

Certificate of Deposit Agreement

CERTIFICATE OF DEPOSIT AGREEMENT

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I. Introduction

Please read this Agreement and the applicable Addendums carefully (along with the “Agreement”) because they contain the terms and conditions that will rule your bank relation with Banco Popular de Puerto Rico. This Agreement and its Addendums can be amended or complemented from time to time.

When opening your Certificate, you accept all terms and conditions that govern the Certificate (from now on the “Account” or “Certificate”) and the disclosures contained here and the applicable Addendum (from now on, this “Agreement”).

In this Agreement, the words “we”, “our”, and “Bank” refer to Banco Popular de Puerto Rico. The words “you”, “yours”, and “depositor” refer to the account holder identified in the opening document of your account and its legal representatives. The term “Banking Day” means any day, except Saturday, Sunday, and federal holidays, in which the Bank is open to the public for regular transactions in Puerto Rico. The term “Stock Market Business Day” means any day, except Saturday, Sunday, and holidays, in which the New York and Chicago stock markets are open to the public for stock exchange transactions.

The Bank offers the following types of Certificate of Deposit:

- Certificado de Interés Más Alto (CIMA)
- CD5
- Stock Market CD

II. Products Disclosures

A. Certificado de Interés Más Alto (CIMA)

1. Minimum Balance

A minimum initial deposit of \$1,000 is required. The Annual Percentage Yield (APY) disclosed is based on maintaining the minimum initial deposit each day until maturity.

2. Computation Method

The Daily Balance Method is used to calculate the interest. This method applies a Daily Periodic Rate to the principal of the account each day.

3. Interest Computation and Payment

Interest Payment Frequency will be determined by the Depositor at the moment of the opening.

The available payment methods are:

- a. Capitalization (reinvestment) - offered for annual interest payment or payment at maturity.

- b. Credit to checking or savings account in the Bank or payment by checks - interest may be paid based on days (periods of 30, 60 or 90 days), monthly (based on opening day) or maturity.

4. Transaction Limitations

Once the Certificate is opened, additional deposits and partial withdrawals are not allowed.

5. Penalties for Cancellation Before Maturity

A penalty is applied, depending on the term of the Certificate regardless of the interest paid or accrued.

If the maturity term is less than 365 days, the penalty will be equivalent to 90 days of interests.

If the maturity term is 365 or more, the penalty will be equivalent to 180 days of interests.

6. Renewal

The Certificate will renew automatically at maturity, on successive equal terms, at current interest rate for CIMA offered by the Bank 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.

The Depositor will have a grace period of 5 calendar days after the maturity date to withdraw the funds without applying the penalty for premature cancellation. The interest rate that will apply during the grace period will be the prevailing for CIMA in the Bank at the renewal date.

7. Opening through Non-Cash Items

When the Account is opened with a non-cash item (e.g. checks), interest begins to accrue on the Banking Day the transaction is made.

B. CD5

1. Minimum Balance

A minimum initial deposit of \$5,000 is required. The Annual Percentage Yield (APY) disclosed is based on the minimum initial deposit maintained each day until maturity.

2. Computation Method

The Daily Balance Method is used to calculate the interest. This method applies a Daily Periodic Rate to the principal of the account each day.

3. Interest Computation and Payment

Interest is computed daily on the daily balance and credited every six months. An initial Interest Rate will be paid for the first six months. The interest rate will increase after this period and then every six months.

Interest Payment Methods are: reinvestment (capitalization) every six months or credit to a deposit account in the Bank. If reinvestment is selected, the Depositor authorizes the Bank to retain the interest and reinvest them as part of the deposit every six months. Changes in the interest payment method are not allowed after the Certificate opening.

4. Transaction Limitations

A partial withdrawal is allowed during the term of the Certificate, up to 25% of the initial deposit. Withdrawals may reduce earnings of the Certificate.

5. Cancellation Before Maturity

The Depositor(s) may cancel the Certificate before maturity without penalty.

6. Renewal

The Certificate will renew automatically at maturity, on successive equal terms, same interest payment method and current interest rate for CD5 offered by the Bank at the moment of renewal. The Certificate will not have a grace period. If the maturity falls on a non banking day, the maturity date will be the next Banking Day, as previously defined.

7. Openings through Non-Cash Items

When the Account is opened with a non-cash item (e.g. checks), interest begins to accrue on the Banking Day the transaction is made.

C. Stock Market CD

1. Minimum Balance

A minimum initial deposit of \$1,000 is required.

2. Term

Stock Market CD will mature on the last Stock Market Business Day of the fifty-ninth (59th) month following the month of the opening of the Account.

3. Interest Computation and Payment

Stock Market CD will earn interest at a variable rate based on changes in the Standard & Poor's Corporation ("S&P") 500 Composite Stock Price Index (the "S&P 500 Index") over the term of the Account and will be computed and paid only at maturity. This means that neither the interest rate nor the Annual Percentage Yield (APY) of the Stock Market CD can be determined until maturity.

Stock Market CD pays simple interest only. Since the interest computation and payment occur only at maturity, there is no compound interest.

Interest will be paid on the second Banking Business Day immediately following the maturity date of the Stock Market CD, except as described below under "Market Disruption Event".

Interest Payment Methods are: reinvestment (capitalization); credit to a deposit account in the Bank; or check by mail. If reinvestment is selected, the Depositor authorizes the Bank to retain the interest and reinvest them as part of the deposit upon maturity.

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

The S&P Index Value on the Stock Market Business Day immediately preceding the date of opening of your Stock Market CD will be the Initial Index Value. On local holidays, the Index Value to consider will be the one established in the last Banking Day immediately preceding the date of the account opening. On federal holidays, the Index Value to consider will be the one established in the last Stock Market's business day immediately preceding the date of the account opening. 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 starting from the month when the deposit is made (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 average 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 the result 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 until 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: $(1,150 - 900) / 900 = 27.78\%$.

At maturity, your Stock Market would earn interest equal to the following calculation: $125\% \times 27.78\%$, which is 34.73% : $\$3,000 \times 34.73\% = \$1,041.90$.

So, if the current balance is \$3,000 the total value of your Stock Market at maturity would have been \$4,041.90. This means that your Annual Percentage Yield for a five-year Stock Market would be 6.95% ($34.73\% / 5$ years).

4. **Market Disruption Event**

In the case of a Market Disruption Event (as defined below) on the date for the calculation of any Month-End Index Value (each 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 succeeding Stock Market Business Days on which there is 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 in spite of 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.

A Market Disruption Event means the suspension or material limitation of trading in (i) a material number of securities included in the S&P 500 Index, (ii) securities generally on the New York Stock Exchange, (iii) option contracts related to the S&P 500 Index, traded on the "Chicago Board Options Exchange Inc.", or (iv) future contracts related to the S&P 500 Index, traded on the "Chicago Mercantile Exchange".

If a Market Disruption Event occurs on the maturity date of your Stock Market CD, the interest payment date shall be the second Banking Business Day after the date used by the Bank to determine the Month-End Index Value for such Index Valuation Date as described above.

5. **Transactions Limitations**

After opening a Stock Market CD, you cannot make any additional deposits at any time. You should not invest in a Stock Market CD if you think you will need the funds before maturity.

Partial withdrawals of principal prior to maturity will not be permitted. If you cancel your Stock Market CD before its maturity date, you will not be entitled to receive any interest. Early withdrawal at any time after your initial deposit is subject to a substantial penalty applied to principal.

6. **Penalties for Canceling before Maturity**

The penalty for cancellations before maturity: 30% of the principal amount during the first year; 25% of the principal amount during the second year; 20% of the principal amount during the third year; 15% of the principal amount during the fourth year; and 10% of the principal amount during the fifth year. Interests will not be paid if the instrument is cancelled before maturity.

7. **FDIC Insurance**

The principal amount of your Stock Market CD is insured by the Federal Deposit Insurance Corporation (FDIC) during the term of the Certificate, according to the applicable regulation. Nevertheless, the interest portion of the Stock Market CD is not covered by the FDIC insurance.

8. **Tax Information**

Persons considering an investment in a Stock Market CD are encouraged to consult with their tax advisors concerning the tax consequences of such an investment under the tax laws applicable to their particular circumstances. Under current principles of the Puerto Rico Income Tax Law, interest payments on your Stock Market CD paid at maturity will be taxed as interest income like a traditional Certificate of Deposit. The Bank, when required, intends to file information returns with the Puerto Rico Treasury Department reporting payments on a Stock Market CD in accordance with the above principle. The tax consequences of investing in a Stock Market CD under the laws of the United States or any other jurisdiction may be different from the Puerto Rico tax treatment above described.

9. **Reports**

Since determination of interest gained is not made until maturity, no information will be given regarding the interest corresponding to your Stock Market CD before maturity.

10. **Renewal**

The Stock Market CD does not renew automatically at maturity into another Stock Market CD. At maturity, the entire balance of your Stock Market CD will be invested in a CIMA Certificate with a five years term and bearing interest at the current rate then offered by the Bank for such product and term.

11. **Important Information Related to the S&P 500 Index®**

The Stock Market CD is not sponsored, endorsed, sold, or promoted by S&P®. S&P® makes no representation or warranty, express or implied, to you or any owners of a Stock Market CD or any member of the public regarding the advisability of investing in securities generally or in the Stock Market CD in particular or the ability of the

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12. **Opening Through Non-Cash Items**

When the Account is opened with a non-cash item (e.g. checks), interest begins to accrue on the Banking Day the transaction is made.

III. Provisions Applicable to CIMA, CD5, and Stock Market CD

A. Legal Processes against the Certificate / Levies

The depositor agrees that the Bank will comply with the orders or attachment writs issued by a court or governmental authority (including but not limited to the Treasury Department and the Federal Internal

Revenue Service), and will freeze and/or deliver funds available in the Certificate at the time the order or writ is presented to the Bank, in accordance with its terms.

The Bank shall be under no obligation to contest, challenge, or question the terms of an order, notice of levy or writ of attachment, or to raise any defense that the depositor may have against the person or entity promoting the order or writ. The Bank shall strictly comply with the terms of any such order or writ, until it has been served with an order or a resolution issued by the same court or authority indicating that the same be released. Presentment to the Bank of evidence of payment of the debt or release of the obligation that prompted the order or notice of levy shall not be sufficient evidence for the Bank to release the funds.

If the order or writ of attachment were issued against any one of the depositors in a joint and several account (and/or), the Bank will proceed to freeze and/or deliver the funds as per the order or writ without the need to determine ownership of the funds or the legality of the order or writ.

If the Bank incurs in any expense, including but no limited to, legal fees and other disbursement related with any legal action, that are not reimbursed, the Bank may set-off such expenses against the CD without prior notice to the depositor.

The Bank may impose a processing fee in the event it is served with an order to garnish funds in the CD.

Any levy, pledge, or lien against the CD is subordinated to the Bank's right of set-off and security interest.

B. Set-off

The Bank reserves the right to set-off against the funds of the Certificate any indebtedness or obligations of the depositors then due to the Bank and may cancel the Certificate before the established maturity date if the debt becomes due and payable on demand.

C. Death of Depositor

Upon the death of one of the depositors, the surviving depositor(s) should immediately notify the Bank. In such case, or when one of the depositors is legally declared incapacitated by the Court, the Bank may, in its sole discretion, allow for the early withdrawal of the funds in the Certificate without imposing penalties for canceling prior to maturity. Also, any amount deposited in a Certificate of Deposit or CD5 shall be distributed, to the extent applicable, in accordance with the Puerto Rico Civil Code and those regulations promulgated by the Puerto Rico Secretary of Treasury relating to inheritances. If a depositor is a resident of another country upon his/her death (including, without limitation, the United States), any amount deposited in a Certificate shall be distributed

in accordance with the estate laws of said jurisdiction in addition to any applicable Puerto Rico laws or regulations. In Stock Market CD interest will not be paid on those amounts withdrawn before its maturity date.

D. Pledging of Funds

Those depositors who are not customers of the International Branch may pledge to the Bank any funds deposited in the Certificate as collateral security for any obligation granted by the Bank, if such guarantee were required and accepted by the Bank. The funds in the Certificate cannot be pledged, or transferred to third parties or institutions to serve as collateral for loans or other obligations.

E. Joint and Several Certificates (and/or)

If the Certificate is opened in the name of two or more depositors and is payable individually to any one of them, the funds deposited are the property of all of the depositors, each of which shall be considered a joint and several owner (individual owner), with the individual right to cancel the Certificate. As such, each of such depositors authorizes the other to carry out transactions (including but not limited to the cancellation) related to the Certificate. The Bank may at its option deliver the funds to any one of such depositors.

F. Joint Certificates (and)

If the Certificate is opened in the name of two or more depositors and is payable jointly in the name of all of the depositors, the funds deposited will be considered joint property of all of the depositors. The Certificate can only be cancelled upon the instruction of all of the depositors and unless the depositors issue written instructions to the Bank to the contrary, the funds deposited will be payable to all of the depositors jointly in the form of an official check.

G. Additional Depositors

Adding depositors after a Certificate opening is not allowed. Adding depositors after a Certificate opening requires the cancellation of the CD with the applicable penalties and the opening of a new Certificate.

H. Deposits in Excess of \$100,000

The Bank reserves the right to accept or reject, to its entire discretion, deposits in excess of \$100,000.

I. Transfers

No right in, or use of, a CD or the corresponding evidence of deposit is transferable, except by an assignment duly executed by the owner, in a manner satisfactory to the Bank.

J. Tax Retention

Interest generated in a Certificate of Deposit issued by the Bank is eligible for exclusion from tax over income, currently up to \$2,000. Interest generated on any year in excess of the excludable amount of gross income could be tax payable, at the customer's choice, to a special 10% rate that will be retained by Banco Popular. The election must be made at the opening or between January 1 and April 15 of each year.

K. Representation Clause

(applicable only to customers of the International Branch)

The Depositor hereby represents that he/she is not a resident of Puerto Rico, and, that, therefore, he/she is a "Foreign Person" as such term is defined in Act Number 52 of August 11, 1989, as amended.

L. Cancellations Pursuant to Law 98

Law 98 of June 25, 1998, provides an exemption from penalties for early withdrawal of funds in the event of the death of the Depositor or in events of necessity ("Qualified Reasons"), as the term is defined in the Internal Revenue Code of 1994, as amended. The exemption only applies to certificates of deposit issued to an individual in an amount equal to or less than \$100,000, including earned interest, that have been opened for 180 consecutive days or more. A renewed certificate of deposit is considered a new certificate, therefore any time elapsed prior to the reissuance is not counted towards the elapsed time for the new certificate.

The qualified reasons and required documents are:

1. Death

- Death Certificate
- Designation of Heirship or Last Will and Testament (certified by the Court after the death of the depositor, stating that said document is the last testament executed by the Customer)
- Testamentary letters that accredit authority to the executor, when applicable, and a copy of the authorization for the withdrawal of funds issued by the Puerto Rico Treasury Department. That authorization must include: a receipt for the estate taxes paid or the certificate granting a tax exemption

2. Disability

Disability Certificate issued by the Puerto Rico Workmen's Compensation Insurance Fund (Fondo de Seguro del Estado), the Veterans Administration, or the Social Security Administration, or the governing board of any retirement system established by law.

3. **Severe, Chronic, Degenerative and Terminal Disease of the Depositor or a Family Member up to the Fourth Degree of Consanguinity or Second by Affinity**

- Sworn statement regarding the purpose of the withdrawal of the funds
- Medical certificate stating that the severe, chronic, degenerative, and terminal disease has been diagnosed to the Customer or a family member up to the fourth degree of consanguinity or second by affinity, in which the foreseeable effect is the loss of life or permanent physical incapacity

4. **Unemployment**

Certificate issued by the Puerto Rico Department of Labor and Human Resources, and evidence of unemployment or resignation or other similar document. The certificate must indicate that the Customer has applied for benefits and is qualified to receive them.

5. **College Expenses of Direct Dependents**

Certification from the University stating that the direct dependent is a regular student at that institution, or has been accepted for enrollment at that institution. The certificate must provide a detailed description of the dependent's educational expenses, including the dollar amounts that must be paid by the Customer. No reimbursements for paid expenses will be made.

6. **Acquisition or Purchase of a Computer**

Certification that the amount to be distributed will be used for the acquisition or purchase of a computer, that the Depositor has not withdrawn funds for this purpose from any Certificate of Deposit in the past six years, and that the acquisition or purchase of a computer is for the benefit of a dependant, up to a second-degree of consanguinity, who is currently attending school up to university level. The distribution will be subject to the maximum amount allowed by law or any applicable regulations. No reimbursements for paid expenses will be made.

7. **Acquisition of First Principal Residence**

- Certification that the amount distributed will be used for the acquisition of the first principal residence of the Depositor in Puerto Rico, and that prior to the distribution date, the Customer has not owned a residential property used as his/her principal residence. The total amount received must be used for the intended purpose no later than the fifteenth (15) day after receiving the distribution, and the amount of the purchase price withdrawn from the Certificate of Deposit, as well as the Certificate account number, must be stated in the Deed of Purchase of said residence. No reimbursements for paid expenses will be made.

- Purchase Option Agreement that establishes that the Customer has optioned the property or,
- Construction contract specifying the costs and the current stage of construction. Settlement Statements and Good Faith Estimates are unacceptable.

8. **Repair or Reconstruction of a Principal Residence Affected by Fortuitous Cause**

The necessary certifications issued by federal or local agencies, which attest to the cause of the damages including, without being a limitation, fire, hurricane or earthquake, and the amount of damages caused by the fortuitous cause. No reimbursement of costs already paid will be made.

9. **Distribution to Prevent Mortgage Delinquency/ Foreclosure of Principal Residence**

A Sworn Statement describing the purpose of such withdrawal. The check will be issued to the financial institution holding the Depositor's mortgage, as specified in the Sworn Statement, and subject to any other requirement imposed by the Puerto Rico Treasury Department.

IV. General Terms and Conditions

- A. The Bank will not be liable for the noncompliance with any provision of this Contract if said noncompliance is totally or partially caused by circumstances beyond the control and responsibility of the Bank including, but not limited to: communication failures; interruptions of electric power service; mechanical failures of the equipment used for providing services; explosion; accident; fire; flood; or any other fortuitous cause or force majeure.

In the event of occurrence of any such events, the Bank's responsibility will be limited to restoring the services as soon as possible, as permitted by the circumstances.

This Contract constitutes the final agreement between the parties. Any written or verbal agreement made prior to the execution's date of this Contract is expressly revoked. The depositor acknowledges and agrees that his/her contractual relationship with the Bank is subject to the provisions contained in this Contract.

The Bank's rights under this Contract shall be understood to be cumulative instead of mutually exclusive, and the Bank's election to exercise one right shall in no way affect or limit any other right or remedy to which the Bank is entitled.

The Bank reserves the right to amend the terms and conditions established herein from time to time, by notifying the depositor the change by posting a notice on a visible area of the Bank's branches for at least thirty (30) consecutive days prior to the effective date of the change. Said amendments will be effective on the date stated on the notice.

The provisions of this Contract shall remain in full force until one of the parties notifies the other of its intention to cancel the Certificate of Deposit. The Bank reserves the right to cancel the Certificate of Deposit at any time. Cancellation will be notified by regular mail. The depositor will be required to pay the Bank the applicable penalties for cancellation.

This Contract shall be interpreted under the laws of the Commonwealth of Puerto Rico and any applicable federal laws and regulations. If any clause contained in this Contract is declared null, invalid, illegal, or in conflict with any statute, rule, applicable law, or regulations by a court with jurisdiction, such clause will be deemed to be modified or changed to comply therewith or, if this is not possible, will be excluded from this Contract and the remaining clauses shall remain in full force and effect.

The depositor acknowledges and agrees that in order to comply with the Bank's internal policies and/or applicable law (including the executive orders and regulations of the U.S. Treasury's Office of Foreign Assets Control (OFAC), the Bank may be required to block funds, hold funds in suspense and/or turn over such funds to the pertaining authorities.

B. 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.