

# AGREEMENT

## Educational Contribution Account (CAE)

BANCO POPULAR DE PUERTO RICO

EDUCATIONAL CONTRIBUTION ACCOUNT

AGREEMENT

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## I. INTRODUCTION

This document contains the terms and conditions that govern an Educational Contribution Account (the “Account or ECA”) established and maintained at Banco Popular de Puerto Rico (the “Bank”) and describes the investment alternatives available through these accounts. It also includes the disclosures required by ECA Regulations issued by the Commissioner of Financial Institutions of Puerto Rico.

Upon signing the account documents and by establishing an ECA with Banco Popular, the Customer agrees and acknowledges that his/her contractual relationship with the Bank will be subject to the terms and conditions herein.

In this document the word “Customer” refers to the person that establishes an Account and his/her legal representatives. The term “Beneficiary” refers to the person for whose benefit the Account is established. The term “Taxpayer or Contributor” refers to the person making contributions to the Account. The term “Code” means the Puerto Rico Internal Revenue Code of 2011, as amended. The term “Bank Business Day” means any day, other than a Saturday, Sunday or federal holidays, on which the Bank is open to conduct all usual business in Puerto Rico. The term “Stock Market Business Day” means any day (except Saturday, Sunday and Holidays) in which the stock markets of New York and Chicago are open to the public for trading.

The term “Transaction Date” means the date on which the contribution received from the Contributor is processed. The term “Effective Date” means the date on which the transaction of the contribution or deposit received from the Contributor becomes effective.

This Agreement, its amendments, exhibits and any other related documents, to the extent signed and delivered or transmitted by electronic means will be treated and considered, for any purposes, as a legitimate and authentic original document and will have the same force, validity, and effect as if such document was signed in handwriting and delivered in person. The parties to this Agreement acknowledge that they will not use the digital or electronic signature method or the event of delivery or transmission of the documents by electronic means to question the formation, effect and validity of the Agreement, its amendments, exhibits and any other related documents.

## II. EDUCATIONAL CONTRIBUTION ACCOUNT AGREEMENT

### (ECA Agreement)

#### A. General

1. The regulations on ECA adopted by the Commissioner of Financial Institutions of Puerto Rico (the Regulations) require the Bank to provide every Customer and/or Contributor opening an ECA with the Bank an Educational Contribution Account Disclosure Document (ECA Disclosure) containing the general information about the ECA.

Sections II, III and IV of this document contain the ECA Disclosure. Those sections establish the terms and conditions governing the establishment of an ECA, with the Bank serving as trustee, and they

describe the characteristics of these accounts. It is not the intent of this ECA Disclosure to be exhaustive or conclusive, nor does it apply to a particular person or situation, nor does it intend to be a substitute for qualified tax or legal advice.

The Bank has created a trust under the laws of Puerto Rico naming itself trustee for the purpose of allowing to open an Account (the ECA Declaration of Trust).

By signing the Addendum to the ECA Agreement, a Customer and/or Contributor (1) acknowledges having received and having had the opportunity to review the ECA Agreement, and accepts its Terms and Conditions, and (2) adopts the terms of the ECA Deed of Trust.

Each ECA established by a Customer is created under the provisions of the Code and will be separate from any other ECA established by another Customer. The Contributor shall be the only responsible to decide how his/her contributions will be invested by choosing any of the investment options that the Bank makes available from time to time, subject to the Terms and Conditions of the ECA Deed of Trust, the Addendum to the ECA Agreement, this ECA Agreement and other disclosures of the various collective investment funds and term bank deposits (the Investment Alternatives).

The Code allows eligible individuals to make annual tax-deductible contributions to an Account in order to provide for the Beneficiary’s post-secondary school studies. The Contributor may deduct the entire amount of the allowable annual contribution in computing his/her taxable income for Puerto Rico income tax purposes for the year with respect to which the contribution is made. The Code and the regulations thereunder (the “Regulations”) contain restrictions designed to discourage the use of contributions to an Account for purposes other than paying expenses of post-secondary studies of the Beneficiary.

#### 2. Business Days

The Bank operates Monday thru Friday, excluding federal holidays. Even though the Bank offers services to the public on Saturday, Sunday, and holidays, these days are not considered regular Business Days. Appropriate Business Days and operating hours are available at each branch and are subject to change, at the Bank’s discretion. Internet Banking and TeleBanco Popular services are available 24 hours a day all year long. Said services are subject to availability and their respective terms of use.

#### 3. Notices

Any notification from the Bank to the Customer, that is required in accordance with the Banco Popular Educational Contribution Account Description and Disclosure, is considered in effect upon sending it to the Customer and/or Beneficiary’s, when applicable, last known Banco Popular ECA-registered address.

4. **Nullity**

In the eventuality of any Banco Popular Educational Contribution Account Description and Disclosure term or condition being declared null or ineffective, according to any provision of law or regulation under the Commonwealth of Puerto Rico or the United States government, said occurrence will not affect the validity or effectiveness of the remaining Banco Popular IRA Description and Disclosure terms and conditions.

5. **Availability of Funds and Products**

Depending on the day, type of transaction (cancellation and transfer), and account, funds could be available the same day, the next Business Day, or following several days; the longest delay is no more than the 11th Business Day following the transaction. In the eventuality that the investments that you select are not immediately available, your Account balance, if required by the Commissioner of Financial Institutions, could be reversed by the trustee in the form of a combined short-term deposit that accrues interest for the Beneficiary's benefit.

6. **Amendments**

The Bank reserves the right to amend the terms and conditions established herein at any moment. Unless another term is established in this document, or by law or regulation, said amendments could be effective as soon as they are communicated in a visible location within a Bank branch.

7. **Possible Financial Exploitation of the Elderly or Disabled**

You acknowledge that the Bank may be required, by applicable law or regulation, to provide information about possible financial exploitation. Therefore, You authorize the Bank to disclose information such as your name, address, account signatories and transaction patterns to the agencies designated by any such law or regulation.

B. **Person who can establish an Account and his/her Responsibilities**

Individuals who possess custody and parental or legal guardianship over the Beneficiary may establish an Account as long as the Beneficiary is a minor (is less than 21 years of age).

The person who possesses custody and parental or legal guardianship over the Beneficiary of the Account will have following responsibilities:

1. informing the details regarding the Account to the relatives within the third degree by consanguinity or second degree by affinity (kinship by marriage) of the Beneficiary; and
2. until the Beneficiary is of legal age or becomes emancipated for the administration of his property
  - (i) Requesting the distribution of funds in an Account to pay for the cost of the post-secondary studies of the Beneficiary;

- (ii) Requesting or authorizing the transfer of an ECA from one institution to other one, as established by the Code, for the benefit of the Beneficiary;
- (iii) Selecting with regard to the taxation of the distributions that are made for the Account, including but not limited to, authorizing the trustee to retain the contribution of 10 percent as established by the Code;
- (iv) Determining how contributions deposited in the Account will be invested; and
- (v) Making any other decision related to the administration of the Account.

C. **Contributor who Can Make Contributions to an Account and his/her Responsibilities**

An individual who is a relative of the Beneficiary within the third degree by consanguinity or the second degree by affinity will be able to make contributions to the Account of such person. The Bank as trustee of the Account will discharge its responsibility based on the representations and statements provided by the Customer and/or Taxpayer or Contributor, including those representations regarding the nature and degree of kinship with the Beneficiary of the Account. The Taxpayer or Contributor who provides to the Bank false or deceitful representations and statements will be subject to the penalties established by law, including, but not limited to, the penalties determined by the Code.

D. **Ownership of the Account**

The Beneficiary shall have the title and ownership interest of any assets held in the Account. Consequently, once the Taxpayer or Contributor makes a contribution to the account, he/she cannot withdraw the funds (except if it is within the seven Business Days after the opening of the account). However, under certain circumstances, which will be discussed below, the Taxpayer or his/her estate, in the event of the Taxpayer's death, shall have the right to receive his/her contributions to the Account.

E. **Beneficiary's Interest Irrevocable and NonTransferable**

The Beneficiary can not transfer title of the Account except as specifically set forth in this ECA Disclosure without losing the favorable tax treatment. The Beneficiary's ownership interest in the Account is irrevocable and not transferable.

F. **Contributions and Deductions**

An individual can make a contribution to an Account if its Beneficiary is his/her child or a relative within the third degree by consanguinity or second degree by affinity. The maximum allowable annual contribution to an Account is the amount allowed as an annual tax-deduction as prescribed by the Code. For the current and prior taxable year, the amount is \$500.

The contributions are tax deductible, if the following additional conditions are met:

1. **Deadline for Contributions.** A Taxpayer or Contributor must make his Contributions to an Account no later than the date prescribed by the Code for the Taxpayer to file his Puerto Rico Income Tax Return for the taxable year (including any applicable extension of the time for filing).
2. **No Contribution After age 26.** No Contributions are allowed (except a Rollover Contribution as defined below) for the year in which the Beneficiary reaches the age 26 or any year thereafter.

**G. Excessive Contributions**

The Customer is solely responsible to ensure that his/her contribution to the ECA does not exceed the Maximum Allowable Amount. If the Taxpayer or Contributor makes an excessive contribution he/she must notify the Bank in writing before the beginning of the third month of the year following the tax year for which the contribution is made (February 28 for taxpayer filing on a calendar year basis). After receiving the notice, the Bank will distribute to the Customer said excess contribution and any income derived there from (less any applicable penalty as stated in the ECA Disclosure or any disclosure documents of the Investment Alternatives) in a lump sum, on or before the filing date of the income tax return for the year for which the excess contribution was made (April 15 for taxpayers filing on a calendar year basis or any later date if the Customer presents to the Bank timely and sufficient evidence that he/she has obtained an extension to file from the PR Treasury Department).

**H. Allowable Distributions**

1. **To pay for the eligible educational expenses:** The amount accrued in an Account may be distributed on or after the date on which the Beneficiary graduates from high-school or its equivalent and shall be used to pay for the cost of post-secondary studies. The total amount accrued in the Account must be distributed no later than the taxable year in which the Beneficiary reaches the age of thirty (30).

Pursuant to the Regulations, post-secondary studies are courses taken at an educational institution located in Puerto Rico, the United States or a foreign country, recognized by the educational authorities of Puerto Rico, the United States or the foreign country, is conducive to an academic degree higher than a high-school diploma, or specialized training in a discipline qualifying the Beneficiary to work in a particular profession or occupation.

The educational costs eligible to be covered with the funds of the Account, which under the current provisions of the Code, include: (i) registration fees (tuition), (ii) monthly installments required by the Institution, (iii) mandatory contributions to specific funds such as, for example, construction funds, (iv) text books, (v) room and board, (vi) equipment and materials required for completion of the corresponding courses, (vii) the cost of licenses or examinations required to practice the profession or occupation and (viii) in the case of studies outside Puerto Rico (United States or aboard), reasonable transportation expenses.

While the Beneficiary remains a non emancipated minor the person who may request the distribution is the person having parental or legal guardianship and custody of the Beneficiary. Once the Beneficiary attains legal age or is receives emancipation for purposes of managing his/her property, the Beneficiary will have the right to request distributions from the Account

The person seeking an Account distribution shall submit to the Bank a certification issued by the post-secondary educational institution evidencing that the Beneficiary is a regular student or that he/she was admitted to pursue studies at said institution. Such certification shall detail tuition and registration cost. The person shall also submit sworn written statement before a Public Notary stating the specific costs that the Beneficiary will incur for room and board, text books, equipment and materials required and any other eligible educational costs. Personal or education related expenses will not be reimbursed.

2. **Beneficiary's Death or Disability.** If upon the Beneficiary's death or disability to continue studies before the total amount in the Account has been distributed, the balance in the Account shall be distributed to the Taxpayer or Contributor, or to his/her heirs in the event of the death of the Taxpayer , within a reasonable period not to exceed six months from the date in which the Bank becomes aware that the Beneficiary has died or has become disabled.
3. **Beneficiary's Determination Not to Continue Studies.** The Beneficiary may determine not to use the funds in the Account to pursue post-secondary studies upon reaching legal age. The total balance in the Account shall be distributed to the Taxpayer or Contributor or to his/her heirs in the event that the Taxpayer has already died, within a reasonable period not to exceed six months from the date in which the Bank receives sworn written statement before a Public Notary submitted by the Beneficiary of his/her determination not to use the funds in the Account to pursue post-secondary studies.
4. **Distributions when Beneficiary reaches 30 years of age.** The total balance in the account must be distributed no later than the close of the tax year in which the Beneficiary reaches de 30 years of age. If the amount is not distributed to the Beneficiary before this date, the total amount in the Account will be distributed to the Contributor (or to the Contributors, if more than one) and will subject to applicable tax.

**I. Tax Treatment upon Distribution**

Except as indicated, the funds deposited in an ECA are subject to income tax in Puerto Rico when distributed, or when deemed distributed. See section H (Allowable Distributions) and J (Using Accounts as Collateral or Guaranty).

The total amount distributed attributable to the contributions and the increase in value of the Account will be taxed at ordinary rates. Distributions of interest derived by the ECA invested in a Fixed Term Time Deposit offered by the Bank, including the Stock Market Educativa (as described in parts III and IV of this document), is eligible for the interest income exclusion of up

to \$100 dollars (\$200 dollars for married filing jointly). The interest income derived in any year in excess of this amount may be taxable, at the Taxpayer or Contributor's option, at a special rate of 10%, which will be withheld by the Bank.

While the Beneficiary is a non emancipated minor, the Taxpayer shall be responsible for selecting the above mentioned 10% tax rate. The desired option must be selected prior to disbursement. If the Customer does not choose the 10% tax rate, the disbursement will be taxed at ordinary rates.

**J. Using the Account as Collateral or Guaranty**

Under the Code and Regulations, if the interest of a Beneficiary in the Account or in the assets in the Account is used, directly or indirectly, as collateral or guaranty in a loan, the portion of the Account so used shall be deemed distributed to the Beneficiary and thus taxable. Pursuant to the ECA Trust Indenture, the Bank will not allow a Beneficiary to use his/her interest in the Account or in the assets in the Account as collateral or guaranty of a loan.

**K. Contracts of Life Insurance**

No part of the funds or assets of an ECA will be able to be invested partially or completely in life insurance policies.

**L. Rollover Contribution**

The total amount accrued in an ECA established in another financial institution for the benefit of the Beneficiary may be transferred to an ECA in the Bank directly by the fiduciary of the other ECA in an amount in excess of the limits previously indicated. The total amount contributed to an ECA account established in another financial institution in a determined one-year period for the benefit of the Beneficiary may be transferred to an ECA in the Bank, including its yield.

If a rollover is made by a person that has received a distribution from another ECA, it must be made within sixty (60) days after the receipt of the distribution.

The amounts distributed from another ECA established for the benefit of another person when such other person becomes deceased, disabled to study, attains age 30 or determines not to pursue any studies, may be contributed to the Account in excess of the limits described if the Contributor is the father, mother or relative within the third grade of consanguinity or second grade of affinity of the Beneficiary of the Account.

The above mentioned rollover contributions, however, will not be deductible for the year in which such rollover contributions were made.

**M. Tax Information**

The Contributor may deduct the entire amount of the allowable annual contribution computing his/her taxable income for Puerto Rico income tax purposes for the year with respect to which the contribution is made. No Commonwealth income taxes are paid on the income generated by the assets held in the Account until a distribution is made from the Account.

Any earnings on the Account will be taxed upon distribution to the person receiving the distribution as described in the section "Allowable Distributions" in this Disclosure Statement.

**N. Bank Penalties, Fees and Expenses**

The Bank will not impose a penalty for withdrawals or distributions from an account before its maturity date if the ECA is a Fixed Term Time Deposit, also know as a three (3) year ECA, and the distribution is to pay for the eligible costs of the Beneficiary's post-secondary education. Nor shall a penalty apply if the withdrawal is due to the Beneficiary's death or incapability or if the distribution is for a transfer from one beneficiary to another Beneficiary within the Bank, when applicable under the Code. For penalties applying to the Stock Market Educativa, refer to the Section IV.F of this Agreement.

The Bank penalty will apply if the customer transfers ("rollovers") the funds to another ECA within the Bank or another financial institution, or if the Beneficiary will not study or decides not to pursue his post-secondary studies. It also applies if the ECA is closed within seven Business Days after it is opened.

The Bank may impose penalties for early withdrawal of the investment instrument. See Section III and IV. The Bank may change from time-to-time its early withdrawal penalties by sending the Customer a written notice thirty (30) days prior to the effective date of the change. All changes will apply to balances deposited or renewed after the effective date of the change.

In connection with each distribution, refunds of excess contributions and, rollovers to another eligible institution, the Bank may charge a processing fee in addition to any other penalties imposed for the instrument as stated in this ECA Disclosure or any other disclosure document for the investment alternative selected.

The Bank will notify the Customer and the Beneficiary in a separate document when these fees are applicable and the amount of such fees.

Expenses (including the fees described above) which are incurred with respect to an Account will be charged or allocated to that specific Account.

**O. Certification of Contribution and Tax Reports**

The Bank will send tax reporting forms to each Taxpayer or Contributor regarding the Contributions made to the Account. The Bank will also send to each Customer or Beneficiary, when applicable, the Beneficiary's Quarterly Account Statement and Annual Account Statement covering transactions made with respect to the Account. These statements of Account will contain the amount of any contribution, distribution, withdrawal or transfer made from or to an Account or the interests or other credits earned or the charges made to the Account.

A Taxpayer does not have to include the tax reporting forms issued by the Bank in his/her tax returns as evidence of the Contribution to the Account. However, the Taxpayer must keep the tax reporting forms and deliver them to the Treasury Department upon request.

**P. Indemnification**

Customers, Taxpayers and Beneficiaries shall indemnify and hold the Bank harmless from any and all claims, liabilities and expenses (including, but not limited to, attorneys fees) that may arise or be imposed upon the Bank as a result of the Customer's, Taxpayer's or Beneficiary's failure to abide by the terms and conditions of the Deed of Trust, the Educational Contribution Account Agreement, the Addendum to the ECA Agreement, the Code and the Regulations.

If you have questions regarding your eligibility or tax status after reviewing this Educational Contribution Account Agreement and the Deed of Trust made available hereunder, you should contact your tax and legal advisors.

**Q. Notices**

Any written notices to the Bank should be mailed to: Banco Popular de Puerto Rico, Trust Division (725), PO Box 362708, San Juan, P.R. 00936-2708.

**III. DISCLOSURE OF THE FIXED TERM TIME DEPOSIT (Educational Contribution Account)**

The following is a brief description of the Fixed Term Time Deposit available for investment of the Account.

**A. Minimum and Maximum Deposit**

The minimum and maximum deposit required for each term until its maturity is five hundred dollars (\$500).

**B. Term and Interest Rate**

The maturity terms for ECA are 12 and 36 months. The Bank may allow the Customer, or the Beneficiary if he/she is of legal age or has been emancipated for purposes of administrating his/her property, to change the maturity term of a fixed term deposit before the original maturity date. The interest is guaranteed for the term of each deposit.

**C. Interest Calculation**

The interest is computed daily based on the daily balance and is credited monthly. The Daily Balance method is used to calculate the interest. This method applies a daily periodic rate to the principal in the account each day.

When opening the account with noncash items (for example, checks) interest begins to accrue the Business Day on which the transaction is made.

**D. Additional Deposits**

Once the instrument is opened, additional deposits to the instrument are not allowed.

**E. Renewal at Maturity**

The instruments are renewed automatically, for the same term, at the current interest rate offered by the Bank for ECA at the moment of renewal. If the maturity falls on a non banking day, the maturity date will be the next banking day, as previously defined. There are no grace periods for renewals.

**F. Penalty for Withdrawal or Cancellation before Maturity**

Withdrawing or transferring part of the Account before the maturity date of the Fixed Term Time Deposit in which the Account is invested will result in a penalty imposed by the Bank, and the Beneficiary will lose a part of the amount in the deposit. The penalty will be equal to 180 days of interests for the 36 months tem and 90 days of interest for the 12 months term.

**G. FDIC Insurance**

The principal and the interest of the Fixed-Term Time Deposits will be insured by the Federal Deposit Insurance Corporation (FDIC) during the term of the Deposit, according to the applicable regulation.

**IV. STOCK MARKET EDUCATIVA DISCLOSURE**

The terms and conditions of the Stock Market Educativa will be subject to the current and future laws and regulations of the Commonwealth of Puerto Rico and the United States, including, without limitation, all legislation and regulation that regulate and governs ECA Accounts.

**A. Minimum and Maximum Deposits**

The minimum and maximum deposit required by the Stock Market Educativa as an investment in an ECA of Banco Popular is five hundred dollars (\$500).

**B. Term and Interest Rate**

The maturity date of a Stock Market Educativa is the last Business Day for the Stock Market of the fifty-ninth (59th) month following the month after the account is opened.

Interest will be computed at a rate based on fluctuations in the Standard & Poor's Corporation 500 Composite Stock Price Index (the "S&P 500 Index") over the term of the Stock Market Educativa and will be computed and credited at maturity. The Interest Rate and the Annual Percentage Yield (APY) of the Stock Market Educativa cannot be determined until maturity.

**C. Transaction Limitations**

After opening a Stock Market Educativa, additional deposits to the instrument are not permitted at any time. In addition, partial withdrawals of principal prior to maturity will not be allowed.

**D. Calculation and Payment of Interest**

**1. Interest Calculation**

The Bank will compute the interest on the Stock Market Educativa as follows:

- a. The Initial Index Value will be the value of the S&P® Index on the Stock Market Business Day immediately preceding the date the Stock Market Educativa opened. On local holidays, the Index to consider will be the Bank’s last Business Day; on federal holidays, it will be the last Business Day for the Stock Market.

Thereafter, the Bank will maintain records of the S&P 500® Index Value as of the last Stock Market Business Day of each month during the term of the Stock Market Educativa (the “Month-End Index Value”). At maturity, the Bank will compute the average of the Month-End Index Values over the term by adding the Month-End Index Values and dividing that total by 60 months to determine the Average Index Value. The Bank will then compute the percentage increase in the S&P 500® Index, if any, by taking the Average Index Value and subtracting from it the Initial Index Value and dividing that figure by the Initial Index Value.

The interest to be paid is 1.25 (125%) of the percentage increase in the S&P 500® Index during the term of the Stock Market, up to a maximum of 40%, without guarantee of a minimum return at maturity.

For example: If the Initial Index Value is 900 and the average of the Month-End Index Values over the term of your Stock Market is 1,150, the increase is 27.78%, that is:  $(1,150 - 900) / 900 = 27.78\%$ .

Following the same example, at maturity, your Stock Market would earn interest equal to the following calculation:  $125\% \times 27.78\%$ , which is 34.73%:

$$\$500 \times 34.73\% = \$173.65$$

So, if the current balance is \$500 the total value of your Stock Market at maturity would be \$673.65. This means that your Annual Percentage Yield for a five-year Stock Market would be 6.95% ( $34.73\% / 5$  years).

- b. It is important to note that neither the final nor any intermediate Month-End Index Value will determine the interest rate paid on your Stock Market Educativa, but rather the average of all these values.

The Stock Market Educativa pays simple interest only. Since the interest computation and crediting are done only at maturity, there is no compounding of interest. Interest will be paid on the second Business Day immediately following the maturity date of the Stock Market Educativa, except as described below under “Market Disruption Event”.

When opening the account with non-cash items (i.e. checks) interest begins to accrue on the Business Day the transaction is made.

In the absence of manifest error, the determination of the interest due on the Stock Market Educativa by the Bank will be binding and conclusive for all purposes.

If the Stock Market Educativa is canceled by the Customer before its maturity date, no interest will be paid to the Customer. In addition, any such withdrawal will also be subject to certain penalties applicable to the principal as described below under “Penalty for Cancellation before Maturity”.

## 2. Market Disruption Event

- a. In the case of an occurrence of a Market Disruption Event (as defined below) on the date for the calculation of a Month-End Index Value (also an “Index Valuation Date”), the Bank reserves the right to determine the S&P 500® Index Value for such Index Valuation Date on the basis of the value of the S&P 500® Index on the first of the five immediately following Stock Market Business Days on which there was no Market Disruption Event. If there is a Market Disruption Event on each of such dates, then the fifth Stock Market Business Day shall be used to determine the S&P 500® Index Value for such Index Valuation Date notwithstanding the Market Disruption Event. In any such case, the Bank reserves the right to take into account any quantifiable effect that the Market Disruption Event has had on the value of the S&P 500® Index.
- b. A “Market Disruption Event” means the suspension or material limitation of trading in a material number of securities included in the S&P 500® Index, securities generally on the New York Stock Exchange, options contracts related to the S&P 500 Index, traded on the Chicago Board Options Exchange, Inc.; or future contracts related to the S&P 500® Index Value that are traded on the Chicago Mercantile Exchange.
- c. If a Market Disruption Event occurs on the maturity date of the Stock Market Educativa, the interest payment date shall be the second Business Day after the date used by the Bank to determine the Month-End Index Value for such Index Valuation Date as described above.

## E. Reduction in Principal

The principal balance in the Stock Market Educativa will not be reduced as long as the funds remain deposited until maturity. Even if the Average Index Value is less than the Initial Index Value, there will be no reduction in the principal balance.

## F. Penalties for Cancellation Before Maturity

- 1. The Customer must not invest in a Stock Market Educativa if the person thinks he/she will need the funds before the instrument’s maturity or if the beneficiary is older than 20 years old.
- 2. The early withdrawal before maturity of the initial deposit at any time is subject to a substantial penalty applied to the principal. Further, since interest does not accrue on the Stock Market Educativa until maturity, no interest will be earned on amounts withdrawn prior to maturity.

3. If the Account is cancel before the maturity of the Stock Market Educativa instrument in which the account is invested, the Bank will impose a penalty and the Beneficiary will lose part of the amount deposited. The penalty will be as follows: 30% of the principal during the first year, 25% of the principal during the second year, 20% of the principal during the third year, 15% of the principal during the fourth year, and 10% of the principal during the fifth year, in accordance with the provisions of the regulation in force. Partial withdrawals will not be allowed.

**G. Transfers**

No right in, nor the use of, nor the evidence of the Stock Market Educativa thereby is transferable, except by an assignment duly executed by the owner in such form as is satisfactory to the Bank, and in all cases subject to any transfer restrictions imposed by the rules and regulations applicable to ECAs.

**H. Renewals at Maturity**

The Stock Market Educativa does not renew automatically at maturity into another Stock Market Educativa. At maturity, the entire balance of the Stock Market Educativa will be invested in a Regular Fixed Term Time Deposit account with a term of three (3) years at the interest rate offered by the Bank for deposits with such term.

**I. FDIC Insurance**

The principal of the Stock Market Educativa, will be secured by the Federal Deposit Insurance Corporation (FDIC), during the term of the Deposit, according to the applicable regulation. Nevertheless, the interest portion of the Stock Market Educativa is not covered by the FDIC insurance.

**J. Information about Standard and Poor's**

1. The Stock Market Educativa is not sponsored, endorsed, sold or promoted by S&P®. S&P® makes no representation or warranty, express or implied, to the Beneficiary of a Stock Market Educativa or any member of the public regarding the advisability of investing in securities generally or in the Stock Market Educativa in particular, or the ability of the S&P 500® Index to track general stock market performance. S&P®'s only relationship to the Bank is the licensing of certain trademarks and trade names of S&P® and of the S&P 500® Index, which is determined, composed and calculated by S&P® without regard to the Bank or the Stock Market Educativa. S&P® has no obligation to take the needs of the Bank or any owners of a Stock Market Educativa into consideration in determining, composing, or calculating the S&P 500® Index.

2. S&P® is not responsible for, and has not participated in, the determination of the prices and amount of the Stock Market Educativa or the timing of the issuance or sale of the Stock Market Educativa or in the determination or calculation of the equation used to calculate interest on the Stock Market Educativa.

S&P® DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN AND S&P® SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P® MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE BANK, ANY CUSTOMER, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500® INDEX, OR ANY DATA INCLUDED THEREIN, IN CONNECTION WITH THE RIGHTS LICENSED TO THE BANK OR FOR ANY OTHER USE. S&P® MAKES NO EXPRESS OR IMPLIED WARRANTIES AND EXPRESSLY DISCLAIMS ALL WARRANTIES OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE S&P® INDEX OR ANY DATA INCLUDED THEREIN.

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