POPULAR INC
Form 10-Q
November 09, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

þ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2009

Commission File Number: 000-34084
POPULAR, INC.
(Exact name of registrant as specified in its charter)

Puerto Rico	**66-0667416**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
Popular Center Building **209 Muñoz Rivera Avenue, Hato Rey** **San Juan, 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.
þ Yes o 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).
o Yes o 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 the definitions of large accelerated filer, accelerated filer and a smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Small reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes þ 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 639,540,105 shares outstanding as of November 5, 2009.

POPULAR, INC.
INDEX

Table of Contents

Forward-Looking Information

The information included in this Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to Popular, Inc. s (the Corporation) financial condition, 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, 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 should, could, might, can, may, or similar expressions are generally intended to identify forward-looking statem 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 the Corporation s control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements.

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 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;
- possible legislative, tax or regulatory changes; and
- difficulties in combining the operations of acquired entities.

Investors should refer to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2008 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.

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.

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

Table of Contents

ITEM 1. FINANCIAL STATEMENTS
POPULAR, INC.
CONSOLIDATED STATEMENTS OF CONDITION (UNAUDITED)

(In thousands, except share information)	September 30, 2009	December 31, 2008	September 30, 2008
ASSETS			
Cash and due from banks	$ 606,861	$ 784,987	$ 1,183,997
Money market investments:			
Federal funds sold	140,635	214,990	173,330
Securities purchased under agreements to resell	325,178	304,228	121,613
Time deposits with other banks	633,010	275,436	14,554
	1,098,823	794,654	309,497
Investment securities available-for-sale, at fair value:			
Pledged securities with creditors right to repledge	2,432,720	3,031,137	3,256,348
Other investment securities available-for-sale	4,560,571	4,893,350	4,312,394
Investment securities held-to-maturity, at amortized cost (fair value as of September 30, 2009 - $210,913; December 31, 2008 - $290,134; September 30, 2008 - $716,430)	212,950	294,747	719,832
Other investment securities, at lower of cost or realizable value (realizable value as of September 30, 2009 - $176,286; December 31, 2008 - $255,830; September 30, 2008 - $273,836)	174,943	217,667	229,158
Trading account securities, at fair value:			
Pledged securities with creditors right to repledge	386,478	562,795	390,181
Other trading securities	59,890	83,108	54,217
Loans held-for-sale measured at lower of cost or fair value	75,447	536,058	245,134
Loans held-in-portfolio	24,512,966	25,857,237	26,519,805
Less Unearned income	116,897	124,364	183,770
Allowance for loan losses	1,207,401	882,807	726,480
	23,188,668	24,850,066	25,609,555
Premises and equipment, net	589,592	620,807	620,469
Other real estate	129,485	89,721	72,605
Accrued income receivable	131,745	156,227	197,549
Servicing assets (at fair value on September 30, 2009 - $180,335; December 31, 2008 - $176,034; September 30, 2008 - $127,827)	183,376	180,306	132,484
Other assets (See Note 9)	1,153,680	1,115,597	1,412,219
Goodwill	606,508	605,792	608,172
Other intangible assets	46,067	53,163	67,662
Assets from discontinued operations (See Note 3)		12,587	968,669

	$35,637,804	$38,882,769	$40,390,142
LIABILITIES AND STOCKHOLDERS EQUITY			
Liabilities:			
Deposits:			
Non-interest bearing	$ 4,281,817	$ 4,293,553	$ 4,065,720
Interest bearing	22,101,081	23,256,652	23,845,677
	26,382,898	27,550,205	27,911,397
Federal funds purchased and assets sold under agreements to repurchase	2,807,891	3,551,608	3,730,039
Other short-term borrowings	3,077	4,934	507,011
Notes payable	2,649,821	3,386,763	4,242,487
Other liabilities	1,051,661	1,096,338	811,362
Liabilities from discontinued operations (See Note 3)		24,557	180,373
	32,895,348	35,614,405	37,382,669
Commitments and contingencies (See Note 19)			
Stockholders equity:			
Preferred stock, 30,000,000 shares authorized; 2,006,391 shares issued and outstanding as of September 30, 2009 (December 31, 2008 - 24,410,000; September 30, 2008 - 23,475,000) (aggregate liquidation preference value September 30, 2009 - $50,160; December 31, 2008 - $1,521,875; September 30, 2008 - $586,875)(See Notes 15 and 17)	50,160	1,483,525	586,875
Common stock, $0.01 par value as of September 30, 2009 ($6.00 as of December 31, 2008 and September 30, 2008); 700,000,000 shares authorized as of September 30, 2009 (470,000,000 as of December 31, 2008 and September 30, 2008); 639,544,895 shares issued (December 31, 2008 - 295,632,080; September 30, 2008 - 295,335,063) and 639,541,515 outstanding (December 31, 2008 - 282,004,713; September 30, 2008 - 281,708,260)	6,395	1,773,792	1,772,010
Surplus	2,794,660	621,879	564,021
(Accumulated deficit) retained earnings	(69,525)	(374,488)	384,062
Accumulated other comprehensive loss, net of tax of ($57,302) (December 31, 2008 - ($24,771); September 30, 2008 - ($22,374))	(39,223)	(28,829)	(91,983)
Treasury stock at cost, 3,380 shares as of September 30, 2009 (December 31, 2008 - 13,627,367 shares; September 30, 2008 - 13,626,803 shares)	(11)	(207,515)	(207,512)
	2,742,456	3,268,364	3,007,473
	$35,637,804	$38,882,769	$40,390,142

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

Table of Contents

POPULAR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share information)	Quarter ended September 30, 2009	Quarter ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
INTEREST INCOME:				
Loans	$ 371,366	$ 457,905	$ 1,155,378	$ 1,421,937
Money market investments	1,510	3,447	7,024	13,651
Investment securities	74,360	84,790	223,661	261,649
Trading account securities	7,227	9,339	28,638	35,344
	454,463	555,481	1,414,701	1,732,581
INTEREST EXPENSE:				
Deposits	118,941	165,611	395,432	528,596
Short-term borrowings	16,142	37,233	53,476	137,824
Long-term debt	42,991	28,355	133,858	75,823
	178,074	231,199	582,766	742,243
Net interest income	276,389	324,282	831,935	990,338
Provision for loan losses	331,063	252,160	1,053,036	602,561
Net interest income after provision for loan losses	(54,674)	72,122	(221,101)	387,777
Service charges on deposit accounts	54,208	52,433	161,412	155,319
Other service fees (See Note 20)	97,614	95,302	298,584	306,649
Net (loss) gain on sale and valuation adjustments of investment securities	(9,059)	(9,132)	220,792	69,430
Trading account profit	7,579	6,669	31,241	38,547
(Loss) gain on sale of loans and valuation adjustments on loans held-for-sale	(8,728)	6,522	(35,994)	25,696
Other operating income	18,430	36,134	44,579	92,836
	105,370	260,050	499,513	1,076,254
OPERATING EXPENSES:				
Personnel costs:				
Salaries	102,822	118,948	315,224	360,963
Pension and other benefits	27,725	29,282	96,820	98,552
	130,547	148,230	412,044	459,515
Net occupancy expenses	28,269	26,510	80,734	81,218
Equipment expenses	24,983	26,305	76,289	84,312
Other taxes	13,109	13,301	39,369	39,905
Professional fees	28,694	31,780	80,643	88,964
Communications	11,902	12,574	36,115	38,137

Business promotion	8,905	16,216	26,761	51,064
Printing and supplies	2,857	3,269	8,664	10,763
FDIC deposit insurance	16,506	4,625	61,954	9,237
Gain on early extinguishment of debt	(79,304)		(79,304)	
Other operating expenses	31,753	36,139	104,955	104,485
Amortization of intangibles	2,379	3,966	7,218	8,948
	220,600	322,915	855,442	976,548
(Loss) income from continuing operations before income tax	(115,230)	(62,865)	(355,929)	99,706
Income tax expense (benefit)	6,331	148,308	(15,209)	152,467
Loss from continuing operations	(121,561)	(211,173)	(340,720)	(52,761)
Loss from discontinued operations, net of income tax	(3,427)	(457,370)	(19,972)	(488,242)
NET LOSS	$ (124,988)	$ (668,543)	$ (360,692)	$ (541,003)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK (See Note 18)	$ 595,614	$ (679,772)	$ 310,604	$ (561,213)
EARNINGS (LOSSES) PER COMMON SHARE BASIC AND DILUTED: (See Note 18)				
Earnings (losses) from continuing operations	$ 1.41	$ (0.79)	$ 1.00	$ (0.27)
Losses from discontinued operations	(0.01)	(1.63)	(0.06)	(1.73)
Net earnings (losses) per common share	$ 1.40	$ (2.42)	$ 0.94	$ (2.00)
DIVIDENDS DECLARED PER COMMON SHARE		$ 0.08	$ 0.02	$ 0.40

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

Table of Contents

POPULAR, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(UNAUDITED)

(In thousands)	Nine months ended September 30, 2009	2008
Preferred stock:		
Balance at beginning of year	$ 1,483,525	$ 186,875
Issuance of preferred stock		400,000
Exchange of Series A and B preferred stock	(536,715)	
Exchange of Series C preferred stock	(901,165)	
Accretion of Series C preferred stock discount	4,515	
Balance at end of period	50,160	586,875
Common stock:		
Balance at beginning of year	1,773,792	1,761,908
Common stock issued in exchange of Series A and B preferred stock	1,717	
Common stock issued in connection with early extinguishment of debt (exchange of trust preferred securities for common stock)	1,858	
Common stock issued under the Dividend Reinvestment Plan		10,102
Treasury stock retired	(81,583)	
Change in par value (from $6.00 to $0.01)	(1,689,389)	
Balance at end of period	6,395	1,772,010
Surplus:		
Balance at beginning of year	621,879	568,184
Common stock issued in exchange of Series A and B preferred stock	291,974	
Common stock issued in connection with early extinguishment of debt (exchange of trust preferred securities for common stock)	315,794	
Issuance costs related to exchange of Series A and B preferred stock and trust preferred securities	(11,618)	
Issuance costs of Series A and B preferred stock	12,636	
Common stock issued under the Dividend Reinvestment Plan		5,072
Issuance cost of preferred stock		(10,065)
Stock options expense on unexercised options, net of forfeitures	162	830
Treasury stock retired	(125,556)	
Change in par value (from $6.00 to $0.01)	1,689,389	
Balance at end of period	2,794,660	564,021
(Accumulated deficit) retained earnings:		
Balance at beginning of year	(374,488)	1,319,467
Net loss	(360,692)	(541,003)
Excess of carrying amount of Series A and B preferred stock exchanged over fair value of new shares of common stock	230,388	
	485,280	

Excess of carrying amount of Series C preferred stock exchanged over fair value of new trust preferred securities		
Cumulative effect of accounting change adoption of fair value option		(261,831)
Cash dividends declared on common stock	(5,641)	(112,361)
Cash dividends declared on preferred stock	(39,857)	(20,210)
Accretion of preferred stock discount 2008 Series C preferred stock	(4,515)	
Balance at end of period	(69,525)	384,062
Accumulated other comprehensive loss:		
Balance at beginning of year	(28,829)	(46,812)
Other comprehensive loss, net of tax	(10,394)	(45,171)
Balance at end of period	(39,223)	(91,983)

Table of Contents

(In thousands)	Nine months ended September 30, 2009	2008
Treasury stock at cost:		
Balance at beginning of year	(207,515)	(207,740)
Purchase of common stock	(13)	(358)
Reissuance of common stock	378	586
Treasury stock retired	207,139	
Balance at end of period	(11)	(207,512)
Total stockholders equity	$2,742,456	$3,007,473

Disclosure of changes in number of shares:

	September 30, 2009	December 31, 2008	September 30, 2008
Preferred Stock:			
Balance at beginning of year	24,410,000	7,475,000	7,475,000
Shares issued (2008 Series B)		16,000,000	16,000,000
Shares issued (2008 Series C)		935,000	
Preferred stock Series A and B exchanged for common stock	(21,468,609)		
Preferred stock Series C exchanged for trust preferred securities	(935,000)		
Balance at end of period	2,006,391	24,410,000	23,475,000
Common Stock Issued:			
Balance at beginning of year	295,632,080	293,651,398	293,651,398
Issued under the Dividend Reinvestment Plan		1,980,682	1,683,665
Treasury stock retired	(13,597,261)		
Shares issued in exchange of Series A and B preferred stock and early extinguishment of debt (exchange of trust preferred securities for common stock)	357,510,076		
Balance at end of period	639,544,895	295,632,080	295,335,063
Treasury stock	(3,380)	(13,627,367)	(13,626,803)
Common Stock outstanding	639,541,515	282,004,713	281,708,260

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

POPULAR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(UNAUDITED)

	Quarter ended September 30,		Nine months ended September 30,	
(In thousands)	2009	2008	2009	2008
Net loss	$(124,988)	$(668,543)	$(360,692)	$(541,003)
Other comprehensive income (loss) before tax:				
Foreign currency translation adjustment	(1,360)	(1,690)	(2,117)	(2,882)
Adjustment of pension and postretirement benefit plans	3,128	(36)	66,223	(110)
Unrealized holding gains (losses) on securities available-for-sale arising during the period	82,934	(13,611)	63,535	(36,048)
Reclassification adjustment for losses (gains) included in net (loss) income	3,688	11,704	(173,868)	(14,669)
Unrealized net (losses) gains on cash flow hedges	(995)	947	(2,618)	(1,160)
Reclassification adjustment for losses included in net (loss) income	37	1,169	5,920	2,762
	87,432	(1,517)	(42,925)	(52,107)
Income tax (expense) benefit	(9,955)	(18)	32,531	6,936
Total other comprehensive income (loss), net of tax	77,477	(1,535)	(10,394)	(45,171)
Comprehensive loss, net of tax	$ (47,511)	$(670,078)	$(371,086)	$(586,174)

Tax Effects Allocated to Each Component of Other Comprehensive (Loss) Income:

	Quarter ended September 30,		Nine months ended September 30,	
(In thousands)	2009	2008	2009	2008
Underfunding of pension and postretirement benefit plans	$(1,272)		$(24,055)	
Unrealized holding gains (losses) on securities available-for-sale arising during the period	(9,137)	$1,694	(5,844)	$ 5,374
Reclassification adjustment for losses (gains) included in net (loss) income	81	(959)	62,790	2,165
Unrealized net (losses) gains on cash flows hedges	388	(297)	1,021	478
Reclassification adjustment for losses included in net (loss) income	(15)	(456)	(1,381)	(1,081)

Income tax (expense) benefit	$(9,955)	$ (18)	$ 32,531	$ 6,936

Disclosure of accumulated other comprehensive loss:

(In thousands)	September 30, 2009	December 31, 2008	September 30, 2008
Foreign currency translation adjustment	$ (41,185)	$ (39,068)	$(37,470)
Underfunding of pension and postretirement benefit plans	(193,986)	(260,209)	(51,249)
Tax effect	75,586	99,641	20,108
Net of tax amount	(118,400)	(160,568)	(31,141)
Unrealized gains (losses) on securities available-for-sale	139,641	249,974	(23,625)
Tax effect	(18,672)	(75,618)	1,589
Net of tax amount	120,969	174,356	(22,036)
Unrealized losses on cash flows hedges	(995)	(4,297)	(2,013)
Tax effect	388	748	677
Net of tax amount	(607)	(3,549)	(1,336)
Accumulated other comprehensive loss, net of tax	$ (39,223)	$ (28,829)	$(91,983)

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

Table of Contents

POPULAR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine months ended September 30,	
(In thousands)	2009	2008
Cash flows from operating activities:		
Net loss	$ (360,692)	$ (541,003)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	49,033	55,233
Provision for loan losses	1,053,036	621,552
Amortization of intangibles	7,218	8,948
Amortization and fair value adjustments of servicing assets	17,598	53,679
Amortization of discount on junior subordinated debentures	1,948	
Net gain on sale and valuation adjustments of investment securities	(220,792)	(64,010)
(Gains) losses from changes in fair value related to instruments measured at fair value pursuant to the fair value option	(1,674)	179,482
Net loss (gain) on disposition of premises and equipment	1,696	(23,643)
Net loss on sale of loans and valuation adjustments on loans held-for-sale	41,202	54,527
Gain on early extinguishment of debt	(79,304)	
Net amortization of premiums and accretion of discounts on investments	13,169	16,034
Net amortization of premiums and deferred loan origination fees and costs	35,496	40,650
Fair value adjustment of other assets held-for-sale		103,702
Earnings from investments under the equity method	(14,307)	(6,899)
Stock options expense	162	830
Deferred income taxes, net of valuation	(76,444)	72,261
Net disbursements on loans held-for-sale	(919,719)	(2,000,449)
Acquisitions of loans held-for-sale	(280,243)	(268,718)
Proceeds from sale of loans held-for-sale	65,258	1,289,738
Net decrease in trading securities	1,302,093	1,604,345
Net decrease in accrued income receivable	24,935	8,194
Net decrease (increase) in other assets	26,935	(245,990)
Net decrease in interest payable	(57,763)	(49,180)
Net increase in postretirement benefit obligation	3,652	1,810
Net increase (decrease) in other liabilities	65,431	(35,120)
Total adjustments	1,058,616	1,416,976
Net cash provided by operating activities	697,924	875,973
Cash flows from investing activities:		
Net (increase) decrease in money market investments	(304,169)	697,215
Purchases of investment securities:		
Available-for-sale	(4,105,915)	(3,875,390)
Held-to-maturity	(54,562)	(4,958,286)
Other	(36,601)	(166,641)

Proceeds from calls, paydowns, maturities and redemptions of investment securities:		
Available-for-sale	1,261,801	2,377,740
Held-to-maturity	136,535	4,724,818
Other	62,480	154,067
Proceeds from sale of investment securities available-for-sale	3,825,502	2,444,509
Proceeds from sale of other investment securities	52,294	49,341
Net repayments (disbursements) on loans	666,618	(976,109)
Proceeds from sale of loans	325,414	1,984,860
Acquisition of loan portfolios	(37,965)	(4,505)
Mortgage servicing rights purchased	(1,029)	(3,628)
Acquisition of premises and equipment	(55,625)	(112,196)
Proceeds from sale of premises and equipment	36,105	49,366
Proceeds from sale of foreclosed assets	107,720	87,280
Net cash provided by investing activities	1,878,603	2,472,441

Table of Contents

(In thousands)	Nine months ended September 30, 2009	2008
Cash flows from financing activities:		
Net decrease in deposits	(1,167,108)	(400,901)
Net decrease in federal funds purchased and assets sold under agreements to repurchase	(743,717)	(1,707,225)
Net decrease in other short-term borrowings	(1,857)	(994,969)
Payments of notes payable	(807,002)	(1,312,938)
Proceeds from issuance of notes payable	61,100	1,182,917
Dividends paid	(71,438)	(154,877)
Proceeds from issuance of common stock		15,174
Proceeds from issuance of preferred stock		389,935
Issuance costs and fees paid on exchange of preferred stock and trust preferred securities	(24,618)	
Treasury stock acquired	(13)	(358)
Net cash used in financing activities	(2,754,653)	(2,983,242)
Net (decrease) increase in cash and due from banks	(178,126)	365,172
Cash and due from banks at beginning of period	784,987	818,825
Cash and due from banks at end of period	$ 606,861	$ 1,183,997

Note: The Consolidated Statements of Cash Flows for the nine months ended September 30, 2009 and 2008 include the cash flows from operating, investing and financing activities associated with discontinued operations.

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

Table of Contents

Notes to Unaudited Consolidated Financial Statements

Table of Contents

Notes to Unaudited Consolidated Financial Statements

Note 1 Nature of Operations and Basis of Presentation

Popular, Inc. (the Corporation or Popular) 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 offers retail and commercial banking services through its principal banking subsidiary, Banco Popular de Puerto Rico (BPPR), as well as auto and equipment leasing and financing, mortgage loans, investment banking, broker-dealer and insurance services through specialized subsidiaries. In the United States, the Corporation operates Banco Popular North America (BPNA), including its wholly-owned subsidiary E-LOAN. BPNA is a community bank providing a broad range of financial services and products to the communities it serves. BPNA operates branches in New York, California, Illinois, New Jersey and Florida. E-LOAN markets deposit accounts under its name for the benefit of BPNA. The Corporation, through its subsidiary EVERTEC, provides transaction processing services throughout the Caribbean and Latin America, as well as internally servicing many of its subsidiaries system infrastructures and transactional processing businesses. Note 26 to the consolidated financial statements presents further information about the Corporation s business segments.

The unaudited consolidated financial statements include the accounts of Popular, Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. These unaudited 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.

The statement of condition data as of December 31, 2008 was derived from audited financial statements. 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 statements presented as of September 30, 2009, December 31, 2008 and September 30, 2008 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, 2008, included in the Corporation s 2008 Annual Report. The Corporation s Form 10-K filed on March 2, 2009 incorporates by reference the 2008 Annual Report.

Note 2 Adoption of New Accounting Standards and Issued But Not Yet Effective Accounting Standards

The FASB Accounting Standards Codification (ASC)

Effective July 1, 2009, the ASC became the single source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the Financial Accounting Standards Board (FASB) to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) are also sources of authoritative GAAP for SEC registrants. The ASC superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the ASC is non-authoritative. The Corporation s policies were not affected by the conversion to ASC. However, references to specific accounting guidance in the notes of the Corporation s financial statements have been changed to the appropriate section of the ASC.

Table of Contents

Business Combinations (ASC Topic 805) (formerly SFAS No. 141-R)

In December 2007, the FASB issued guidance that establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. The Corporation is required to apply this guidance to all business combinations completed on or after January 1, 2009. For business combinations in which the acquisition date was before the effective date, these provisions will apply to the subsequent accounting for deferred income tax valuation allowances and income tax contingencies and will require any changes in those amounts to be recorded in earnings. This guidance on business combinations has not had a material effect on the consolidated financial statements of the Corporation as of September 30, 2009.

Noncontrolling Interests in Consolidated Financial Statements (ASC Subtopic 810-10) (formerly SFAS No. 160)

In December 2007, the FASB issued guidance to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This guidance requires entities to classify noncontrolling interests as a component of stockholders equity on the consolidated financial statements and requires subsequent changes in ownership interests in a subsidiary to be accounted for as an equity transaction. Additionally, it requires entities to recognize a gain or loss upon the loss of control of a subsidiary and to remeasure any ownership interest retained at fair value on that date. This statement also requires expanded disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This guidance was adopted by the Corporation on January 1, 2009. The adoption of this standard did not have a material impact on the Corporation s consolidated financial statements.

Disclosures about Derivative Instruments and Hedging Activities (ASC Subtopic 815-10) (formerly SFAS No. 161)

In March 2008, the FASB issued an amendment for disclosures about derivative instruments and hedging activities. The standard expands the disclosure requirements for derivatives and hedged items and has no impact on how the Corporation accounts for these instruments. The standard was adopted by the Corporation in the first quarter of 2009. Refer to Note 10 to the consolidated financial statements.

Subsequent Events (ASC Subtopic 855-10) (formerly SFAS No. 165)

In May 2009, the FASB issued guidance which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance was effective for interim or annual financial periods ending after June 15, 2009, and shall be applied prospectively. In connection with this Quarterly Report on Form 10-Q, the Corporation evaluated subsequent events through November 9, 2009. Refer to Note 27 for related disclosures.

Transfers of Financial Assets, SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS No. 166) (This statement has not yet been incorporated into the ASC)

In June 2009, the FASB issued SFAS No. 166, a revision of SFAS No. 140, which requires more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special-purpose entity (QSPEs), changes the requirements for derecognizing financial assets, and requires additional disclosures. It also requires a transferor to evaluate all existing QSPEs to determine whether they must be consolidated in accordance with SFAS No. 167 Amendments to FASB Interpretation No. 46(R) . This Statement must be applied as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. Management is currently evaluating the requirements of this pronouncement and has not yet determined the impact, if any, which the adoption of this standard will have on the Corporation s consolidated financial statements.

Variable Interest Entities, SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS No. 167) (This statement has not yet been incorporated into the ASC)

SFAS No. 167, issued in June 2009, amends the consolidating guidance applicable to variable interest entities and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity s purpose and design and the reporting entity s ability to direct the activities of the other entity that most significantly impact the other entity s economic performance. The amendments to the consolidated guidance affect all entities currently within the scope of FIN 46(R), as well as qualifying special-purpose entities (QSPEs) that are currently excluded from the scope of FIN 46(R). SFAS No. 167 will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity s financial statements. SFAS No. 167 will be effective as of the beginning of the first fiscal year that begins after November 15, 2009. Management is currently evaluating the requirements of this pronouncement and has not yet determined the impact, if any, which the adoption of this standard will have on the Corporation s consolidated financial statements.

Accounting for Transfers of Financial Assets and Repurchase Financing Transactions (ASC Subtopic 860-10) (formerly FASB Staff Position FAS 140-3)

The FASB provided guidance in February 2008 on whether the security transfer and contemporaneous repurchase financing involving the transferred financial asset must be evaluated as one linked transaction or two separate de-linked transactions. The guidance requires the recognition of the transfer and the repurchase agreement as one linked transaction, unless all of the following criteria are met: (1) the initial transfer and the repurchase financing are not contractually contingent on one another; (2) the initial transferor has full recourse upon default, and the repurchase agreement s price is fixed and not at fair value; (3) the financial asset is readily obtainable in the marketplace and the transfer and repurchase financing are executed at market rates; and (4) the maturity of the repurchase financing is before the maturity of the financial asset. The scope of this accounting guidance is limited to transfers and subsequent repurchase financings that are entered into contemporaneously or in contemplation of one another. The Corporation adopted the statement on January 1, 2009. The adoption of this guidance did not have a material impact on the Corporation s consolidated financial statements for 2009.

Determination of the Useful Life of Intangible Assets (ASC Subtopic 350-30) (formerly FASB Staff Position FAS 142-3)

In April 2008, the FASB amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. In developing these assumptions, an entity should consider its own historical experience in renewing or extending similar arrangements adjusted for entity specific factors or, in the absence of that experience, the assumptions that market participants would use about renewals or extensions adjusted for the entity specific factors. This guidance shall be applied prospectively to intangible assets acquired after the effective date of January 1, 2009. The adoption of this guidance did not have a material impact on the Corporation s consolidated financial statements.

Equity Method Investment Accounting Considerations (ASC Subtopic 323-10) (formerly EITF 08-6)

This guidance clarifies the accounting for certain transactions and impairment considerations involving equity method investments. It applies to all investments accounted for under the equity method and provides guidance on the following: (1) how the initial carrying value of an equity method investment should be determined; (2) how an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment should be performed; (3) how an equity method investee s issuance of shares should be accounted for; and (4) how to account for a change in an investment from the equity method to the cost method. The adoption of this guidance in January 2009 did not have a material impact on the Corporation s consolidated financial statements.

Table of Contents

Employers   Disclosures about Postretirement Benefit Plan Assets (ASC Subtopic 715-20) (formerly FASB Staff Position FAS 132(R)-1)

This guidance requires additional disclosures in the financial statements of employers who are subject to the disclosure requirements of postretirement benefit plan assets as follows: (a) the investment allocation decision making process, including the factors that are pertinent to an understanding of investment policies and strategies; (b) the fair value of each major category of plan assets, disclosed separately for pension plans and other postretirement benefit plans; (c) the inputs and valuation techniques used to measure the fair value of plan assets, including the level within the fair value hierarchy in which the fair value measurements in their entirety fall; and (d) significant concentrations of risk within plan assets. Additional detailed information is required for each category above. Upon initial application, the provisions of this guidance are not required for earlier periods that are presented for comparative purposes. The Corporation will apply the new disclosure requirements commencing with the annual financial statements for the year ended December 31, 2009. This guidance impacts disclosures only and will not have an effect on the Corporation s consolidated statements of condition or results of operations.

Recognition and Presentation of Other-Than-Temporary Impairments (ASC Subtopic 320-10) (formerly FASB Staff Position FAS 115-2 and FAS 124-2)

In April 2009, the FASB issued this guidance which is intended to provide greater clarity to investors about the credit and noncredit component of an other-than-temporary impairment event. It specifically amends the other-than-temporary impairment guidance for debt securities. The new guidance improves the presentation and disclosure of other-than-temporary impairment on investment securities and changes the calculation of the other-than-temporary impairment recognized in earnings in the financial statements. However, it does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

For debt securities, an entity is required to assess whether (a) it has the intent to sell the debt security, or (b) it is more likely than not that it will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an other-than-temporary impairment on the security must be recognized.

In instances in which a determination is made that a credit loss (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis) exists but the entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the debt security before the anticipated recovery of its remaining amortized cost basis (i.e., the amortized cost basis less any current-period credit loss), the accounting guidance changed the presentation and amount of the other-than-temporary impairment recognized in the statement of operations. In these instances, the impairment is separated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in the statement of operations. The amount of the total impairment related to all other factors is recognized in other comprehensive loss. Previously, in all cases, if an impairment was determined to be other-than-temporary, an impairment loss was recognized in earnings in an amount equal to the entire difference between the security s amortized cost basis and its fair value at the balance sheet date of the reporting period for which the assessment was made.

This guidance was effective and is to be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009. At adoption an entity was required to record a cumulative-effect adjustment as of the beginning of the period of adoption to reclassify the noncredit component of a previously recognized other-than-temporary impairment from retained earnings to accumulated other comprehensive loss if the entity did not intend to sell the security and it was not more likely than not that the entity would be required to sell the security before the anticipated recovery of its amortized cost basis.

The Corporation adopted this guidance for interim and annual reporting periods commencing with the quarter ended June 30, 2009. The adoption of this new accounting guidance in the second quarter of 2009 did not result in a cumulative-effect adjustment as of the beginning of the period of adoption (April 1, 2009) since there were no previously recognized other-than-temporary impairments related to outstanding debt securities. Refer to Notes 6 and 7 for disclosures as of September 30, 2009.

Table of Contents

Interim Disclosures about Fair Value of Financial Instruments (ASC Subtopic 825-10) (formerly FASB Staff Position FAS 107-1 and APB 28-1)

In April 2009, the FASB required providing disclosures on a quarterly basis about the fair value of financial instruments that are not currently reflected on the statement of condition at fair value. Originally the fair value for these assets and liabilities was only required for year-end disclosures. The Corporation adopted this guidance effective with the financial statement disclosures for the quarter ended June 30, 2009. This guidance only impacts disclosure requirements and therefore did not have an impact on the Corporation s financial condition or results of operations. Refer to Note 13 to the consolidated financial statements for required disclosures.

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That are Not Orderly (ASC Subtopic 820-10) (formerly FASB Staff Position FAS 157-4)

This guidance, issued in April 2009, provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. It also includes guidance on identifying circumstances that indicate that a transaction is not orderly. This guidance reaffirms the need to use judgment to ascertain if an active market has become inactive and in determining fair values when markets have become inactive. Additionally, it also emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation techniques used, the objective of a fair value measurement remains the same. Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. The adoption of this guidance did not have a material impact on the Corporation s consolidated financial statements.

FASB Accounting Standards Update 2009-05, Fair Value Measurements and Disclosures (ASC Topic 820) Measuring Liabilities at Fair Value

FASB Accounting Standards Update 2009-05, issued on August 2009, includes amendments to ASC Subtopic 820-10, Fair Value Measurements and Disclosures, for the fair value measurement of liabilities and provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: a valuation technique that uses (a) the quoted price of the identical liability when traded as an asset, (b) quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique that is consistent with the principles of ASC Topic 820. Examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into an identical liability. The adoption of this guidance was effective upon issuance and did not have a material impact on the Corporation s consolidated financial statements.

Note 3 Discontinued Operations

As disclosed in the 2008 Annual Report, the Corporation discontinued the operations of Popular Financial Holdings (PFH) in 2008 by selling substantially all assets and closing service branches and other units.

For financial reporting purposes, the results of the discontinued operations of PFH are presented as Assets / Liabilities from discontinued operations in the consolidated statements of condition as of December 31, 2008 and September 30, 2008 and as Loss from discontinued operations, net of tax in the consolidated statements of operations for all periods presented.

Total assets of the PFH discontinued operations amounted to $13 million as of December 31, 2008 and $969 million as of September 30, 2008. Total assets of the PFH discontinued operations as of September 30, 2008 principally consisted of $626 million in loans, of which $584 million were accounted at fair value pursuant to the fair value option, $37 million in mortgage servicing rights, $280 million in servicing advances and related assets, and $26 million in residual interests and other assets. As disclosed in the 2008 Annual Report, the Corporation substantially sold these loan portfolios in late 2008. As of September 30, 2008, all loans and borrowings recognized at fair value pursuant to the fair value option pertained to the discontinued operations of PFH.

Table of Contents

The following table provides financial information for the discontinued operations for the quarter and nine months ended September 30, 2009 and 2008.

($ in millions)	Quarter ended September 30, 2009	Quarter ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Net interest income		$ 1.6	$ 0.9	$ 30.7
Provision for loan losses		10.5		19.0
Non-interest income (loss)	$ 0.5	(256.4)	(3.2)	(255.4)
Operating expenses	3.8	126.3	10.9	193.0
Loss on disposition		(53.5)		(53.5)
Pre-tax loss from discontinued operations	$(3.3)	$ (445.1)	$(13.2)	$ (490.2)
Income tax expense (benefit)	0.1	12.2	6.8	(2.0)
Loss from discontinued operations, net of tax	$(3.4)	$ (457.3)	$(20.0)	$ (488.2)

Non-interest loss for the nine months ended September 30, 2009 represented primarily increases in indemnities and representation and warranty reserves associated to former sales agreements. The operating expenses related principally to personnel costs for employees under transition, attorneys fees and collection services.

The net loss for the discontinued operations reported for the third quarter of 2008 included write-downs of assets held-for-sale to fair value, losses on the sale of loans, restructuring charges and the recording of a valuation allowance on deferred tax assets of $171.2 million.

Management implemented a series of actions in 2008 that led to the discontinuance of the PFH operations. These actions included two major restructuring plans, which are described in the 2008 Annual Report. These are the PFH Discontinuance Restructuring Plan and the PFH Branch Network Restructuring Plan . The PFH Discontinuance Restructuring Plan commenced in the second half of 2008 and included the elimination of substantially all employment positions and termination of contracts with the objective of discontinuing PFH s operations. The PFH Branch Network Restructuring Plan resulted in the sale of a substantial portion of PFH s loan portfolio in the first quarter of 2008 and the closure of Equity One s consumer service branches, which represented, at the time, the only significant channel for PFH to continue originating loans.

PFH continues to employ 9 full-time equivalent employees (FTEs) that are primarily retained for a transition period. Additional costs could be incurred during 2009 associated to leased premises that are still occupied and the lease contract has not been terminated. These costs are not expected to be significant to the Corporation s results of operations.

PFH Discontinuance Restructuring Plan

During the quarter and nine months ended September 30, 2009, the PFH Discontinuance Restructuring Plan resulted in charges, on a pre-tax basis, broken down as follows:

(In thousands)	Quarter ended September 30, 2009	Nine months ended September 30, 2009
Personnel costs		$ 981(a)
Professional fees	$ 100	100

Other operating expenses		200		200
Total restructuring costs	$	300	$	1,281

(a) Severance, retention bonuses and other benefits

Table of Contents

As of September 30, 2009, the PFH Discontinuance Restructuring Plan has resulted in combined charges for 2008 and 2009, broken down as follows:

(In thousands)	Impairments on long-lived assets	Restructuring costs	Total
Year ended December 31, 2008	$ 3,916	$ 4,124	$ 8,040
Quarter ended:			
March 31, 2009		895	895
June 30, 2009		86	86
September 30, 2009		300	300
Total	$ 3,916	$ 5,405	$ 9,321

The PFH Discontinuance Restructuring Plan charges are included in the line item Loss from discontinued operations, net of tax in the consolidated statements of operations.
The following table presents the activity in the accrued balances for the PFH Discontinuance Restructuring Plan during 2009.

(In thousands)	Restructuring Costs
Balance as of January 1, 2009	$ 3,428
Charges during the quarter ended March 31, 2009	895
Cash payments	(1,711)
Balance as of March 31, 2009	$ 2,612
Charges during the quarter ended June 30, 2009	86
Cash payments	(1,235)
Balance as of June 30, 2009	$ 1,463
Charges during the quarter ended September 30, 2009	300
Cash payments	(514)
Balance as of September 30, 2009	$ 1,249

The reserve balance as of September 30, 2009 is mostly related to severance costs, which are expected to be paid substantially in the fourth quarter of 2009.

Note 4 Restrictions on Cash and Due from Banks and Certain Securities

The Corporation s subsidiary banks are required by federal and state regulatory agencies to maintain average reserve balances with the Federal Reserve Bank or other banks. Those required average reserve balances were $705 million as of September 30, 2009 (December 31, 2008 $684 million; September 30, 2008 $630 million). Cash and due from banks as well as other short-term, highly-liquid securities are used to cover the required average reserve balances.
In compliance with rules and regulations of the Securities and Exchange Commission, the Corporation may be required to establish a special reserve account for the benefit of brokerage customers of its broker-dealer subsidiary, which may consist of securities segregated in the special reserve account. There were no reserve requirements as of September 30, 2009. As of September 30, 2008 and December 31, 2008 the Corporation had securities with a market

value of $0.3 million. These securities were classified in the consolidated statement of condition within the other trading securities category.

As required by the Puerto Rico International Banking Center Regulatory Act, as of September 30, 2009, December 31, 2008, and September 30, 2008, the Corporation maintained separately for its two international banking entities (IBEs), $0.6 million in time deposits, equally divided for the two IBEs, which were considered restricted assets.

As part of a line of credit facility with a financial institution, as of September 30, 2009, December 31, 2008 and September 30, 2008, the Corporation maintained restricted cash of $2 million as collateral for the line of credit. The cash is being held in certificates of deposits which mature in less than 90 days. The line of credit is used to support letters of credit.

As of September 30, 2009, the Corporation maintained restricted cash of $3 million to support a letter of credit. The cash is being held in an interest-bearing money market account.

As of September 30, 2009, the Corporation had restricted cash of $2 million (December 31, 2008 and September 30, 2008 $3 million) to support a letter of credit related to a service settlement agreement until June 2010.

As of September 30, 2009, the Corporation had $10 million in cash equivalents restricted as to usage for the potential payment of obligations contained in a loan sales agreement. This restriction expired on November 3, 2009.

Note 5 Pledged Assets

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

(In thousands)	September 30, 2009	December 31, 2008	September 30, 2008
Investment securities available-for-sale, at fair value	$ 2,183,586	$ 2,470,591	$ 2,647,930
Investment securities held-to-maturity, at amortized cost	25,769	100,000	
Loans held-for-sale measured at lower of cost or fair value	2,636	35,764	36,218
Loans held-in-portfolio	8,406,876	8,101,999	7,686,937
	$10,618,867	$10,708,354	$10,371,085

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

Table of Contents

Note 6 Investment Securities Available-For-Sale

The amortized cost, gross unrealized gains and losses and approximate market value (or fair value for certain investment securities where no market quotations are available) of investment securities available-for-sale as of September 30, 2009, December 31, 2008 and September 30, 2008 were as follows:

	AS OF SEPTEMBER 30, 2009				
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Weighted Average Yield
U.S. Treasury securities					
After 5 to 10 years	$ 29,528	$ 1,608		$ 31,136	3.80%
Obligations of U.S. Government sponsored entities					
Within 1 year	184,261	4,176		188,437	3.81
After 1 to 5 years	1,377,705	71,690		1,449,395	3.73
After 5 to 10 years	27,812	952		28,764	5.01
After 10 years	26,882	800		27,682	5.68
	1,616,660	77,618		1,694,278	3.79
Obligations of Puerto Rico, States and political subdivisions					
Within 1 year	5			5	3.88
After 1 to 5 years	12,375	10	$ 108	12,277	3.40
After 5 to 10 years	50,969	292	2,264	48,997	5.08
After 10 years	27,905		201	27,704	5.26
	91,254	302	2,573	88,983	4.91
Collateralized mortgage obligations federal agencies					
Within 1 year	154	1		155	4.08
After 1 to 5 years	3,578	109		3,687	4.43
After 5 to 10 years	138,044	2,578	408	140,214	2.94
After 10 years	1,438,743	26,787	11,623	1,453,907	2.98
	1,580,519	29,475	12,031	1,597,963	2.98
Collateralized mortgage obligations private label					
Within 1 year	106			106	3.39
After 5 to 10 years	23,481	14	580	22,915	2.10
After 10 years	115,763		11,988	103,775	2.65
	139,350	14	12,568	126,796	2.56
Mortgage-backed securities					

Within 1 year	9,072	118	21	9,169	3.07
After 1 to 5 years	62,462	1,431		63,893	3.92
After 5 to 10 years	178,392	9,283		187,675	4.86
After 10 years	3,136,807	47,982	231	3,184,558	4.48
	3,386,733	58,814	252	3,445,295	4.49
Equity securities	9,606	171	937	8,840	3.39
	$6,853,650	$168,002	$28,361	$6,993,291	3.94%

20

Table of Contents

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Weighted Average Yield
	AS OF DECEMBER 31, 2008				
U.S. Treasury securities					
After 5 to 10 years	$ 456,551	$ 45,567		$ 502,118	3.83%
Obligations of U.S. Government sponsored entities					
Within 1 year	123,315	2,855		126,170	4.46
After 1 to 5 years	4,361,775	262,184		4,623,959	4.07
After 5 to 10 years	27,811	1,097			