could cause results or performance to differ materially from those expressed in these forward-looking statements include the following: negative economic conditions that adversely affect the general economy, housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the level of non-performing assets, charge-offs and provision expense; changes in interest rates and market liquidity which may reduce interest margins, impact funding sources and affect our ability to originate and distribute financial products in the primary and secondary markets; adverse movements and volatility in debt and equity capital markets; changes in market rates and prices which may adversely impact the value of financial assets and liabilities; liabilities resulting from litigation and regulatory investigations; changes in accounting standards, rules and interpretations; increased competition; our ability to grow our core businesses; decisions to downsize, sell or close units or otherwise change our business mix; and management s ability to identify and manage these and other risks. Moreover, the outcome of legal proceedings, as discussed in Part II, Item I. Legal Proceedings, is inherently uncertain and depends on judicial interpretations of law and the findings of regulators, judges and juries. Investors should refer to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2011 as well as Part II, Item 1A of this Form 10-Q for a discussion of such factors and certain risks and uncertainties to which the Corporation is subject.

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(UNAUDITED)

(In thousands, except share information)	September 30, 2012	December 31, 2011
Assets:		
Cash and due from banks	$ 477,342	$ 535,282
Money market investments:		
Federal funds sold	38,358	75,000
Securities purchased under agreements to resell	240,761	252,668
Time deposits with other banks	646,544	1,048,506
Total money market investments	925,663	1,376,174
Trading account securities, at fair value:		
Pledged securities with creditors right to repledge	181,133	402,591
Other trading securities	45,785	33,740
Investment securities available-for-sale, at fair value:		
Pledged securities with creditors right to repledge	1,464,402	1,737,868
Other investment securities available-for-sale	3,655,899	3,271,955
Investment securities held-to-maturity, at amortized cost (fair value at September 30, 2012 $124,102; December 31, 2011 $125,254)	122,072	125,383
Other investment securities, at lower of cost or realizable value (realizable value at September 30, 2012 - $215,140; December 31, 2011 $181,583)	213,389	179,880
Loans held-for-sale, at lower of cost or fair value	337,049	363,093
Loans held-in-portfolio:		
Loans not covered under loss sharing agreements with the FDIC	20,851,108	20,703,192
Loans covered under loss sharing agreements with the FDIC	3,903,867	4,348,703
Less Unearned income	97,255	100,596
Allowance for loan losses	761,172	815,308
Total loans held-in-portfolio, net	23,896,548	24,135,991
FDIC loss share asset	1,559,057	1,915,128
Premises and equipment, net	525,733	538,486
Other real estate not covered under loss sharing agreements with the FDIC	252,024	172,497
Other real estate covered under loss sharing agreements with the FDIC	125,514	109,135
Accrued income receivable	133,943	125,209
Mortgage servicing assets, at fair value	158,367	151,323
Other assets	1,724,927	1,462,393
Goodwill	647,757	648,350
Other intangible assets	56,762	63,954
Total assets	$ 36,503,366	$ 37,348,432
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 5,404,470	$ 5,655,474

Interest bearing		20,915,029		22,286,653
Total deposits		26,319,499		27,942,127
Assets sold under agreements to repurchase		1,944,564		2,141,097
Other short-term borrowings		1,206,200		296,200
Notes payable		1,866,377		1,856,372
Other liabilities		1,097,742		1,193,883
Total liabilities		32,434,382		33,429,679
Commitments and contingencies (See Note 19)				
Stockholders equity:				
Preferred stock, 30,000,000 shares authorized; 2,006,391 shares issued and outstanding		50,160		50,160
Common stock, $0.01 par value; 170,000,000 shares authorized; 103,112,305 shares issued at September 30, 2012 (December 31, 2011 102,634,640) and 103,097,143 shares outstanding (December 31, 2011 102,590,457)		1,031		1,026
Surplus		4,131,681		4,123,898
Accumulated deficit		(54,183)		(212,726)
Treasury stock at cost, 15,162 shares at September 30, 2012 (December 31, 2011 44,183)		(270)		(1,057)
Accumulated other comprehensive loss, net of tax		(59,435)		(42,548)
Total stockholders equity		4,068,984		3,918,753
Total liabilities and stockholders equity	$	36,503,366	$	37,348,432

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share information)	Quarter ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Interest income:				
Loans	$ 387,381	$ 428,999	$ 1,164,665	$ 1,294,834
Money market investments	862	886	2,774	2,759
Investment securities	39,945	51,085	128,828	157,183
Trading account securities	5,815	10,788	17,669	29,332
Total interest income	434,003	491,758	1,313,936	1,484,108
Interest expense:				
Deposits	43,000	65,868	143,193	213,419
Short-term borrowings	9,876	13,744	36,503	41,478
Long-term debt	37,701	42,835	112,032	141,999
Total interest expense	90,577	122,447	291,728	396,896
Net interest income	343,426	369,311	1,022,208	1,087,212
Provision for loan losses non-covered loans	83,589	150,703	247,846	306,177
Provision for loan losses covered loans	22,619	25,573	78,284	89,735
Net interest income after provision for loan losses	237,218	193,035	696,078	691,300
Service charges on deposit accounts	45,858	46,346	138,577	138,778
Other service fees	64,784	62,664	192,850	179,623
Net gain (loss) on sale and valuation adjustments of investment securities	64	8,134	(285)	8,044
Trading account (loss) profit	(2,266)	2,912	(11,692)	3,287
Net gain on sale of loans, including valuation adjustments on loans held-for-sale	18,495	20,294	18,569	14,756
Adjustments (expense) to indemnity reserves on loans sold	(8,717)	(10,285)	(17,990)	(29,587)
FDIC loss share (expense) income	(6,707)	(5,361)	(19,387)	49,344
Fair value change in equity appreciation instrument				8,323
Other operating income	4,198	(2,314)	32,699	38,350
Total non-interest income	115,709	122,390	333,341	410,918
Operating expenses:				
Personnel costs	111,550	111,724	349,377	328,823
Net occupancy expenses	24,409	25,885	73,534	76,428
Equipment expenses	11,447	10,517	33,688	33,314
Other taxes	12,666	12,391	38,178	38,986
Professional fees	53,412	48,756	153,644	144,923
Communications	6,500	6,800	20,276	21,198
Business promotion	14,924	14,650	44,754	35,842
FDIC deposit insurance	24,173	23,285	72,006	68,640
Loss on early extinguishment of debt	43	109	25,184	8,637
Other real estate owned (OREO) expenses	5,896	3,234	22,441	11,885
Other operating expenses	22,854	22,541	73,714	63,555
Amortization of intangibles	2,481	2,463	7,605	6,973

Total operating expenses	290,355	282,355	914,401	839,204
Income before income tax	62,572	33,070	115,018	263,014
Income tax expense (benefit)	15,384	5,537	(46,317)	114,664
Net Income	$ 47,188	$ 27,533	$ 161,335	$ 148,350
Net Income Applicable to Common Stock	$ 46,257	$ 26,602	$ 158,543	$ 145,558
Net Income per Common Share Basic	$ 0.45	$ 0.26	$ 1.55	$ 1.42
Net Income per Common Share Diluted	$ 0.45	$ 0.26	$ 1.55	$ 1.42
Dividends Declared per Common Share				

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)	Quarter ended, September 30, 2012	Quarter ended, September 30, 2011	Nine months ended, September 30, 2012	Nine months ended, September 30, 2011
Net income	$ 47,188	$ 27,533	$ 161,335	$ 148,350
Other comprehensive (loss) income before tax:				
Foreign currency translation adjustment	(120)	(222)	(1,066)	(1,950)
Reclassification adjustment for losses included in net income				10,084
Adjustment of pension and postretirement benefit plans				
Amortization of net losses	6,289	3,243	18,868	9,730
Amortization of prior service cost	(50)	(240)	(150)	(720)
Unrealized holding (losses) gains on securities available-for-sale arising during the period	(6,567)	29,021	(33,022)	59,822
Reclassification adjustment for (gains) losses included in net income	(64)	(8,134)	285	(8,044)
Unrealized net losses on cash flow hedges	(6,285)	(6,295)	(12,612)	(9,939)
Reclassification adjustment for net losses (gains) included in net income	3,701	4,139	9,677	7,333
Other comprehensive (loss) income before tax	(3,096)	21,512	(18,020)	66,316
Income tax benefit (expense)	244	(708)	1,133	(4,780)
Total other comprehensive (loss) income, net of tax	(2,852)	20,804	(16,887)	61,536
Comprehensive income, net of tax	$ 44,336	$ 48,337	$ 144,448	$ 209,886

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

(In thousands)	Quarter ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended, September 30, 2012	Nine months ended, September 30, 2011
Underfunding of pension and postretirement benefit plans	$	$	$	$
Amortization of net losses	(1,740)	(965)	(5,220)	(2,896)
Amortization of prior service cost	15	72	45	216
Unrealized holding (losses) gains on securities available-for-sale arising during the period	1,193	(1,611)	5,428	(4,101)
Reclassification adjustment for (gains) losses included in net income		1,233		1,219
Unrealized net losses on cash flow hedges	1,886	1,805	3,783	2,982
Reclassification adjustment for net losses (gains) included in net income	(1,110)	(1,242)	(2,903)	(2,200)
Income tax benefit (expense)	$ 244	$ (708)	$ 1,133	$ (4,780)

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

POPULAR, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(UNAUDITED)

(In thousands)	Common stock	Preferred stock	Surplus	Accumulated deficit	Treasury stock	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2010	$ 1,023	$ 50,160	$ 4,103,211	$ (347,328)	$ (574)	$ (5,961)	$ 3,800,531
Net income				148,350			148,350
Issuance of stock	2		5,392				5,394
Dividends declared:							
Preferred stock				(2,792)			(2,792)
Common stock purchases					(418)		(418)
Other comprehensive income, net of tax						61,536	61,536
Balance at September 30, 2011	$ 1,025	$ 50,160	$ 4,108,603	$ (201,770)	$ (992)	$ 55,575	$ 4,012,601
Balance at December 31, 2011	$1,026	$ 50,160	$ 4,123,898	$ (212,726)	$ (1,057)	$ (42,548)	$ 3,918,753
Net income				161,335			161,335
Issuance of stock	5		7,783				7,788
Dividends declared:							
Preferred stock				(2,792)			(2,792)
Common stock purchases					(276)		(276)
Common stock reissuance					1,063		1,063
Other comprehensive loss, net of tax						(16,887)	(16,887)
Balance at September 30, 2012	$ 1,031	$ 50,160	$ 4,131,681	$ (54,183)	$ (270)	$ (59,435)	$ 4,068,984

Disclosure of changes in number of shares:	September 30, 2012	December 31, 2011	September 30, 2011
Preferred Stock:			
Balance at beginning and end of period	2,006,391	2,006,391	2,006,391
Common Stock Issued:			
Balance at beginning of year	102,634,640	102,292,916	102,292,916
Issuance of stock	477,665	341,724	194,110
Balance at end of the period	103,112,305	102,634,640	102,487,026
Treasury stock	(15,162)	(44,183)	(39,486)
Common Stock Outstanding	103,097,143	102,590,457	102,447,540

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Nine months ended September 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 161,335	$ 148,350
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	326,130	395,912
Amortization of intangibles	7,605	6,973
Depreciation and amortization of premises and equipment	34,953	34,864
Net accretion of discounts and amortization of premiums and deferred fees	(22,118)	(97,668)
Impairment losses on net assets to be disposed of		6,085
Fair value adjustments on mortgage servicing rights	7,217	26,373
Fair value change in equity appreciation instrument		(8,323)
FDIC loss share expense (income)	19,387	(49,344)
Amortization of prepaid FDIC assessment	30,157	68,640
Adjustments (expense) to indemnity reserves on loans sold	17,990	29,587
Losses from investments under the equity method	9,788	11,250
Deferred income tax (benefit) expense	(150,201)	44,608
(Gain) loss on:		
Disposition of premises and equipment	(8,253)	(2,019)
Early extinguishment of debt	24,950	
Sale and valuation adjustments of investment securities	285	(8,044)
Sale of loans, including valuation adjustments on loans held-for-sale	(18,569)	(14,756)
Sale of equity method investment		(16,907)
Sale of other assets	(2,545)	
Acquisitions of loans held-for-sale	(288,844)	(253,401)
Proceeds from sale of loans held-for-sale	242,088	101,549
Net disbursements on loans held-for-sale	(860,804)	(617,591)
Net (increase) decrease in:		
Trading securities	849,304	492,882
Accrued income receivable	(8,735)	14,924
Other assets	65,944	(25,576)
Net increase (decrease) in:		
Interest payable	(7,553)	(7,344)
Pension and other postretirement benefit obligation	24,156	(128,802)
Other liabilities	(48,062)	(109,155)
Total adjustments	244,270	(105,283)
Net cash provided by operating activities	405,605	43,067
Cash flows from investing activities:		
Net decrease (increase) in money market investments	450,511	(289,844)
Purchases of investment securities:		
Available-for-sale	(1,284,834)	(1,198,613)
Held-to-maturity	(250)	(65,358)
Other	(152,607)	(116,582)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		

Available-for-sale	1,166,618	979,868
Held-to-maturity	4,398	54,617
Other	119,098	104,231
Proceeds from sale of investment securities:		
Available-for-sale	8,031	35,099
Other		2,294
Net repayments on loans	687,582	1,013,103
Proceeds from sale of loans	51,677	290,119
Acquisition of loan portfolios	(1,051,588)	(985,675)
Payments received from FDIC under loss sharing agreements	327,739	561,111
Cash paid related to business acquisitions		(500)
Net proceeds from sale of equity method investment		31,503
Mortgage servicing rights purchased	(1,620)	(1,251)
Acquisition of premises and equipment	(34,336)	(37,868)
Proceeds from sale of:		
Premises and equipment	20,612	12,314
Other productive assets	1,026	
Foreclosed assets	142,019	133,017
Net cash provided by investing activities	454,076	521,585
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	(1,624,634)	1,192,652
Federal funds purchased and assets sold under agreements to repurchase	(196,533)	189,056
Other short-term borrowings	910,000	(198,022)
Payments of notes payable	(72,815)	(2,055,254)
Proceeds from issuance of notes payable	61,331	419,500
Proceeds from issuance of common stock	7,788	5,394
Dividends paid	(2,482)	(2,792)
Treasury stock acquired	(276)	(418)
Net cash used in financing activities	(917,621)	(449,884)
Net (decrease) increase in cash and due from banks	(57,940)	114,768
Cash and due from banks at beginning of period	535,282	452,373
Cash and due from banks at end of period	$ 477,342	$ 567,141

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

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Notes to Consolidated Financial

Statements (Unaudited)

Note 1 Organization, consolidation and basis of presentation

Nature of Operations

Popular, Inc. (the Corporation) is a diversified, publicly-owned financial holding company subject to the supervision and regulation of the Board of Governors of the Federal Reserve System. The Corporation has operations in Puerto Rico, the United States, the Caribbean and Latin America. In Puerto Rico, the Corporation provides retail and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico (BPPR), as well as mortgage banking, investment banking, broker-dealer, auto and equipment leasing and financing, and insurance services through specialized subsidiaries. In the U.S. mainland, the Corporation operates Banco Popular North America (BPNA), including its wholly-owned subsidiary E-LOAN. BPNA focuses efforts and resources on the core community banking business. BPNA operates branches in New York, California, Illinois, New Jersey and Florida. E-LOAN markets deposit accounts under its name for the benefit of BPNA. The BPNA branches operate under the name of Popular Community Bank. Note 31 to the consolidated financial statements presents information about the Corporation s business segments.

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, 2011 was derived from audited financial statements. The unaudited interim financial statements are, in the opinion of management, a fair statement of the results for the periods reported and include all necessary adjustments, all of a normal recurring nature, for a fair statement of such results.

Certain reclassifications have been made to the 2011 consolidated financial statements and notes to the financial statements to conform with the 2012 presentation.

On May 29, 2012, the Corporation effected a 1-for-10 reverse split of its common stock. The reverse split is described further in Note 16 to these consolidated financial statements. All share and per share information in the consolidated financial statements and accompanying notes have been adjusted to retroactively reflect the 1-for-10 reverse stock split.

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, 2011, included in the Corporation s 2011 Annual Report (the 2011 Annual Report). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Use of Estimates in the Preparation of Financial Statements

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

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Note 2 New accounting pronouncements

FASB Accounting Standards Update 2012-06, Business Combinations (Topic 805): Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution (ASU 2012-06)

The FASB issued ASU 2012-06 in October 2012. ASU 2012-06 addresses the diversity in practice about how to interpret the terms on the same basis and contractual limitations when subsequently measuring an indemnification asset recognized in a government-assisted (Federal Deposit Insurance Corporation) acquisition of a financial institution that includes a loss-sharing agreement (indemnification agreement). When a reporting entity recognizes an indemnification asset as a result of a government-assisted acquisition of a financial institution and subsequently the cash flows expected to be collected on the indemnification asset changes, as a result of a change in cash flows expected to be collected on the assets subject to indemnification, the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement, that is, the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets.

ASU 2012-06 is effective for fiscal years and interim periods within those years, beginning on or after December 15, 2012. Early adoption is permitted.

The adoption of this guidance is not expected to have a material effect on the Corporation s consolidated financial statements.

FASB Accounting Standards Update 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02)

The FASB issued ASU 2012-02 in July 2012. ASU 2012-02 is intended to simplify how entities test indefinite-lived intangible assets, other than goodwill, for impairment. ASU 2012-02 permits an entity the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with ASC Subtopic 350-30, *Intangibles-Goodwill and Other-General Intangibles Other than Goodwill*. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. This guidance results in guidance that is similar to the goodwill impairment testing guidance in ASU 2011-08. The previous guidance under ASC Subtopic 350-30 required an entity to test indefinite-lived intangible assets for impairment on at least an annual basis by comparing an asset s fair value with its carrying amount and recording an impairment loss for an amount equal to the excess of the asset s carrying amount over its fair value. Under the amendments in this ASU, an entity is not required to calculate the fair value of an indefinite-lived intangible asset if the entity determines that it is not more likely than not that the asset is impaired. In addition the new qualitative indicators replace those currently used to determine whether indefinite-lived intangible assets should be tested for impairment on an interim basis.

ASU 2012-12 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual or interim impairment tests performed as of a date before July 27, 2012, as long as the financial statements have not yet been issued. The Corporation did not elect to adopt early the provisions of this ASU.

The provisions of this guidance simplify how entities test for indefinite-lived assets impairment and will not have an impact on the Corporation s consolidated financial statements.

FASB Accounting Standards Update 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05) and FASB Accounting Standards Update 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (ASU 2011-12)

The FASB issued ASU 2011-05 in June 2011. The amendment of this ASU allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. The amendments to the Codification in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This ASU also does not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income items.

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In December 2011, the FASB issued ASU 2011-12, which defers indefinitely the new requirement in ASU 2011-05 to present components of reclassification adjustments out of accumulated other comprehensive income on the face of the income statement by income statement line item.

The Corporation adopted the provisions of these two guidance in the first quarter of 2012. The guidance impacts presentation disclosure only and did not have an impact on the Corporation s financial condition or results of operations.

FASB Accounting Standards Update 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (ASU 2011-11)

The FASB issued ASU 2011-11 in December 2011. The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. To meet this objective, entities with financial instruments and derivatives that are either offset on the balance sheet or subject to a master netting arrangement or similar arrangement shall disclose the following quantitative information separately for assets and liabilities in tabular format: a) gross amounts of recognized assets and liabilities; b) amounts offset to determine the net amount presented in the balance sheet; c) net amounts presented in the balance sheet; d) amounts subject to an enforceable master netting agreement or similar arrangement not otherwise included in (b), including: amounts related to recognized financial instruments and other derivatives instruments if either management makes an accounting election not to offset or the amounts do not meet the guidance in ASC Section 210-20-45 or ASC Section 815-10-45, and also amounts related to financial collateral (including cash collateral); and e) the net amount after deducting the amounts in (d) from the amounts in (c).

In addition to these tabular disclosures, entities are required to provide a description of the setoff rights associated with assets and liabilities subject to an enforceable master netting arrangement.

An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented.

The provisions of this guidance impact presentation disclosure only and will not have an impact on the Corporation s financial condition or results of operations.

FASB Accounting Standards Update 2011-10, Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate-a Scope Clarification (ASU 2011-10)

The FASB issued ASU 2011-10 in December 2011. The objective of this ASU is to resolve the diversity in practice about whether the guidance in ASC Subtopic 360-20, Property, Plant, and Equipment Real Estate Sales applies to a parent that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt. ASU 2011-10 provides that when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s nonrecourse debt, the reporting entity should apply the guidance in ASC Subtopic 360-20 to determine whether it should derecognize the in substance real estate. Generally, a reporting entity would not satisfy the requirements to derecognize the in substance real estate before the legal transfer of the real estate to the lender and the extinguishment of the related nonrecourse indebtedness. That is, even if the reporting entity ceases to have a controlling financial interest under ASC Subtopic 810-10, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary s operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt.

ASU 2011-10 should be applied on a prospective basis to deconsolidation events occurring after the effective date; with prior periods not adjusted even if the reporting entity has continuing involvement with previously derecognized in substance real estate entities. For public entities, ASU 2011-10 is effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early adoption is permitted; however, the Corporation is not early adopting this ASU.

The adoption of this guidance is not expected to have a material effect on the Corporation s consolidated financial statements.

FASB Accounting Standards Update 2011-08, Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment (ASU 2011-08)

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The FASB issued ASU No. 2011-08 in September 2011. ASU 2011-08 is intended to simplify how entities test goodwill for impairment. ASU 2011-08 permits an entity the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350, *Intangibles-Goodwill and Other*. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The previous guidance under ASC Topic 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Under the amendments in this ASU, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount.

This ASU also removes the guidance that permitted the entities to carry forward the calculation of the fair value of the reporting unit from one year to the next if certain conditions are met. In addition, the new qualitative indicators replace those currently used to determine whether an interim goodwill impairment test is required. These indicators are also applicable for assessing whether to perform step two for reporting units with zero or negative carrying amounts.

ASU 2011-08 was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption was permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity s financial statements for the most recent annual or interim period had not yet been issued. The Corporation did not elect to adopt early the provisions of this ASU.

The Corporation adopted this guidance on January 1, 2012. The provisions of this guidance simplify how entities test for goodwill impairment and it has not impacted the Corporation s consolidated financial statements as of September 30, 2012.

FASB Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (ASU 2011-04)

The FASB issued ASU 2011-04 in May 2011. The amendment of this ASU provides a consistent definition of fair value between U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU modifies some fair value measurement principles and disclosure requirements including the application of the highest and best use and valuation premise concepts, measuring the fair value of an instrument classified in a reporting entity s shareholders equity, measuring the fair value of financial instruments that are managed within a portfolio, application of premiums and discounts in a fair value measurement, disclosing quantitative information about unobservable inputs used in Level 3 fair value measurements, and other additional disclosures about fair value measurements.

The new guidance was effective for interim or annual periods beginning on or after December 15, 2011. The guidance should be applied prospectively and early application was not permitted.

The Corporation adopted this guidance on the first quarter of 2012. It has not had a material impact on the Corporation s consolidated financial statements as of September 30, 2012. Refer to Notes 22 and 23 for additional fair value disclosures included for the quarter and nine months ended September 30, 2012.

FASB Accounting Standards Update 2011-03, Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements (ASU 2011-03)

The FASB issued ASU 2011-03 in April 2011. The amendment of this ASU affects all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The ASU modifies the criteria for determining when these transactions would be accounted for as financings (secured borrowings / lending agreements) as opposed to sales (purchases) with commitments to repurchase (resell). This ASU does not affect other transfers of financial assets. ASC Topic 860 prescribes when an entity may or may not recognize a sale upon the transfer of financial assets subject to repurchase agreements. That determination is based, in part, on whether the entity has maintained effective control over transferred financial assets.

Specifically, the amendments in this ASU remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets.

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The new guidance was effective for interim or annual periods beginning on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early application was not permitted.

The Corporation adopted this guidance on January 1, 2012. It has not had an impact on the Corporation s consolidated financial statements as of September 30, 2012.

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Note 3 Restrictions on cash and due from banks and certain securities

The Corporation s banking subsidiaries, BPPR and BPNA, are required by federal and state regulatory agencies to maintain average reserve balances with the Federal Reserve Bank of New York (the Fed) or other banks. Those required average reserve balances amounted to $900 million at September 30, 2012 (December 31, 2011 $838 million). Cash and due from banks, as well as other short-term, highly liquid securities, are used to cover the required average reserve balances.

At September 30, 2012, the Corporation held $38 million in restricted assets in the form of cash and funds deposited in money market accounts (December 31, 2011 $36 million).

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Note 4 Pledged assets

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

(In thousands)	September 30, 2012	December 31, 2011
Investment securities available-for-sale, at fair value	$ 1,757,309	$ 1,894,651
Investment securities held-to-maturity, at amortized cost	25,000	25,000
Loans held-for-sale measured at lower of cost or fair value	132	5,286
Loans held-in-portfolio covered under loss sharing agreements with the FDIC	476,061	
Loans held-in-portfolio not covered under loss sharing agreements with the FDIC	8,544,687	8,571,268
Total pledged assets	$ 10,803,189	$ 10,496,205

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

At September 30, 2012, the Corporation had $ 1.3 billion in investment securities available-for-sale and $ 0.3 billion in loans that served as collateral to secure public funds (December 31, 2011 $ 1.4 billion and $ 0.4 billion, respectively).

At September 30, 2012, the Corporation s banking subsidiaries had short-term and long-term credit facilities authorized with the Federal Home Loan Bank system (the FHLB) aggregating to $2.8 billion (December 31, 2011 $2.0 billion). Refer to Note 14 to the consolidated financial statements for borrowings outstanding under these credit facilities. At September 30, 2012, the credit facilities authorized with the FHLB were collateralized by $ 4.0 billion in loans held-in-portfolio (December 31, 2011 $ 3.2 billion). Also, the Corporation s banking subsidiaries had a borrowing capacity at the Federal Reserve (Fed) discount window of $4.4 billion (December 31, 2011 $2.6 billion), which remained unused as of such date. The amount available under these credit facilities with the Fed is dependent upon the balance of loans and securities pledged as collateral. At September 30, 2012, the credit facilities with the Fed discount window were collateralized by $ 4.7 billion in loans held-in-portfolio (December 31, 2011 $ 4.0 billion). These pledged assets are included in the above table and were not reclassified and separately reported in the consolidated statements of financial condition.

In addition, at September 30, 2012 trades receivables from brokers and counterparties amounting to $267 million were pledged to secure repurchase agreements (December 31, 2011 $68 million).

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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.

(In thousands)	At September 30, 2012 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 7,016	$ 43	$	$ 7,059	1.50%
After 1 to 5 years	27,423	3,225		30,648	3.82
Total U.S. Treasury securities	34,439	3,268		37,707	3.35
Obligations of U.S. Government sponsored entities					
Within 1 year	539,000	11,603		550,603	3.93
After 1 to 5 years	190,521	2,661		193,182	1.57
After 5 to 10 years	317,543	3,811	172	321,182	1.93
Total obligations of U.S. Government sponsored entities	1,047,064	18,075	172	1,064,967	2.89
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	5,220	43		5,263	5.26
After 1 to 5 years	6,262	169	42	6,389	4.65
After 10 years	37,290	1,062		38,352	5.38
Total obligations of Puerto Rico, States and political subdivisions	48,772	1,274	42	50,004	5.27
Collateralized mortgage obligations federal agencies					
After 1 to 5 years	5,506	51		5,557	1.49
After 5 to 10 years	45,831	2,067		47,898	2.96
After 10 years	2,116,579	48,324	1,316	2,163,587	2.35
Total collateralized mortgage obligations federal agencies	2,167,916	50,442	1,316	2,217,042	2.36
Collateralized mortgage obligations private label					
After 5 to 10 years	35	1		36	4.88
After 10 years	39,754	229	1,106	38,877	2.66
Total collateralized mortgage obligations private label	39,789	230	1,106	38,913	2.66
Mortgage-backed securities					
Within 1 year	600	24		624	3.80
After 1 to 5 years	3,705	196		3,901	3.94
After 5 to 10 years	89,364	7,258		96,622	4.71
After 10 years	1,461,674	116,479	40	1,578,113	4.21
Total mortgage-backed securities	1,555,343	123,957	40	1,679,260	4.24
Equity securities (without contractual maturity)	6,595	1,011	76	7,530	3.41
Other					

After 5 to 10 years	18,032	2,363		20,395	11.00
After 10 years	4,342	141		4,483	3.61
Total other	22,374	2,504		24,878	9.57
Total investment securities available-for-sale	$ 4,922,292	$ 200,761	$ 2,752	$ 5,120,301	3.14%

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	At December 31, 2011				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
After 1 to 5 years	$ 34,980	$ 3,688	$	$ 38,668	3.35%
Total U.S. Treasury securities	34,980	3,688		38,668	3.35
Obligations of U.S. Government sponsored entities					
Within 1 year	94,492	2,382		96,874	3.45
After 1 to 5 years	655,625	25,860		681,485	3.38
After 5 to 10 years	171,633	2,969		174,602	2.94
After 10 years	32,086	499		32,585	3.20
Total obligations of U.S. Government sponsored entities	953,836	31,710		985,546	3.30
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	765	9		774	4.97
After 1 to 5 years	14,824	283	31	15,076	4.07
After 5 to 10 years	4,595	54		4,649	5.33
After 10 years	37,320	909		38,229	5.38
Total obligations of Puerto Rico, States and political subdivisions	57,504	1,255	31	58,728	5.03
Collateralized mortgage obligations federal agencies					
After 1 to 5 years	2,424	49		2,473	3.28
After 5 to 10 years	55,096	1,446		56,542	2.64
After 10 years	1,589,373	49,462	208	1,638,627	2.84
Total collateralized mortgage obligations federal agencies	1,646,893	50,957	208	1,697,642	2.83
Collateralized mortgage obligations private label					
After 5 to 10 years	5,653	1	181	5,473	0.81
After 10 years	59,460		7,141	52,319	2.44
Total collateralized mortgage obligations private label	65,113	1	7,322	57,792	2.30
Mortgage-backed securities					
Within 1 year	57	1		58	3.91
After 1 to 5 years	7,564	328		7,892	3.86
After 5 to 10 years	111,639	8,020	1	119,658	4.66
After 10 years	1,870,736	141,274	49	2,011,961	4.25
Total mortgage-backed securities	1,989,996	149,623	50	2,139,569	4.27
Equity securities (without contractual maturity)	6,594	426	104	6,916	2.96
Other					
After 5 to 10 years	17,850	700		18,550	10.99
After 10 years	6,311	101		6,412	3.61
Total other	24,161	801		24,962	9.06
Total investment securities available-for-sale	$ 4,779,077	$ 238,461	$ 7,715	$ 5,009,823	3.58%

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.

Proceeds from the sale of investment securities available-for-sale for the nine months ended September 30, 2012 were $ 8.0 million (September 30, 2011 $ 35.1 million). Gross realized gains and losses on the sale of investment securities available-for-sale were as follows:

(In thousands)	For the quarter ended September 30, 2012	For the quarter ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Gross realized gains	$ 65	$ 8,508	$ 65	$ 8,514
Gross realized losses	(1)	(34)	(350)	(130)
Net realized gains (losses) on sale of investment securities available-for-sale	$ 64	$ 8,474	$ (285)	$ 8,384

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

	At September 30, 2012					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Obligations of U.S. Government sponsored entities	$ 46,248	$ 172	$	$	$ 46,248	$ 172
Obligations of Puerto Rico, States and political subdivisions	752	9	2,032	33	2,784	42
Collateralized mortgage obligations federal agencies	218,129	1,312	2,491	4	220,620	1,316
Collateralized mortgage obligations private label			10,263	1,106	10,263	1,106
Mortgage-backed securities	204	4	787	36	991	40
Equity securities	1,852	64	49	12	1,901	76
Total investment securities available-for-sale in an unrealized loss position	$ 267,185	$ 1,561	$ 15,622	$ 1,191	$ 282,807	$ 2,752

	At December 31, 2011					
	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	$ 7,817	$ 28	$ 191	$ 3	$ 8,008	$ 31
Collateralized mortgage obligations federal agencies	90,543	208			90,543	208
Collateralized mortgage obligations private label	13,595	539	44,148	6,783	57,743	7,322
Mortgage-backed securities	5,577	14	1,466	36	7,043	50
Equity securities	5,199	95	2	9	5,201	104
Total investment securities available-for-sale in an unrealized loss position	$ 122,731	$ 884	$ 45,807	$ 6,831	$ 168,538	$ 7,715

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

At September 30, 2012, management performed its quarterly analysis of all debt securities in an unrealized loss position. Based on the analyses performed, management concluded that no individual debt security was other-than-temporarily impaired as of such date. At September 30, 2012, the Corporation did not have the intent to sell debt securities in an unrealized loss position and it is not more likely than not that the Corporation will have to sell the investment securities prior to recovery of their amortized cost basis. Also, management evaluated the Corporation s portfolio of equity securities at September 30, 2012. No other-than-temporary impairment losses on equity securities were recorded during the quarter and nine months ended September 30, 2012 ($340 thousand recorded during the quarter and nine months ended September 30, 2011). Management has the intent and ability to hold the investments in equity securities that are at a loss position at September 30, 2012, for a reasonable period of time for a forecasted recovery of fair value up to (or beyond) the cost of these investments.

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The unrealized losses associated with Collateralized mortgage obligations private label (private-label CMO) are primarily related to securities backed by residential mortgages. In addition to verifying the credit ratings for the private-label CMOs, management analyzed the underlying mortgage loan collateral for these bonds. Various statistics or metrics were reviewed for each private-label CMO, including among others, the weighted average loan-to-value, FICO score, and delinquency and foreclosure rates of the underlying assets in the securities. At September 30, 2012, there were no sub-prime securities in the Corporation s private-label CMOs portfolios. For private-label CMOs with unrealized losses at September 30, 2012, credit impairment was assessed using a cash flow model that estimates the cash flows on the underlying mortgages, using the security-specific collateral and transaction structure. The model estimates cash flows from the underlying mortgage loans and distributes those cash flows to various tranches of securities, considering the transaction structure and any subordination and credit enhancements that exist in that structure. The cash flow model incorporates actual cash flows through the current period and then projects the expected cash flows using a number of assumptions, including default rates, loss severity and prepayment rates. Management s assessment also considered tests using more stressful parameters. Based on the assessments, management concluded that the tranches of the private-label CMOs held by the Corporation were not other-than-temporarily impaired at September 30, 2012, thus management expects to recover the amortized cost basis of the securities.

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

	September 30, 2012		December 31, 2011	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	$ 1,372,644	$ 1,412,195	$ 1,049,315	$ 1,089,069
FHLB	528,814	540,766	553,940	578,617
Freddie Mac	1,257,159	1,281,095	984,270	1,010,669

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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 September 30, 2012				
(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	$ 7,420	$ 20	$	$ 7,440	2.63%
After 1 to 5 years	11,335	619		11,954	5.86
After 5 to 10 years	18,780	1,046		19,826	6.03
After 10 years	57,890	698	384	58,204	3.96
Total obligations of Puerto Rico, States and political subdivisions	95,425	2,383	384	97,424	4.49
Collateralized mortgage obligations federal agencies					
After 10 years	147	6		153	5.45
Total collateralized mortgage obligations federal agencies	147	6		153	5.45
Other					
Within 1 year	250			250	1.05
After 1 to 5 years	26,250	25		26,275	3.41
Total other	26,500	25		26,525	3.39
Total investment securities held-to-maturity	$ 122,072	$ 2,414	$ 384	$ 124,102	4.25%

	At December 31, 2011				
(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	$ 7,275	$ 6	$	$ 7,281	2.24%
After 1 to 5 years	11,174	430		11,604	5.80
After 5 to 10 years	18,512	266	90	18,688	5.99
After 10 years	62,012	40	855	61,197	4.11
Total obligations of Puerto Rico, States and political subdivisions	98,973	742	945	98,770	4.51
Collateralized mortgage obligations private label					
After 10 years	160		9	151	5.45
Total collateralized mortgage obligations private label	160		9	151	5.45
Other					
After 1 to 5 years	26,250	83		26,333	3.41
Total other	26,250	83		26,333	3.41

Total investment securities held-to-maturity	$ 125,383	$ 825	$ 954	$ 125,254	4.28%

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

The following tables present the Corporation s fair value and gross unrealized losses of investment securities held-to-maturity, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2012 and December 31, 2011.

	At September 30, 2012					
	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	$	$	$ 19,161	$ 384	$ 19,161	$ 384
Total investment securities held-to-maturity in an unrealized loss position	$	$	$ 19,161	$ 384	$ 19,161	$ 384

	At December 31, 2011					
	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	$ 10,323	$ 92	$ 31,062	$ 853	$ 41,385	$ 945
Collateralized mortgage obligations private label			151	9	151	9
Total investment securities held-to-maturity in an unrealized loss position	$ 10,323	$ 92	$ 31,213	$ 862	$ 41,536	$ 954

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 September 30, 2012 are primarily associated with securities issued by municipalities of Puerto Rico and are generally not rated by a credit rating agency. The Corporation performs periodic credit quality reviews on these issuers. The decline in fair value at September 30, 2012 was attributable to changes in interest rates and not credit quality, thus no other-than-temporary decline in value was necessary to be recorded in these held-to-maturity securities at September 30, 2012. At September 30, 2012, the Corporation does not have the intent to sell securities held-to-maturity and it is not more likely than not that the Corporation will have to sell these investment securities prior to recovery of their amortized cost basis.

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Note 7 Loans

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

The risks on loans acquired in the FDIC-assisted transaction are significantly different from the risks on loans not covered under the FDIC loss sharing agreements because of the loss protection provided by the FDIC. Accordingly, the Corporation presents loans subject to the loss sharing agreements as covered loans in the information below and loans that are not subject to the FDIC loss sharing agreements as non-covered loans .

For a summary of the accounting policy related to loans, interest recognition and allowance for loan losses refer to the summary of significant accounting policies included in Note 2 to the consolidated financial statements included in the 2011 Annual Report. Also, refer to Note 8 for a description of enhancements to the Corporation s methodology for determining the allowance for loan losses which were effective on March 31, 2012.

The following table presents the composition of non-covered loans held-in-portfolio (HIP), net of unearned income, at September 30, 2012 and December 31, 2011.

(In thousands)	Non-covered loans HIP at September 30, 2012	Non-covered loans HIP at December 31, 2011
Commercial multi-family	$ 932,434	$ 808,933
Commercial real estate non-owner occupied	2,643,533	2,665,499
Commercial real estate owner occupied	2,640,074	2,817,266
Commercial and industrial	3,412,590	3,681,629
Construction	258,453	239,939
Mortgage	6,022,422	5,518,460
Leasing	538,014	548,706
Legacy[2]	465,848	648,409
Consumer:		
Credit cards	1,195,413	1,230,029
Home equity lines of credit	506,206	557,894
Personal	1,357,441	1,130,593
Auto	546,481	518,476
Other	234,944	236,763
Total loans held-in-portfolio[1]	$ 20,753,853	$ 20,602,596

[1] Non-covered loans held-in-portfolio at September 30, 2012 are net of $97 million in unearned income and exclude $337 million in loans held-for-sale. (December 31, 2011 - $101 million in unearned income and $363 million in loans held-for-sale.)

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

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The following table presents the composition of covered loans at September 30, 2012 and December 31, 2011.

(In thousands)	Covered loans at September 30, 2012	Covered loans at December 31, 2011
Commercial real estate	$ 2,153,790	$ 2,271,295
Commercial and industrial	170,572	241,447
Construction	393,101	546,826
Mortgage	1,106,851	1,172,954
Consumer	79,553	116,181
Total loans held-in-portfolio	$ 3,903,867	$ 4,348,703

The following table provides a breakdown of loans held-for-sale (LHFS) at September 30, 2012 and December 31, 2011 by main categories.

	Non-covered loans	
(In thousands)	September 30, 2012	December 31, 2011
Commercial	$ 17,696	$ 25,730
Construction	88,030	236,045
Legacy	3,107	468
Mortgage	228,216	100,850
Total	$ 337,049	$ 363,093

During the quarter and nine months ended September 30, 2012, the Corporation recorded purchases (including repurchases) of mortgage loans amounting to $453 million and $1.1 billion, respectively (September 30, 2011 $177 million and $1.1 billion, respectively). Also, the Corporation recorded purchases of $230 million in consumer loans during the nine months ended September 30, 2012 (September 30, 2011 $130 million). In addition, during the quarter and nine months ended September 30, 2012, the Corporation recorded purchases of construction loans amounting to $0.1 million and $1 million, respectively, and none during 2011. There were no purchases of commercial loans during the quarter and nine months ended September 30, 2012 and 2011.

The Corporation performed whole-loan sales involving approximately $94 million and $238 million of residential mortgage loans during the quarter and nine months ended September 30, 2012, respectively (September 30, 2011- $39 million and $309 million, respectively). Also, the Corporation securitized approximately $ 181 million and $ 576 million of mortgage loans into Government National Mortgage Association (GNMA) mortgage-backed securities during the quarter and nine months ended September 30, 2012, respectively (September 30, 2011 $ 194 million and $ 667 million, respectively). Furthermore, the Corporation securitized approximately $ 107 million and $ 238 million of mortgage loans into Federal National Mortgage Association (FNMA) mortgage-backed securities during the quarter and nine months ended September 30, 2012, respectively (September 30, 2011- $ 42 million and $ 163 million, respectively). Also, the Corporation securitized approximately $ 20 million of mortgage loans into Federal Home Loan Mortgage Corporation (FHLMC) mortgage-backed securities during the quarter and nine months ended September 30, 2012. There were no securitizations into FHLMC for the quarter and nine months ended September 30, 2011. The Corporation sold commercial and construction loans with a book value of approximately $9 million and $48 million during the quarter and nine months ended September 30, 2012, respectively (September 30, 2011- $13 million and $27 million, respectively). In addition, during the third quarter of 2011, other construction and commercial loans held-for-sale with a combined book value of $128 million were sold to a joint venture in which the Corporation holds minority interest.

Non-covered loans

The following tables present non-covered loans held-in-portfolio by loan class that are in non-performing status or are accruing interest but are past due 90 days or more at September 30, 2012 and December 31, 2011. Accruing loans past due 90 days or more consist primarily of credit cards, FHA / VA and other insured mortgage loans, and delinquent mortgage loans which are included in the Corporation s financial statements pursuant to GNMA s buy-back option program. Servicers of loans underlying GNMA mortgage-backed securities must report as their own assets the defaulted loans that they have the option (but not the obligation) to repurchase, even when they elect not to exercise that option. Also, accruing loans past due 90 days or more include

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residential conventional loans purchased from another financial institution that, although delinquent, the Corporation has received timely payment from the seller / servicer, and, in some instances, have partial guarantees under recourse agreements. However, residential conventional loans purchased from another financial institution, which are in the process of foreclosure, are classified as non-performing mortgage loans.

At September 30, 2012						
	Puerto Rico Non-covered loans		U.S. mainland		Popular, Inc.	
(In thousands)	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	$ 24,031	$	$ 17,714	$	$ 41,745	$
Commercial real estate non-owner occupied	72,315		87,439		159,754	
Commercial real estate owner occupied	361,955		38,789		400,744	
Commercial and industrial	154,480	247	15,494		169,974	247
Construction	37,793		12,140		49,933	
Mortgage	598,523	354,356	33,529		632,052	354,356
Leasing	4,837				4,837	
Legacy			48,735		48,735	
Consumer:						
Credit cards		21,648	483		483	21,648
Home equity lines of credit		170	10,436		10,436	170
Personal	19,982	3	1,671		21,653	3
Auto	7,731		8		7,739	
Other	2,379	546	36		2,415	546
Total[1]	$ 1,284,026	$ 376,970	$ 266,474	$	$ 1,550,500	$ 376,970

[1] For purposes of this table non-performing loans exclude $ 109 million in non-performing loans held-for-sale.

At December 31, 2011						
	Puerto Rico Non-covered loans		U.S. mainland		Popular, Inc.	
(In thousands)	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	$ 15,396	$	$ 13,935	$	$ 29,331	$
Commercial real estate non-owner occupied	51,013		80,820		131,833	
Commercial real estate owner occupied	385,303		59,726		445,029	
Commercial and industrial	179,459	675	44,440		223,899	675
Construction	53,859		42,427		96,286	
Mortgage	649,279	280,912	37,223		686,502	280,912
Leasing	5,642				5,642	
Legacy			75,660		75,660	
Consumer:						
Credit cards		25,748	735		735	25,748
Home equity lines of credit		157	10,065		10,065	157
Personal	19,317		1,516		20,833	
Auto	6,830		34		6,864	
Other	5,144	468	27		5,171	468
Total[1]	$ 1,371,242	$ 307,960	$ 366,608	$	$ 1,737,850	$ 307,960

[1] For purposes of this table non-performing loans exclude $ 262 million in non-performing loans held-for-sale.

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The following tables present loans by past due status at September 30, 2012 and December 31, 2011 for non-covered loans held-in-portfolio (net of unearned income).

September 30, 2012 Puerto Rico Non-covered loans						
	Past due					Non-covered
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	loans HIP Puerto Rico
Commercial multi-family	$ 427	$	$ 24,031	$ 24,458	$ 94,829	$ 119,287
Commercial real estate non-owner occupied	4,694	1,174	72,315	78,183	1,261,421	1,339,604
Commercial real estate owner occupied	23,205	7,032	361,955	392,192	1,708,447	2,100,639
Commercial and industrial	18,513	5,183	154,727	178,423	2,445,862	2,624,285
Construction	1,040		37,793	38,833	171,923	210,756
Mortgage	249,917	112,807	952,879	1,315,603	3,603,282	4,918,885
Leasing	6,680	1,739	4,837	13,256	524,758	538,014
Consumer:						
Credit cards	15,644	10,174	21,648	47,466	1,133,339	1,180,805
Home equity lines of credit	47	241	170	458	16,788	17,246
Personal	14,467	8,615	19,985	43,067	1,172,033	1,215,100
Auto	25,302	7,319	7,731	40,352	505,170	545,522
Other	4,768	408	2,925	8,101	225,515	233,616
Total	$ 364,704	$ 154,692	$ 1,660,996	$ 2,180,392	$ 12,863,367	$ 15,043,759

September 30, 2012 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	$ 4,778	$ 1,693	$ 17,714	$ 24,185	$ 788,962	$ 813,147
Commercial real estate non-owner occupied	21,266	9,387	87,439	118,092	1,185,837	1,303,929
Commercial real estate owner occupied	2,819		38,789	41,608	497,827	539,435
Commercial and industrial	5,361	1,986	15,494	22,841	765,464	788,305
Construction	6,317		12,140	18,457	29,240	47,697
Mortgage	15,307	13,002	33,529	61,838	1,041,699	1,103,537
Legacy	7,484	6,222	48,735	62,441	403,407	465,848
Consumer:						
Credit cards	244	188	483	915	13,693	14,608
Home equity lines of credit	4,024	2,611	10,436	17,071	471,889	488,960
Personal	528	2,578	1,671	4,777	137,564	142,341
Auto	34	1	8	43	916	959
Other	3	13	36	52	1,276	1,328
Total	$ 68,165	$ 37,681	$ 266,474	$ 372,320	$ 5,337,774	$ 5,710,094

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September 30, 2012 Popular, Inc. Non-covered loans						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.
Commercial multi-family	$ 5,205	$ 1,693	$ 41,745	$ 48,643	$ 883,791	$ 932,434
Commercial real estate non-owner occupied	25,960	10,561	159,754	196,275	2,447,258	2,643,533
Commercial real estate owner occupied	26,024	7,032	400,744	433,800	2,206,274	2,640,074
Commercial and industrial	23,874	7,169	170,221	201,264	3,211,326	3,412,590
Construction	7,357		49,933	57,290	201,163	258,453
Mortgage	265,224	125,809	986,408	1,377,441	4,644,981	6,022,422
Leasing	6,680	1,739	4,837	13,256	524,758	538,014
Legacy	7,484	6,222	48,735	62,441	403,407	465,848
Consumer:						
Credit cards	15,888	10,362	22,131	48,381	1,147,032	1,195,413
Home equity lines of credit	4,071	2,852	10,606	17,529	488,677	506,206
Personal	14,995	11,193	21,656	47,844	1,309,597	1,357,441
Auto	25,336	7,320	7,739	40,395	506,086	546,481
Other	4,771	421	2,961	8,153	226,791	234,944
Total	$ 432,869	$ 192,373	$ 1,927,470	$ 2,552,712	$ 18,201,141	$ 20,753,853

December 31, 2011 Puerto Rico Non-covered loans						
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$ 435	$ 121	$ 15,396	$ 15,952	$ 107,164	$ 123,116
Commercial real estate non-owner occupied	16,584	462	51,013	68,059	1,193,447	1,261,506
Commercial real estate owner occupied	39,578	21,003	385,303	445,884	1,785,542	2,231,426
Commercial and industrial	46,013	17,233	180,134	243,380	2,611,154	2,854,534
Construction	608	21,055	53,859	75,522	85,419	160,941
Mortgage	202,072	98,565	930,191	1,230,828	3,458,655	4,689,483
Leasing	7,927	2,301	5,642	15,870	532,836	548,706
Consumer:						
Credit cards	14,507	11,479	25,748	51,734	1,164,086	1,215,820
Home equity lines of credit	155	395	157	707	19,344	20,051
Personal	17,583	10,434	19,317	47,334	935,854	983,188
Auto	22,677	5,883	6,830	35,390	480,874	516,264
Other	1,740	1,442	5,612	8,794	226,310	235,104
Total	$ 369,879	$ 190,373	$ 1,679,202	$ 2,239,454	$ 12,600,685	$ 14,840,139

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	December 31, 2011 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	$ 14,582	$	$ 13,935	$ 28,517	$ 657,300	$ 685,817
Commercial real estate non-owner occupied	15,794	3,168	80,820	99,782	1,304,211	1,403,993
Commercial real estate owner occupied	14,004	449	59,726	74,179	511,661	585,840
Commercial and industrial	22,545	3,791	44,440	70,776	756,319	827,095
Construction			42,427	42,427	36,571	78,998
Mortgage	30,594	13,190	37,223	81,007	747,970	828,977
Legacy	30,712	7,536	75,660	113,908	534,501	648,409
Consumer:						
Credit cards	314	229	735	1,278	12,931	14,209
Home equity lines of credit	7,090	3,587	10,065	20,742	517,101	537,843
Personal	3,574	2,107	1,516	7,197	140,208	147,405
Auto	106	37	34	177	2,035	2,212
Other	29	10	27	66	1,593	1,659
Total	$ 139,344	$ 34,104	$ 366,608	$ 540,056	$ 5,222,401	$ 5,762,457

	December 31, 2011 Popular, Inc. Non-covered loans					
	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.
Commercial multi-family	$ 15,017	$ 121	$ 29,331	$ 44,469	$ 764,464	$ 808,933
Commercial real estate non-owner occupied	32,378	3,630	131,833	167,841	2,497,658	2,665,499
Commercial real estate owner occupied	53,582	21,452	445,029	520,063	2,297,203	2,817,266
Commercial and industrial	68,558	21,024	224,574	314,156	3,367,473	3,681,629
Construction	608	21,055	96,286	117,949	121,990	239,939
Mortgage	232,666	111,755	967,414	1,311,835	4,206,625	5,518,460
Leasing	7,927	2,301	5,642	15,870	532,836	548,706
Legacy	30,712	7,536	75,660	113,908	534,501	648,409
Consumer:						
Credit cards	14,821	11,708	26,483	53,012	1,177,017	1,230,029
Home equity lines of credit	7,245	3,982	10,222	21,449	536,445	557,894
Personal	21,157	12,541	20,833	54,531	1,076,062	1,130,593
Auto	22,783	5,920	6,864	35,567	482,909	518,476
Other	1,769	1,452	5,639	8,860	227,903	236,763
Total	$ 509,223	$ 224,477	$ 2,045,810	$ 2,779,510	$ 17,823,086	$ 20,602,596

The following table provides a breakdown of loans held-for-sale (LHFS) in non-performing status at September 30, 2012 and December 31, 2011 by main categories.

	Non-covered loans HFS	
(In thousands)	September 30, 2012	December 31, 2011
Commercial	$ 17,695	$ 25,730
Construction	88,031	236,045
Legacy	3,107	468
Mortgage	53	59

Total	$ 108,886	$ 262,302

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Covered loans

The following table presents covered loans in non-performing status and accruing loans past-due 90 days or more by loan class at September 30, 2012 and December 31, 2011.

	September 30, 2012 Covered loans		December 31, 2011 Covered loans	
(In thousands)	Non-accrual loans	Accruing loans past due 90 days or more	Non-accrual loans	Accruing loans past due 90 days or more
Commercial real estate	$ 22,891	$	$ 14,241	$ 125
Commercial and industrial	51,080	1,155	63,858	1,392
Construction	5,956		4,598	5,677
Mortgage	2,134		423	113
Consumer	660	324	516	377
Total[1]	$ 82,721	$ 1,479	$ 83,636	$ 7,684

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

The following tables present loans by past due status at September 30, 2012 and December 31, 2011 for covered loans held-in-portfolio. The information considers covered loans accounted for under ASC Subtopic 310-20 and ASC Subtopic 310-30.

September 30, 2012 Covered loans	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP
Commercial real estate	$ 24,365	$ 114,519	$ 491,418	$ 630,302	$ 1,523,488	$ 2,153,790
Commercial and industrial	2,736	1,728	63,356	67,820	102,752	170,572
Construction	809		318,051	318,860	74,241	393,101
Mortgage	27,195	17,506	191,011	235,712	871,139	1,106,851
Consumer	1,669	2,022	11,522	15,213	64,340	79,553
Total covered loans	$ 56,774	$ 135,775	$ 1,075,358	$ 1,267,907	$ 2,635,960	$ 3,903,867

December 31, 2011 Covered loans	Past due					
(In thousands)	30-59 days	60-89 days	90 days or more	Total past due	Current	Covered loans HIP

Commercial real estate	$ 35,286	$ 25,273	$ 519,222	$ 579,781	$ 1,691,514	$ 2,271,295
Commercial and industrial	4,438	1,390	99,555	105,383	136,064	241,447
Construction	997	625	434,661	436,283	110,543	546,826
Mortgage	32,371	28,238	196,541	257,150	915,804	1,172,954
Consumer	2,913	3,289	15,551	21,753	94,428	116,181
Total covered loans	$ 76,005	$ 58,815	$ 1,265,530	$ 1,400,350	$ 2,948,353	$ 4,348,703

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

	Covered loans ASC 310-30					
	September 30, 2012			December 31, 2011		
	Carrying amount			Carrying amount		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Commercial real estate	$ 1,833,800	$ 194,023	$ 2,027,823	$ 1,920,141	$ 215,560	$ 2,135,701
Commercial and industrial	54,753	5,626	60,379	85,859	4,621	90,480
Construction	186,942	194,855	381,797	279,561	260,208	539,769
Mortgage	1,019,667	69,603	1,089,270	1,065,842	102,027	1,167,869
Consumer	61,752	6,188	67,940	95,048	7,604	102,652
Carrying amount	3,156,914	470,295	3,627,209	3,446,451	590,020	4,036,471
Allowance for loan losses	(64,015)	(39,532)	(103,547)	(62,951)	(20,526)	(83,477)
Carrying amount, net of allowance	$ 3,092,899	$ 430,763	$ 3,523,662	$ 3,383,500	$ 569,494	$ 3,952,994

The outstanding principal balance of covered loans accounted pursuant to ASC Subtopic 310-30, including amounts charged off by the Corporation, amounted to $5.1 billion at September 30, 2012 (December 31, 2011 $6.0 billion). At September 30, 2012, 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 covered loans accounted pursuant to the ASC Subtopic 310-30, for the quarters ended September 30, 2012 and 2011, were as follows:

	Activity in the accretable discount Covered loans ASC 310-30					
	For the quarters ended					
	September 30, 2012			September 30, 2011		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 1,550,959	$ 23,891	$ 1,574,850	$ 1,546,233	$ 70,686	$ 1,616,919
Accretion	(61,540)	(4,628)	(66,168)	(66,808)	(29,610)	(96,418)
Change in expected cash flows	(29,029)	(8,771)	(37,800)	(26,964)	3,028	(23,936)
Ending balance	$ 1,460,390	$ 10,492	$ 1,470,882	$ 1,452,461	$ 44,104	$ 1,496,565

	Accretable yield For the nine months ended					
	September 30, 2012			September 30, 2011		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total

Beginning balance	$ 1,428,764	$ 41,495	$ 1,470,259	$ 1,307,927	$ 23,181	$ 1,331,108
Accretion	(191,989)	(17,504)	(209,493)	(203,683)	(65,852)	(269,535)
Change in expected cash flows	223,615	(13,499)	210,116	348,217	86,775	434,992
Ending balance	$ 1,460,390	$ 10,492	$ 1,470,882	$ 1,452,461	$ 44,104	$ 1,496,565

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	Carrying amount of covered loans accounted for pursuant to ASC 310-30 For the quarters ended					
	September 30, 2012			September 30, 2011		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 3,244,957	$ 484,532	$ 3,729,489	$ 3,588,002	$ 628,806	$ 4,216,808
Accretion	61,540	4,628	66,168	66,808	29,610	96,418
Collections	(149,583)	(18,865)	(168,448)	(164,904)	(8,963)	(173,867)
Ending balance	$ 3,156,914	$ 470,295	$ 3,627,209	$ 3,489,906	$ 649,453	$ 4,139,359
Allowance for loan losses						
ASC 310-30 covered loans	(64,015)	(39,532)	(103,547)	(49,386)	(13,060)	(62,446)
	$ 3,092,899	$ 430,763	$ 3,523,662	$ 3,440,520	$ 636,393	$ 4,076,913

	Carrying amount of loans accounted for pursuant to ASC 310-30 For the nine months ended					
	September 30, 2012			September 30, 2011		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 3,446,451	$ 590,020	$ 4,036,471	$ 3,894,379	$ 645,549	$ 4,539,928
Accretion	191,989	17,504	209,493	203,683	65,852	269,535
Collections	(481,526)	(137,229)	(618,755)	(608,156)	(61,948)	(670,104)
Ending balance	$ 3,156,914	$ 470,295	$ 3,627,209	$ 3,489,906	$ 649,453	$ 4,139,359
Allowance for loan losses						
ASC 310-30 covered loans	(64,015)	(39,532)	(103,547)	(49,386)	(13,060)	(62,446)
	$ 3,092,899	$ 430,763	$ 3,523,662	$ 3,440,520	$ 636,393	$ 4,076,913

The Corporation accounts for lines of credit with revolving privileges under the accounting guidance of ASC Subtopic 310-20. Covered loans accounted for under ASC Subtopic 310-20 amounted to $0.3 billion at September 30, 2012 (September 30, 2011 $0.4 billion).

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Note 8 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.

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:

Historical net loss rates (including losses from impaired loans) by loan type and by legal entity adjusted for recent net charge-off trends and environmental factors. The base net loss rates are based on the moving average of annualized net charge-offs computed over a 36-month historical loss window for the commercial, construction and legacy loan portfolios, and an 18-month period for the consumer and mortgage loan portfolios.

Net charge-off trend factors are applied to adjust the base loss rates based on recent loss trends. The Corporation applies a trend factor when base losses are below recent loss trends. Currently, the trend factor is based on the last 12 months of losses for the commercial, construction and legacy loan portfolios and 6 months of losses for the consumer and mortgage loan portfolios. The trend factor accounts for inherent imprecision and the lagging perspective in base loss rates. The trend factor replaces the base-loss period when it is higher than base loss up to a determined cap.

Environmental factors, which include credit and macroeconomic indicators such as employment, price index and construction permits, were adopted to account for current market conditions that are likely to cause estimated credit losses to differ from historical losses. The Corporation reflects the effect of these environmental factors on each loan group as an adjustment that, as appropriate, increases or decreases the historical loss rate applied to each group. Environmental factors provide updated perspective on credit and economic conditions. Correlation and regression analyses are used to select and weight these indicators.

During the first quarter of 2012, in order to better reflect current market conditions, management revised the estimation process for evaluating the adequacy of the general reserve component of the allowance for loan losses for the Corporation s commercial and construction loan portfolios. The change in the methodology is described in the paragraphs below. The net effect of these changes amounted to a $24.8 million reduction in the Corporation s allowance for loan losses, resulting from a reduction of $40.5 million due to the enhancements to the allowance for loan losses methodology, offset in part by a $15.7 million increase in environmental factor reserves due to the Corporation s decision to monitor recent trends in its commercial loan portfolio at the BPPR reportable segment that although improving, continue to warrant additional scrutiny.

Management made the following principal changes to the methodology during the first quarter of 2012:

Established a more granular stratification of the commercial loan portfolios to enhance the homogeneity of the loan classes. Previously, the Corporation used loan groupings for commercial loan portfolios based on business lines and collateral types (secured / unsecured loans). As part of the loan segregation, management evaluated the risk profiles of the loan portfolio, recent and historical credit and loss trends, current and expected portfolio behavior and economic indicators. The revised groupings consider product types (construction, commercial multifamily, commercial & industrial, non-owner occupied commercial real estate (CRE) and owner occupied CRE) and business lines for each of the Corporation s reportable segments, BPPR and BPNA. In addition, the Corporation established a legacy portfolio at the BPNA reportable segment, comprised of commercial loans, construction loans and commercial lease financings related to certain lending products exited by the Corporation as part of restructuring efforts carried out in prior years.

The refinement in the loan groupings resulted in a decrease to the allowance for loan losses of $7.9 million at March 31, 2012, which consisted of a $9.7 million reduction related to the BPNA reportable segment, partially offset by an increase of $1.8 million related to the BPPR reportable segment.

Increased the historical look-back period for determining the loss trend factor. The Corporation increased the look-back period for assessing recent trends applicable to the determination of commercial, construction and legacy loan net charge-offs from 6 months to

12 months.

Previously, the Corporation used a trend factor based on 6 months of net charge-offs as it aligned the estimation of inherent losses for the Corporation s commercial and construction loan portfolios with deteriorating trends.

Given the current overall commercial and construction credit quality improvements noted on recent periods in terms of loss trends, non-performing loan balances and non-performing loan inflows, management concluded that a 12-month look-back period for the trend factor aligns the Corporation s allowance for loan losses methodology to current credit quality trends.

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The increase in the historical look-back period for determining the loss trend factor resulted in a decrease to the allowance for loan losses of $28.1 million at March 31, 2012, of which $24.0 million related to the BPPR reportable segment and $4.1 million to the BPNA reportable segment.

There were additional enhancements to the allowance for loan losses methodology which accounted for a reduction to the allowance for loan losses of $4.5 million at March 31, 2012, of which $3.9 million related to the BPNA reportable segment and $0.6 million to the BPPR reportable segment. This reduction related to loan portfolios with minimal or zero loss history.

There were no changes in the methodology for environmental factor reserves. There were no changes to the allowance for loan losses methodology for the Corporation s consumer and mortgage loan portfolios during the first quarter of 2012.

The following tables present the activity in the allowance for loan losses by portfolio segment for the quarters and nine months ended September 30, 2012 and 2011.

For the quarter ended September 30, 2012 Puerto Rico Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 203,846	$ 7,464	$ 120,339	$ 2,957	$ 111,951	$ 446,557
Provision (reversal of provision)	34,597	(592)	17,182	(111)	18,662	69,738
Charge-offs	(47,572)	(1,733)	(12,468)	(1,292)	(29,307)	(92,372)
Recoveries	10,553	2,260	37	1,027	7,454	21,331
Ending balance	$ 201,424	$ 7,399	$ 125,090	$ 2,581	$ 108,760	$ 445,254

For the quarter ended September 30, 2012 Puerto Rico Covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 75,592	$ 23,628	$ 11,617	$	$ 6,658	$ 117,495
Provision (reversal of provision)	11,041	11,078	2,005		(1,505)	22,619
Charge-offs	(7,013)	(7,483)	(736)		(9)	(15,241)
Recoveries						
Ending balance	$ 79,620	$ 27,223	$ 12,886	$	$ 5,144	$ 124,873

For the quarter ended September 30, 2012 U.S. Mainland						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 92,918	$ 1,678	$ 29,483	$ 44,011	$ 33,888	$ 201,978
Provision (reversal of provision)	1,311	59	3,800	(188)	8,869	13,851
Charge-offs	(15,809)		(3,757)	(8,502)	(8,642)	(36,710)
Recoveries	6,198		216	4,550	996	11,960
Net (write-down) recovery related to loans transferred to LHFS	(34)					(34)
Ending balance	$ 84,584	$ 1,737	$ 29,742	$ 39,871	$ 35,111	$ 191,045

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For the quarter ended September 30, 2012 Popular, Inc.							
(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 372,356	$ 32,770	$ 161,439	$ 44,011	$ 2,957	$ 152,497	$ 766,030
Provision (reversal of provision)	46,949	10,545	22,987	(188)	(111)	26,026	106,208
Charge-offs	(70,394)	(9,216)	(16,961)	(8,502)	(1,292)	(37,958)	(144,323)
Recoveries	16,751	2,260	253	4,550	1,027	8,450	33,291
Net (write-down) recovery related to loans transferred to LHFS	(34)						(34)
Ending balance	$ 365,628	$ 36,359	$ 167,718	$ 39,871	$ 2,581	$ 149,015	$ 761,172

For the nine months ended September 30, 2012 Puerto Rico Non-covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 255,453	$ 5,850	$ 72,322	$ 4,651	$ 115,126	$ 453,402
Provision (reversal of provision)	49,070	1,636	92,235	(1,643)	62,673	203,971
Charge-offs	(134,339)	(3,046)	(41,438)	(3,418)	(92,020)	(274,261)
Recoveries	31,240	2,959	1,971	2,991	22,981	62,142
Ending balance	$ 201,424	$ 7,399	$ 125,090	$ 2,581	$ 108,760	$ 445,254

For the nine months ended September 30, 2012 Puerto Rico Covered loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 94,472	$ 20,435	$ 5,310	$	$ 4,728	$ 124,945
Provision	30,915	29,722	12,600		5,047	78,284
Charge-offs	(45,767)	(22,934)	(5,024)		(4,631)	(78,356)
Recoveries						
Ending balance	$ 79,620	$ 27,223	$ 12,886	$	$ 5,144	$ 124,873

For the nine months ended September 30, 2012 U.S. Mainland						
(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 113,979	$ 2,631	$ 29,939	$ 46,228	$ 44,184	$ 236,961
Provision (reversal of provision)	8,249	(732)	11,943	6,612	17,803	43,875
Charge-offs	(53,180)	(1,396)	(12,763)	(28,168)	(30,883)	(126,390)
Recoveries	15,570	1,234	623	15,199	4,007	36,633
Net (write-down) recovery related to loans transferred to LHFS	(34)					(34)
Ending balance	$ 84,584	$ 1,737	$ 29,742	$ 39,871	$ 35,111	$ 191,045

For the nine months ended September 30, 2012
Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 463,904	$ 28,916	$ 107,571	$ 46,228	$ 4,651	$ 164,038	$ 815,308
Provision (reversal of provision)	88,234	30,626	116,778	6,612	(1,643)	85,523	326,130
Charge-offs	(233,286)	(27,376)	(59,225)	(28,168)	(3,418)	(127,534)	(479,007)
Recoveries	46,810	4,193	2,594	15,199	2,991	26,988	98,775
Net (write-down) recovery related to loans transferred to LHFS	(34)						(34)
Ending balance	$ 365,628	$ 36,359	$ 167,718	$ 39,871	$ 2,581	$ 149,015	$ 761,172

For the quarter ended September 30, 2011
Puerto Rico Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 227,133	$ 7,073	$ 55,140	$ 5,045	$ 120,512	$ 414,903
Provision (reversal of provision)	89,830	(2,147)	17,850	(740)	26,267	131,060
Charge-offs	(65,800)	(1,696)	(8,557)	(1,096)	(30,378)	(107,527)
Recoveries	7,290	1,777	997	695	7,101	17,860
Net (write-down) recovery related to loans transferred to LHFS	(12,706)					(12,706)
Ending balance	$ 245,747	$ 5,007	$ 65,430	$ 3,904	$ 123,502	$ 443,590

For the quarter ended September 30, 2011
Puerto Rico Covered Loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 47,829	$ 9,291	$ 35	$	$ 14	$ 57,169
Provision (reversal of provision)	16,923	(865)	2,325		7,188	25,571
Charge-offs	(1,277)		(65)		(2,479)	(3,821)
Recoveries		1,500				1,500
Ending balance	$ 63,475	$ 9,926	$ 2,295	$	$ 4,723	$ 80,419

For the quarter ended September 30, 2011
U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 116,812	$ 7,712	$ 22,832	$ 73,545	$ 53,874	$ 274,775
Provision (reversal of provision)	(920)	(984)	13,706	888	6,955	19,645
Charge-offs	(26,916)	(1,535)	(6,244)	(16,160)	(14,433)	(65,288)
Recoveries	9,801	949	158	7,280	1,592	19,780
Ending balance	$ 98,777	$ 6,142	$ 30,452	$ 65,553	$ 47,988	$ 248,912

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For the quarter ended September 30, 2011

Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 391,774	$ 24,076	$ 78,007	$ 73,545	$ 5,045	$ 174,400	$ 746,847
Provision (reversal of provision)	105,833	(3,996)	33,881	888	(740)	40,410	176,276
Charge-offs	(93,993)	(3,231)	(14,866)	(16,160)	(1,096)	(47,290)	(176,636)
Recoveries	17,091	4,226	1,155	7,280	695	8,693	39,140
Net (write-down) recovery related to loans transferred to LHFS	(12,706)						(12,706)
Ending balance	$ 407,999	$ 21,075	$ 98,177	$ 65,553	$ 3,904	$ 176,213	$ 772,921

For the nine months ended September 30, 2011

Puerto Rico Non-covered loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 256,643	$ 16,074	$ 42,029	$ 7,154	$ 133,531	$ 455,431
Provision (reversal of provision)	148,770	(9,072)	45,789	(1,038)	69,025	253,474
Charge-offs	(168,858)	(11,732)	(23,927)	(4,552)	(99,998)	(309,067)
Recoveries	21,898	9,737	1,539	2,340	20,944	56,458
Net (write-down) recovery related to loans transferred to LHFS	(12,706)					(12,706)
Ending balance	$ 245,747	$ 5,007	$ 65,430	$ 3,904	$ 123,502	$ 443,590

For the nine months ended September 30, 2011

Puerto Rico Covered Loans

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$	$	$	$
Provision (reversal of provision)	66,723	12,772	2,360		7,880	89,735
Charge-offs	(3,248)	(4,346)	(65)		(3,157)	(10,816)
Recoveries		1,500				1,500
Ending balance	$ 63,475	$ 9,926	$ 2,295	$	$ 4,723	$ 80,419

For the nine months ended September 30, 2011

U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 143,281	$ 23,711	$ 28,839	$ 76,405	$ 65,558	$ 337,794
Provision (reversal of provision)	8,950	(15,727)	(1,508)	35,648	25,340	52,703
Charge-offs	(72,554)	(3,169)	(12,598)	(63,774)	(47,608)	(199,703)
Recoveries	19,100	1,327	1,912	17,274	4,698	44,311
Net (write-down) recovery related to loans transferred to LHFS			13,807			13,807
Ending balance	$ 98,777	$ 6,142	$ 30,452	$ 65,553	$ 47,988	$ 248,912

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For the nine months ended September 30, 2011 Popular, Inc. (In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Beginning balance	$ 399,924	$ 39,785	$ 70,868	$ 76,405	$ 7,154	$ 199,089	$ 793,225
Provision (reversal of provision)	224,443	(12,027)	46,641	35,648	(1,038)	102,245	395,912
Charge-offs	(244,660)	(19,247)	(36,590)	(63,774)	(4,552)	(150,763)	(519,586)
Recoveries	40,998	12,564	3,451	17,274	2,340	25,642	102,269
Net (write-down) recovery related to loans transferred to LHFS	(12,706)		13,807				1,101
Ending balance	$ 407,999	$ 21,075	$ 98,177	$ 65,553	$ 3,904	$ 176,213	$ 772,921

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

	ASC 310-30 Covered loans			
	For the quarters ended		For the nine months ended	
(In thousands)	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Balance at beginning of period	$ 93,971	$ 48,257	$ 83,477	$
Provision for loan losses	17,881	15,920	57,472	68,602
Net charge-offs	(8,305)	(1,731)	(37,402)	(6,156)
Balance at end of period	$ 103,547	$ 62,446	$ 103,547	$ 62,446

The following tables present information at September 30, 2012 and December 31, 2011 regarding loan ending balances and the allowance for loan losses by portfolio segment and whether such loans and the allowance pertains to loans individually or collectively evaluated for impairment.

At September 30, 2012 Puerto Rico (In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 21,246	$ 191	$ 47,523	$ 978	$ 21,070	$ 91,008
General ALLL non-covered loans	180,178	7,208	77,567	1,603	87,690	354,246
ALLL non-covered loans	201,424	7,399	125,090	2,581	108,760	445,254
Specific ALLL covered loans	15,294					15,294
General ALLL covered loans	64,326	27,223	12,886		5,144	109,579
ALLL covered loans	79,620	27,223	12,886		5,144	124,873
Total ALLL	$ 281,044	$ 34,622	$ 137,976	$ 2,581	$ 113,904	$ 570,127
Loans held-in-portfolio:						
Impaired non-covered loans	$ 404,375	$ 35,757	$ 506,723	$ 4,933	$ 132,472	$ 1,084,260
Non-covered loans held-in-portfolio excluding impaired loans	5,779,440	174,999	4,412,162	533,081	3,059,817	13,959,499
Non-covered loans held-in-portfolio	6,183,815	210,756	4,918,885	538,014	3,192,289	15,043,759

Impaired covered loans	120,510					120,510
Covered loans held-in-portfolio excluding impaired loans	2,203,852	393,101	1,106,851		79,553	3,783,357
Covered loans held-in-portfolio	2,324,362	393,101	1,106,851		79,553	3,903,867
Total loans held-in-portfolio	$ 8,508,177	$ 603,857	$ 6,025,736	$ 538,014	$ 3,271,842	$ 18,947,626

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(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
	At September 30, 2012 U.S. Mainland					
Allowance for credit losses:						
Specific ALLL	$ 993	$	$ 15,300	$	$ 123	$ 16,416
General ALLL	83,591	1,737	14,442	39,871	34,988	174,629
Total ALLL	$ 84,584	$ 1,737	$ 29,742	$ 39,871	$ 35,111	$ 191,045
Loans held-in-portfolio:						
Impaired loans	$ 92,849	$ 12,140	$ 53,718	$ 24,276	$ 2,732	$ 185,715
Loans held-in-portfolio, excluding impaired loans	3,351,967	35,557	1,049,819	441,572	645,464	5,524,379
Total loans held-in-portfolio	$ 3,444,816	$ 47,697	$ 1,103,537	$ 465,848	$ 648,196	$ 5,710,094

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
	At September 30, 2012 Popular, Inc.						
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 22,239	$ 191	$ 62,823	$	$ 978	$ 21,193	$ 107,424
General ALLL non-covered loans	263,769	8,945	92,009	39,871	1,603	122,678	528,875
ALLL non-covered loans	286,008	9,136	154,832	39,871	2,581	143,871	636,299
Specific ALLL covered loans	15,294						15,294
General ALLL covered loans	64,326	27,223	12,886			5,144	109,579
ALLL covered loans	79,620	27,223	12,886			5,144	124,873
Total ALLL	$ 365,628	$ 36,359	$ 167,718	$ 39,871	$ 2,581	$ 149,015	$ 761,172
Loans held-in-portfolio:							
Impaired non-covered loans	$ 497,224	$ 47,897	$ 560,441	$ 24,276	$ 4,933	$ 135,204	$ 1,269,975
Non-covered loans held-in-portfolio excluding impaired loans	9,131,407	210,556	5,461,981	441,572	533,081	3,705,281	19,483,878
Non-covered loans held-in-portfolio	9,628,631	258,453	6,022,422	465,848	538,014	3,840,485	20,753,853
Impaired covered loans	120,510						120,510
Covered loans held-in-portfolio excluding impaired loans	2,203,852	393,101	1,106,851			79,553	3,783,357
Covered loans held-in-portfolio	2,324,362	393,101	1,106,851			79,553	3,903,867
Total loans held-in-portfolio	$ 11,952,993	$ 651,554	$ 7,129,273	$ 465,848	$ 538,014	$ 3,920,038	$ 24,657,720

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At December 31, 2011
Puerto Rico

(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 10,407	$ 289	$ 14,944	$ 793	$ 16,915	$ 43,348
General ALLL non-covered loans	245,046	5,561	57,378	3,858	98,211	410,054
ALLL non-covered loans	255,453	5,850	72,322	4,651	115,126	453,402
Specific ALLL covered loans	27,086					27,086
General ALLL covered loans	67,386	20,435	5,310		4,728	97,859
ALLL covered loans	94,472	20,435	5,310		4,728	124,945
Total ALLL	$ 349,925	$ 26,285	$ 77,632	$ 4,651	$ 119,854	$ 578,347
Loans held-in-portfolio:						
Impaired non-covered loans	$ 403,089	$ 49,747	$ 333,346	$ 6,104	$ 137,582	$ 929,868
Non-covered loans held-in-portfolio excluding impaired loans	6,067,493	111,194	4,356,137	542,602	2,832,845	13,910,271
Non-covered loans held-in-portfolio	6,470,582	160,941	4,689,483	548,706	2,970,427	14,840,139
Impaired covered loans	76,798					76,798
Covered loans held-in-portfolio excluding impaired loans	2,435,944	546,826	1,172,954		116,181	4,271,905
Covered loans held-in-portfolio	2,512,742	546,826	1,172,954		116,181	4,348,703
Total loans held-in-portfolio	$ 8,983,324	$ 707,767	$ 5,862,437	$ 548,706	$ 3,086,608	$ 19,188,842

At December 31, 2011
U.S. Mainland

(In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Specific ALLL	$ 1,331	$	$ 14,119	$ 57	$ 131	$ 15,638
General ALLL	112,648	2,631	15,820	46,171	44,053	221,323
Total ALLL	$ 113,979	$ 2,631	$ 29,939	$ 46,228	$ 44,184	$ 236,961
Loans held-in-portfolio:						
Impaired loans	$ 153,240	$ 41,963	$ 49,534	$ 48,890	$ 2,526	$ 296,153
Loans held-in-portfolio, excluding impaired loans	3,349,505	37,035	779,443	599,519	700,802	5,466,304
Total loans held-in-portfolio	$ 3,502,745	$ 78,998	$ 828,977	$ 648,409	$ 703,328	$ 5,762,457

At December 31, 2011
Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 11,738	$ 289	$ 29,063	$ 57	$ 793	$ 17,046	$ 58,986
General ALLL non-covered loans	357,694	8,192	73,198	46,171	3,858	142,264	631,377

ALLLnon-covered loans	369,432	8,481	102,261	46,228	4,651	159,310	690,363
Specific ALLL covered loans	27,086						27,086
General ALLL covered loans	67,386	20,435	5,310			4,728	97,859
ALLLcovered loans	94,472	20,435	5,310			4,728	124,945
Total ALLL	$ 463,904	$ 28,916	$ 107,571	$ 46,228	$ 4,651	$ 164,038	$ 815,308
Loans held-in-portfolio:							
Impaired non-covered loans	$ 556,329	$ 91,710	$ 382,880	$ 48,890	$ 6,104	$ 140,108	$ 1,226,021
Non-covered loans held-in-portfolio excluding impaired loans	9,416,998	148,229	5,135,580	599,519	542,602	3,533,647	19,376,575
Non-covered loans held-in-portfolio	9,973,327	239,939	5,518,460	648,409	548,706	3,673,755	20,602,596
Impaired covered loans	76,798						76,798
Covered loans held-in-portfolio excluding impaired loans	2,435,944	546,826	1,172,954			116,181	4,271,905
Covered loans held-in-portfolio	2,512,742	546,826	1,172,954			116,181	4,348,703
Total loans held-in-portfolio	$ 12,486,069	$ 786,765	$ 6,691,414	$ 648,409	$ 548,706	$ 3,789,936	$ 24,951,299

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Impaired loans

The following tables present loans individually evaluated for impairment at September 30, 2012 and December 31, 2011.

September 30, 2012
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	$	$	$	$ 20,725	$ 25,528	$ 20,725	$ 25,528	$
Commercial real estate non-owner occupied	10,058	12,477	1,122	59,469	64,736	69,527	77,213	1,122
Commercial real estate owner occupied	61,792	83,318	12,650	135,006	176,760	196,798	260,078	12,650
Commercial and industrial	34,322	43,751	7,474	83,003	112,891	117,325	156,642	7,474
Construction	1,617	2,712	191	34,140	69,048	35,757	71,760	191
Mortgage	469,786	486,509	47,523	36,937	39,418	506,723	525,927	47,523
Leasing	4,933	4,933	978			4,933	4,933	978
Consumer:								
Credit cards	39,347	39,347	1,674			39,347	39,347	1,674
Personal	92,379	92,379	19,348			92,379	92,379	19,348
Auto	333	333	34			333	333	34
Other	413	413	14			413	413	14
Covered loans	61,084	61,084	15,294	59,426	59,426	120,510	120,510	15,294
Total Puerto Rico	$ 776,064	$ 827,256	$ 106,302	$ 428,706	$ 547,807	$ 1,204,770	$ 1,375,063	$ 106,302

September 30, 2012
U.S. mainland

	Impaired Loans With an Allowance			Impaired Loans With No Allowance		Impaired Loans - Total		
(In thousands)	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 5,967	$ 8,937	$ 5,967	$ 8,937	$
Commercial real estate non-owner occupied	1,916	1,916	993	54,265	80,169	56,181	82,085	993
Commercial real estate owner occupied				24,679	30,630	24,679	30,630	
Commercial and industrial				6,022	7,990	6,022	7,990	
Construction				12,140	14,080	12,140	14,080	
Mortgage	48,707	49,432	15,300	5,011	5,044	53,718	54,476	15,300
Legacy				24,276	37,968	24,276	37,968	
Consumer:								
Helocs	202	202	13			202	202	13
Auto	91	91	9			91	91	9
Other	2,439	2,439	101			2,439	2,439	101
Total U.S. mainland	$ 53,355	$ 54,080	$ 16,416	$ 132,360	$ 184,818	$ 185,715	$ 238,898	$ 16,416

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September 30, 2012
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	$	$	$	$ 26,692	$ 34,465	$ 26,692	$ 34,465	$
Commercial real estate non-owner occupied	11,974	14,393	2,115	113,734	144,905	125,708	159,298	2,115
Commercial real estate owner occupied	61,792	83,318	12,650	159,685	207,390	221,477	290,708	12,650
Commercial and industrial	34,322	43,751	7,474	89,025	120,881	123,347	164,632	7,474
Construction	1,617	2,712	191	46,280	83,128	47,897	85,840	191
Mortgage	518,493	535,941	62,823	41,948	44,462	560,441	580,403	62,823
Legacy				24,276	37,968	24,276	37,968	
Leasing	4,933	4,933	978			4,933	4,933	978
Consumer:								
Credit cards	39,347	39,347	1,674			39,347	39,347	1,674
Helocs	202	202	13			202	202	13
Personal	92,379	92,379	19,348			92,379	92,379	19,348
Auto	424	424	43			424	424	43
Other	2,852	2,852	115			2,852	2,852	115
Covered loans	61,084	61,084	15,294	59,426	59,426	120,510	120,510	15,294
Total Popular, Inc.	$ 829,419	$ 881,336	$ 122,718	$ 561,066	$ 732,625	$ 1,390,485	$ 1,613,961	$ 122,718

December 31, 2011
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	$ 10,463	$ 10,463	$ 575	$ 12,206	$ 21,312	$ 22,669	$ 31,775	$ 575
Commercial real estate non-owner occupied	5,909	7,006	836	45,517	47,439	51,426	54,445	836
Commercial real estate owner occupied	37,534	46,806	2,757	165,745	215,288	203,279	262,094	2,757
Commercial and industrial	42,294	55,180	6,239	83,421	108,224	125,715	163,404	6,239
Construction	1,672	2,369	289	48,075	101,042	49,747	103,411	289
Mortgage	333,346	336,682	14,944			333,346	336,682	14,944
Leasing	6,104	6,104	793			6,104	6,104	793
Consumer:								
Credit cards	38,874	38,874	2,151			38,874	38,874	2,151
Personal	93,760	93,760	14,115			93,760	93,760	14,115
Other	4,948	4,948	649			4,948	4,948	649
Covered loans	75,798	75,798	27,086	1,000	1,000	76,798	76,798	27,086
Total Puerto Rico	$ 650,702	$ 677,990	$ 70,434	$ 355,964	$ 494,305	$ 1,006,666	$ 1,172,295	$ 70,434

December 31, 2011
U.S. mainland

Impaired Loans With an	Impaired Loans With No Allowance	Impaired Loans - Total

(In thousands)	Recorded investment	Allowance Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Recorded investment	Unpaid principal balance	Related allowance
Commercial multi-family	$	$	$	$ 8,655	$ 12,403	$ 8,655	$ 12,403	$
Commercial real estate non-owner occupied	1,306	1,306	214	61,111	83,938	62,417	85,244	214
Commercial real estate owner occupied	1,239	1,239	455	46,403	56,229	47,642	57,468	455
Commercial and industrial	7,390	7,390	662	27,136	29,870	34,526	37,260	662
Construction				41,963	44,751	41,963	44,751	
Mortgage	39,570	39,899	14,119	9,964	9,964	49,534	49,863	14,119
Legacy	6,013	6,013	57	42,877	69,221	48,890	75,234	57
Consumer:								
Auto	93	93	6			93	93	6
Other	2,433	2,433	125			2,433	2,433	125
Total U.S. mainland	$ 58,044	$ 58,373	$ 15,638	$ 238,109	$ 306,376	$ 296,153	$ 364,749	$ 15,638

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December 31, 2011 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	$ 10,463	$ 10,463	$ 575	$ 20,861	$ 33,715	$ 31,324	$ 44,178	$ 575
Commercial real estate non-owner occupied	7,215	8,312	1,050	106,628	131,377	113,843	139,689	1,050
Commercial real estate owner occupied	38,773	48,045	3,212	212,148	271,517	250,921	319,562	3,212
Commercial and industrial	49,684	62,570	6,901	110,557	138,094	160,241	200,664	6,901
Construction	1,672	2,369	289	90,038	145,793	91,710	148,162	289
Mortgage	372,916	376,581	29,063	9,964	9,964	382,880	386,545	29,063
Legacy	6,013	6,013	57	42,877	69,221	48,890	75,234	57
Leasing	6,104	6,104	793			6,104	6,104	793
Consumer:								
Credit cards	38,874	38,874	2,151			38,874	38,874	2,151
Personal	93,760	93,760	14,115			93,760	93,760	14,115
Auto	93	93	6			93	93	6
Other	7,381	7,381	774			7,381	7,381	774
Covered loans	75,798	75,798	27,086	1,000	1,000	76,798	76,798	27,086
Total Popular, Inc.	$ 708,746	$ 736,363	$ 86,072	$ 594,073	$ 800,681	$ 1,302,819	$ 1,537,044	$ 86,072

The following table presents the average recorded investment and interest income recognized on impaired loans for the quarter and nine months ended September 30, 2012 and 2011.

For the quarter ended September 30, 2012						
	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	$ 14,446	$	$ 8,522	$	$ 22,968	$
Commercial real estate non-owner occupied	64,968	240	59,932	151	124,900	391
Commercial real estate owner occupied	194,126	597	26,302	81	220,428	678
Commercial and industrial	117,979	499	9,855		127,834	499
Construction	42,380	98	12,072		54,452	98
Mortgage	482,041	6,911	53,509	515	535,550	7,426
Legacy			26,783	14	26,783	14
Leasing	5,231				5,231	
Consumer:						
Credit cards	38,718				38,718	
Helocs			101		101	
Personal	91,030				91,030	
Auto	252		92		344	
Other	1,984		2,355		4,339	
Covered loans	98,603	949			98,603	949
Total Popular, Inc.	$ 1,151,758	$ 9,294	$ 199,523	$ 761	$ 1,351,281	$ 10,055

For the quarter ended September 30, 2011						
	Puerto Rico		U.S. Mainland		Popular, Inc.	
	Average	Interest	Average	Interest	Average	Interest

(In thousands)	recorded investment	income recognized	recorded investment	income recognized	recorded investment	income recognized
Commercial multi-family	$ 9,399	$	$ 4,349	$	$ 13,748	$
Commercial real estate non-owner occupied	50,687	283	78,724	71	129,411	354
Commercial real estate owner occupied	193,918	694	22,490	23	216,408	717
Commercial and industrial	108,533	288	20,009	3	128,542	291
Construction	63,818		58,233		122,051	
Mortgage	239,026	2,974	20,826	391	259,852	3,365
Legacy			83,065	154	83,065	154
Leasing	3,284				3,284	
Consumer:						
Credit cards	20,622				20,622	
Helocs			947		947	
Personal	50,282				50,282	
Auto	32				32	
Other	283		1,361		1,644	
Covered loans	3,151	76			3,151	76
Total Popular, Inc.	$ 743,035	$ 4,315	$ 290,004	$ 642	$ 1,033,039	$ 4,957

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For the nine months ended September 30, 2012

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 15,083	$	$ 9,354	$ 101	$ 24,437	$ 101
Commercial real estate non-owner occupied	60,972	597	61,907	965	122,879	1,562
Commercial real estate owner occupied	197,938	1,370	35,453	81	233,391	1,451
Commercial and industrial	123,062	1,119	21,416	37	144,478	1,156
Construction	46,383	205	19,808		66,191	205
Mortgage	423,571	18,751	52,613	1,492	476,184	20,243
Legacy			37,547	79	37,547	79
Leasing	5,494				5,494	
Consumer:						
Credit cards	38,839				38,839	
Helocs			51		51	
Personal	91,966				91,966	
Auto	126		69		195	
Other	3,394		2,399		5,793	
Covered loans	89,965	2,849			89,965	2,849
Total Popular, Inc.	$ 1,096,793	$ 24,891	$ 240,617	$ 2,755	$ 1,337,410	$ 27,646

For the nine months ended September 30, 2011

(In thousands)	Puerto Rico Average recorded investment	Puerto Rico Interest income recognized	U.S. Mainland Average recorded investment	U.S. Mainland Interest income recognized	Popular, Inc. Average recorded investment	Popular, Inc. Interest income recognized
Commercial multi-family	$ 12,071	$	$ 5,165	$	$ 17,236	$
Commercial real estate non-owner occupied	39,115	672	85,654	406	124,769	1,078
Commercial real estate owner occupied	188,945	1,599	18,508	221	207,453	1,820
Commercial and industrial	100,052	866	15,209	214	115,261	1,080
Construction	62,485	49	87,577	124	150,062	173
Mortgage	185,270	6,980	11,715	620	196,985	7,600
Legacy			70,634	186	70,634	186
Leasing	1,642				1,642	
Consumer:						
Credit cards	10,311				10,311	
Helocs			473		473	
Personal	25,141				25,141	
Auto	16				16	
Other	142		681		823	
Covered loans	1,575	76			1,575	76
Total Popular, Inc.	$ 626,765	$ 10,242	$ 295,616	$ 1,771	$ 922,381	$ 12,013

Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to $1.0 billion at September 30, 2012 (December 31, 2011 $881 million). The amount of outstanding commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings amounted to $21 thousand related to the construction loan portfolio and $3 million related to the commercial loan portfolio at September 30, 2012 (December 31, 2011 $152 thousand and $3 million, respectively).

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

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

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

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

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

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

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

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

The following tables present the loan count by type of modification for those loans modified in a TDR during the quarter and nine months ended September 30, 2012 and 2011.

Puerto Rico

	For the quarter ended September 30, 2012				For the nine months ended September 30, 2012			
	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	2				5	4		
Commercial real estate owner occupied	1	5			7	20		
Commercial and industrial	1	8			27	61		
Construction	7				8	1		
Mortgage	272	42	406	40	433	125	1,200	150
Leasing		16				49	28	
Consumer:								
Credit cards	311			268	1,268			942
Personal	231	4			901	25		
Auto		2	1			3	3	
Other	14				39			

Total	839	77	407	308	2,688	288	1,231	1,092

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U.S. Mainland

	For the quarter ended September 30, 2012				For the nine months ended September 30, 2012			
	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		2			1	2		1
Commercial real estate owner occupied				1				1
Construction								1
Mortgage	1	1	16		4	1	64	
Legacy					1			2
Consumer:								
HELOCs	1		1		1		2	
Total	2	3	17	1	7	3	66	5

Popular, Inc.

	For the quarter ended September 30, 2012				For the nine months ended September 30, 2012			
	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	2	2			6	6		1
Commercial real estate owner occupied	1	5		1	7	20		1
Commercial and industrial	1	8			27	61		
Construction	7				8	1		1
Mortgage	273	43	422	40	437	126	1,264	150
Legacy					1			2
Leasing		16				49	28	
Consumer:								
Credit cards	311			268	1,268			942
HELOCs	1		1		1		2	
Personal	231	4			901	25		
Auto		2	1			3	3	
Other	14				39			
Total	841	80	424	309	2,695	291	1,297	1,097

Puerto Rico

	For the quarter ended September 30, 2011				For the nine months ended September 30, 2011			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family					1			
Commercial real estate non-owner occupied	1				5	2		
	16	3			48	4		

Commercial real estate owner occupied								
Commercial and industrial	21	11			83	16		
Construction	1				2			
Mortgage	9	106	366	13	35	340	1,220	36
Leasing		41	5			136	16	
Consumer:								
Credit cards	420			358	1,149			959
Personal	607	28			1,775	52		
Auto			2				7	
Other	21				50			
Total	1,096	189	373	371	3,148	550	1,243	995

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	U.S. Mainland For the quarter ended September 30, 2011				For the nine months ended September 30, 2011			
	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				1
Commercial real estate owner occupied								2
Commercial and industrial						1		1
Construction				1				4
Mortgage	13	3	183	3	14	4	254	3
Legacy								4
Consumer:								
Other			1				1	
Total	13	3	184	5	14	5	255	15

	Popular, Inc. For the quarter ended September 30, 2011				For the nine months ended September 30, 2011			
	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family					1			
Commercial real estate non-owner occupied	1			1	5	2		1
Commercial real estate owner occupied	16	3			48	4		2
Commercial and industrial	21	11			83	17		1
Construction	1			1	2			4
Mortgage	22	109	549	16	49	344	1,474	39
Legacy								4
Leasing		41	5			136	16	
Consumer:								
Credit cards	420			358	1,149			959
Personal	607	28			1,775	52		
Auto			2				7	
Other	21		1		50		1	
Total	1,109	192	557	376	3,162	555	1,498	1,010

The following tables present by class, quantitative information related to loans modified as TDRs during the quarter and nine months ended September 30, 2012 and 2011.

Puerto Rico For the quarter ended September 30, 2012				
(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification

Commercial real estate non-owner occupied	2	$	4,813	$	4,813	$	368
Commercial real estate owner occupied	6		1,626		1,619		(6)
Commercial and industrial	9		13,692		3,873		(6,596)
Construction	7		5,025		4,230		(263)
Mortgage	760		98,555		116,854		5,775
Leasing	16		256		241		29
Consumer:							
Credit cards	579		5,100		6,000		20
Personal	235		4,054		4,083		663
Auto	2		20		23		2
Other	14		54		54		
Total	1,630	$	133,195	$	141,790	$	(8)

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U.S. Mainland
For the quarter ended September 30, 2012

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	2	$ 3,968	$ 3,921	$
Commercial real estate owner occupied	1	2,246	1,750	(106)
Mortgage	18	1,765	1,823	298
Consumer:				
HELOCs	2	281	275	3
Total	23	$ 8,260	$ 7,769	$ 195

Popular, Inc.
For the quarter ended September 30, 2012

(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	$ 8,781	$ 8,734	$ 368
Commercial real estate owner occupied	7	3,872	3,369	(112)
Commercial and industrial	9	13,692	3,873	(6,596)
Construction	7	5,025	4,230	(263)
Mortgage	778	100,320	118,677	6,073
Leasing	16	256	241	29
Consumer:				
Credit cards	579	5,100	6,000	20
HELOCs	2	281	275	3
Personal	235	4,054	4,083	663
Auto	2	20	23	2
Other	14	54	54	
Total	1,653	$ 141,455	$ 149,559	$ 187

Puerto Rico
For the quarter ended September 30, 2011

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	1	$ 1,180	$ 1,180	$ (43)
Commercial real estate owner occupied	19	30,256	30,256	(1,052)
Commercial and industrial	32	28,622	28,622	2,518
Construction	1	1,341	1,341	187
Mortgage	494	65,849	68,279	3,122
Leasing	46	1,092	1,059	
Consumer:				
Credit cards	778	6,820	7,622	47
Personal	635	7,525	7,522	
Auto	2	18	19	
Other	21	106	105	
Total	2,029	$ 142,809	$ 146,005	$ 4,779

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U.S. Mainland
For the quarter ended September 30, 2011

(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	$ 2,043	$ 2,032	$
Construction	1	5,715	5,740	(189)
Mortgage	202	20,390	21,606	7,707
Consumer:				
Other	1	1,079	1,135	1
Total	205	$ 29,227	$ 30,513	$ 7,519

Popular, Inc.
For the quarter ended September 30, 2011

(Dollars in thousands)	Loan count	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment	Increase (decrease) in the allowance for loan losses as a result of modification
Commercial real estate non-owner occupied	2	$ 3,223	$ 3,212	$ (43)
Commercial real estate owner occupied	19	30,256	30,256	(1,052)
Commercial and industrial	32	28,622	28,622	2,518
Construction	2	7,056	7,081	(2)
Mortgage	696	86,239	89,885	10,829
Leasing	46	1,092	1,059	
Consumer:				
Credit cards	778	6,820	7,622	47
Personal	635	7,525	7,522	
Auto	2	18	19	
Other	22	1,185	1,240	1
Total	2,234	$ 172,036	$ 176,518	$ 12,298

Puerto Rico
For the nine months ended September 30, 2012

(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	8	$ 8,754	$ 7,810	$ (606)
Commercial real estate owner occupied	27	9,319	8,901	(42)
Commercial and industrial	87	38,549	28,306	(6,352)
Construction	9	6,122	5,327	(211)
Mortgage	1,908	251,763	274,045	17,150
Leasing	78	1,265	1,208	132
Consumer:				
Credit cards	2,210	18,621		