

EVERTEC, Inc.  
Form 10-Q  
November 06, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2015**

**or**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**COMMISSION FILE NUMBER 001-35872**

**EVERTEC, Inc.**

**(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)**

**Puerto Rico**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**66-0783622**  
**(I.R.S. employer**  
**identification number)**

**Cupey Center Building, Road 176, Kilometer 1.3,**

**San Juan, Puerto Rico**  
**(Address of principal executive offices)**

**00926**  
**(Zip Code)**

**(787) 759-9999**

**(Registrant's telephone number, including area code)**

**Not applicable**

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

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

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At October 30, 2015, there were 76,108,355 outstanding shares of common stock of EVERTEC, Inc.

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**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of, and subject to the protection of, the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as believes, expects, may, estimates, will, should, plans or anticipates negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. Among the factors that significantly impact our business and could impact our business in the future are:

our reliance on our relationship with Popular, Inc. ( Popular ) for a significant portion of our revenues and with Banco Popular de Puerto Rico ( Banco Popular ), Popular 's principal banking subsidiary, to grow our merchant acquiring business;

for as long as we are deemed to be controlled by Popular, we will be subject to supervision and examination by U.S. federal banking regulators, and our activities will be limited to those permissible for Popular. Furthermore, as a technology service provider to regulated financial institutions, we are subject to additional regulatory oversight and examination. As a regulated institution, we most likely will be required to obtain regulatory approval before engaging in certain new activities or businesses, whether organically or by acquisition;

our ability to renew our client contracts on terms favorable to us;

our dependence on our processing systems, technology infrastructure, security systems and fraudulent payment detection systems, as well as on our personnel and certain third parties with whom we do business, and the risks to our business if our systems are hacked or otherwise compromised;

our ability to develop, install and adopt new software, technology and computing systems;

a decreased client base due to consolidations and failures in the financial services industry;

the credit risk of our merchant clients, for which we may also be liable;

the continuing market position of the ATH network;

a reduction in consumer confidence, whether as a result of a global economic downturn or otherwise, which leads to a decrease in consumer spending;

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our dependence on credit card associations, including any adverse changes in credit card association or network rules or fees;

changes in the regulatory environment and changes in international, legal, tax, political, administrative or economic conditions;

the geographical concentration of our business in Puerto Rico, including our business with the government of Puerto Rico and its instrumentalities, which are facing severe fiscal challenges;

additional adverse changes in the general economic conditions in Puerto Rico, including the continued migration of Puerto Ricans to the U.S. mainland, which could negatively affect our customer base, general consumer spending, our cost of operations and our ability to hire and retain qualified employees;

operating an international business in multiple regions with potential political and economic instability, including Latin America;

our ability to execute our geographic expansion and acquisition strategies;

our ability to protect our intellectual property rights against infringement and to defend ourselves against claims of infringement brought by third parties;

our ability to recruit and retain the qualified personnel necessary to operate our business;

our ability to comply with U.S. federal, state, local and foreign regulatory requirements;

evolving industry standards and adverse changes in global economic, political and other conditions;

our high level of indebtedness and restrictions contained in our debt agreements, including the senior secured credit facilities, as well as debt that could be incurred in the future; and

our ability to generate sufficient cash to service our indebtedness and to generate future profits.

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These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. The Company does not undertake, and specifically disclaims any obligation, to update any of the forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements except as required by the federal securities laws.

Investors should refer to the Company's Form 10-K for the year ended December 31, 2014 (the 2014 Form 10-K) for a discussion of factors that could cause events to differ from those suggested by the forward-looking statements, including factors set forth in the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations .

**Table of Contents****EVERTEC, Inc. (Unaudited) Consolidated Condensed Balance Sheets****(Dollar amounts in thousands, except for share information)**

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
<b>Assets</b>		
Current Assets:		
Cash	\$ 40,401	\$ 32,114
Restricted cash	13,547	5,718
Accounts receivable, net	68,429	75,810
Deferred tax asset	6,921	399
Prepaid expenses and other assets	20,736	20,565
Total current assets	150,034	134,606
Investment in equity investee	12,281	11,756
Property and equipment, net	33,281	29,535
Goodwill	368,543	368,837
Other intangible assets, net	309,680	334,584
Other long-term assets	9,078	10,917
Total assets	\$ 882,897	\$ 890,235
<b>Liabilities and stockholders equity</b>		
Current Liabilities:		
Accrued liabilities	\$ 32,917	\$ 26,052
Accounts payable	22,417	22,879
Unearned income	11,683	9,825
Income tax payable	62	1,956
Current portion of long-term debt	20,875	19,000
Short-term borrowings	18,000	23,000
Deferred tax liability, net		1,799
Total current liabilities	105,954	104,511
Long-term debt	632,137	647,579
Long-term deferred tax liability, net	23,858	15,674
Other long-term liabilities	2,695	2,898
Total liabilities	764,644	770,662
Commitments and contingencies (Note 10)		
Stockholders equity		
Preferred stock, par value \$0.01; 2,000,000 shares authorized; none issued		
	762	779

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Common stock, par value \$0.01; 206,000,000 shares authorized;  
76,105,880 shares issued and outstanding at September 30, 2015  
(December 31, 2014 - 77,893,144)

Additional paid-in capital	28,502	59,740
Accumulated earnings	95,038	65,576
Accumulated other comprehensive loss, net of tax	(6,049)	(6,522)
Total stockholders' equity	118,253	119,573
Total liabilities and stockholders' equity	\$ 882,897	\$ 890,235

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

**Table of Contents****EVERTEC, Inc. (Unaudited) Consolidated Condensed Statements of Income and Comprehensive Income****(Dollar amounts in thousands, except per share information)**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>				
Merchant acquiring, net	\$ 20,784	\$ 19,227	\$ 62,041	\$ 58,345
Payment processing (from affiliates: \$7,664, \$7,334, \$22,680 and \$22,040)	27,502	25,848	80,638	77,691
Business solutions (from affiliates: \$34,391, \$33,688, \$103,649 and \$101,289)	44,492	43,804	134,672	131,609
<b>Total revenues</b>	<b>92,778</b>	<b>88,879</b>	<b>277,351</b>	<b>267,645</b>
<b>Operating costs and expenses</b>				
Cost of revenues, exclusive of depreciation and amortization shown below	44,821	38,862	125,280	115,781
Selling, general and administrative expenses	10,428	7,104	27,079	25,629
Depreciation and amortization	16,934	16,453	49,767	49,457
<b>Total operating costs and expenses</b>	<b>72,183</b>	<b>62,419</b>	<b>202,126</b>	<b>190,867</b>
<b>Income from operations</b>	<b>20,595</b>	<b>26,460</b>	<b>75,225</b>	<b>76,778</b>
<b>Non-operating income (expenses)</b>				
Interest income	140	91	371	245
Interest expense	(6,003)	(6,370)	(18,414)	(19,780)
(Losses) earnings of equity method investment	(3)	241	196	905
Other income (expenses)	381	(249)	1,430	2,127
<b>Total non-operating expenses</b>	<b>(5,485)</b>	<b>(6,287)</b>	<b>(16,417)</b>	<b>(16,503)</b>
<b>Income before income taxes</b>	<b>15,110</b>	<b>20,173</b>	<b>58,808</b>	<b>60,275</b>
Income tax expense	1,687	1,082	6,053	5,205
<b>Net income</b>	<b>13,423</b>	<b>19,091</b>	<b>52,755</b>	<b>55,070</b>
<b>Other comprehensive income (loss), net of tax of \$3, \$4, \$37 and \$57</b>				
Foreign currency translation adjustments	84	378	473	(6,573)
<b>Total comprehensive income</b>	<b>\$ 13,507</b>	<b>\$ 19,469</b>	<b>\$ 53,228</b>	<b>\$ 48,497</b>

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<b>Net income per common share - basic</b>	\$	0.17	\$	0.24	\$	0.68	\$	0.70
<b>Net income per common share - diluted</b>	\$	0.17	\$	0.24	\$	0.68	\$	0.70

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

**Table of Contents****EVERTEC, Inc. (Unaudited) Consolidated Condensed Statement of Changes in Stockholders' Equity****(Dollar amounts in thousands, except share information)**

	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
<b>Balance at December 31, 2014</b>	77,893,144	\$ 779	\$ 59,740	\$ 65,576	\$ (6,522)	\$ 119,573
Share-based compensation recognized			3,748			3,748
Repurchase of common stock	(1,834,228)	(18)	(34,955)			(34,973)
Restricted stock grants and units delivered, net of cashless	46,964	1	(31)			(30)
Net income				52,755		52,755
Cash dividends declared on common stock				(23,293)		(23,293)
Other comprehensive income					473	473
<b>Balance at September 30, 2015</b>	76,105,880	762	28,502	95,038	(6,049)	\$ 118,253

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

**Table of Contents****EVERTEC, Inc. (Unaudited) Consolidated Condensed Statements of Cash Flows****(Dollar amounts in thousands)**

	<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 52,755	\$ 55,070
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,767	49,457
Amortization of debt issue costs and accretion of discount	2,488	2,315
Provision for doubtful accounts and sundry losses	1,302	1,102
Deferred tax benefit	(113)	(1,486)
Share-based compensation	3,748	1,314
Unrealized (gain) loss of indemnification assets	(14)	459
Loss on disposition of property and equipment and other intangibles	124	23
Earnings of equity method investment	(196)	(905)
Dividend received from equity method investment		326
Decrease (increase) in assets:		
Accounts receivable, net	6,456	309
Prepaid expenses and other assets	(418)	(4,283)
Other long-term assets	199	2,497
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	6,553	(7,357)
Income tax payable	(1,894)	1,686
Unearned income	1,858	3,271
<b>Total adjustments</b>	<b>69,860</b>	<b>48,728</b>
Net cash provided by operating activities	122,615	103,798
<b>Cash flows from investing activities</b>		
Net increase in restricted cash	(7,828)	(693)
Intangible assets acquired	(13,322)	(9,100)
Property and equipment acquired	(14,074)	(7,463)
Proceeds from sales of property and equipment	14	44
Net cash used in investing activities	(35,210)	(17,212)
<b>Cash flows from financing activities</b>		
Statutory minimum withholding taxes paid on cashless exercises of stock options and restricted stock	(31)	(1,004)

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Net decrease in short-term borrowing	(5,000)	(42,000)
Repayment of short-term borrowing for purchase of equipment and software	(1,542)	(1,200)
Dividends paid	(23,322)	(23,547)
Tax windfall benefits on exercises of stock options		1,937
Issuance of common stock, net		314
Repurchase of common stock	(34,973)	
Repayment of other financing agreement		(95)
Repayment of long-term debt	(14,250)	(14,250)
<b>Net cash used in financing activities</b>	<b>(79,118)</b>	<b>(79,845)</b>
<b>Net increase in cash</b>	<b>8,287</b>	<b>6,741</b>
<b>Cash at beginning of the period</b>	<b>32,114</b>	<b>22,485</b>
<b>Cash at end of the period</b>	<b>\$ 40,401</b>	<b>\$ 29,226</b>

**Supplemental disclosure of cash flow information:**

Cash paid for interest	\$ 16,383	\$ 18,736
Cash paid for income taxes	4,600	703

**Supplemental disclosure of non-cash activities:**

Dividend declared not received from equity method investment	\$	\$ 326
Foreign currency translation adjustments	473	(6,573)
Payable due to vendor related to software acquired	1,125	

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

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**Notes to Unaudited Consolidated Condensed Financial Statements**

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**Note 1 The Company and Basis of Presentation**

**The Company**

EVERTEC, Inc. (formerly known as Carib Latam Holdings, Inc.) and its subsidiaries (collectively the Company, or EVERTEC ) is a leading full-service transaction processing business in Latin America and the Caribbean. The Company is based in Puerto Rico and provides a broad range of merchant acquiring, payment processing and business process management services across 19 countries in the region. EVERTEC owns and operates the ATH network, one of the leading automated teller machine ( ATM ) and personal identification number ( PIN ) debit networks in Latin America. In addition, EVERTEC provides a comprehensive suite of services for core bank processing, cash processing and technology outsourcing in the regions the Company serves. EVERTEC serves a broad and diversified customer base of leading financial institutions, merchants, corporations and government agencies with mission-critical technology solutions that are essential to their operations, enabling them to issue, process and accept transactions securely.

Management believes that the Company s business is well-positioned to continue to expand across the fast-growing Latin American region.

**Basis of Presentation**

The unaudited consolidated condensed financial statements of EVERTEC have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ). The preparation of the accompanying unaudited consolidated condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited consolidated condensed financial statements. Actual results could differ from these estimates.

Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted from these statements pursuant to the rules and regulations of the SEC and, accordingly, these financial statements should be read in conjunction with the Audited Consolidated Financial Statements of the Company for the year ended December 31, 2014, included in the Company s 2014 Form 10-K. In the opinion of management, the accompanying consolidated condensed financial statements, prepared in accordance with GAAP, contain all adjustments, all of which are normal and recurring in nature, necessary for a fair presentation. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Note 2 Recent Accounting Pronouncements**

The Financial Accounting Standards Board ( FASB ) has issued the following accounting pronouncements and guidance relevant to the Company s operations:

In August 2015, the FASB deferred the effective date for updated guidance on revenue recognition by one year. Previously, Update 2014-09 was effective for annual reporting periods beginning after December 15, 2016. The amendments in the Update provide that the guidance be applied to reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements.

In August 2015, the FASB clarified that the presentation of debt issuance costs related to line-of-credit arrangements as an asset is acceptable, regardless of whether there are any outstanding borrowings on the line of credit arrangement.

The amendments in this Update are effective for public companies for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements.

In September 2015, the FASB issued updated guidance simplifying the accounting for measurement-period adjustments for business combinations. The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this Update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this Update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments in this Update are effective for fiscal years beginning after December 15, 2015, including interim

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periods within those fiscal years. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. The Company is currently evaluating the impact, if any, of the adoption of this guidance on its financial statements.

**Note 3 Property and Equipment, net**

Property and equipment, net consists of the following:

<i>(Dollar amounts in thousands)</i>	<b>Useful life in years</b>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Buildings	30	\$ 1,616	\$ 1,602
Data processing equipment	3 - 5	90,905	77,588
Furniture and equipment	3 - 20	7,603	7,540
Leasehold improvements	5 - 10	3,585	2,964
		103,709	89,694
Less - accumulated depreciation and amortization		(71,861)	(61,580)
Depreciable assets, net		31,848	28,114
Land		1,433	1,421
Property and equipment, net		\$ 33,281	\$ 29,535

Depreciation and amortization expense related to property and equipment for the three and nine months ended September 30, 2015 amounted to \$3.9 million and \$11.3 million, respectively, compared to \$3.8 million and \$11.5 million, respectively, for the same periods in 2014.

**Note 4 Goodwill and Other Intangible Assets**

The changes in the carrying amount of goodwill, allocated by reportable segments, were as follows (See Note 12):

<i>(Dollar amounts in thousands)</i>	<b>Merchant Acquiring, net</b>	<b>Payment Processing</b>	<b>Business Solutions</b>	<b>Total</b>
Balance at December 31, 2014	\$ 138,121	\$ 184,228	\$ 46,488	\$ 368,837
Foreign currency translation adjustments		(392)	98	(294)
Balance at September 30, 2015	\$ 138,121	\$ 183,836	\$ 46,586	\$ 368,543

Goodwill is tested for impairment at least annually, or more often if events or circumstances indicate there may be impairment, using the qualitative assessment option or step zero process. Using this process, the Company first assesses whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There

were no triggering events or changes in circumstances that, subsequent to the impairment test, would have required an additional impairment evaluation.

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The carrying amount of other intangible assets at September 30, 2015 and December 31, 2014 consisted of the following:

*(Dollar amounts in thousands)*

		<b>September 30, 2015</b>		
	<b>Useful life in years</b>	<b>Gross amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
Customer relationships	14	\$ 312,727	\$ (112,199)	\$ 200,528
Trademark	10 - 15	39,950	(17,320)	22,630
Software packages	3 - 10	151,744	(102,915)	48,829
Non-compete agreement	15	56,539	(18,846)	37,693
<b>Other intangible assets, net</b>		<b>\$ 560,960</b>	<b>\$ (251,280)</b>	<b>\$ 309,680</b>

*(Dollar amounts in thousands)*

		<b>December 31, 2014</b>		
	<b>Useful life in years</b>	<b>Gross amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
Customer relationships	14	\$ 312,735	\$ (95,482)	\$ 217,253
Trademark	10 - 15	39,950	(14,722)	25,228
Software packages	3 - 10	138,188	(86,605)	51,583
Non-compete agreement	15	56,539	(16,019)	40,520
<b>Other intangible assets, net</b>		<b>\$ 547,412</b>	<b>\$ (212,828)</b>	<b>\$ 334,584</b>

For the three and nine months ended September 30, 2015, the Company recorded amortization expense related to other intangibles of \$13.0 million and \$38.4 million, respectively, compared to \$12.7 million and \$37.9 million for the corresponding 2014 periods.

The estimated amortization expense of the balances outstanding at September 30, 2015 for the next five years is as follows:

*(Dollar amounts in thousands)*

Remaining 2015	\$ 11,158
2016	40,906
2017	37,652
2018	34,467
2019	33,078
2020	31,010

**Note 5 Debt and Short-Term Borrowings**

Total debt as of September 30, 2015 and December 31, 2014 was as follows:

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<i>(Dollar amounts in thousands)</i>	<b>September 30, 2015    December 31, 2014</b>	
Senior Secured Credit Facility (Term A) due on April 17, 2018 paying interest at a variable interest rate (London InterBank Offered Rate ( LIBOR ) plus applicable margin <sup>(1)(3)</sup> )	\$    266,052	\$    277,239
Senior Secured Credit Facility (Term B) due on April 17, 2020 paying interest at a variable interest rate (LIBOR Rate plus applicable margin <sup>(2)(3)</sup> )	386,960	389,340
Senior Secured Revolving Credit Facility expiring on April 17, 2018 paying interest at a variable interest rate	18,000	23,000
Note Payable due on October 1, 2017 <sup>(3)</sup>	3,315	4,333
Note Payable due on July 1, 2017 <sup>(3)</sup>	670	
<b>Total debt</b>	<b>\$    674,997</b>	<b>\$    693,912</b>

(1) Applicable margin of 2.25% at September 30, 2015 and 2.50% at December 31, 2014.

(2) Subject to a minimum rate ( LIBOR floor ) of 0.75% plus applicable margin of 2.50% at September 30, 2015 and 2.75% December 31, 2014.

(3) Includes unamortized discount.

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**Table of Contents***Senior Secured Credit Facilities**Term A Loan*

As of September 30, 2015, the unpaid principal balance of the Term A Loan was \$266.3 million. The Term A Loan requires principal payments on the last business day of each quarter equal to (a) 1.250% of the original principal amount commencing on September 30, 2013 through June 30, 2016; (b) 1.875% of the original principal amount from September 30, 2016 through June 30, 2017; (c) 2.50% of the original principal amount from September 30, 2017 through March 31, 2018; and (d) the remaining outstanding principal amount on the maturity of the Term A Loan on April 17, 2018. Interest is based on EVERTEC Group, LLC's (EVERTEC Group) first lien secured net leverage ratio and payable at a rate equal to, at the Company's option, either (a) LIBOR Rate plus an applicable margin ranging from 2.00% to 2.50%, or (b) Base Rate, as defined in the 2013 Credit Agreement, plus an applicable margin ranging from 1.00% to 1.50%. Term A Loan has no LIBOR or Base Rate minimum or floor.

*Term B Loan*

As of September 30, 2015, the unpaid principal balance of the Term B Loan was \$391.0 million. The Term B Loan requires principal payments on the last business day of each quarter equal to 0.250% of the original principal amount commencing on September 30, 2013 and the remaining outstanding principal amount on the maturity of the Term B Loan on April 17, 2020. Interest is based on EVERTEC Group's first lien secured net leverage ratio and payable at a rate equal to, at the Company's option, either (a) LIBOR plus an applicable margin ranging from 2.50% to 2.75%, or (b) Base Rate plus an applicable margin ranging from 1.50% to 1.75%. The LIBOR and Base Rate are subject to floors of 0.75% and 1.75%, respectively.

*Revolving Credit Facility*

The revolving credit facility has an available balance up to \$100.0 million, with an interest rate on loans calculated the same as the applicable Term A Loan rate. The facility matures on April 17, 2018 and has a commitment fee payable one business day after the last business day of each quarter calculated based on the daily unused commitment during the preceding quarter. The commitment fee for the unused portion of this facility ranges from 0.125% to 0.375% and is based on EVERTEC Group's first lien secured net leverage ratio.

All senior secured credit facility loans may be prepaid without premium or penalty.

The senior secured credit facilities contain various restrictive covenants. The Term A Loan and the revolving credit facility (subject to certain exceptions) require us to maintain on a quarterly basis a specified maximum senior secured leverage ratio of up to 6.60 to 1.00 as defined in the 2013 Credit Agreement (total first lien secured debt to adjusted EBITDA). In addition, the 2013 Credit Agreement, among other things: (a) limits our ability and the ability of our subsidiaries to incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments and enter into certain transactions with affiliates; (b) restricts our ability to enter into agreements that would limit the ability of our subsidiaries to pay dividends or make certain payments to us; and (c) places restrictions on our ability and the ability of our subsidiaries to merge or consolidate with any other person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of our assets.

*Note payable*

In December 2014 and June 2015, EVERTEC entered into non-interest bearing financing agreements of \$4.6 million and \$1.1 million, respectively, to purchase software. The notes will be repaid over a 36-month term. As of

September 30, 2015 the outstanding principal balance of the notes payable is \$4.2 million. The current portion of these notes is recorded as part of accounts payable and the long-term portion is included in other long-term liabilities.

**Note 6 Financial Instruments and Fair Value Measurements**

*Recurring Fair Value Measurements*

Fair value measurement provisions establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These provisions describe three levels of input that may be used to measure fair value:

**Level 1:** Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

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**Level 2:** Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

**Level 3:** Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The Company uses observable inputs when available. Fair value is based upon quoted market prices when available. If market prices are not available, the Company may employ internally-developed models that mostly use market-based inputs including yield curves, interest rates, volatilities, and credit curves, among others. The Company limits valuation adjustments to those deemed necessary to ensure that the financial instrument's fair value adequately represents the price that would be received or paid in the marketplace. Valuation adjustments may include consideration of counterparty credit quality and liquidity as well as other criteria. The estimated fair value amounts are subjective in nature and may involve uncertainties and matters of significant judgment for certain financial instruments. Changes in the underlying assumptions used in estimating fair value could affect the results. The fair value measurement levels are not indicative of risk of investment.

The following table summarizes fair value measurements by level at September 30, 2015 and December 31, 2014 for assets measured at fair value on a recurring basis:

<i>(Dollar amounts in thousands)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>September 30, 2015</b>				
Financial assets:				
Indemnification assets:				
Software cost reimbursement	\$	\$	\$	\$
<b>December 31, 2014</b>				
Financial assets:				
Indemnification assets:				
Software cost reimbursement	\$	\$	\$ 1,428	\$ 1,428

The fair value of financial instruments is the amount at which an asset or obligation could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value estimates are made at a specific point in time based on the type of financial instrument and relevant market information. Many of these estimates involve various assumptions and may vary significantly from amounts that could be realized in actual transactions.

For those financial instruments with no quoted market prices available, fair values have been estimated using present value calculations or other valuation techniques, as well as management's best judgment with respect to current economic conditions, including discount rates and estimates of future cash flows.

Indemnification assets include the present value of the expected future cash flows of certain expense reimbursement agreements with Popular. These contracts had termination dates up to September 2015 and were entered into in connection with the merger transaction completed on September 30, 2010 (the Merger). Management prepared estimates of the expected reimbursements to be received from Popular until the termination of the contracts, discounted the estimated future cash flows and recorded the indemnification assets as of the Merger closing date. Payments received during the quarters reduced the indemnification asset balance. As of September 30, 2015, the indemnification asset has been fully repaid. The balance was adjusted to reflect its fair value as of September 30, 2015, therefore resulting in a net unrealized gain of approximately \$2,000 and \$14,000 for the three and nine months

ended September 30, 2015, respectively, and a net unrealized loss of approximately \$0.3 million and \$0.5 million for the three and nine months ended September 30, 2014, respectively, which are reflected within the other expenses caption in the unaudited consolidated condensed statements of income and comprehensive income. The indemnification assets were included within accounts receivable, net in the accompanying consolidated condensed balance sheet at December 31, 2014.

The unobservable inputs related to the Company's indemnification assets as of September 30, 2015 using the discounted cash flow model include the discount rate of 5.01%.

For indemnification assets a significant increase or decrease in market rates or cash flows could have resulted in a significant change to the fair value. Also, the credit rating and/or the non-performance credit risk of Popular, which is subjective in nature, also could have increased or decreased the sensitivity of the fair value of these assets.

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The following table presents the carrying value, as applicable, and estimated fair values for financial instruments at September 30, 2015 and December 31, 2014:

<i>(Dollar amounts in thousands)</i>	<b>September 30, 2015</b>		<b>December 31, 2014</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Financial assets:</b>				
<b>Indemnification assets:</b>				
Software cost reimbursement	\$	\$	\$ 1,428	\$ 1,428
<b>Financial liabilities:</b>				
Senior secured term loan A	\$ 266,052	\$ 253,382	\$ 277,239	\$ 266,400
Senior secured term loan B	386,960	377,561	389,340	385,462

The fair value of the senior secured term loans at September 30, 2015 and December 31, 2014 were obtained using prices supplied by third party service providers. Their pricing is based on various inputs such as: market quotes, recent trading activity in a non-active market or imputed prices. The pricing inputs also may include the use of an algorithm that could take into account movement in the general high-yield market, among other variants.

The senior secured term loans, which are not measured at fair value in the balance sheets, if measured, would be categorized as Level 3 in the fair value hierarchy.

The following table provides a summary of the change in fair value of the Company's Level 3 assets:

<i>(Dollar amounts in thousands)</i>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Indemnification assets:</b>				
Beginning balance	\$ 141	\$ 2,114	\$ 1,428	\$ 3,586
Payments received	(143)	(196)	(1,442)	(1,495)
Unrealized gain (loss) recognized in other expenses	2	(286)	14	(459)
Ending balance	\$	\$ 1,632	\$	\$ 1,632

**Note 7 Share-based Compensation***Long-term Incentive Plan*

In the first quarter of 2015, the Compensation Committee of the Board of Directors approved grants of restricted stock units ( RSUs ) to executives and certain employees pursuant to the 2015 Long-Term Incentive Program ( LTIP ) under the terms of our 2013 Equity Incentive Plan. Under the LTIP, the Company granted restricted stock units to eligible participants as time-based awards and/or performance-based awards.

The vesting of the RSUs is dependent upon service, market, and/or performance conditions as defined in the grants. Employees that received time-based awards with service conditions are entitled to receive a specific number of shares of the Company's common stock on the vesting date if the employee is providing services to the Company on the vesting date. Time-based awards vest over a period of three years in substantially equal installments commencing on the start of the fiscal year during which the RSUs were granted and ending on January 1st of each year. Employees that received awards with market conditions are entitled to receive a specific number of shares of the Company's common stock on the vesting date if the Company's total shareholder return (TSR) target relative to a specified group of industry peer companies is achieved. Employees that received awards with performance conditions are entitled to receive a specific number of shares of the Company's common stock on the vesting date if the Cumulative Compound Annual Growth Rate (CAGR) of Diluted EPS target is achieved. Performance and market-based awards vest at the end of the performance period which commenced on the start of the fiscal year during which the RSUs were granted and ends on January 1, 2018. Awards are forfeited if the employee voluntarily ceases to be employed by the Company prior to vesting.

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The following table summarizes stock options activity for the nine months ended September 30, 2015:

	Shares	Weighted-average exercise prices
Outstanding at December 31, 2014	316,000	\$ 19.56
Forfeited	126,000	18.81
Outstanding at September 30, 2015	190,000	\$ 20.06
Exercisable at September 30, 2015	83,333	\$ 23.62

Management uses the fair value method of recording share-based compensation as described in the guidance for stock compensation in ASC topic 718.

The following table summarizes nonvested restricted shares and RSUs activity for the nine months ended September 30, 2015:

Nonvested restricted shares and RSUs	Shares	Weighted-average grant date fair value
Nonvested at December 31, 2014	23,252	\$ 22.04
Forfeited	33,214	23.61
Vested	45,084	22.38
Granted	581,238	22.35
Nonvested at September 30, 2015	526,192	\$ 22.26

For the three and nine months ended September 30, 2015 the Company recognized compensation expense of \$1.6 million and \$3.7 million, respectively, and for the three months and nine months ended September 30, 2014, the Company recognized \$0.6 million and \$1.3 million of share-based compensation expense, respectively. As of September 30, 2015, there was \$0.4 million of total unrecognized compensation cost related to stock options, which is expected to be recognized over the next 1.4 years. In addition, for the same period, there was approximately \$8.9 million of total unrecognized compensation cost related to nonvested shares of restricted stock and RSUs. That cost is expected to be fully recognized over the next 2.3 years.

**Note 8 Income Tax**

The components of income tax expense for the three and nine months ended September 30, 2015 and 2014 consisted of the following:

<i>(Dollar amounts in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014

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Current tax provision	\$ 1,811	\$ 2,138	\$ 6,166	\$ 6,691
Deferred tax benefit	(124)	(1,056)	(113)	(1,486)
Income tax expense	\$ 1,687	\$ 1,082	\$ 6,053	\$ 5,205

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The Company conducts operations in Puerto Rico and certain countries in Latin America. As a result, the income tax expense includes the effect of taxes paid to the Puerto Rico government as well as foreign jurisdictions. The following table presents the components of income tax expense for the three and nine months ended September 30, 2015 and 2014 and its segregation based on location of operations:

<i>(Dollar amounts in thousands)</i>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Current tax provision (benefit)</b>				
Puerto Rico	\$ 820	\$ 1,687	\$ 3,342	\$ 3,047
United States	118	(923)	419	(508)
Foreign countries	873	1,374	2,405	4,152
<b>Total current tax provision</b>	<b>\$ 1,811</b>	<b>\$ 2,138</b>	<b>\$ 6,166</b>	<b>\$ 6,691</b>
<b>Deferred tax (benefit) provision</b>				
Puerto Rico	\$ 134	\$ (518)	\$ 544	\$ 314
United States	(24)	(138)	(82)	(141)
Foreign countries	(234)	(400)	(575)	(1,659)
<b>Total deferred tax benefit</b>	<b>\$ (124)</b>	<b>\$ (1,056)</b>	<b>\$ (113)</b>	<b>\$ (1,486)</b>

Taxes payable to foreign countries by EVERTEC's subsidiaries will be paid by such subsidiary and the corresponding liability and expense will be presented in EVERTEC's consolidated financial statements.

As of September 30, 2015, the gross deferred tax asset amounted to \$7.9 million and the gross deferred tax liability amounted to \$24.9 million, compared with \$9.7 million and \$26.8 million as of December 31, 2014. At September 30, 2015, the recorded value of the Company's net operating loss (NOL) carryforwards was \$4.6 million. The recorded value of the NOL carryforwards is approximately \$4.2 million lower than the total NOL carryforwards available because of a windfall tax benefit. The windfall tax benefit is available to offset future taxable income and is considered an off-balance sheet item until the deduction reduces taxes payable. This windfall tax benefit results from tax deductions that were in excess of previously recorded compensation expense because the fair value of stock options at the time they were granted differed from their fair value when they were exercised. The total gross NOL carryforwards available, including the windfall benefit, amounted to \$22.4 million as of September 30, 2015.

There are no open uncertain tax positions as of September 30, 2015.

**Note 9 Net Income Per Common Share**

The reconciliation of the numerator and denominator of the income per common share is as follows:

<i>(Dollar amounts in thousands, except per share information)</i>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>

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Net income	\$	13,423	\$	19,091	\$	52,755	\$	55,070
Less: non-forfeitable dividends on restricted stock		6				6		
Net income available to common shareholders	\$	13,417	\$	19,091	\$	52,749	\$	55,070
Weighted average common shares outstanding		77,160,514		78,666,241		77,472,673		78,485,109
Weighted average potential dilutive common shares <sup>(1)</sup>		132,299		550,683		104,722		708,343
Weighted average common shares outstanding - assuming dilution		77,292,813		79,216,924		77,577,394		79,193,452
Net income per common share - basic	\$	0.17	\$	0.24	\$	0.68	\$	0.70
Net income per common share - diluted	\$	0.17	\$	0.24	\$	0.68	\$	0.70

<sup>(1)</sup> Potential common shares consist of common stock issuable under the assumed exercise of stock options and restricted stock awards using the treasury stock method.

On February 18, 2015, our Board declared a quarterly cash dividend of \$0.10 per share of common stock, which was paid on March 19, 2015 to stockholders of record as of March 2, 2015. On May 6, 2015, our Board declared a quarterly cash dividend of \$0.10 per share of common stock, which was paid on June 5, 2015 to stockholders of record as of May 18, 2015. On August 5, 2015, the Board declared a quarterly cash dividend of \$0.10 per share of common stock, which was paid on September 3, 2015 to stockholders of record as of August 17, 2015.

**Table of Contents****Note 10 Commitments and Contingencies**

Certain lease agreements contain provisions for future rent increases. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is recorded as a deferred rent obligation.

Rent expense of office facilities and real estate for the three and nine months ended September 30, 2015 amounted to \$1.9 million and \$6.0 million, respectively, compared to \$2.0 million and \$6.2 million for the corresponding 2014 periods. Rent expense for telecommunications and other equipment for the three and nine months ended September 30, 2015 amounted to \$1.4 million and \$4.0 million, respectively, compared to \$1.5 million and \$4.6 million for the corresponding 2014 periods.

In the ordinary course of business, the Company may enter into commercial commitments. As of September 30, 2015, EVERTEC has an outstanding letter of credit of \$1.1 million with a maturity of less than three months.

EVERTEC is a defendant in a number of legal proceedings arising in the ordinary course of business. Based on the opinion of legal counsel and other factors, management believes that the final disposition of these matters will not have a material adverse effect on the business, results of operations, financial condition, or cash flows of the Company. The Company has identified certain claims as a result of which a loss may be incurred, but in the aggregate the loss would be minimal. For other claims for which proceedings are in an initial phase, the Company is unable to estimate the range of possible loss but at this time believes that any loss related to such claims will not be material.

**Note 11 Related Party Transactions**

The following table presents the Company's transactions with related parties for the three and nine months ended September 30, 2015 and 2014:

<i>(Dollar amounts in thousands)</i>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Total revenues</b> <sup>(1)(2)</sup>	\$ 42,055	\$ 41,022	\$ 126,329	\$ 123,329
<b>Cost of revenues</b>	\$ 406	\$ 132	\$ 1,496	\$ 888
<b>Rent and other fees</b>	\$ 1,831	\$ 1,999	\$ 5,798	\$ 6,000
<b>Interest earned from and charged by affiliate</b>				
Interest income	\$ 59	\$ 48	\$ 146	\$ 150

(1) Total revenues from Popular as a percentage of revenues were 45%, 46%, 45% and 45% for each of the periods presented above.

(2) Includes revenues generated from investee accounted for under the equity method of \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2015, respectively, and \$0.6 million and \$2.0 million

for the corresponding 2014 periods.  
At September 30, 2015 and December 31, 2014, EVERTEC had the following balances arising from transactions with related parties:

<i>(Dollar amounts in thousands)</i>	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Cash and restricted cash deposits in affiliated bank	\$ 25,324	\$ 13,566
Indemnification assets from Popular reimbursement <sup>(1)</sup>		
Accounts receivable	\$	\$ 1,428
Other due to/from affiliate		
Accounts receivable	\$ 19,881	\$ 17,006
Prepaid expenses and other assets	\$ 2,605	\$ 1,141
Accounts payable <sup>(2)</sup>	\$ 2,231	\$ 5,260
Unearned income	\$ 10,069	\$ 8,154
Other long-term liabilities <sup>(2)</sup>	\$ 14	\$ 45

(1) Recorded in connection with reimbursements from Popular regarding certain software license fees.

(2) Includes an account payable of \$32,000 and a long-term liability of \$14,000 at September 30, 2015 and accounts payable of \$0.2 million and a long-term liability of \$45,000 for December 31, 2014, respectively, related to the unvested portion of stock options as a result of the equitable adjustment approved by our Board of Directors on December 18, 2012 that will be payable to executive officers and employees upon vesting of stock options. At September 30, 2015, EVERTEC Group has a credit facility with Popular for \$4.2 million, on behalf of EVERTEC Costa Rica S.A., under which a letter of credit of a similar amount was issued.

**Table of Contents****Note 12 Segment Information**

The Company operates in three business segments: Merchant Acquiring, Payment Processing and Business Solutions.

The Company's business segments are organized based on the nature of products and services. The Chief Operating Decision Maker ( CODM ) reviews the individual segment financial information to assess performance and to allocate resources.

The following tables set forth information about the Company's operations by its three business segments for the periods indicated:

<i>(Dollar amounts in thousands)</i>	<b>Merchant Acquiring, net</b>	<b>Payment Processing</b>	<b>Business Solutions</b>	<b>Other</b>	<b>Total</b>
<b>Three months ended September 30, 2015</b>					
Revenues	20,784	34,298	44,492	(6,796) <sup>(1)</sup>	92,778
Income from operations	8,517	12,777	10,308	(11,007) <sup>(2)</sup>	20,595
<b>Three months ended September 30, 2014</b>					
Revenues	19,227	32,492	43,805	(6,645) <sup>(1)</sup>	88,879
Income from operations	8,518	14,707	12,696	(9,461) <sup>(2)</sup>	26,460

(1) Represents the elimination of intersegment revenues for services provided by the Payment Processing segment to the Merchant Acquiring segment, and other miscellaneous intersegment revenues.

(2) Primarily represents non-operating depreciation and amortization expenses generated as a result of the Merger and certain non-recurring fees and expenses.

<i>(Dollar amounts in thousands)</i>	<b>Merchant Acquiring, net</b>	<b>Payment Processing</b>	<b>Business Solutions</b>	<b>Other</b>	<b>Total</b>
<b>Nine months ended September 30, 2015</b>					
Revenues	62,041	101,101	134,672	(20,463) <sup>(1)</sup>	277,351
Income from operations	27,411	40,828	37,841	(30,855) <sup>(2)</sup>	75,225
<b>Nine months ended September 30, 2014</b>					
Revenues	58,345	97,587	131,609	(19,896) <sup>(1)</sup>	267,645
Income from operations	25,700	44,738	36,232	(29,892) <sup>(2)</sup>	76,778

(1) Represents the elimination of intersegment revenues for services provided by the Payment Processing segment to the Merchant Acquiring segment, and other miscellaneous intersegment revenues.

(2) Primarily represents non-operating depreciation and amortization expenses generated as a result of the Merger and certain non-recurring fees and expenses.

The reconciliation of income from operations to consolidated net income for the three and nine months ended September 30, 2015 and 2014 is as follows:

<i>(Dollar amounts in thousands)</i>	Three months ended September 30, 2015		Three months ended September 30, 2014	
	2015	2014	2015	2014
Segment income from operations				
Merchant Acquiring, net	\$ 8,517	\$ 8,518	\$ 27,411	\$ 25,700
Payment Processing	12,777	14,707	40,828	44,738
Business Solutions	10,308	12,696	37,841	36,232
Total segment income from operations	31,602	35,921	106,080	106,670
Merger related depreciation and amortization and other unallocated expenses <sup>(1)</sup>	(11,007)	(9,461)	(30,855)	(29,892)
Income from operations	20,595	26,460	75,225	76,778
Interest expense, net	(5,863)	(6,279)	(18,043)	(19,535)
(Losses) earnings of equity method investment	(3)	241	196	905
Other income (expenses)	381	(249)	1,430	2,127
Income tax expense	(1,687)	(1,082)	(6,053)	(5,205)
Net income	\$ 13,423	\$ 19,091	\$ 52,755	\$ 55,070

<sup>(1)</sup> Primarily represents non-operating depreciation and amortization expenses generated as a result of the Merger and certain non-recurring fees and expenses.

### Note 13 Subsequent Events

On November 4, 2015, the Company's Board of Directors (the Board) declared a regular quarterly cash dividend of \$0.10 per share on the Company's outstanding shares of common stock. The Board anticipates declaring this dividend in future quarters on a regular basis, however future declarations of dividends are subject to Board approval and may be adjusted as business needs or market conditions change. The cash dividend of \$0.10 per share will be paid on December 4, 2015 to stockholders of record as of the close of business on November 16, 2015.

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**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following Management's Discussion and Analysis ( MD&A ) covers: (i) our unaudited results of operations for the three and nine months ended September 30, 2015 and 2014, respectively; and (ii) our financial condition as of September 30, 2015. You should read the following discussion and analysis in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended December 31, 2014, included in the Company's annual report on Form 10-K (the 2014 Form 10-K ) and with the unaudited consolidated financial statements and related notes appearing elsewhere herein. This MD&A contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those indicated in the forward-looking statements. See Forward-Looking Statements for a discussion of the risks, uncertainties and assumptions associated with these statements.*

*Except as otherwise indicated or unless the context otherwise requires, (a) the terms EVERTEC, we, us, our, our Company and the Company refer to EVERTEC, Inc. and its subsidiaries on a consolidated basis, (b) the term Holdings refers to EVERTEC Intermediate Holdings, LLC, but not any of its subsidiaries and (c) the term EVERTEC Group refers to EVERTEC Group, LLC and its predecessor entities and their subsidiaries on a consolidated basis, including the operations of its predecessor entities prior to the Merger (as defined below). EVERTEC Inc.'s subsidiaries include Holdings, EVERTEC Group, EVERTEC Dominicana, SAS, EVERTEC Panamá, S.A., EVERTEC Costa Rica, S.A. ( EVERTEC CR ), EVERTEC Guatemala, S.A. and EVERTEC México Servicios de Procesamiento, S.A. de C.V. Neither EVERTEC nor Holdings conducts any operations other than with respect to its indirect or direct ownership of EVERTEC Group.*

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**Executive Summary**

EVERTEC is a leading full-service transaction processing business in Latin America, providing a broad range of merchant acquiring, payment processing and business process management services. According to the July 2014 Nilson Report, we are the largest merchant acquirer in the Caribbean and Central America and one of the largest in Latin America, based on total number of transactions. We serve 19 countries in the region from our base in Puerto Rico. We manage a system of electronic payment networks that process more than 2.1 billion transactions annually, and offer a comprehensive suite of services for core bank processing, cash processing and technology outsourcing. In addition, we own and operate the ATH network, one of the leading personal identification number ( PIN ) debit networks in Latin America. We serve a diversified customer base of leading financial institutions, merchants, corporations and government agencies with mission-critical technology solutions that enable them to issue, process and accept transactions securely. We believe our business is well-positioned to continue to expand across the fast-growing Latin American region.

We are differentiated, in part, by our diversified business model, which enables us to provide our varied customer base with a broad range of transaction-processing services from a single source across numerous channels and geographic markets. We believe this single-source capability provides several competitive advantages that will enable us to continue to penetrate our existing customer base with complementary new services, win new customers, develop new sales channels and enter new markets. We believe these competitive advantages include:

Our ability to provide in one package a range of services that traditionally had to be sourced from different vendors;

Our ability to serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to manage their business as one enterprise; and

Our ability to capture and analyze data across the transaction processing value chain and use that data to provide value-added services that are differentiated from those offered by pure-play vendors that only have the technology, capabilities and products to serve just one portion of the transaction processing value chain (such as only merchant acquiring or payment processing).

Our broad suite of services spans the entire transaction processing value chain and includes a range of front-end customer-facing solutions such as the electronic capture and authorization of transactions at the point-of-sale, as well as back-end support services such as the clearing and settlement of transactions and account reconciliation for card issuers. These include: (i) merchant acquiring services, which enable point of sales ( POS ) and e-commerce merchants to accept and process electronic methods of payment such as debit, credit, prepaid and electronic benefit transfer ( EBT ) cards; (ii) payment processing services, which enable financial institutions and other issuers to manage, support and facilitate the processing for credit, debit, prepaid, automated teller machines

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( ATM ) and EBT card programs; and (iii) business process management solutions, which provide mission-critical technology solutions such as core bank processing, as well as IT outsourcing and cash management services to financial institutions, corporations and governments. We provide these services through a highly scalable, end-to-end technology platform that we manage and operate in-house and that generates significant operating efficiencies that enable us to maximize profitability.

We sell and distribute our services mainly through a proprietary direct sales force with strong customer relationships. We are also building a variety of indirect sales channels that enable us to leverage the distribution capabilities of partners in adjacent markets, including value-added resellers. Also, we continue to pursue joint ventures and merchant acquiring alliances.

We benefit from an attractive business model, the hallmarks of which are recurring revenue, scalability, significant operating margins and low capital expenditure requirements. Our revenue is recurring in nature because of the mission-critical and embedded nature of the services we provide, the high switching costs associated with these services and the multi-year contracts we negotiate with our customers. Our business model enables us to leverage off of our operations and as our assets become obsolete, allows us to substitute these assets and would allow us to continue to grow our business and invest in assets as needed.

## **Corporate Background**

EVERTEC, Inc. (formerly known as Carib Latam Holdings, Inc.) is a Puerto Rico corporation organized in April 2012. Our main operating subsidiary, EVERTEC Group, LLC (formerly known as EVERTEC, LLC and EVERTEC, Inc., hereinafter EVERTEC Group ), was organized in Puerto Rico in 1988. EVERTEC Group was formerly a wholly-owned subsidiary of Popular. On September 30, 2010, pursuant to an Agreement and Plan of Merger (as amended, the Merger Agreement ), AP Carib Holdings, Ltd. ( Apollo ) acquired 51% indirect ownership interest in EVERTEC Group as part of a merger (the Merger ) and EVERTEC Group became a wholly-owned subsidiary of EVERTEC Intermediate Holdings, LLC.

On April 17, 2012, EVERTEC Group was converted from a Puerto Rico corporation to a Puerto Rico limited liability company (the Conversion ) for the purpose of improving its consolidated tax efficiency by taking advantage of recent changes to the Puerto Rico Internal Revenue Code, as amended (the PR Code ), that permit limited liability companies to be treated as partnerships that are pass-through entities for Puerto Rico tax purposes. Concurrent with the Conversion, Holdings, which is our direct subsidiary, was also converted from a Puerto Rico corporation to a Puerto Rico limited liability company. Prior to these conversions, EVERTEC, Inc. was formed in order to act as the new parent company of Holdings and its subsidiaries, including EVERTEC Group. The transactions described above in this paragraph are collectively referred to as the Reorganization.

## **Separation From and Key Relationship with Popular**

Prior to the Merger on September 30, 2010, EVERTEC Group was 100% owned by Popular, the largest financial institution in the Caribbean, and operated substantially as an independent entity within Popular. After the consummation of the Merger, Popular retained an indirect ownership interest in EVERTEC Group and is our largest customer. In connection with, and upon consummation of the Merger, EVERTEC Group entered into a 15-year Master Services Agreement (the MSA ), and several related agreements with Popular. Under the terms of the MSA, Popular agreed to continue to use EVERTEC services on an ongoing and exclusive basis, for the duration of the agreement, on commercial terms consistent with those of our historical relationship. On the anniversary of the MSA, fees are adjusted for changes in the consumer price index ( CPI ). Additionally, Popular granted us a right of first refusal on the development of certain new financial technology products and services for the duration of the MSA.

## **Factors and Trends Affecting the Results of Our Operations**

The ongoing migration from cash and paper methods of payment to electronic payments continues to benefit the transaction processing industry globally. We believe that the penetration of electronic payments in the markets in which we operate is significantly lower relative to the U.S. market, and that this ongoing shift will continue to generate substantial growth opportunities for our business. For example, currently the adoption of banking products, including electronic payments, in the Latin American region is lower relative to the more mature U.S. and European markets. We believe that the unbanked and underbanked population in our markets will continue to shrink, therefore driving incremental penetration and growth of electronic payments in Puerto Rico and other Latin American regions. We also benefit from the trend for financial institutions and government agencies to outsource technology systems and processes. Many medium- and small-size institutions in the Latin American markets in which we operate have outdated computer systems and updating these IT legacy systems is financially and logistically challenging. We believe that our technology and business outsourcing solutions cater to the evolving needs of the financial institution customer base we target, providing integrated, open, flexible, customer-centric and efficient IT products and services.

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Our results of operations may be affected by regulatory changes that will occur as the payments industry has come under increased scrutiny from lawmakers and regulators.

**Overview of Results of Operations**

The following briefly describes the components of revenue and expenses as presented in the unaudited consolidated condensed statements of income and comprehensive income. Descriptions of the revenue recognition policies are detailed in Note 1 of the Notes to the Audited Consolidated Financial Statements included in our 2014 Form 10-K.

*Merchant Acquiring, net.* Merchant Acquiring revenue consists of income from services that allow merchants to accept electronic methods of payment. Our standard merchant contract has an initial term of one or three years, with automatic one-year renewal periods. In the Merchant Acquiring segment, sources of revenue include a discount (generally a percentage of the sales amount of a credit or debit card transaction value) and membership fees charged to merchants, debit network fees and rental income from POS devices and other equipment, net of credit card interchange and assessment fees charged by credit cards associations (such as VISA or MasterCard) or payment networks.

Merchant Acquiring accounted for \$20.8 million, or 22.4% of total revenues, and \$8.5 million or 27.0% of total segment income from operations for the three months ended September 30, 2015, compared with \$19.2 million, or 21.7%, of total revenues and \$8.5 million, or 23.7% of total segment income from operations for the comparable period in 2014. For the nine months ended September 30, 2015, our Merchant Acquiring business accounted for \$62.0 million, or 22.4% of total revenues and \$27.4 million or 25.8% of total segment income from operations compared with \$58.3 million, or 21.9%, of total revenues and \$25.7 million, or 24.1%, of total segment income from operations for the nine months ended September 30, 2014.

*Payment Processing.* Payment Processing revenue comprises income related to providing financial institutions access to the ATH network and other card networks, including related services such as authorization, processing, management and recording of ATM and POS transactions, and ATM management and monitoring. Payment Processing revenue also includes income from card processing services for debit or credit issuers, such as credit and debit card processing, authorization and settlement and fraud monitoring and control services; payment processing services such as payment and billing products for merchants, businesses and financial institutions and EBT; which principally consists of services to the Puerto Rico government for the delivery of government benefits to participants. Payment products include electronic check processing, automated clearing house (ACH), lockbox, interactive voice response and web-based payments through personalized websites, among others.

We generally enter into one to five year contracts with our private payment processing clients and one year contracts with our government payment processing clients. For ATH network and processing services, revenue is driven mainly by the number of transactions processed. Revenue is derived mainly from network fees, transaction switching and processing fees, and leasing of POS devices. For card issuer processing, revenue is dependent mostly upon the number of cardholder accounts on file, transactions and authorizations processed, the number of cards embossed and other processing services. For EBT services, revenue is derived mainly from the number of beneficiaries on file.

Payment Processing accounted for \$27.5 million, or 29.6%, of total revenues and \$12.8 million, or 40.4%, of total segment income from operations for the three months ended September 30, 2015, compared with \$25.8 million, or 29.1%, of total revenues and \$14.7 million, or 40.4%, of total segment income from operations for the three months ended September 30, 2014. For the nine months ended September 30, 2015, our Payment Processing business accounted for \$80.6 million, or 29.1%, of total revenues and \$40.8 million, or 38.5%, of total segment income from operations, compared with \$77.7 million, or 29.0%, of total revenues and \$44.7 million, or 41.9%, of total segment

income from operations for the nine months ended September 30, 2014.

*Business Solutions.* Business Solutions revenue consists of income from a full suite of business process management solutions including core bank processing, network hosting and management, IT consulting services, business process outsourcing, item and cash processing, and fulfillment. Business Solution services are offered to banks, commercial enterprises and government institutions. We generally enter into one to five year contracts with our private Business Solutions clients and one year contracts with our government Business Solutions clients.

In addition, we are a reseller of hardware and software products and these resale transactions are generally one-time transactions. Revenue from sales of hardware or software products is recognized once the following four criteria are met: (i) evidence of an agreement exists, (ii) delivery and acceptance has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collection of the selling price is reasonably assured or probable, as applicable.

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Business Solutions accounted for \$44.5 million, or 48.0%, of total revenues and \$10.3 million, or 32.6%, of total segment income from operations for the three months ended September 30, 2015, compared with \$43.8 million, or 49.4%, of total revenues and \$12.7 million, or 35.3%, of total segment income from operations for the three months ended September 30, 2014. For the nine months ended September 30, 2015, Business Solutions accounted for \$134.7 million, or 48.6%, of total revenues and \$37.8 million, or 35.7%, of total segment income from operations, compared with \$131.6 million, or 49.2%, of total revenues and \$36.2 million, or 34.0%, of total segment income from operations for the nine months ended September 30, 2014.

*Cost of revenues.* This caption includes the costs directly associated with providing services to customers, as well as, product and software sales, including software licensing and maintenance costs; telecommunications costs; personnel and infrastructure costs to develop and maintain applications, operate computer networks and provide associated customer support; and other operating expenses.

*Selling, general and administrative.* This caption consists mainly of salaries, wages and related expenses paid to sales personnel, administrative employees and management, advertising and promotional costs, audit and legal fees, and other selling expenses.

*Depreciation and amortization.* This caption consists of our depreciation and amortization expense. Following the completion of the Merger, our depreciation and amortization expense increased as a result of the purchase price allocation adjustments to reflect the fair market value and revised useful life assigned to property and equipment and intangible assets in connection with the Merger.

**Results of Operations**

The following tables set forth certain consolidated financial information for the three and nine months ended September 30, 2015 and 2014. The following tables and discussion should be read in conjunction with the information contained in our unaudited consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

***Comparison of the three months ended September 30, 2015 and 2014***

The following tables present the components of our unaudited consolidated statements of income and comprehensive income by business segment and the change in those amounts for the three months ended September 30, 2015 and 2014.

*Revenues*

<i>(Dollar amounts in thousands)</i>	<b>Three months ended September 30,</b>			
	<b>2015</b>	<b>2014</b>	<b>Variance</b>	
Merchant Acquiring, net	\$ 20,784	\$ 19,227	\$ 1,557	8%
Payment Processing	27,502	25,848	1,654	6%
Business Solutions	44,492	43,804	688	2%
Total revenues	\$ 92,778	\$ 88,879	\$ 3,899	4%

Total revenues for the three months ended September 30, 2015 increased by \$3.9 million or 4% when compared to the corresponding 2014 period.

Merchant Acquiring revenue for the three months ended September 30, 2015 increased by \$1.6 million or 8% compared with the corresponding 2014 period. The revenue growth was due mainly to an increase in transaction volumes coupled with an increase in net revenue rate spread.

Payment Processing revenue for the three months ended September 30, 2015 increased \$1.7 million or 6% compared with the corresponding 2014 period. Revenue growth in the quarter was primarily driven by an increase in transactions processed over the ATH debit network and card accounts on file within the card products business.

Business Solutions revenues for the three months ended September 30, 2015 increased \$0.7 million or 2% compared with the corresponding 2014 period. The increase is primarily related to an increase in core banking revenues partially offset by a decrease in IT Consulting revenues.

Total revenues in Puerto Rico grew 3.3% and outside Puerto Rico grew 12.2% for the quarter ended September 30, 2015 when compared with the same period in 2014.

**Table of Contents***Operating costs and expenses*

<i>(Dollar amounts in thousands)</i>	<b>Three months ended September 30,</b>			<b>Variance</b>
	<b>2015</b>	<b>2014</b>		
Cost of revenues, exclusive of depreciation and amortization shown below	\$ 44,821	\$ 38,862	\$ 5,959	15%
Selling, general and administrative expenses	10,428	7,104	3,324	47%
Depreciation and amortization	16,934	16,453	481	3%
Total operating costs and expenses	\$ 72,183	\$ 62,419	\$ 9,763	16%

Total operating costs and expenses for the three months ended September 30, 2015 increased \$9.8 million or 16% as compared to the corresponding 2014 period.

Cost of revenues increased by \$6.0 million or 15% when compared with the corresponding 2014 period. The increase was mainly related to an increase in salaries and benefits as a result of certain severance payments made during the quarter primarily related to the previously disclosed voluntary termination offers extended to certain employees which included special termination benefits and an increase in share-based compensation expense. Additionally, other operating expenses increased as a result of an increase in sundry losses and general operating expenses.

Selling, general and administrative expenses for the three months ended September 30, 2015 increased \$3.3 million or 47% as compared with the corresponding 2014 period. This increase is almost entirely related to an increase in salaries and benefits as a result of the aforementioned voluntary termination severance payments and an increase in share-based compensation.

Depreciation and amortization expense for the three months ended September 30, 2015 increased \$0.5 million or 3% as compared with the corresponding 2014 period. The increase is related to an increase in amortization from software packages as a result of various software projects that were completed and implemented in 2015.

*Income from operations*

The following table presents income from operations by reportable segments.

<i>(Dollar amounts in thousands)</i>	<b>Three months ended September 30,</b>			<b>Variance</b>
	<b>2015</b>	<b>2014</b>		
Segment income from operations				
Merchant Acquiring, net	\$ 8,517	\$ 8,518	\$ (1)	0%
Payment Processing	12,777	14,707	(1,930)	-13%
Business Solutions	10,308	12,696	(2,388)	-19%
Total segment income from operations	31,602	35,921	(4,319)	-12%
Merger related depreciation and amortization and other unallocated expenses <sup>(1)</sup>	(11,007)	(9,461)	(1,546)	-16%

Income from operations	\$	20,595	\$	26,460	\$(5,864)	-22%
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(1) Primarily represents non-operating depreciation and amortization expenses generated as a result of the Merger and certain non-recurring fees and expenses.

Income from operations for the three months ended September 30, 2015 decreased \$5.9 million or 22% compared with the corresponding 2014 period. The decrease in income from operations was the result of the aforementioned factors affecting our operating costs and expenses and notably the \$5.7 million severance charge pertaining to the voluntary termination program.

See Note 12 of the Notes to Unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information on the Company's reportable segments and for a reconciliation of income from operations to net income.

**Table of Contents***Non-operating income (expenses)*

<i>(Dollar amounts in thousands)</i>	<b>Three months ended September 30,</b>			<b>Variance</b>
	<b>2015</b>	<b>2014</b>		
Non-operating income (expenses)				
Interest income	\$ 140	\$ 91	\$ 49	54%
Interest expense	(6,003)	(6,370)	367	6%
(Losses) earnings of equity method investment	(3)	241	(244)	-101%
Other income (expenses)	381	(249)	630	101%
Total non-operating expenses	\$ (5,485)	\$ (6,287)	\$ 801	13%

Total non-operating expenses for the three months ended September 30, 2015 decreased \$0.8 million as compared with the corresponding 2014 period. The decrease is mostly driven by a decrease in interest expense as a result of a 25 basis point decrease in the interest rate as a result of lowering the senior secured leverage ratio below 3.50x coupled with a lower outstanding loan balance. In addition, other expenses decreased as a result of negative fair value adjustments made to our software indemnification assets during the prior year. These decreases in expenses were partially offset by a decrease in earnings from our equity method investment, Contado.

*Income tax expense*

Income tax expense for the three months ended September 30, 2015 amounted to \$1.7 million compared with an income tax expense of \$1.1 million in the prior year period and an effective tax rate of 11.16% compared to 5.36% in the prior year. The increase was driven by an increase in income tax expense related to our operations in the U.S. Virgin Islands.

See Note 8 of the Notes to Unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information regarding income taxes.

***Comparison of the nine months ended September 30, 2015 and 2014***

The following tables present the components of our unaudited consolidated statements of income and comprehensive income by business segment and the change in those amounts for the nine months ended September 30, 2015 and 2014.

*Revenues*

<i>(Dollar amounts in thousands)</i>	<b>Nine months ended September 30,</b>			<b>Variance</b>
	<b>2015</b>	<b>2014</b>		
Merchant Acquiring, net	\$ 62,041	\$ 58,345	\$ 3,696	6%
Payment Processing	80,638	77,691	2,947	4%
Business Solutions	134,672	131,609	3,063	2%

Total revenues	\$	277,351	\$	267,645	\$9,707	4%
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Total revenues for the nine months ended September 30, 2015 increased \$9.7 million or 4% compared with the corresponding 2014 period.

Merchant Acquiring revenue for the nine months ended September 30, 2015 increased \$3.7 million or 6% as compared to the corresponding 2014 period. The revenue growth was primarily the result of an increase in net revenue spread and higher sales volume.

Payment Processing revenue for the nine months ended September 30, 2015 increased \$2.9 million or 4% compared with the corresponding 2014 period. Revenue growth was driven mainly by an increase in ATH and POS network and processing transactions.

Business Solutions revenues for the nine months ended September 30, 2015 increased \$3.1 million or 2% compared with the corresponding 2014 period. The increase was primarily related to an increase in income from core banking services and hardware sales, partially offset by a decrease in IT Consulting services and IT Management services.

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Total revenues in Puerto Rico grew 2.9% and outside Puerto Rico grew 8.7% for the nine months ended September 30, 2015 when compared with the same period in 2014.

*Operating costs and expenses*

<i>(Dollar amounts in thousands)</i>	<b>Nine months ended September 30,</b>			
	<b>2015</b>	<b>2014</b>	<b>Variance</b>	
Cost of revenues, exclusive of depreciation and amortization shown below	\$ 125,280	\$ 115,781	\$ 9,499	8%
Selling, general and administrative expenses	27,079	25,629	1,450	6%
Depreciation and amortization	49,767	49,457	310	1%
Total operating costs and expenses	\$ 202,126	\$ 190,867	\$ 11,260	6%

Total operating costs and expenses for the nine months ended September 30, 2015 increased \$11.3 million or 6% as compared with the corresponding 2014 period.

Cost of revenue for the nine months ended September 30, 2015 increased \$9.5 million or 8% compared with the corresponding 2014 period. The increase was driven by an increase in salaries as a result of \$4.0 million in severance payments made primarily related to the voluntary termination offers extended to certain employees during the second quarter of 2015 coupled with higher share based compensation. In addition, there was an increase in other operating expenses driven by an increase in general operating expenses and sundry losses.

Selling, general and administrative expenses for the nine months ended September 30, 2015 increased \$1.5 million or 6% compared with the corresponding 2014 period. The increase was primarily related to an increase in salaries as a result of an increase in share based compensation and \$1.7 million in severance payments made during the year. This increase was partially offset by a decrease in professional fees as a result of a decrease in audit fees, attorney fees and a decrease in professional services primarily related to expenses incurred in 2014 related to the cancelled debt refinancing transaction.

Depreciation and amortization expense for the nine months ended September 30, 2015 increased \$0.3 million or 1% compared with the corresponding 2014 period. The increase is primarily related to higher amortization from internally developed software packages.

*Income from operations*

The following table presents income from operations by reportable segments.

<i>(Dollar amounts in thousands)</i>	<b>Nine months ended September 30,</b>			
	<b>2015</b>	<b>2014</b>	<b>Variance</b>	
Segment income from operations				
Merchant Acquiring, net	\$ 27,411	\$ 25,700	\$ 1,711	7%
Payment Processing	40,828	44,738	(3,910)	-9%

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Business Solutions	37,841	36,232	1,609	4%
Total segment income from operations	106,080	106,670	(589)	-1%
Merger related depreciation and amortization and other unallocated expenses <sup>(1)</sup>	(30,855)	(29,892)	(963)	-3%
Income from operations	\$ 75,225	\$ 76,778	\$ (1,552)	-2%

(1) Primarily represents non-operating depreciation and amortization expenses generated as a result of the Merger and certain non-recurring fees and expenses.

Income from operations for the nine months ended September 30, 2015 decreased \$1.6 million or 2% as compared to the corresponding 2014 period. The decrease in income from operations was the result of the aforementioned factors affecting our operating costs and expenses, notably the \$6.2 million in voluntary termination severance payments. The decrease in Payment Processing was impacted by certain vendor credits granted to the Company in the prior year as well as higher costs related to increased investment in the Company's card issuing product initiatives.

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See Note 12 of the Notes to Unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information on the Company's reportable segments and for a reconciliation of income from operations to net income.

*Non-operating income (expenses)*

<i>(Dollar amounts in thousands)</i>	<b>Nine months ended September 30,</b>			
	<b>2015</b>	<b>2014</b>	<b>Variance</b>	
Non-operating income (expenses)				
Interest income	\$ 371	\$ 245	\$ 126	52%
Interest expense	(18,414)	(19,780)	1,366	7%
Earnings of equity method investment	196	905	(709)	-78%
Other income	1,430	2,127	(697)	33%
Total non-operating expenses	\$ (16,417)	\$ (16,503)	\$ 85	1%

Total non-operating expenses for the nine months ended September 30, 2015 remained flat when compared to the corresponding 2014 period. Interest expense decreased by \$1.4 million mainly as a result of a decrease of 25 basis points in the interest rate as a result of the senior secured leverage ratio decreasing below 3.50x coupled with a lower outstanding loan balance. The decrease in interest expense was offset by a decrease in earnings from the equity method investment in Contado and a decrease in other income driven by lower foreign currency exchange gains.

*Income tax expense*

Income tax expense for the nine months ended September 30, 2015 amounted to \$6.1 million compared with an income tax expense of \$5.2 million for the corresponding 2014 period and an effective tax rate of 10.29% compared with 8.64% in the prior year. The increase in income tax expense was driven by an increase in income tax related to our U.S. Virgin Islands operations.

See Note 8 of the Notes to Unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information regarding income taxes.

**Liquidity and Capital Resources**

Our principal source of liquidity is cash generated from operations, and our primary liquidity requirements are the funding of capital expenditures and working capital needs. We also have a \$100.0 million revolving credit facility, of which \$82.0 million was available as of September 30, 2015.

At September 30, 2015, we had cash of \$40.4 million, of which \$26.5 million resides in our subsidiaries located outside of Puerto Rico for purposes of (i) funding the respective subsidiary's current business operations and (ii) funding potential future investment outside of Puerto Rico. We intend to indefinitely reinvest these funds outside of Puerto Rico, and based on our liquidity forecast, we will not need to repatriate this cash to fund the Puerto Rico operations or to meet debt-service obligations. However, if in the future we determine that we no longer need to maintain such cash balances within our foreign subsidiaries, we may elect to distribute such cash to the Company in Puerto Rico. Distributions from the foreign subsidiaries to Puerto Rico may be subject to tax withholding and other

tax consequences.

Our primary use of cash is for operating expenses, working capital requirements, capital expenditures, dividend payments, share repurchases, debt service, acquisitions and other transactions as opportunities present themselves.

Based on our current level of operations, we believe our cash flows from operations and the available senior secured revolving credit facility will be adequate to meet our liquidity needs for the next twelve months. However, our ability to fund future operating expenses, dividend payments and capital expenditures and our ability to make scheduled payments of interest, to pay principal on or refinance our indebtedness and to satisfy any other of our present or future debt obligations will depend on our future operating performance, which will be affected by general economic, financial and other factors beyond our control.

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<i>(Dollar amounts in thousands)</i>	<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Cash provided by operating activities	\$ 122,615	\$ 103,798
Cash used in investing activities	(35,210)	(17,212)
Cash used in financing activities	(79,118)	(79,845)
Increase in cash	\$ 8,287	\$ 6,741

Net cash provided by operating activities for the nine months ended September 30, 2015 was \$122.6 million compared with \$103.8 million for the corresponding 2014 period. The increase of \$18.8 million was driven by less cash used to pay down accounts payable and accrued liabilities coupled with an increase in cash received from accounts receivable in 2015.

Net cash used in investing activities increased by \$18.0 million, as a result of an increase in restricted cash and an increase in purchases of property and equipment and intangible assets.

Net cash used in financing activities for the nine months ended September 30, 2015 was \$79.1 million as compared to cash used in financing activities of \$79.8 million in the corresponding 2014 period. The slight decrease in cash used in financing activities is primarily related to less cash used to pay down short-term borrowings, \$5.0 million in 2015 compared to \$42.0 million in 2014, partially offset by \$35.0 million in cash used to repurchase common stock during 2015 compared to zero in 2014.

***Capital Resources***

Our principal capital expenditures are for hardware and computer software (purchased and internally developed), additions to property and equipment and mergers and acquisitions. We invested approximately \$27.4 million and \$16.6 million for the nine months ended September 30, 2015 and 2014, respectively. Capital expenditures are expected to be funded by cash flow from operations and, if necessary, borrowings under our revolving credit facility.

***Dividend Payments***

We currently have a policy under which we pay a regular quarterly dividend on our common stock, subject to the declaration thereof by our Board each quarter. On February 18, 2015, our Board declared a quarterly cash dividend of \$0.10 per share of common stock, which was paid on March 19, 2015 to stockholders of record as of February 2, 2015.

On May 6, 2015, our Board declared a quarterly cash dividend of \$0.10 per share of common stock. The cash dividend of \$0.10 per share was paid on June 5, 2015 to stockholders of record as of close of business on May 18, 2015.

On August 5, 2015, our Board declared a quarterly cash dividend of \$0.10 per share of common stock. The cash dividend of \$0.10 per share was paid on September 3, 2015 to stockholders of record as of close of business on August 17, 2015.

On November 4, 2015, our Board declared a quarterly cash dividend of \$0.10 per share of common stock. The cash dividend of \$0.10 per share will be paid on December 4, 2015 to stockholders of record as of close of business on November 16, 2015.

***Financial Obligations***

***Senior Secured Credit Facilities***

***Term A Loan***

As of September 30, 2015, the unpaid principal balance of the Term A Loan was \$266.3 million. The Term A Loan requires principal payments on the last business day of each quarter equal to (a) 1.250% of the original principal amount commencing on September 30, 2013 through June 30, 2016; (b) 1.875% of the original principal amount from September 30, 2016 through June 30, 2017; (c) 2.50% of the original principal amount from September 30, 2017 through March 31, 2018; and (d) the remaining outstanding principal amount on the maturity of the Term A Loan on April 17, 2018. For the nine months ended September 30, 2015, the Company made principal payments amounting to \$11.3 million on the Term A Loan. Interest is based on EVERTEC Group's first lien secured net leverage ratio and payable at a rate equal to, at the Company's option, either (a) LIBOR plus an applicable margin ranging from 2.00% to 2.50% or (b) Base Rate, as defined in our 2013 Credit Agreement, plus an applicable margin ranging from 1.00% to 1.50%. The Term A Loan has no LIBOR or Base Rate minimum or floor.

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*Term B Loan*

As of September 30, 2015, the unpaid principal balance of the Term B Loan was \$391.0 million. The Term B Loan requires principal payments on the last business day of each quarter equal to 0.250% of the original principal amount commencing on September 30, 2013 and the remaining outstanding principal amount on the maturity of the Term B Loan on April 17, 2020. For the nine months ended September 30, 2015, the Company made principal payments amounting to \$3.0 million on the Term B Loan. Interest is based on EVERTEC Group's first lien secured net leverage ratio and payable at a rate equal to, at the Company's option, either (a) LIBOR plus an applicable margin ranging from 2.50% to 2.75%, or (b) Base Rate plus an applicable margin ranging from 1.50% to 1.75%. The LIBOR and Base Rate are subject to floors of 0.75% and 1.75%, respectively.

*Revolving Credit Facility*

The revolving credit facility has a balance up to \$100.0 million, with an interest rate equal to the applicable Term A Loan rate. The facility matures on April 17, 2018 and has a commitment fee payable one business day after the last business day of each quarter calculated based on the daily unused commitment during the preceding quarter. The commitment fee for the unused portion of this facility ranges from 0.125% to 0.375% based on EVERTEC Group's first lien secured net leverage ratio. As of September 30, 2015, the outstanding balance of the revolving credit facility was \$18.0 million. For the nine months ended September 30, 2015, the Company made payments amounting to \$75.5 million on the revolving credit facility.

All senior secured term facility loans may be prepaid without premium or penalty. The senior secured credit facilities allow EVERTEC Group to obtain, on an uncommitted basis at the sole discretion of participating lenders, an incremental amount of term loan and/or revolving credit facility commitments not to exceed the greater of (i) \$200.0 million and (ii) maximum amount of debt that would not cause EVERTEC Group's pro forma first lien secured net leverage ratio to exceed 4.25 to 1.00.

The senior secured revolving credit facility is available for general corporate purposes and includes borrowing capacity available for letters of credit and for short-term borrowings referred to as swing line borrowings. All obligations under the new senior secured credit facilities are unconditionally guaranteed by Holdings and, subject to certain exceptions, each of EVERTEC Group's existing and future wholly-owned subsidiaries. All obligations under the new senior secured credit facilities, and the guarantees of those obligations, are secured by substantially all of EVERTEC Group's assets and the assets of the guarantors, subject to certain exceptions.

See Note 5 of the Notes to Unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information.

*Notes payable*

In December 2014 and June 2015, EVERTEC entered into non-interest bearing \$4.6 million and \$1.1 million, respectively, financing agreements to purchase certain software. The notes will be repaid over a 36-month term. As of September 30, 2015, the outstanding principal balance of the notes payable is \$4.2 million. The current portion of these notes is recorded as part of accounts payable and the long-term portion is recorded in other long-term liabilities.

*Covenant Compliance*

The credit facilities contain various restrictive covenants. The Term A Loan and the revolving facility (subject to certain exceptions) require EVERTEC Group to maintain on a quarterly basis a specified maximum senior secured

leverage ratio of up to 6.60 to 1.00 as defined in the 2013 Credit Agreement (total first lien senior secured debt to Adjusted EBITDA). In addition, the 2013 Credit Agreement, among other things: (a) limits EVERTEC Group's ability and the ability of its subsidiaries to incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments and enter into certain transactions with affiliates; (b) restricts EVERTEC Group's ability to enter into agreements that would limit the ability of its subsidiaries to pay dividends or make certain payments to its parent company; and (c) places restrictions on EVERTEC Group's ability and the ability of its subsidiaries to merge or consolidate with any other person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of their assets. However, all of the covenants in these agreements are subject to significant exceptions. As of September 30, 2015, the senior secured leverage ratio was 3.41 to 1.00 and we were in compliance with the applicable restrictive covenants under the 2013 Credit Agreement.

In this Quarterly Report on Form 10-Q, we refer to the term "Adjusted EBITDA" to mean EBITDA as so defined and calculated for purposes of determining compliance with the senior secured leverage ratio based on the financial information for the last twelve months at the end of each quarter.

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***Net Income Reconciliation to EBITDA, Adjusted EBITDA and Adjusted Net Income***

We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA further adjusted to exclude certain unusual items and other adjustments described below. We define Adjusted Net Income as net income adjusted to exclude certain unusual items and other adjustments described below.

We present EBITDA and Adjusted EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our presentation of Adjusted EBITDA is consistent with the equivalent measurements that are contained in the senior secured credit facilities in testing EVERTEC Group's compliance with covenants therein, such as the senior secured leverage ratio. We use Adjusted Net Income to measure our overall profitability because it reflects our cash flow generation by capturing the actual cash taxes paid rather than our tax expense as calculated under GAAP and excludes the impact of the non-cash amortization and depreciation that was created as a result of the Merger. In evaluating EBITDA, Adjusted EBITDA and Adjusted Net Income, you should be aware that in the future we may incur expenses such as those excluded in calculating them. Further, our presentation of these measures should not be construed as an inference that our future operating results will not be affected by unusual or nonrecurring items.

Some of the limitations of EBITDA, Adjusted EBITDA and Adjusted Net Income are as follows:

they do not reflect cash outlays for capital expenditures or future contractual commitments;

they do not reflect changes in, or cash requirements for, working capital;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements;

in the case of EBITDA and Adjusted EBITDA, they do not reflect interest expense, or the cash requirements necessary to service interest, or principal payments, on indebtedness;

in the case of EBITDA and Adjusted EBITDA, they do not reflect income tax expense or the cash necessary to pay income taxes; and

other companies, including other companies in our industry, may not use EBITDA, Adjusted EBITDA and Adjusted Net Income or may calculate EBITDA, Adjusted EBITDA and Adjusted Net Income differently than as presented in this Report, limiting their usefulness as a comparative measure.

EBITDA, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per common share are not measurements of liquidity or financial performance under GAAP. You should not consider EBITDA, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per common share as alternatives to cash flows from operating activities or any other performance measures determined in accordance with GAAP, as an indicator of cash

flows, as a measure of liquidity or as an alternative to operating or net income determined in accordance with GAAP.

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A reconciliation of net income to EBITDA, Adjusted EBITDA and Adjusted Net Income is provided below:

<i>(Dollar amounts in thousands)</i>	<b>Three months ended</b>		<b>Twelve months ended</b>		<b>Three months ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2015</b>	<b>September 30, 2015</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2014</b>
<b>Net income</b>	\$ 13,423	\$ 52,755	\$ 65,217	\$ 19,091	\$ 55,070	
Income tax expense	1,687	6,053	8,426	1,082	5,205	
Interest expense, net	5,863	18,043	24,261	6,279	19,535	
Depreciation and amortization	16,934	49,767	66,298	16,453	49,457	
<b>EBITDA</b>	<b>37,907</b>	<b>126,618</b>	<b>164,202</b>	<b>42,905</b>	<b>129,267</b>	
Software maintenance reimbursement and other costs <sup>(1)</sup>	479	1,408	1,886	661	1,770	
Equity income <sup>(2)</sup>	3	(196)	(431)	(239)	(580)	
Compensation and benefits <sup>(3)</sup>	7,271	9,935	14,514	648	1,573	
Transaction, refinancing and other fees <sup>(4)</sup>	260	992	6,137	269	2,785	
Purchase accounting <sup>(5)</sup>	94	82	69	284	459	
<b>Adjusted EBITDA</b>	<b>46,014</b>	<b>138,839</b>	<b>186,377</b>	<b>44,528</b>	<b>135,274</b>	
Operating depreciation and amortization <sup>(6)</sup>	(7,568)	(21,667)	(29,083)	(7,338)	(22,102)	
Cash interest expense, net <sup>(7)</sup>	(5,081)	(15,723)	(21,163)	(5,500)	(16,911)	
Cash income taxes <sup>(8)</sup>	(999)	(4,600)	(4,873)	(300)	(703)	
<b>Adjusted net income</b>	<b>\$ 32,366</b>	<b>\$ 96,849</b>	<b>\$ 131,258</b>	<b>\$ 31,390</b>	<b>\$ 95,558</b>	
<b>Adjusted net income per common share:</b>						
Basic	\$ 0.42	\$ 1.25	\$ 1.25	\$ 0.40	\$ 1.22	
Diluted	\$ 0.42	\$ 1.25	\$ 1.25	\$ 0.40	\$ 1.21	
<b>Shares used in computing adjusted net income per common share:</b>						
Basic	77,160,514	77,472,673	77,472,673	78,666,241	78,485,109	
Diluted	77,292,813	77,577,394	77,577,394	79,216,924	79,193,452	

(1) Primarily represents reimbursements received for certain software maintenance expenses as part of the Merger.

(2) Represents the elimination of non-cash equity earnings from our 19.99% equity investment in CONTADO, net of cash dividends received.

(3) Represents non-cash equity based compensation expense of \$1.6 million and \$3.7 million for the quarter and nine month period ended September 30, 2015 and severance payments of \$5.7 million and \$6.2 million for the quarter and nine month period ended September 30, 2015. For 2014 primarily represents non-cash equity based

compensation.

- (4) Represents fees and expenses associated with fees and corporate transactions, as defined in the Credit Agreement, including the withdrawn senior secured notes offering in the second quarter of 2014.
- (5) Represents the elimination of the effects of purchase accounting in connection with certain software related arrangements where EVERTEC receives reimbursements from Popular.
- (6) Represents operating depreciation and amortization expense which excludes amortization generated as a result of the Merger.
- (7) Represents interest expense, less interest income, as they appear on our consolidated statement of income and comprehensive income, adjusted to exclude non-cash amortization of the debt issuance costs, premium and accretion of discount and other adjustment related to interest expense.
- (8) Represents cash taxes paid for each period presented.

**Off Balance Sheet Arrangements**

In the ordinary course of business the Company may enter into commercial commitments. As of September 30, 2015, we had an outstanding letter of credit of \$1.1 million with a maturity of less than three months. Also, as of September 30, 2015 we had an off balance sheet item of \$10.8 million related to the unused amount of the windfall that is available to offset future taxable income.

See Note 8 of the Unaudited Consolidated Financial Statements within Item I of this Quarterly Report on Form 10-Q for additional information related to this off balance sheet item.

**Seasonality**

Our payment businesses generally experiences increased activity during the traditional holiday shopping periods and around other nationally recognized holidays.

**Effect of Inflation**

While inflationary increases in certain input costs, such as occupancy, labor and benefits, and general administrative costs, have an impact on our operating results, inflation has had minimal net effect on our operating results during the last three years as overall inflation has been offset by increased selling process and cost reduction actions. We cannot assure you, however, that we will not be affected by general inflation in the future.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risks arising from our normal business activities. These market risks principally involve the possibility of changes in interest rates that will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

***Interest rate risks***

We issued floating-rate debt which is subject to fluctuations in interest rates. Our senior secured credit facilities accrue interest at variable rates and only the Term B Loan is subject to floors or minimum rates. A 100 basis point increase in interest rates over our floor(s) on our debt balances outstanding as of September 30, 2015 under the senior secured credit facilities would increase our annual interest expense by approximately \$6.7 million, excluding the revolving credit facility. The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of our borrowings at that time.

***Foreign exchange risk***

We conduct business in certain countries in Latin America. Some of this business is conducted in the countries' local currencies. The resulting foreign currency translation adjustments, from operations for which the functional currency is other than the U.S. dollar, are reported in accumulated other comprehensive loss in the unaudited consolidated condensed balance sheet, except for highly inflationary environments in which the effects would be included in other operating income in the consolidated statements of income and comprehensive income. At September 30, 2015, the Company had \$6.0 million in an unfavorable foreign currency translation adjustment as part of accumulated other comprehensive loss compared with an unfavorable foreign currency translation adjustment of \$6.5 million at December 31, 2014.

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

The Company, under the direction of the Chief Executive Officer and the Chief Financial Officer, has established disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act) that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2015, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

***Changes in Internal Control Over Financial Reporting***

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are defendants in various lawsuits or arbitration proceedings arising in the ordinary course of business. Management believes, based on the opinion of legal counsel and other factors, that the aggregated liabilities, if any, arising from such actions will not have a material adverse effect on the financial condition, results of operations and the cash flows of the Company.

**Table of Contents****Item 1A. Risk Factors**

In addition to the risk factors previously disclosed under Item 1A. of the Company's 2014 Form 10-K, investors should consider the following updated risk:

***Rating downgrades on the Government of Puerto Rico's debt obligations could slow the Puerto Rico economy, delay Government payments and affect consumer spending***

In February 2014, the principal nationally recognized statistical rating organizations downgraded the general obligation bonds of the Commonwealth of Puerto Rico and other debt obligations of Puerto Rico instrumentalities to non-investment grade categories. The downgrades are based mostly on concerns about financial flexibility and a reduced capacity to borrow in the financial markets. If the Commonwealth of Puerto Rico and its instrumentalities (collectively the Government) is unable to access the capital markets to place new debt or roll its upcoming maturities, the Government may reduce spending, impose new taxes, and take other actions which could slow the economy. A prolonged recession or future fiscal measures may also impact our business. The continuing challenging economic environment could affect our customer base, depress general consumer spending, and lengthen the Government's payments, thus increasing our Government accounts receivables; these outcomes, if realized, could have a material adverse effect on our business, financial condition and results of operations.

Further ratings downgrades for the Government have occurred since then and there continues to be significant doubt regarding the Government's liquidity and its ability to pay outstanding debt obligations. Certain measures have been taken to address the fiscal crisis, including an increase in the sales tax rate, imposing a 4% business to business tax, and several spending cuts. Furthermore, the Government has shown indications that it might not be able to make certain scheduled payments on its debt obligations. On August 3, 2015, the Government defaulted for the first time on the Public Finance Corporation bonds and only made a partial interest payment on that obligation. In addition, the Government halted deposits into the fund that pays its general obligation bonds, although has expressed its intentions to deposit the funds on time to comply with scheduled payments. The Government has expressed its intention to continue taking actions to improve the liquidity of the General Fund and is attempting to renegotiate some terms of certain outstanding Government debt.

At September 30, 2015, the Company has no direct exposure to the Government's debt obligations, including those of its instrumentalities or municipalities. The Company has accounts receivable with the Puerto Rico government and its agencies amounting to \$16.2 million as of September 30, 2015 down from \$21.4 million as of December 31, 2014.

The risks described in our 2014 Form 10-K and in this report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table summarizes repurchases of the Company's common stock in the nine month period ended September 30, 2015:

<b>Period</b>	<b>Total number of shares purchased</b>	<b>Average price paid per</b>	<b>Total shares purchased as part of a publicly announced</b>	<b>Aproximate dollar value of shares that may yet be purchased</b>
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		share	program	under the program <sup>(1)</sup>
3/1/2015 - 3/31/2015	452,175	22.114	452,175	
8/1/2015 - 8/31/2015	50,920	17.884	50,920	
9/1/2015 - 9/30/2015	1,331,133	18.084	1,331,133	
	1,834,228	\$ 19.072	1,834,228	\$ 40,000,000

- <sup>(1)</sup> On September 24, 2014, the Company announced a stock repurchase program authorizing the purchase of up to \$75 million of the Company's common stock over the next twelve months. On August 5, 2015, the Company announced that its Board of Directors approved an increase and extension to the current stock repurchase program, authorizing the purchase of up to \$100 million of the Company's common stock and extended the expiration to September 30, 2016.

### Item 3. Defaults Upon Senior Securities

None.

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**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

10.61*+	Employment Agreement, dated as of September 1, 2015, by and between EVERTEC Group, LLC and Peter J. S. Smith.
10.62*+	Restricted Stock Unit Award Agreement under the EVERTEC, Inc. 2013 Equity Incentive Plan, dated as of September 1, 2015, by and between EVERTEC, Inc. and Peter J. S. Smith.
10.63*+	Separation Agreement and General Release, dated as of September 1, 2015, by and between EVERTEC Group, LLC and Eduardo Franco de Camargo
31.1*	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS XBRL***	Instance document
101.SCH XBRL***	Taxonomy Extension Schema
101.CAL XBRL***	Taxonomy Extension Calculation Linkbase
101.DEF XBRL***	Taxonomy Extension Definition Linkbase
101.LAB XBRL***	Taxonomy Extension Label Linkbase
101.PRE XBRL***	Taxonomy Extension Presentation Linkbase

\* Filed herewith.

\*\* Furnished herewith.

\*\*\* Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

+ This exhibit is a management contract or a compensatory plan or arrangement.



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EVERTEC, Inc.

(Registrant)

Date: November 6, 2015

By: /s/ Morgan M. Schuessler, Jr.

Morgan M. Schuessler, Jr.

Chief Executive Officer

Date: November 6, 2015

By: /s/ Peter J.S. Smith

Peter J.S. Smith

Chief Financial Officer