POPULAR INC
Form 10-Q
May 10, 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 March 31, 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 Identification Number)**
Incorporation or organization)	
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, 1,027,812,904 shares outstanding as of April 30, 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;

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)	March 31, 2012	December 31, 2011	March 31, 2011
Assets:			
Cash and due from banks	$ 472,806	$ 535,282	$ 464,555
Money market investments:			
Federal funds sold		75,000	
Securities purchased under agreements to resell	240,411	252,668	200,185
Time deposits with other banks	1,063,852	1,048,506	761,380
Total money market investments	1,304,263	1,376,174	961,565
Trading account securities, at fair value:			
Pledged securities with creditors right to repledge	348,103	402,591	587,218
Other trading securities	56,190	33,740	47,581
Investment securities available-for-sale, at fair value:			
Pledged securities with creditors right to repledge	1,736,706	1,737,868	2,105,783
Other investment securities available-for-sale	3,401,910	3,271,955	3,580,558
Investment securities held-to-maturity, at amortized cost (fair value at March 31, 2012 - $124,829; December 31, 2011 - $125,254; March 31, 2011 - $147,816)	124,372	125,383	142,106
Other investment securities, at lower of cost or realizable value (realizable value at March 31, 2012 - $197,372; December 31, 2011 - $181,583; March 31, 2011 - $176,336)	195,708	179,880	174,930
Loans held-for-sale, at lower of cost or fair value	361,596	363,093	569,678
Loans held-in-portfolio:			
Loans not covered under loss sharing agreements with the FDIC	20,577,995	20,703,192	20,781,549
Loans covered under loss sharing agreements with the FDIC	4,221,788	4,348,703	4,729,550
Less Unearned income	99,321	100,596	104,760
Allowance for loan losses	803,264	815,308	736,505
Total loans held-in-portfolio, net	23,897,198	24,135,991	24,669,834
FDIC loss share asset	1,880,357	1,915,128	2,426,305
Premises and equipment, net	533,545	538,486	543,577
Other real estate not covered under loss sharing agreements with the FDIC	193,768	172,497	156,888
Other real estate covered under loss sharing agreements with the FDIC	110,559	109,135	65,562
Accrued income receivable	126,568	125,209	147,670
Mortgage servicing assets, at fair value	156,331	151,323	167,416
Other assets	1,439,532	1,462,393	1,314,739
Goodwill	647,911	648,350	647,387
Other intangible assets	61,798	63,954	56,441
Total assets	$ 37,049,221	$ 37,348,432	$ 38,829,793
Liabilities and Stockholders Equity			
Liabilities:			

Deposits:			
Non-interest bearing	$ 5,366,420	$ 5,655,474	$ 4,913,009
Interest bearing	21,831,316	22,286,653	22,283,665
Total deposits	27,197,736	27,942,127	27,196,674
Assets sold under agreements to repurchase	2,113,557	2,141,097	2,642,800
Other short-term borrowings	751,200	296,200	290,302
Notes payable	1,843,754	1,856,372	3,794,655
Other liabilities	1,175,903	1,193,883	1,100,456
Total liabilities	33,082,150	33,429,679	35,024,887
Commitments and contingencies (See Note 18)			
Stockholders equity:			
Preferred stock, 30,000,000 shares authorized; 2,006,391 shares issued and outstanding in all periods presented	50,160	50,160	50,160
Common stock, $0.01 par value; 1,700,000,000 shares authorized in all periods presented; 1,027,555,936 shares issued at March 31, 2012 (December 31, 2011 1,026,346,396; March 31, 2011 1,023,628,492) and 1,027,117,068 shares outstanding (December 31, 2011 1,025,904,567; March 31, 2011 1,023,416,118)	10,276	10,263	10,236
Surplus	4,116,710	4,114,661	4,096,245
Accumulated deficit	(165,249)	(212,726)	(338,126)
Treasury stock at cost, 438,868 shares at March 31, 2012 (December 31, 2011 441,829; March 31, 2011 212,374)	(1,041)	(1,057)	(607)
Accumulated other comprehensive loss, net of tax	(43,785)	(42,548)	(13,002)
Total stockholders equity	3,967,071	3,918,753	3,804,906
Total liabilities and stockholders equity	$ 37,049,221	$ 37,348,432	$ 38,829,793

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)	Quarters ended March 31, 2012	2011
Interest income:		
Loans	$ 387,942	$ 423,375
Money market investments	948	947
Investment securities	45,070	52,375
Trading account securities	5,891	8,754
Total interest income	439,851	485,451
Interest expense:		
Deposits	51,679	76,879
Short-term borrowings	13,583	14,015
Long-term debt	37,007	51,198
Total interest expense	102,269	142,092
Net interest income	337,582	343,359
Provision for loan losses - non-covered loans	82,514	59,762
Provision for loan losses - covered loans	18,209	15,557
Net interest income after provision for loan losses	236,859	268,040
Service charges on deposit accounts	46,589	45,630
Other service fees (Refer to Note 24)	66,039	58,652
Trading account loss	(2,143)	(499)
Net gain on sale of loans, including valuation adjustments on loans held-for-sale	15,471	7,244
Adjustments (expense) to indemnity reserves on loans sold	(3,875)	(9,848)
FDIC loss share (expense) income (Refer to Note 25)	(15,255)	16,035
Fair value change in equity appreciation instrument		7,745
Other operating income	17,082	39,409
Total non-interest income	123,908	164,368
Operating expenses:		
Personnel costs	121,491	106,140
Net occupancy expenses	24,162	24,586
Equipment expenses	11,341	12,036
Other taxes	13,438	11,972
Professional fees	48,105	46,688
Communications	7,131	7,210
Business promotion	12,850	9,860
FDIC deposit insurance	24,926	17,673
Loss on early extinguishment of debt	69	8,239
Other real estate owned (OREO) expenses	14,165	2,211
Other operating expenses	15,896	26,179
Amortization of intangibles	2,593	2,255

Total operating expenses	296,167	275,049
Income before income tax	64,600	157,359
Income tax expense	16,192	147,227
Net Income	$ 48,408	$ 10,132
Net Income Applicable to Common Stock	$ 47,477	$ 9,202
Net Income per Common Share Basic	$ 0.05	$ 0.01
Net Income per Common Share Diluted	$ 0.05	$ 0.01
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 March 31, 2012	2011
Net income	$ 48,408	$ 10,132
Other comprehensive loss before tax:		
Foreign currency translation adjustment	(86)	(591)
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
Amortization of prior service cost	(50)	(240)
Unrealized holding losses on securities available-for-sale arising during the period	(7,882)	(19,978)
Reclassification adjustment for losses included in net income		
Unrealized net losses on cash flow hedges	(290)	(51)
Reclassification adjustment for net losses (gains) included in net income	1,057	(935)
Other comprehensive loss before tax	(962)	(8,468)
Income tax (expense) benefit	(275)	1,427
Total other comprehensive loss, net of tax	(1,237)	(7,041)
Comprehensive income, net of tax	$ 47,171	$ 3,091

Tax effect allocated to each component of other comprehensive loss:

(In thousands)	Quarter ended March 31, 2012	2011
Underfunding of pension and postretirement benefit plans	$	$
Amortization of net losses	(1,740)	(966)
Amortization of prior service cost	15	72
Unrealized holding losses on securities available-for-sale arising during the period	1,681	1,941
Reclassification adjustment for losses included in net income		
Unrealized net losses on cash flow hedges	87	15
Reclassification adjustment for net losses (gains) included in net income	(318)	365
Income tax (expense) benefit	$ (275)	$ 1,427

Disclosure of accumulated other comprehensive loss:

(In thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Foreign currency translation adjustment	$ (28,915)	$ (28,829)	$ (26,658)

Pension and postretirement benefit plans		(327,048)		(333,287)		(207,933)
Tax effect		115,504		117,229		79,962
Net of tax amount		(211,544)		(216,058)		(127,971)
Unrealized holding gains on securities available-for-sale		222,864		230,746		164,596
Tax effect		(25,987)		(27,668)		(22,933)
Net of tax amount		196,877		203,078		141,663
Unrealized (losses) gains on cash flow hedges		(290)		(1,057)		(51)
Tax effect		87		318		15
Net of tax amount		(203)		(739)		(36)
Accumulated other comprehensive loss	$	(43,785)	$	(42,548)	$	(13,002)

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

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POPULAR, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(UNAUDITED)

(In thousands)	Common stock, including treasury stock	Preferred stock	Surplus	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance at December 31, 2010	$ 9,655	$ 50,160	$ 4,094,005	$ (347,328)	$ (5,961)	$ 3,800,531
Net income				10,132		10,132
Issuance of stock	7		2,240			2,247
Dividends declared:						
Preferred stock				(930)		(930)
Common stock purchases	(33)					(33)
Other comprehensive loss, net of tax					(7,041)	(7,041)
Balance at March 31, 2011	$ 9,629	$ 50,160	$ 4,096,245	$ (338,126)	$ (13,002)	$ 3,804,906
Balance at December 31, 2011	$ 9,206	$ 50,160	$ 4,114,661	$ (212,726)	$ (42,548)	$ 3,918,753
Net income				48,408		48,408
Issuance of stock	13		2,049			2,062
Dividends declared:						
Preferred stock				(931)		(931)
Common stock purchases	(6)					(6)
Common stock reissuance	22					22
Other comprehensive loss, net of tax					(1,237)	(1,237)
Balance at March 31, 2012	$ 9,235	$ 50,160	$ 4,116,710	$ (165,249)	$ (43,785)	$ 3,967,071

Disclosure of changes in number of shares:	March 31, 2012	December 31, 2011	March 31, 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	1,026,346,396	1,022,929,158	1,022,929,158
Issuance of stock	1,209,540	3,417,238	699,334
Balance at end of the period	1,027,555,936	1,026,346,396	1,023,628,492
Treasury stock	(438,868)	(441,829)	(212,374)
Common Stock Outstanding	1,027,117,068	1,025,904,567	1,023,416,118

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)	Quarters ended March 31, 2012	2011
Cash flows from operating activities:		
Net income	$ 48,408	$ 10,132
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	100,723	75,319
Amortization of intangibles	2,593	2,255
Depreciation and amortization of premises and equipment	11,756	12,060
Net accretion of discounts and amortization of premiums and deferred fees	(4,077)	(88,327)
Impairment losses on net assets to be disposed of		8,564
Fair value adjustments on mortgage servicing rights	(784)	6,171
Fair value change in equity appreciation instrument		(7,745)
FDIC loss share expense (income)	15,255	(13,621)
FDIC deposit insurance expense	24,926	17,673
Adjustments (expense) to indemnity reserves on loans sold	3,875	9,848
Earnings from investments under the equity method	(2,252)	(6,826)
Deferred income tax expense	4,418	140,915
(Gain) loss on:		
Disposition of premises and equipment	(6,284)	(1,412)
Early extinguishment of debt	69	
Sale of loans, including valuation adjustments on loans held-for-sale	(15,471)	(7,244)
Sale of equity method investment		(16,666)
Acquisitions of loans held-for-sale	(76,118)	(90,780)
Proceeds from sale of loans held-for-sale	63,460	45,448
Net disbursements on loans held-for-sale	(223,500)	(184,641)
Net (increase) decrease in:		
Trading securities	270,691	206,222
Accrued income receivable	(1,357)	2,988
Other assets	22,956	(4,602)
Net increase (decrease) in:		
Interest payable	(2,249)	(4,410)
Pension and other postretirement benefit obligation	4,720	(123,957)
Other liabilities	(2,421)	(38,203)
Total adjustments	190,929	(60,971)
Net cash provided by (used in) operating activities	239,337	(50,839)
Cash flows from investing activities:		
Net decrease in money market investments	71,911	17,730
Purchases of investment securities:		
Available-for-sale	(529,445)	(752,479)
Held-to-maturity	(250)	(51,998)
Other	(47,629)	(38,305)
Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	388,472	278,274
Held-to-maturity	1,539	27,335

Other	31,800	27,050
Net repayments on loans	191,073	427,622
Proceeds from sale of loans	21,304	200,387
Acquisition of loan portfolios	(140,005)	(348,226)
Payments received from FDIC under loss sharing agreements	20,896	583
Net proceeds from sale of equity method investment		31,068
Mortgage servicing rights purchased	(474)	(383)
Acquisition of premises and equipment	(12,298)	(18,599)
Proceeds from sale of:		
Premises and equipment	11,946	7,763
Foreclosed assets	25,923	44,648
Net cash provided by (used in) investing activities	34,763	(147,530)
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	(745,906)	433,505
Federal funds purchased and assets sold under agreements to repurchase	(27,541)	230,250
Other short-term borrowings	455,000	(73,920)
Payments of notes payable	(22,284)	(622,568)
Proceeds from issuance of notes payable	2,719	242,000
Proceeds from issuance of common stock	2,062	2,247
Dividends paid	(620)	(930)
Treasury stock acquired	(6)	(33)
Net cash (used in) provided by financing activities	(336,576)	210,551
Net (decrease) increase in cash and due from banks	(62,476)	12,182
Cash and due from banks at beginning of period	535,282	452,373
Cash and due from banks at end of period	$ 472,806	$ 464,555

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

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Notes to Consolidated Financial

Statements (Unaudited)

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Note 1 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. As part of the rebranding of the BPNA franchise, some of its branches operate under a new name, Popular Community Bank. Note 30 to the consolidated financial statements presents information about the Corporation s business segments.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Popular, Inc. and its subsidiaries (the Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation. In accordance with the consolidation guidance for variable interest entities, the Corporation would also consolidate any variable interest entities (VIEs) for which it has a controlling financial interest and therefore is the primary beneficiary. The Corporation does not hold an interest in any VIEs subject to consolidation at this time. Assets held in a fiduciary capacity are not assets of the Corporation and, accordingly, are not included in the consolidated statements of financial condition. The results of operations of companies or assets acquired are included only from the dates of acquisition.

Unconsolidated investments, in which there is at least 20% ownership, are generally accounted for by the equity method. These investments are included in other assets and the Corporation s proportionate share of income or loss is included in other operating income. Investments, in which there is less than 20% ownership, are generally carried under the cost method of accounting, unless significant influence is exercised. Under the cost method, the Corporation recognizes income when dividends are received. Limited partnerships are accounted for by the equity method unless the Corporation s interest is so minor that it may have virtually no influence over partnership operating and financial policies.

Statutory business trusts that are wholly-owned by the Corporation and are issuers of trust preferred securities are not consolidated in the Corporation s consolidated financial statements.

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.

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 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.

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

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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)

The FASB issued Accounting Standards Update (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 did not impact the Corporation s consolidated financial statements for the quarter ended March 31, 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 the first interim or annual period 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 did not have a material impact on the Corporation s consolidated financial statements. Refer to Notes 21 and 22 for additional fair value disclosures included for the quarter ended March 31, 2012.

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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.

The new guidance was effective for the first interim or annual period 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 adoption of this guidance on January 1, 2012 did not have an impact on the Corporation s consolidated financial statements for the quarter ended March 31, 2012.

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 $877 million at March 31, 2012 (December 31, 2011 $838 million; March 31, 2011 $843 million). Cash and due from banks, as well as other short-term, highly liquid securities, are used to cover the required average reserve balances.

At March 31, 2012 and December 31, 2011, the Corporation held $36 million in restricted assets in the form of cash and funds deposited in money market accounts (March 31, 2011 $51 million).

Note 4 Pledged assets

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

(In thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Investment securities available-for-sale, at fair value	$ 1,840,351	$ 1,894,651	$ 1,529,464
Investment securities held-to-maturity, at amortized cost	25,000	25,000	49,734
Loans held-for-sale measured at lower of cost or fair value	4,421	5,286	2,638
Loans held-in-portfolio covered under loss sharing agreements with the FDIC	536,666		4,634,499
Loans held-in-portfolio not covered under loss sharing agreements with the FDIC	8,967,998	8,571,268	8,906,093
Other real estate covered under loss sharing agreements with the FDIC			65,562
Total pledged assets	$ 11,374,436	$ 10,496,205	$ 15,187,990

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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 March 31, 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; March 31, 2011 $1.0 billion and $0.7 billion, respectively).

At March 31, 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 $2.5 billion (December 31, 2011 $2.0 billion; March 31, 2011 $1.7 billion). Refer to Note 14 to the consolidated financial statements for borrowings outstanding under these credit facilities. At March 31, 2012, the credit facilities authorized with the FHLB were collateralized by $3.7 billion in loans held-in-portfolio (December 31, 2011 $3.2 billion; March 31, 2011 $2.7 billion). Also, the Corporation s banking subsidiaries had a borrowing capacity at the Federal Reserve (Fed) discount window of $3.2 billion (December 31, 2011 $2.6 billion; March 31, 2011 $2.8 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 March 31, 2012, the credit facilities with the Fed discount window were collateralized by $4.9 billion in loans held-in-portfolio (December 31, 2011 $4.0 billion; March 31, 2011 $5.5 billion). These pledged assets are included in the above table and were not reclassified and separately reported in the consolidated statements of financial condition.

In addition, at March 31, 2012 and December 31, 2011, securities sold but not yet delivered amounting to $68 million were pledged to secure repurchase agreements.

Loans held-in-portfolio and other real estate owned that are covered by loss sharing agreements with the FDIC amounting to $4.7 billion served as collateral to secure the note issued to the FDIC at March 31, 2011.

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Note 5 Investment securities available-for-sale

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

	At March 31, 2012				
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 7,012	$ 84	$	$ 7,096	1.50 %
After 1 to 5 years	27,790	3,198		30,988	3.82
Total U.S. Treasury securities	34,802	3,282		38,084	3.35
Obligations of U.S. Government sponsored entities					
Within 1 year	99,515	1,735		101,250	3.36
After 1 to 5 years	625,230	21,897		647,127	3.31
After 5 to 10 years	310,004	2,290	940	311,354	2.14
After 10 years	32,085	369	387	32,067	4.00
Total obligations of U.S. Government sponsored entities	1,066,834	26,291	1,327	1,091,798	3.00
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	765	4		769	4.94
After 1 to 5 years	13,039	296	23	13,312	4.04
After 5 to 10 years	4,595	41		4,636	5.33
After 10 years	37,320	799		38,119	5.38
Total obligations of Puerto Rico, States and political subdivisions	55,719	1,140	23	56,836	5.06
Collateralized mortgage obligations federal agencies					
After 1 to 5 years	6,822	81		6,903	1.48
After 5 to 10 years	41,988	1,347		43,335	2.86
After 10 years	1,756,972	51,991	394	1,808,569	2.66
Total collateralized mortgage obligations federal agencies	1,805,782	53,419	394	1,858,807	2.66
Collateralized mortgage obligations private label					
After 5 to 10 years	5,041	1	149	4,893	0.77
After 10 years	52,445	70	2,740	49,775	2.52
Total collateralized mortgage obligations private label	57,486	71	2,889	54,668	2.37
Mortgage-backed securities					
Within 1 year	32			32	3.71
After 1 to 5 years	6,619	311		6,930	3.90
After 5 to 10 years	102,677	7,837	1	110,513	4.67
After 10 years	1,755,946	131,139	36	1,887,049	4.24
Total mortgage-backed securities	1,865,274	139,287	37	2,004,524	4.26
Equity securities (without contractual maturity)	6,595	875	11	7,459	2.81

Other					
After 5 to 10 years	17,850	3,063		20,913	10.99
After 10 years	5,410	117		5,527	3.62
Total other	23,260	3,180		26,440	9.28
Total investment securities available-for-sale	$ 4,915,752	$ 227,545	$ 4,681	$ 5,138,616	3.40 %

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(In thousands)	At December 31, 2011 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 %

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	At March 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	$ 7,003	$ 98	$	$ 7,101	1.50 %
After 5 to 10 years	28,505	2,076		30,581	3.81
Total U.S. Treasury securities	35,508	2,174		37,682	3.35
Obligations of U.S. Government sponsored entities					
Within 1 year	230,290	906	921	230,275	2.95
After 1 to 5 years	1,005,737	45,685	92	1,051,330	3.73
After 5 to 10 years	180,000		518	179,482	2.66
Total obligations of U.S. Government sponsored entities	1,416,027	46,591	1,531	1,461,087	3.47
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	10,357	10		10,367	3.92
After 1 to 5 years	15,753	255	6	16,002	4.52
After 5 to 10 years	20,765	35	167	20,633	5.07
After 10 years	5,505	62		5,567	5.28
Total obligations of Puerto Rico, States and political subdivisions	52,380	362	173	52,569	4.70
Collateralized mortgage obligations federal agencies					
Within 1 year	35			35	3.36
After 1 to 5 years	1,737	88		1,825	4.76
After 5 to 10 years	91,067	1,019	865	91,221	2.47
After 10 years	1,487,274	28,001	1,011	1,514,264	2.94
Total collateralized mortgage obligations federal agencies	1,580,113	29,108	1,876	1,607,345	2.91
Collateralized mortgage obligations private label					
After 5 to 10 years	8,109	13	90	8,032	0.86
After 10 years	73,612	51	4,547	69,116	2.30
Total collateralized mortgage obligations private label	81,721	64	4,637	77,148	2.16
Mortgage-backed securities					
Within 1 year	633	51		684	5.35
After 1 to 5 years	13,444	519	4	13,959	3.98
After 5 to 10 years	164,579	10,230	8	174,801	4.71
After 10 years	2,143,295	81,696	967	2,224,024	4.25
Total mortgage-backed securities	2,321,951	92,496	979	2,413,468	4.28
Equity securities (without contractual maturity)	8,722	968	256	9,434	3.43
Other					
After 5 to 10 years	17,850	2,363		20,213	11.00
After 10 years	7,473		78	7,395	3.62
Total other	25,323	2,363	78	27,608	8.82

Total investment securities available-for-sale	$ 5,521,745	$ 174,126	$ 9,530	$ 5,686,341	3.67 %

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

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

There were no securities sold during the quarters ended March 31, 2012 and 2011.

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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 March 31, 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	$ 235,106	$ 1,327	$	$	$ 235,106	$ 1,327
Obligations of Puerto Rico, States and political subdivisions	2,816	23			2,816	23
Collateralized mortgage obligations federal agencies	101,959	379	3,002	15	104,961	394
Collateralized mortgage obligations private label	914	29	48,494	2,860	49,408	2,889
Mortgage-backed securities	209	3	1,475	34	1,684	37
Equity securities	47	3	3	8	50	11
Total investment securities available-for-sale in an unrealized loss position	$ 341,051	$ 1,764	$ 52,974	$ 2,917	$ 394,025	$ 4,681

	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

	At March 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 U.S. Government sponsored entities	$ 304,080	$ 1,531	$	$	$ 304,080	$ 1,531
Obligations of Puerto Rico, States and political subdivisions	18,138	167	301	6	18,439	173
Collateralized mortgage obligations federal agencies	345,887	1,876			345,887	1,876
Collateralized mortgage obligations private label	21,678	252	46,424	4,385	68,102	4,637
Mortgage-backed securities	35,010	714	9,185	265	44,195	979
Equity securities	3,798	169	51	87	3,849	256
Other	7,395	78			7,395	78
Total investment securities available-for-sale in an unrealized loss position	$ 735,986	$ 4,787	$ 55,961	$ 4,743	$ 791,947	$ 9,530

Management evaluates investment securities for other-than-temporary (OTTI) declines in fair value on a quarterly basis. Once a decline in value is determined to be other-than-temporary, the value of a debt security is reduced and a corresponding charge to earnings is recognized for anticipated credit losses. Also, for equity securities that are considered other-than-temporarily impaired,

the excess of the security s carrying value over its fair value at the evaluation date is accounted for as a loss in the results of operations. The OTTI analysis requires management to consider various factors, which include, but are not limited to: (1) the length of time and the extent to which fair value has been less than the amortized cost basis, (2) the financial condition of the issuer or issuers, (3) actual collateral attributes, (4) the payment structure of the debt security and the likelihood of the issuer being able to make payments, (5) any rating changes by a rating agency, (6) adverse conditions specifically related to the security, industry, or a geographic area, and (7) management s intent to sell the debt security or whether it is more likely than not that the Corporation would be required to sell the debt security before a forecasted recovery occurs.

At March 31, 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 March 31, 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 March 31, 2012. No other-than-temporary impairment losses on equity securities were recorded during the quarters ended March 31, 2012 and 2011. Management has the intent and ability to hold the investments in equity securities that are at a loss position at March 31, 2012, for a reasonable period of time for a forecasted recovery of fair value up to (or beyond) the cost of these investments.

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 March 31, 2012, there were no sub-prime securities in the Corporation s private-label CMOs portfolios. For private-label CMOs with unrealized losses at March 31, 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 March 31, 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.

	March 31, 2012		December 31, 2011		March 31, 2011	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
FNMA	$ 1,117,928	$ 1,157,729	$ 1,049,315	$ 1,089,069	$ 1,029,936	$ 1,057,977
FHLB	583,897	604,020	553,940	578,617	1,003,317	1,047,747
Freddie Mac	1,149,415	1,176,487	984,270	1,010,669	977,365	993,342

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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 March 31, 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	$ 7,375	$ 29	$	$ 7,404	2.31 %
After 1 to 5 years	11,649	556		12,205	5.83
After 5 to 10 years	19,302	395	51	19,646	6.00
After 10 years	59,391	116	623	58,884	4.05
Total obligations of Puerto Rico, States and political subdivisions	97,717	1,096	674	98,139	4.52
Collateralized mortgage obligations federal agencies					
After 10 years	155	6		161	5.16
Total collateralized mortgage obligations federal agencies	155	6		161	5.16
Other					
After 1 to 5 years	26,500	29		26,529	3.39
Total other	26,500	29		26,529	3.39
Total investment securities held-to-maturity	$ 124,372	$ 1,131	$ 674	$ 124,829	4.28 %

	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 %

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(In thousands)	At March 31, 2011 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Weighted average yield
U.S. Treasury securities					
Within 1 year	$ 24,734	$	$	$ 24,734	0.02 %
Total U.S. Treasury securities	24,734			24,734	0.02
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	2,235	30		2,265	5.56
After 1 to 5 years	15,973	356		16,329	4.19
After 5 to 10 years	18,340	94	264	18,170	5.97
After 10 years	54,154	6,695	1,325	59,524	4.13
Total obligations of Puerto Rico, States and political subdivisions	90,702	7,175	1,589	96,288	4.55
Collateralized mortgage obligations - private label					
After 10 years	170		9	161	5.45
Total collateralized mortgage obligations - private label	170		9	161	5.45
Other					
Within 1 year	1,250			1,250	0.96
After 1 to 5 years	25,250	133		25,383	3.47
Total other	26,500	133		26,633	3.35
Total investment securities held-to-maturity	$ 142,106	$ 7,308	$ 1,598	$ 147,816	3.54 %

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

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

	At March 31, 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	$	$	$ 30,866	$ 674	$ 30,866	$ 674
Total investment securities held-to-maturity in an unrealized loss position	$	$	$ 30,866	$ 674	$ 30,866	$ 674

	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

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	At March 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	$ 26,407	$ 567	$ 30,808	$ 1,022	$ 57,215	$ 1,589
Collateralized mortgage obligations - private label			161	9	161	9
Total investment securities held-to-maturity in an unrealized loss position	$ 26,407	$ 567	$ 30,969	$ 1,031	$ 57,376	$ 1,598

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

The Obligations of Puerto Rico, States and political subdivisions classified as held-to-maturity at March 31, 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 March 31, 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 March 31, 2012. At March 31, 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.

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 done to the Corporation s methodology for determining the allowance for loan losses which were effective on March 31, 2012.

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

(In thousands)	Non-covered loans HIP at March 31, 2012	Non-covered loans HIP at December 31, 2011
Commercial multi-family	$ 802,286	$ 808,933
Commercial real estate non-owner occupied	2,641,361	2,665,499
Commercial real estate owner occupied	2,665,551	2,817,266
Commercial and industrial	3,759,044	3,681,629
Construction	236,579	239,939
Mortgage	5,591,745	5,518,460
Leasing	543,314	548,706
Legacy[2]	603,874	648,409
Consumer:		
Credit cards	1,204,551	1,230,029
Home equity lines of credit	542,249	557,894
Personal	1,119,335	1,130,593
Auto	533,575	518,476
Other	235,210	236,763
Total loans held-in-portfolio[1]	$ 20,478,674	$ 20,602,596

[1] Non-covered loans held-in-portfolio at March 31, 2012 are net of $99 million in unearned income and exclude $362 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.

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

(In thousands)	Covered loans at March 31, 2012	Covered loans at December 31, 2011
Commercial real estate	$ 2,202,860	$ 2,271,295
Commercial and industrial	228,841	241,447
Construction	532,433	546,826
Mortgage	1,150,996	1,172,954
Consumer	106,658	116,181
Total loans held-in-portfolio	$ 4,221,788	$ 4,348,703

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

	Non-covered loans	
(In thousands)	March 31, 2012	December 31, 2011
Commercial	$ 25,994	$ 26,198
Construction	206,246	236,045
Mortgage	129,356	100,850

Total	$ 361,596	$ 363,093

During the quarter ended March 31, 2012, the Corporation recorded purchases of mortgage loans amounting to $215 million (March 31, 2011 $439 million). In addition, during the quarter ended March 31, 2012, the Corporation recorded purchases of construction loans amounting to $1 million (no construction loans were purchased during the quarter ended March 31, 2011). There were no significant purchases of commercial loans during the quarters ended March 31, 2012 and 2011.

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The Corporation performed whole-loan sales involving approximately $50 million of residential mortgage loans during the quarter ended March 31, 2012 (March 31, 2011 $235 million). Also, the Corporation securitized approximately $190 million of mortgage loans into Government National Mortgage Association (GNMA) mortgage-backed securities during the quarter ended March 31, 2012 (March 31, 2011 $256 million). Furthermore, the Corporation securitized approximately $60 million of mortgage loans into Federal National Mortgage Association (FNMA) mortgage-backed securities during the quarter ended March 31, 2012 (March 31, 2011 $73 million). The Corporation sold commercial and construction loans with a book value of approximately $20 million during the quarter ended March 31, 2012 (March 31, 2011 $2 million).

Non-covered loans

The following tables present non-covered loans held-in-portfolio by loan class that are in non-performing status or are accruing interest but are past due 90 days or more at March 31, 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 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 March 31, 2012					
	Puerto Rico		U.S. mainland		Popular, Inc.	
	Non-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	Non-accrual loans	Accruing loans past-due 90 days or more
Commercial multi-family	$ 14,666	$	$ 16,860	$	$ 31,526	$
Commercial real estate non-owner occupied	62,155		86,448		148,603	
Commercial real estate owner occupied	377,623		52,979		430,602	
Commercial and industrial	166,472	671	41,475		207,947	671
Construction	56,247		13,223		69,470	
Mortgage	633,517	293,805	33,700		667,217	293,805
Leasing	5,673				5,673	
Legacy			79,077		79,077	
Consumer:						
Credit cards		24,478	623		623	24,478
Home equity lines of credit		439	12,212		12,212	439
Personal	17,630		1,639		19,269	
Auto	6,527		38		6,565	
Other	2,971	695	48		3,019	695
Total[1]	$ 1,343,481	$ 320,088	$ 338,322	$	$ 1,681,803	$ 320,088

[1] For purposes of this table non-performing loans exclude $232 million in non-performing loans held-for-sale.

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At December 31, 2011						
	Puerto Rico		U.S. mainland		Popular, Inc.	
	Non-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	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.

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

March 31, 2012 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	$ 409	$	$ 14,666	$ 15,075	$ 94,503	$ 109,578
Commercial real estate non-owner occupied	6,708	230	62,155	69,093	1,209,572	1,278,665
Commercial real estate owner occupied	51,307	10,426	377,623	439,356	1,648,609	2,087,965
Commercial and industrial	58,769	8,000	167,143	233,912	2,719,549	2,953,461
Construction	12,360		56,247	68,607	107,161	175,768
Mortgage	261,859	45,756	927,322	1,234,937	3,525,408	4,760,345
Leasing	9,203	1,448	5,673	16,324	526,990	543,314
Consumer:						
Credit cards	15,323	11,016	24,478	50,817	1,140,363	1,191,180
Home equity lines of credit	205	340	439	984	18,693	19,677
Personal	15,471	9,360	17,630	42,461	932,538	974,999
Auto	21,213	5,817	6,527	33,557	498,360	531,917
Other	678	651	3,666	4,995	228,735	233,730
Total	$ 453,505	$ 93,044	$ 1,663,569	$ 2,210,118	$ 12,650,481	$ 14,860,599

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March 31, 2012
U.S. mainland

(In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 4,107	$	$ 16,860	$ 20,967	$ 671,741	$ 692,708
Commercial real estate non-owner occupied	31,834	169	86,448	118,451	1,244,245	1,362,696
Commercial real estate owner occupied	14,371	237	52,979	67,587	509,999	577,586
Commercial and industrial	8,159	605	41,475	50,239	755,344	805,583
Construction	681		13,223	13,904	46,907	60,811
Mortgage	32,232	4,798	33,700	70,730	760,670	831,400
Legacy	18,752	1,806	79,077	99,635	504,239	603,874
Consumer:						
Credit cards	178	169	623	970	12,401	13,371
Home equity lines of credit	4,804	1,938	12,212	18,954	503,618	522,572
Personal	5,082	98	1,639	6,819	137,517	144,336
Auto	31	5	38	74	1,584	1,658
Other	11	18	48	77	1,403	1,480
Total	$ 120,242	$ 9,843	$ 338,322	$ 468,407	$ 5,149,668	$ 5,618,075

March 31, 2012
Popular, Inc.
Non-covered loans

(In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Popular, Inc.
Commercial multi-family	$ 4,516	$	$ 31,526	$ 36,042	$ 766,244	$ 802,286
Commercial real estate non-owner occupied	38,542	399	148,603	187,544	2,453,817	2,641,361
Commercial real estate owner occupied	65,678	10,663	430,602	506,943	2,158,608	2,665,551
Commercial and industrial	66,928	8,605	208,618	284,151	3,474,893	3,759,044
Construction	13,041		69,470	82,511	154,068	236,579
Mortgage	294,091	50,554	961,022	1,305,667	4,286,078	5,591,745
Leasing	9,203	1,448	5,673	16,324	526,990	543,314
Legacy	18,752	1,806	79,077	99,635	504,239	603,874
Consumer:						
Credit cards	15,501	11,185	25,101	51,787	1,152,764	1,204,551
Home equity lines of credit	5,009	2,278	12,651	19,938	522,311	542,249
Personal	20,553	9,458	19,269	49,280	1,070,055	1,119,335
Auto	21,244	5,822	6,565	33,631	499,944	533,575
Other	689	669	3,714	5,072	230,138	235,210
Total	$ 573,747	$ 102,887	$ 2,001,891	$ 2,678,525	$ 17,800,149	$ 20,478,674

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December 31, 2011
Puerto Rico
Non-covered loans

(In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Non-covered loans HIP Puerto Rico
Commercial multi-family	$ 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

December 31, 2011
U.S. mainland

(In thousands)	Past due 30-59 days	60-89 days	90 days or more	Total past due	Current	Loans HIP U.S. mainland
Commercial multi-family	$ 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

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December 31, 2011
Popular, Inc.
Non-covered loans

(In thousands)	Past due 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 March 31, 2012 and December 31, 2011 by main categories.

(In thousands)	Non-covered loans HFS March 31, 2012	December 31, 2011
Commercial	$ 25,994	$ 26,198
Construction	206,246	236,045
Mortgage	53	59
Total	$ 232,293	$ 262,302

Covered loans

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

	March 31, 2012		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	$ 24,924	$	$ 14,241	$ 125
Commercial and industrial	62,324	463	63,858	1,392
Construction	4,541	6,172	4,598	5,677
Mortgage	423	113	423	113
Consumer	483	625	516	377
Total[1]	$ 92,695	$ 7,373	$ 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.

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

March 31, 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	$ 53,879	$ 20,695	$ 537,549	$ 612,123	$ 1,590,737	$ 2,202,860
Commercial and industrial	5,483	4,708	93,658	103,849	124,992	228,841
Construction	2,411	480	415,960	418,851	113,582	532,433
Mortgage	58,408	6,532	187,719	252,659	898,337	1,150,996
Consumer	5,018	1,939	14,701	21,658	85,000	106,658
Total covered loans	$ 125,199	$ 34,354	$ 1,249,587	$ 1,409,140	$ 2,812,648	$ 4,221,788

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

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

	March 31, 2012			December 31, 2011		
	Covered loans ASC 310-30					
		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	$ 1,853,679	$ 215,758	$ 2,069,437	$ 1,920,141	$ 215,560	$ 2,135,701
Commercial and industrial	79,335	3,482	82,817	85,859	4,621	90,480
Construction	199,724	309,418	509,142	279,561	260,208	539,769
Mortgage	1,125,643	13,288	1,138,931	1,065,842	102,027	1,167,869
Consumer	86,930	7,648	94,578	95,048	7,604	102,652
Carrying amount	3,345,311	549,594	3,894,905	3,446,451	590,020	4,036,471
Allowance for loan losses	(63,240)	(31,319)	(94,559)	(62,951)	(20,526)	(83,477)
Carrying amount, net of allowance	$ 3,282,071	$ 518,275	$ 3,800,346	$ 3,383,500	$ 569,494	$ 3,952,994

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The outstanding principal balance of covered loans accounted pursuant to ASC Subtopic 310-30, including amounts charged off by the Corporation, amounted to $5.8 billion at March 31, 2012 (December 31, 2011 $6.0 billion). At March 31, 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 March 31, 2012 and 2011, were as follows:

Activity in the accretable discount
Covered loans ASC 310-30
For the quarters ended

	March 31, 2012			March 31, 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	(62,467)	(6,870)	(69,337)	(63,418)	(9,514)	(72,932)
Change in expected cash flows	148,422	(6,825)	141,597			
Ending balance	$ 1,514,719	$ 27,800	$ 1,542,519	$ 1,244,509	$ 13,667	$ 1,258,176

Carrying amount of covered loans accounted for pursuant to ASC 310-30
For the quarters ended

	March 31, 2012			March 31, 2011		
(In thousands)	Non-credit impaired loans	Credit impaired loans	Total	Non-credit impaired loans	Credit impaired loans	Total
Beginning balance	$ 3,383,500	$ 569,494	$ 3,952,994	$ 3,894,379	$ 645,549	$ 4,539,928
Accretion	62,467	6,870	69,337	63,418	9,514	72,932
Collections	(100,656)	(26,770)	(127,426)	(169,147)	(20,217)	(189,364)
Ending balance	$ 3,345,311	$ 549,594	$ 3,894,905	$ 3,788,650	$ 634,846	$ 4,423,496
Allowance for loan losses						
ASC 310-30 covered loans	(63,240)	(31,319)	(94,559)		(5,297)	(5,297)
	$ 3,282,071	$ 518,275	$ 3,800,346	$ 3,788,650	$ 629,549	$ 4,418,199

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	
(In thousands)	March 31, 2012	March 31, 2011
Balance at beginning of period	$ 83,477	$
Provision for loan losses	11,370	9,127
Net charge-offs	(288)	(3,830)
Balance at end of period	$ 94,559	$ 5,297

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 March 31, 2012 and 2011.

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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 accounting guidance, specifically 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 3-year historical loss window for the commercial and construction 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, which is described in the paragraphs below, was implemented as of March 31, 2012 and resulted in a reduction to the allowance for loan losses of $40.5 million. As part of the analyses performed with the revisions in the allowance for loan losses methodology, the Corporation recorded an increase of $15.7 million related to environmental factor reserves for BPPR s commercial loan portfolio which although improving continues to warrant additional scrutiny. The net impact of the revisions in the allowance methodology and the aforementioned increase due to environmental factors was $24.8 million for the quarter.

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 the economic factors affecting the economy. 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 and construction 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.

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.

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The following tables present the activity in the allowance for loan losses by portfolio segment for the quarters ended March 31, 2012 and 2011.

	For the quarter ended March 31, 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	3,394	450	36,411	470	27,067	67,792
Charge-offs	(47,644)	(280)	(13,491)	(1,217)	(32,238)	(94,870)
Recoveries	10,126	651	1,265	1,063	8,107	21,212
Ending balance	$ 221,329	$ 6,671	$ 96,507	$ 4,967	$ 118,062	$ 447,536

	For the quarter ended March 31, 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 (reversal of provision)	(300)	9,556	5,410		3,543	18,209
Charge-offs	(4,102)	(264)	(203)		(89)	(4,658)
Recoveries						
Ending balance	$ 90,070	$ 29,727	$ 10,517	$	$ 8,182	$ 138,496

	For the quarter ended March 31, 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)	(4,864)	(3)	4,261	12,055	3,273	14,722
Charge-offs	(19,602)	(1,396)	(5,332)	(8,473)	(10,358)	(45,161)
Recoveries	2,737	1,230	104	4,915	1,724	10,710
Ending balance	$ 92,250	$ 2,462	$ 28,972	$ 54,725	$ 38,823	$ 217,232

	For the quarter ended March 31, 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)	(1,770)	10,003	46,082	12,055	470	33,883	100,723
Charge-offs	(71,348)	(1,940)	(19,026)	(8,473)	(1,217)	(42,685)	(144,689)
Recoveries	12,863	1,881	1,369	4,915	1,063	9,831	31,922
Ending balance	$ 403,649	$ 38,860	$ 135,996	$ 54,725	$ 4,967	$ 165,067	$ 803,264

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For the quarter ended March 31, 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	1,099	3,385	21,515	633	25,067	51,699
Charge-offs	(46,032)	(9,754)	(8,204)	(1,946)	(35,477)	(101,413)
Recoveries	7,504	1,733	527	767	7,063	17,594
Ending balance	$ 219,214	$ 11,438	$ 55,867	$ 6,608	$ 130,184	$ 423,311

For the quarter ended March 31, 2011 Puerto Rico Covered Loans						
(In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Beginning balance	$	$	$	$	$	$
Provision	3,642	11,279	59		577	15,557
Charge-offs	(1,707)	(4,345)			(346)	(6,398)
Recoveries						
Ending balance	$ 1,935	$ 6,934	$ 59	$	$ 231	$ 9,159

For the quarter ended March 31, 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)	2,280	(808)	(17,833)	13,755	10,669	8,063
Charge-offs	(19,532)	(982)	(1,358)	(23,504)	(17,914)	(63,290)
Recoveries	2,048	218	788	3,255	1,352	7,661
Net recovery related to loans transferred to LHFS			13,807			13,807
Ending balance	$ 128,077	$ 22,139	$ 24,243	$ 69,911	$ 59,665	$ 304,035

For the quarter ended March 31, 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	7,021	13,856	3,741	13,755	633	36,313	75,319
Charge-offs	(67,271)	(15,081)	(9,562)	(23,504)	(1,946)	(53,737)	(171,101)
Recoveries	9,552	1,951	1,315	3,255	767	8,415	25,255
Net recovery related to loans transferred to LHFS			13,807				13,807
Ending balance	$ 349,226	$ 40,511	$ 80,169	$ 69,911	$ 6,608	$ 190,080	$ 736,505

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The following tables present information at March 31, 2012, December 31, 2011 and March 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 March 31, 2012 Puerto Rico (In thousands)	Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 11,115	$ 1,013	$ 27,096	$ 1,344	$ 18,887	$ 59,455
General ALLL non-covered loans	210,214	5,658	69,411	3,623	99,175	388,081
ALLL - non-covered loans	221,329	6,671	96,507	4,967	118,062	447,536
Specific ALLL covered loans	32,489					32,489
General ALLL covered loans	57,581	29,727	10,517		8,182	106,007
ALLL - covered loans	90,070	29,727	10,517		8,182	138,496
Total ALLL	$ 311,399	$ 36,398	$ 107,024	$ 4,967	$ 126,244	$ 586,032
Loans held-in-portfolio:						
Impaired non-covered loans	$ 402,097	$ 51,023	$ 396,854	$ 5,412	$ 135,745	$ 991,131
Non-covered loans held-in-portfolio excluding impaired loans	6,027,572	124,745	4,363,491	537,902	2,815,758	13,869,468
Non-covered loans held-in-portfolio	6,429,669	175,768	4,760,345	543,314	2,951,503	14,860,599
Impaired covered loans	85,855					85,855
Covered loans held-in-portfolio excluding impaired loans	2,345,846	532,433	1,150,996		106,658	4,135,933
Covered loans held-in-portfolio	2,431,701	532,433	1,150,996		106,658	4,221,788
Total loans held-in-portfolio	$ 8,861,370	$ 708,201	$ 5,911,341	$ 543,314	$ 3,058,161	$ 19,082,387

At March 31, 2012 U.S. Mainland (In thousands)	Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Specific ALLL	$ 1,883	$	$ 13,850	$ 765	$ 103	$ 16,601
General ALLL	90,367	2,462	15,122	53,960	38,720	200,631
Total ALLL	$ 92,250	$ 2,462	$ 28,972	$ 54,725	$ 38,823	$ 217,232
Loans held-in-portfolio:						
Impaired loans	$ 150,055	$ 13,126	$ 53,900	$ 47,731	$ 2,455	$ 267,267
Loans held-in-portfolio, excluding impaired loans	3,288,518	47,685	777,500	556,143	680,962	5,350,808
Total loans held-in-portfolio	$ 3,438,573	$ 60,811	$ 831,400	$ 603,874	$ 683,417	$ 5,618,075

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At March 31, 2012 Popular, Inc. (In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 12,998	$ 1,013	$ 40,946	$ 765	$ 1,344	$ 18,990	$ 76,056
General ALLL non-covered loans	300,581	8,120	84,533	53,960	3,623	137,895	588,712
ALLL - non-covered loans	313,579	9,133	125,479	54,725	4,967	156,885	664,768
Specific ALLL covered loans	32,489						32,489
General ALLL covered loans	57,581	29,727	10,517			8,182	106,007
ALLL - covered loans	90,070	29,727	10,517			8,182	138,496
Total ALLL	$ 403,649	$ 38,860	$ 135,996	$ 54,725	$ 4,967	$ 165,067	$ 803,264
Loans held-in-portfolio:							
Impaired non-covered loans	$ 552,152	$ 64,149	$ 450,754	$ 47,731	$ 5,412	$ 138,200	$ 1,258,398
Non-covered loans held-in-portfolio excluding impaired loans	9,316,090	172,430	5,140,991	556,143	537,902	3,496,720	19,220,276
Non-covered loans held-in-portfolio	9,868,242	236,579	5,591,745	603,874	543,314	3,634,920	20,478,674
Impaired covered loans	85,855						85,855
Covered loans held-in-portfolio excluding impaired loans	2,345,846	532,433	1,150,996			106,658	4,135,933
Covered loans held-in-portfolio	2,431,701	532,433	1,150,996			106,658	4,221,788
Total loans held-in-portfolio	$ 12,299,943	$ 769,012	$ 6,742,741	$ 603,874	$ 543,314	$ 3,741,578	$ 24,700,462

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

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(In thousands)	At December 31, 2011 U.S. Mainland 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

(In thousands)	Commercial	At December 31, 2011 Popular, Inc. 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
ALLL - non-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
ALLL - covered 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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(In thousands)	At March 31, 2011 Puerto Rico Commercial	Construction	Mortgage	Leasing	Consumer	Total
Allowance for credit losses:						
Specific ALLL non-covered loans	$ 8,212	$	$ 6,883	$	$	$ 15,095
General ALLL non-covered loans	211,002	11,438	48,984	6,608	130,184	408,216
ALLL - non-covered loans	219,214	11,438	55,867	6,608	130,184	423,311
Specific ALLL covered loans						
General ALLL covered loans	1,935	6,934	59		231	9,159
ALLL - covered loans	1,935	6,934	59		231	9,159
Total ALLL	$ 221,149	$ 18,372	$ 55,926	$ 6,608	$ 130,415	$ 432,470
Loans held-in-portfolio:						
Impaired non-covered loans	$ 325,075	$ 56,607	$ 141,819	$	$	$ 523,501
Non-covered loans held-in-portfolio excluding impaired loans	6,337,511	92,682	3,889,361	565,881	2,852,855	13,738,290
Non-covered loans held-in-portfolio	6,662,586	149,289	4,031,180	565,881	2,852,855	14,261,791
Impaired covered loans						
Covered loans held-in-portfolio excluding impaired loans	2,709,130	621,187	1,247,476		151,757	4,729,550
Covered loans held-in-portfolio	2,709,130	621,187	1,247,476		151,757	4,729,550
Total loans held-in-portfolio	$ 9,371,716	$ 770,476	$ 5,278,656	$ 565,881	$ 3,004,612	$ 18,991,341

(In thousands)	At March 31, 2011 U.S. Mainland Commercial	Construction	Mortgage	Legacy	Consumer	Total
Allowance for credit losses:						
Specific ALLL	$ 1,514	$	$ 1,283	$	$	$ 2,797
General ALLL	126,563	22,139	22,960	69,911	59,665	301,238
Total ALLL	$ 128,077	$ 22,139	$ 24,243	$ 69,911	$ 59,665	$ 304,035
Loans held-in-portfolio:						
Impaired loans	$ 124,004	$ 68,217	$ 5,207	$ 104,017	$	$ 301,445
Loans held-in-portfolio, excluding impaired loans	3,614,695	72,377	859,295	794,755	772,431	6,113,553
Total loans held-in-portfolio	$ 3,738,699	$ 140,594	$ 864,502	$ 898,772	$ 772,431	$ 6,414,998

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At March 31, 2011
Popular, Inc.

(In thousands)	Commercial	Construction	Mortgage	Legacy	Leasing	Consumer	Total
Allowance for credit losses:							
Specific ALLL non-covered loans	$ 9,726	$	$ 8,166	$	$	$	$ 17,892
General ALLL non-covered loans	337,565	33,577	71,944	69,911	6,608	189,849	709,454
ALLL - non-covered loans	347,291	33,577	80,110	69,911	6,608	189,849	727,346
Specific ALLL covered loans							
General ALLL covered loans	1,935	6,934	59			231	9,159
ALLL - covered loans	1,935	6,934	59			231	9,159
Total ALLL	$ 349,226	$ 40,511	$ 80,169	$ 69,911	$ 6,608	$ 190,080	$ 736,505
Loans held-in-portfolio:							
Impaired non-covered loans	$ 449,079	$ 124,824	$ 147,026	$ 104,017	$	$	$ 824,946
Non-covered loans held-in-portfolio excluding impaired loans	9,952,206	165,059	4,748,656	794,755	565,881	3,625,286	19,851,843
Non-covered loans held-in-portfolio	10,401,285	289,883	4,895,682	898,772	565,881	3,625,286	20,676,789
Impaired covered loans							
Covered loans held-in-portfolio excluding impaired loans	2,709,130	621,187	1,247,476			151,757	4,729,550
Covered loans held-in-portfolio	2,709,130	621,187	1,247,476			151,757	4,729,550
Total loans held-in-portfolio	$ 13,110,415	$ 911,070	$ 6,143,158	$ 898,772	$ 565,881	$ 3,777,043	$ 25,406,339

Impaired loans

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

March 31, 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	$ 143	$ 143	$	$ 8,629	$ 13,035	$ 8,772	$ 13,178	$
Commercial real estate non-owner occupied	23,072	24,403	1,988	39,455	43,338	62,527	67,741	1,988
Commercial real estate owner occupied	37,989	50,338	4,053	162,233	212,474	200,222	262,812	4,053
Commercial and industrial	38,950	43,746	5,074	91,626	128,809	130,576	172,555	5,074
Construction	4,716	9,187	1,013	46,307	96,665	51,023	105,852	1,013
Mortgage	375,863	380,449	27,096	20,991	20,991	396,854	401,440	27,096
Leasing	5,412	5,412	1,344			5,412	5,412	1,344
Consumer:								
Credit cards	39,045	39,045	1,973			39,045	39,045	1,973
Personal	92,042	92,042	16,208			92,042	92,042	16,208
Other	4,658	4,658	706			4,658	4,658	706
Covered loans	81,675	81,675	32,489	4,180	4,180	85,855	85,855	32,489

Total Puerto Rico	$ 703,565	$ 731,098	$ 91,944	$ 373,421	$ 519,492	$ 1,076,986	$ 1,250,590	$ 91,944

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March 31, 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	$	$	$	$ 11,719	$ 17,749	$ 11,719	$ 17,749	$
Commercial real estate non-owner occupied	4,364	4,817	1,591	60,981	88,638	65,345	93,455	1,591
Commercial real estate owner occupied				41,565	51,091	41,565	51,091	
Commercial and industrial	4,151	4,151	292	27,275	33,453	31,426	37,604	292
Construction				13,126	15,066	13,126	15,066	
Mortgage	49,136	49,823	13,850	4,764		53,900	49,823	13,850
Legacy	10,306	10,306	765	37,425	63,016	47,731	73,322	765
Consumer	2,455	2,455	103			2,455	2,455	103
Total U.S. mainland	$ 70,412	$ 71,552	$ 16,601	$ 196,855	$ 269,013	$ 267,267	$ 340,565	$ 16,601

March 31, 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	$ 143	$ 143	$	$ 20,348	$ 30,784	$ 20,491	$ 30,927	$
Commercial real estate non-owner occupied	27,436	29,220	3,579	100,436	131,976	127,872	161,196	3,579
Commercial real estate owner occupied	37,989	50,338	4,053	203,798	263,565	241,787	313,903	4,053
Commercial and industrial	43,101	47,897	5,366	118,901	162,262	162,002	210,159	5,366
Construction	4,716	9,187	1,013	59,433	111,731	64,149	120,918	1,013
Mortgage	424,999	430,272	40,946	25,755	20,991	450,754	451,263	40,946
Legacy	10,306	10,306	765	37,425	63,016	47,731	73,322	765
Leasing	5,412	5,412	1,344			5,412	5,412	1,344
Consumer:								
Credit cards	39,045	39,045	1,973			39,045	39,045	1,973
Personal	92,042	92,042	16,208			92,042	92,042	16,208
Other	7,113	7,113	809			7,113	7,113	809
Covered loans	81,675	81,675	32,489	4,180	4,180	85,855	85,855	32,489
Total Popular, Inc.	$ 773,977	$ 802,650	$ 108,545	$ 570,276	$ 788,505	$ 1,344,253	$ 1,591,155	$ 108,545

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

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December 31, 2011
U.S. mainland

(In thousands)	Impaired Loans With an Allowance Recorded investment	Impaired Loans With an Allowance Unpaid principal balance	Impaired Loans With an Allowance Related allowance	Impaired Loans With No Allowance Recorded investment	Impaired Loans With No Allowance Unpaid principal balance	Impaired Loans - Total Recorded investment	Impaired Loans - Total Unpaid principal balance	Impaired Loans - Total Related allowance
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 Consumer	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

December 31, 2011
Popular, Inc.

(In thousands)	Impaired Loans With an Allowance Recorded investment	Impaired Loans With an Allowance Unpaid principal balance	Impaired Loans With an Allowance Related allowance	Impaired Loans With No Allowance Recorded investment	Impaired Loans With No Allowance Unpaid principal balance	Impaired Loans - Total Recorded investment	Impaired Loans - Total Unpaid principal balance	Impaired Loans - Total Related allowance
Commercial 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 quarters ended March 31, 2012 and 2011.

March 31, 2012

(In thousands)	Puerto Rico Average recorded	Puerto Rico Interest income	U.S. Mainland Average recorded	U.S. Mainland Interest income	Popular, Inc. Average recorded	Popular, Inc. Interest income

	investment	recognized	investment	recognized	investment	recognized
Commercial multi-family	$ 15,721	$	$ 10,187	$ 90	$ 25,908	$ 90
Commercial real estate non-owner occupied	56,977	181	63,881	487	120,858	668
Commercial real estate owner occupied	201,750	576	44,604		246,354	576
Commercial and industrial	128,146	483	32,976	37	161,122	520
Construction	50,385	16	27,545		77,930	16
Mortgage	365,100	5,573	51,717	482	416,817	6,055
Legacy			48,311	46	48,311	46
Leasing	5,758				5,758	
Consumer:						
Credit cards	38,959				38,959	
Personal	92,901				92,901	
Auto			46		46	
Other	4,803		2,444		7,247	
Covered loans	81,327				81,327	
Total Popular, Inc.	$ 1,041,827	$ 6,829	$ 281,711	$ 1,142	$ 1,323,538	$ 7,971

	March 31, 2011					
	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	$ 14,744	$ 106	$ 5,982	$	$ 20,726	$ 106
Commercial real estate non-owner occupied	27,542	117	92,583	114	120,125	231
Commercial real estate owner occupied	183,972	446	14,527	69	198,499	515
Commercial and industrial	91,570	252	10,409	31	101,979	283
Construction	61,153	49	116,921	124	178,074	173
Mortgage	131,514	1,914	2,603	98	134,117	2,012
Legacy			58,202	28	58,202	28
Total Popular, Inc.	$ 510,495	$ 2,884	$ 301,227	$ 464	$ 811,722	$ 3,348

Modifications

Troubled debt restructurings related to non-covered loan portfolios amounted to $911 million at March 31, 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 $445 thousand related to the construction loan portfolio and $3 million related to the commercial loan portfolio at March 31, 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.

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 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

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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 discounted cash flows analyses for the commercial and construction TDRs, currently, do not consider a default component. As indicated above, the vast majority of the Corporation s modified commercial and construction loans are measured for impairment using the estimated fair value of the collateral, thus the consideration of the default rates in the evaluation of TDRs in these portfolios is not deemed material.

The following tables present the loan count by type of modification for those loans modified in a TDR during the quarter ended March 31, 2012.

Puerto Rico
For the quarter ended March 31, 2012

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family				
Commercial real estate non-owner occupied	1	3		
Commercial real estate owner occupied	2	8		
Commercial and industrial	17	31		
Construction	1	1		
Mortgage	36	41	335	45
Leasing		28		
Consumer:				
Credit cards	547			340
HELOCs				
Personal	388	9		
Auto			2	
Other	11			
Total	1,003	121	337	385

U.S. mainland
For the quarter ended March 31, 2012

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family				
Commercial real estate non-owner occupied				1
Commercial real estate owner occupied				
Commercial and industrial				
Construction				1
Mortgage	2		25	
Legacy				2
Consumer:				
Credit cards				
HELOCs				
Personal				
Auto				
Other				

Total	2	25	4

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Popular, Inc.
For the quarter ended March 31, 2012

	Reduction in interest rate	Extension of maturity date	Combination of reduction in interest rate and extension of maturity date	Other
Commercial multi-family				
Commercial real estate non-owner occupied	1	3		1
Commercial real estate owner occupied	2	8		
Commercial and industrial	17	31		
Construction	1	1		1
Mortgage	38	41	360	45
Legacy				2
Leasing		28		
Consumer:				
Credit cards	547			340
HELOCs				
Personal	388	9		