

POPULAR INC  
Form 11-K  
June 28, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

Or

**TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

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

Commission file number 001-34084

**POPULAR, INC. PUERTO RICO SAVINGS AND INVESTMENT PLAN**

(Full title of the Plan and address of the Plan, if different from that of the issuer named below)

**POPULAR, INC.**

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**209 MUÑOZ RIVERA AVENUE**

**HATO REY, PUERTO RICO 00918**

**(Name of issuer of the securities held pursuant to the plan and the address of principal executive office)**

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**Popular, Inc. Puerto Rico Savings and Investment Plan**

**Financial Statements and Supplemental Schedule**

**December 31, 2012 and 2011**

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**Popular, Inc. Puerto Rico Savings and Investment Plan**

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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ( ERISA ) have been omitted because they are not applicable or not required.

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**Report of Independent Registered Public Accounting Firm**

To the Participants and Administrator of

Popular, Inc. Puerto Rico Savings and Investment Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Popular, Inc. Puerto Rico Savings and Investment Plan (the Plan ) at December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

San Juan, Puerto Rico

June 28, 2013

**Table of Contents****Popular, Inc. Puerto Rico Savings and Investment Plan****Statements of Net Assets Available for Benefits****December 31, 2012 and 2011**

	2012	2011
<b>Assets</b>		
Investments		
Plan interest in Master Trust net assets	\$	\$ 56,062,292
Investments, at fair value	165,070,694	87,752,954
<b>Total investments</b>	<b>165,070,694</b>	<b>143,815,246</b>
Receivables		
Participant contributions	394,812	399,797
Notes receivable from participants	512,858	689,061
Dividends and interest	3,568	3,731
Receivable for investments sold	1,227	143,074
<b>Total receivables</b>	<b>912,465</b>	<b>1,235,663</b>
Interest bearing deposits	20,900,962	22,045,488
Cash and cash equivalents	75,258	
<b>Total assets</b>	<b>\$ 186,959,379</b>	<b>\$ 167,096,397</b>
<b>Liabilities</b>		
Accrued expenses	76,700	75,200
Payable for investments purchased	41,075	39,703
<b>Total liabilities</b>	<b>117,775</b>	<b>114,903</b>
<b>Net assets available for benefits</b>	<b>\$ 186,841,604</b>	<b>\$ 166,981,494</b>

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

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**Popular, Inc. Puerto Rico Savings and Investment Plan**  
**Statement of Changes in Net Assets Available for Benefits**  
**For the Year Ended December 31, 2012**

<b>Additions to assets attributed to:</b>	
Investment income	
Net appreciation in fair value of investments	\$ 25,436,194
Allocated share of Master Trust investment income	3,342,114
Interest and dividends	3,663,395
Total investment gain	32,441,703
Interest income on notes receivable from participants	20,199
Contributions	
Participants	10,540,954
Rollovers from other qualified plans	203,974
Total contributions	10,744,928
Other additions	
ERISA Settlement Payments	5,283,376
Total additions	48,490,206
<b>Deductions from assets attributed to:</b>	
Benefits and withdrawals paid to participants, including rollover distributions	28,553,396
Administrative expenses	76,700
Total deductions	28,630,096
<b>Net increase</b>	<b>19,860,110</b>
<b>Net assets available for benefits</b>	
Beginning of year	166,981,494
End of year	\$ 186,841,604

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

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**Popular, Inc. Puerto Rico Savings and Investment Plan**

**Notes to Financial Statements**

**December 31, 2012 and 2011**

**Note 1. Description of Plan**

The following description of the Popular, Inc. Puerto Rico Savings and Investment Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of its provisions.

**Plan Description**

The Plan is sponsored by Popular, Inc. (the Corporation). The Plan is a defined contribution plan covering substantially all employees of the Corporation and its affiliates (the Companies), who have one month of service, are at least eighteen years old and are residents of the Commonwealth of Puerto Rico. The Plan was established for the purpose of providing retirement benefits to employees and to encourage and assist them in adopting a regular savings plan that qualifies under the applicable income tax laws of the Commonwealth of Puerto Rico. The Plan provides the participants the ability to invest in mutual funds and common stock of the Corporation. The Plan is subject to the provisions of Employee Retirement Income Security Act of 1974 (ERISA).

**Significant Transactions During 2012**

**Reverse stock split**

On May 29, 2012, the Corporation completed a 1-for-10 reverse split of its common stock, \$0.01 par value per share. Pursuant to the reverse stock split, each ten shares of authorized and outstanding common stock were reclassified and combined into one new share of common stock. Therefore, the number of shares of common stock authorized under the Corporation's Restated Certificate of Incorporation was reduced from 1,700,000,000 to 170,000,000 shares, without any change in par value per common share. The reverse split did not change the number of shares of the Corporation's preferred stock authorized, which remains at 30,000,000.

Please note that all share and per share information presented in these financial statements has been adjusted to retroactively reflect the reverse stock split.

**Master Trust**

The Popular Balanced Managed Fund (PBMF) investments were held in a Master Trust. Effective May 4, 2012 the PBMF was no longer offered as an investment option. In its place, on May 7, 2012, a new fund called Manning & Napier Pro Blend Extended Term was introduced as an investment alternative.

**ERISA Class Action-Settlement Proceeds**

Pursuant to the Class Action Settlement related to the legal action known as *In Re Popular, Inc. ERISA Litigation, Master File: 3:09-CV-01552-ADC*, in the United States District Court of Puerto Rico, in August 2012 the Plan and the Popular, Inc. USA Savings and Investment Plan (together referred to as the Popular Plans) were instructed to implement the Court-approved Plan of Allocation of the net settlement proceeds among eligible plan participants. Therefore, the Popular Plans credited the corresponding accounts with each eligible participant's pro-rata portion of the total net settlement amount of \$6,064,116. The amount of \$4,715,545 was credited to the Plan, and the amount of \$1,348,571 was credited to the Popular, Inc. USA Savings and Investment Plan.

Subsequently, in December 2012, the Plans performed an adjustment to the previously mentioned credits, as per guidelines established in the Court Order to reflect the proper calculation of each eligible participant's share of the total net settlement proceeds. This adjustment resulted in a transfer of \$492,573 from the Popular, Inc. USA Savings and Investment Plan to the Plan and an additional payment of \$75,258 by the Plan



Sponsor.

**Table of Contents****Popular, Inc. Puerto Rico Savings and Investment Plan****Notes to Financial Statements****December 31, 2012 and 2011****Plan Amendments**

On February 17, 2012, the Board of Directors approved to amend the Plan granting full vesting to employees who elected to participate in the Voluntary Separation Program adopted by Popular Insurance, Inc. and Popular Risk Services, Inc.

**Contributions**

At December 31, 2012, Plan participants could authorize the Companies to make pre-tax deductions ranging from 1% to 70% and after-tax payroll deductions ranging from 1% to 10% of their monthly compensation, as defined. At no time may participant's pre-tax contributions exceed the PR-Code Section 1081.01 (d)(7)(A) established legal limit (\$13,000 for 2012 and \$10,000 for 2011). Employees are automatically enrolled in the Plan at the pre-tax contribution rate of 4% of annual compensation and may change their contribution rate at any time. Also the Plan permits catch-up contributions that are before tax contributions made in excess of the deferral limit by a participant who has reached age 50, limited for calendar year ended on December 31, 2012 to \$1,500.

The Plan provides that the Companies shall match up to 100% of the first 3% of total cash compensation contributed on a pre-tax basis, plus 50% of the next 2% contributed pre-tax. If pre-tax contributions exceed the legal limit, the excess pre-tax contributions would be recharacterized as after-tax and be eligible for company match up to the maximum possible match of 4% of compensation. Matching contributions are invested pursuant to each participant's investment directions for elective deferrals. All matching contributions have been suspended since March 20, 2009.

In addition, the Corporation may make discretionary contributions to its own employees out of its net profits in such amounts as each subsidiary's Board of Directors may determine. There were no profit sharing contributions for the years 2012 and 2011.

**Participant Accounts**

Each participant account is credited with its contribution and allocation of: (a) its own Company matching and profit sharing contribution and (b) plan earnings. Allocations are based on participant earnings or account balances, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting**

Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the Companies' matching and discretionary profit sharing contributions plus actual earnings thereon is based on years of service. These contributions and actual earnings thereon vest in accordance with the following schedule:

<b>Years of Service</b>	<b>Vesting %</b>
Less than 1	0
At least 1	20
At least 2	40
At least 3	60
At least 4	80
5 or more	100

**Payment of Benefits**

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Plan participants are permitted to make withdrawals from the Plan from after-tax contributions, subject to provisions in the Plan agreement. If a participant suffers financial hardship, as defined in the Plan agreement, the participant may request a withdrawal from his/her pre-tax contributions. Upon termination of service due to disability, retirement or other reasons, a

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**Popular, Inc. Puerto Rico Savings and Investment Plan**

**Notes to Financial Statements**

**December 31, 2012 and 2011**

participant may elect to receive either a lump sum distribution in cash, recurring benefit payments, shares of Popular, Inc. common stock, if applicable, or a combination of elections. In the case of participant termination because of death, the entire vested amount is paid to the person or persons legally entitled thereto.

**Notes Receivable from Participants**

The Plan does not allow participants to take loans from their accounts. However, during 2006 the Plan was amended to allow active participants to take a one-time loan from the Plan collateralized by their account balances for the payment of the 5% tax on their Savings Plan account balance and Banco Popular de Puerto Rico Retirement Plan accrued benefits as provided by Act 87 of May 13, 2006. Subsequent to December 31, 2006, the Plan does not allow participants to take loans.

As of December 31, 2012, notes receivable from participants amounted to \$512,858 (2011 \$689,061) which is the unpaid principal balance of the loans issued during 2006, plus any accrued but unpaid interest.

**Plan Expenses and Administration**

The Plan is administered by the Popular, Inc. Benefits Committee which, in turn, may delegate certain administrative functions to other committees and/or officers of the Corporation. The named fiduciary of the Plan for purposes of investment-related matters is the Popular, Inc. Corporate Investment Committee.

The Plan's Recordkeeper and Trustee is Banco Popular de Puerto Rico. Unless otherwise paid by the Companies, expenses of the Plan are borne by the Plan.

**Forfeited Accounts**

Forfeited balances of terminated participants' non-vested accounts can be used to pay administrative expenses or, at the Companies' discretion, may be redistributed among participants after a five (5) year severance period. During the severance period, if the terminated participant is reemployed by the Companies, the dollar value at the date of reemployment of such forfeited amounts shall be restored to the participant's account if the reemployed participant repays to the Plan an amount equal to the dollar amount of his/her vested balance distributed upon termination.

During 2012, the Companies used forfeitures of \$76,700 to pay administrative expenses.

Forfeited non-vested accounts amounted to \$151,171 and \$215,218 at December 31, 2012 and 2011, respectively.

**Non-Participant Directed Investments**

At December 31, 2012, there were no non-participant directed investments in the Plan.

**Note 2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Plan in the preparation of the financial statements are summarized below:

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

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**Popular, Inc. Puerto Rico Savings and Investment Plan**

**Notes to Financial Statements**

**December 31, 2012 and 2011**

**Use of Estimates**

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

**Investment Valuation and Income Recognition**

Plan investments are presented at fair value. Shares of registered investment companies are presented at quoted market prices which represent the net asset value of shares held by the Plan at the reporting date. Popular, Inc.'s common stock is presented at the market price. The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Purchases and sales of securities are recorded on a trade date basis. Dividends are recorded on the ex-dividend date and interest is recorded under the accrual basis and credited to each participant's account, as defined by the Plan document. Realized gains and losses from security transactions are reported on the average cost basis.

The Plan determines the fair values of its investments based on the fair value framework established in the Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurements date. The standard describes three levels of inputs that may be used to measure fair value which are: (1) quoted market prices for identical assets or liabilities in active markets, (2) observable market-based inputs or unobservable inputs that are corroborated by market data, and (3) unobservable inputs that are not corroborated by market data. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Refer to Note 4 to these financial statements for the ASC 820 disclosures required as of December 31, 2012 and 2011.

**Interest Bearing Deposits**

Interest Bearing Deposits consist of all demand deposits and balances invested in short-term highly liquid investments with original maturities of 90 days or less. Interest Bearing Deposits includes revenue sharing dollars accumulated over the past years that the Corporation will use to allocate pro-rata among Plan's participants on the last day of the Plan Year based on their year end funds account balance. Revenue sharing dollars accumulated as of December 31, 2012 were \$795,996, and were distributed to participants on January 11, 2013. Interest Bearing Deposits are valued at amortized cost, which approximates fair value.

**Cash and Cash Equivalents**

Cash and Cash Equivalents consist of all non interest bearing demand deposits.

**Contributions**

Employee and employer matching contributions are recorded in the period in which the Companies make the payroll deductions.

Discretionary contributions are recorded in the period in which they are earned by the participant as determined by the Corporation's Board of Directors.



**Table of Contents****Popular, Inc. Puerto Rico Savings and Investment Plan****Notes to Financial Statements****December 31, 2012 and 2011****Rollovers Distributions**

Terminated employees or retirees may elect to transfer their savings to other plans qualified by the Puerto Rico Department of the Treasury.

**Rollovers Contributions**

Rollovers Contributions to the Plan consist of monies received by a Participant from another plan qualified under PR Code.

**Payment of benefits**

Benefits are recorded when paid.

**Note 3. Plan Investments**

The following table presents the Plan's investments that represent five percent or more of the Plan's net assets at December 31:

	2012		2011	
	# of shares	Value	# of shares	Value
Master Trust	*	*	304,008	\$ 56,062,292
Mutual funds				
Principal Lifetime 2020 A	735,686	\$ 9,343,215	**	**
Lord Abbett Value Opportunities I	566,235	\$ 9,541,071	619,484	\$ 9,478,120
Manning & Napier Fund Pro Blend Extended Term Class S	3,204,388	\$ 50,981,815	***	***
Common stock ****				
Popular, Inc.	2,046,162	\$ 42,539,711	1,964,200	\$ 27,302,393
Other				
BPPR Bank Deposit Open Account	19,995,651	\$ 19,995,651	21,316,989	\$ 21,316,989

\* Investment was not available at December 31, 2012.

\*\* Investment did not exceed 5% or more of the Plan's assets at December 31, 2011.

\*\*\* Investment was not available at December 31, 2011.

\*\*\*\* All per share data has been adjusted to retroactively reflect the 1-for-10 reverse stock split effected on May 29, 2012.

BPPR Bank Deposit Open Account ( BDOA ) is reclassified to interest bearing deposits as prescribed by GAAP. For ERISA purposes, this BDOA is considered as an investment.





**Table of Contents****Popular, Inc. Puerto Rico Savings and Investment Plan****Notes to Financial Statements****December 31, 2012 and 2011**

During 2012, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year, and excluding the Master Trust) appreciated in value as follows:

Popular, Inc. common stock	\$ 17,164,385
Mutual funds	8,271,809
	<b>\$ 25,436,194</b>

**Note 4. Fair Value Measurements**

The Plan measures fair value as required by ASC 820, Fair Value Measurements and Disclosures which provides a framework for measuring fair value under accounting principles generally accepted in the United States. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs and valuation techniques used to measure fair value into three levels in order to increase consistency and comparability in fair value measurements and disclosures. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for the fair value measurement are observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the Plan's estimates about assumptions that market participants would use in pricing the asset or liability based on the best information available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

**Level 1** Unadjusted quoted prices in active markets for identical assets that the Plan has the ability to access at the measurement date. Valuation on these instruments does not require a significant degree of judgment since valuations are based on quoted prices that are readily available in an active market.

**Level 2** Quoted prices other than those included in Level 1 that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or that can be corroborated by observable market data for substantially the full term of the financial instrument.

**Level 3** Inputs are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Plan's own assumptions about assumptions that market participants would use in pricing the asset or liability.

Following is a description of the Plan's valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

**Cash & Cash Equivalents:** The carrying amount of cash and cash equivalents are reasonable estimates of the fair value due to its short term maturity.



**Table of Contents****Popular, Inc. Puerto Rico Savings and Investment Plan****Notes to Financial Statements****December 31, 2012 and 2011**

**Interest Bearing Deposits:** The carrying amount of interest bearing deposits are reasonable estimates of the fair value due to its short term maturity.

**Equity Securities:** Equity securities with quoted market prices obtained from an active exchange market are classified as Level 1.

**Mutual Funds:** Investments in mutual funds are valued at the net asset value (NAV) of shares held by the Plan at year end. These securities are classified as Level 2. Investments in mutual funds generally may be redeemed daily.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's net assets at fair value as of December 31, 2012 and December 31, 2011.

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Popular, Inc. Common Stock	\$ 42,539,711	\$	\$	\$ 42,539,711
Investments in Mutual Funds:				
Fixed Income Funds		29,495,244		29,495,244
Equity Funds		93,035,739		93,035,739
<b>Total assets, at fair value</b>	<b>\$ 42,539,711</b>	<b>\$ 122,530,983</b>	<b>\$</b>	<b>\$ 165,070,694</b>

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Popular, Inc. Common Stock	\$ 27,302,393	\$	\$	\$ 27,302,393
Investments in Mutual Funds:				
Fixed Income Funds		25,855,190		