

# IRA Agreement

**BANCO POPULAR DE PUERTO RICO**

**IRA AGREEMENT**

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## I. INTRODUCTION

This document contains the terms and conditions that govern the opening and maintenance of the an Individual Retirement Account (IRA) at Banco Popular de Puerto Rico (the Bank). This document describes the investment alternatives available through these accounts. It also includes the disclosures required by the IRA regulation, issued by the Commissioner of Financial Institutions of Puerto Rico.

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

When used in this document, the word "Bank" refers to Banco Popular de Puerto Rico. The word "Customer" refers to the person establishing an IRA with Banco Popular, as well as his/her legal representatives. The term "Stock Exchange Business Day" means any day (except Saturday, Sunday, and holidays) in which the stock exchanges 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 Customer is processed. The term "Effective Date" means the date on which the transaction of the contribution or deposit amount received from the Customer becomes effective. The term "IRA" means a Deductible Individual Retirement Account (which is known at the Bank as an IRA Banco Popular) or a Non-Deductible Individual Retirement Account (which is known at the Bank as a Roth IRA®) established by the Customer with the Bank.

## II. INDIVIDUAL RETIREMENT ACCOUNT AGREEMENT (IRA AGREEMENT)

### A. General Information

1. The regulations for the administration of IRA Accounts issued by the Office of the Commissioner of Financial Institutions of Puerto Rico (the Regulations) require the Bank to provide each Customer that establishes an IRA with an Individual Retirement Account Agreement (IRA Agreement) containing general information regarding IRAs.

It is not the intent of this IRA Agreement 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 several trusts under the laws of Puerto Rico naming itself trustee for the purpose of allowing residents of Puerto Rico to establish Deductible Individual Retirement Accounts (Declaration of Trust - Banco Popular IRA Trust) or Non-Deductible Individual Retirement Accounts (Declaration of Trust - Banco Popular Non-Deductible IRA Trust).

By signing an IRA Agreement, Customers who are residents of Puerto Rico (1) acknowledge having received and having had the opportunity to review this IRA Agreement, and accept its Terms and Conditions, and (2) adopt the terms of the Deed of Trust related to the Banco Popular IRA and/or the Banco Popular Non-Deductible IRA, depending on the IRA established.

Each IRA established by a Customer is created under the provisions of the Internal Revenue Code of Puerto Rico of 1994, as amended (the Code) and will be separate from any other IRA established by another Customer. The Customer must select 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 corresponding Deed, this Agreement, the Addendum to the Individual Retirement Account Agreement, the Offering Circulars, and other disclosures of the various collective investment funds and term bank deposits (the Investment Alternatives).

The Code recognizes two types of IRA's, the Deductible Individual Retirement Account and the Non-Deductible Individual Retirement Account. Under a Deductible Individual Retirement Account, an eligible individual can make an annual contribution that can be tax deductible for the purposes of determining the net taxable income when filing his/her tax return in Puerto Rico for the year in which the contribution is made.

In the case of a Non-Deductible Individual Retirement Account referred in the Bank as the Roth IRA, an eligible individual can make an annual contribution that is not deductible from the taxpayer's taxable income; however, the appreciation in value of the account will not be taxable if the individual receives the funds from the account pursuant to a "qualified distribution", as defined below.

The Code and the regulations there under (the Regulations) impose penalties and restrictions designed to avoid or discourage the use of the contributions made to the IRA for purposes other than retirement or certain purposes specified in Section II.E.3.

2. The Bank operates Monday thru Friday, excluding 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. Any notification from the Bank to the Customer, that is required in accordance with the Banco Popular IRA Description and Disclosure, is considered in effect upon sending it to the Customer's last known Banco Popular IRA-registered address.
4. In the eventuality of any Banco Popular IRA Agreement 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 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 invested by the trustee in the form of a combined short-term deposit that accrues interest for the Customer's benefit.
6. Transactions with Bank affiliates – The Bank, as a trustee of the collective trust investments that are available for investing in your Banco Popular IRA, could purchase securities or other Banco Popular investment instruments, or from or through Bank affiliates, including, but not limited to, Popular Securities Inc. and Popular Inc.

7. Performance Calculation of Collective Investment Trust - The actual performance of an investment made in a Collective Investment Trust can be determined only after an investment in the Trust is redeemed and the proceeds are compared to the amount originally invested. The account statement sent quarterly and annually by the Bank contains an "interim return" which represents the net asset value of the Units of the Trust held for

such period. This "interim return" is calculated based on the aggregate net asset value of the Units held in your account for such period compared to the net asset value at time of purchase of Units. The actual or final return may be higher or lower than the "interim return".

8. 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.
9. 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. Eligibility

The only requirements that an individual must meet in order to be eligible to establish an IRA with Banco Popular are: (1) he / she must receive "compensation"; that is, wages, salaries, professional fees, occupational income, sales commissions, tips or income from self-employment from sources within Puerto Rico and (2) to be a resident of the Commonwealth of Puerto Rico. The term "compensation" does not include interests, dividends, rents, gifts or capital gains, or other income not derived from services. The Bank only offers its IRA's to persons having their principal residence in Puerto Rico, and therefore the Bank cannot allow a person who is not a resident of Puerto Rico to establish or maintain an IRA. The Bank reserves the right to terminate any IRA as soon as it realizes that the individual is not, or ceases to be, a resident of Puerto Rico.

#### C. Non-Transferable and Irrevocable Customer's Interest

The owner of an IRA cannot transfer the title of his/her Banco Popular IRA without losing favorable tax treatment, unless the transfer is to a former spouse pursuant to a divorce decree or a written document subscribed by virtue of a divorce. Except as specifically stated in this IRA Disclosure, the interest on an IRA is irrevocable and non-transferable.

#### D. Contributions and Deductions

##### 1. Maximum Allowable Contribution

The maximum contribution is \$5,000 per individual and \$10,000 for a married couple filing joint returns.

The contribution that an individual or married couple filing jointly can make to an IRA is limited to the lesser of the maximum amounts described above and the adjusted gross income (in the case of married individuals filing joint returns, the aggregate adjusted gross income) derived from salaries and earnings attributed to professions or occupations, for the year in which the contribution is made (hereinafter the Maximum Allowable Amount).

The amount that is contributed to a Deductible IRA can be claimed as a deduction in the income tax return, but not the contribution made to a Non-Deductible Individual Retirement Account. However, in the latter case, the increase in value of the account will not be subject to tax if the Customer receives the funds in a qualified distribution.

The maximum amount that can be contributed each year to a Non-Deductible IRA is the difference between: (i) the Maximum Allowable Amount and (ii) the total amounts contributed to a Deductible IRA.

##### 2. Contribution Deadline

The Customer must make his/her contributions to an IRA for any particular tax year no later than the date prescribed by the Code for filing his/her tax return for that year (which includes any extensions granted by the Puerto Rico Treasury Department).

##### 3. Excessive Contributions

The Customer is solely responsible for making certain that his/her contributions to the IRA do not exceed the Maximum Allowable Amount. If the Customer makes an excess 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 28th for taxpayers filing on a calendar year basis). Upon receiving the notice, the Bank will distribute the excess contribution and any resulting income to the Customer (excluding any applicable penalty as stated in the IRA 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 15th for taxpayers filing on a calendar year basis or any later date if the Customer presents the Bank with timely and sufficient evidence that he/she has obtained an extension from the Puerto Rico Treasury Department).

If the Customer makes a contribution to an IRA in excess of the Maximum Allowable Amount, and said excess, along with the income it generates, is not distributed within the time period described above, it will be understood that the total balance of the IRA was distributed to the Customer on the first day of the year in which the excess contribution was made, and will be subject to tax. In addition, said amount will be subject to a 10% penalty imposed by the Code for early distributions, as described below.

##### 4. Age Limit to Contribute to a Deductible IRA

A Customer can make contributions to a Deductible IRA up to the tax year in which the person reaches 74 years of age. After the attainment of 74, the Customer cannot make any additional contributions to the IRA (unless they are made through rollovers, as explained below). This age limit does not apply to Non-Deductible IRAs, to which contributions can be made even after the individual reaches 74 years of age.

#### E. Distributions

##### 1. Tax Treatment of a Distribution

###### (a) Deductible IRA

The Customer may request that the Bank distribute the funds from his/her IRA (either the Deductible or the Non-Deductible IRA) at any time, subject to the provisions of the Code. There are also certain transactions specified in the Code that are treated as if the Customer had in fact received a distribution of the IRA funds (deemed distribution). See Section II.E.4 below.

The funds deposited in a Deductible IRA are subject to income taxes in Puerto Rico when distributed or when deemed distributed. In addition, if the distribution does not constitute a qualified distribution, it will

be subject to the 10% penalty imposed by the Puerto Rico Treasury Department. See Section II.E.2 below. The total distributed amount attributable to the contributions made to the Account and the increase in value of the account will be taxed at regular income tax rates, except under certain circumstances, as described below.

Subject to the limitations imposed by the Code, a distribution attributable to interest income generated by a Deductible IRA invested in a Fixed-Term Deposit offered by the Bank, including the Regular IRA and the Stock Market IRA (as described in Part III of this document), is currently eligible for an income tax exclusion of up to \$2,000. The interest derived in any year in excess of the tax exclusion amount may be taxable, at the Customer's option, at a special rate of 17%, which will be withheld by Banco Popular. The option must be exercised prior to the distribution. If the Customer does not elect the 17% rate, the disbursement will be taxed at regular rates.

If a Customer is currently receiving retirement benefits from the Commonwealth of Puerto Rico Employee Retirement System or its instrumentalities, the Judiciary Employee Retirement System, or the Teacher's Retirement System and requests a total or partial distribution from its IRA, he/she may elect to be taxed at a special 10% tax rate, instead of the tax rates described above, on those amounts attributable to non-exempt interest or to appreciation in value on the account. The distributed amount that is attributable to the principal contributed to the account will be taxed at the regular tax rates. Government retirees must elect to be taxed at the special tax rate before the Bank makes the distribution. If he/she so elects, the Bank must deduct and withhold the 10% tax from the eligible amount and remit it to the Puerto Rico Secretary of the Treasury.

A distribution of income derived by a Deductible IRA from investments made in the Popular Tax-Exempt Trust Fund®, the AutoRetiro Popular Trust Fund®, or via the Fixed-Term Deposit (Exenta Popular®), and which are derived from income earned by those Funds on tax-exempt investments (but not gains from the sale of said investments) will be added to the Customer's Deductible IRA tax basis (which would otherwise be zero) and, therefore, is excluded from the Customer's gross income when the distribution is received.

The amendments made to the Code in 2009 provide for various categories of tax-exempt income and income subject to preferential tax rates to be considered for purposes of Alternate Minimum Tax for individuals (AMT). At present, AMT applies with respect to taxpayers that are individuals that have income subject to AMT of \$75,000 or more. The AMT top rate is 20% with respect to income subject to AMT in excess of \$175,000. These amendments may affect the taxation of taxpayers that receive IRA Distributions that include interest that would be otherwise exempt from regular income tax or subject to preferential tax rates. You should consult with your financial and/or legal counselor for more information.

For more detailed information regarding the tax on the distribution of income generated by each Investment Alternative available under the Deductible IRA Trust, please refer to the disclosure document of each of the Investment Alternatives.

(b) Non-Deductible IRA (Popular Roth IRA / Stock Market Roth IRA®)

The amounts contributed to a Non-Deductible IRA, contrary to those made to a Deductible IRA, cannot be deducted from the individual's taxable

income (and are therefore considered after-tax contributions). However, when a distribution is made from the account, the portion corresponding to the amounts contributed is not subject to tax. The appreciation in value and the interest earned on the amounts contributed are also not subject to tax if the distribution constitutes a "qualified distribution." If they are not qualified distributions, the appreciation in value of the Non-Deductible IRA and the accumulated interests will be taxed at regular rates, as explained in paragraph (a) above, and would be subject to the 10% penalty of the Puerto Rico Treasury Department.

For more detailed information about the tax implications of a distribution of income generated under each Investment Alternative available for the Non-Deductible Individual Retirement Account, refer to the disclosure document of each of the Investment Alternatives.

2. Early Distributions - Puerto Rico Treasury Department Penalty

Distributions from an IRA can be made at any time. However, any amount distributed or deemed distributed will be subject to the 10% penalty imposed by the Puerto Rico Treasury Department, unless the distribution is made due to the Customer canceling his/her IRA within the first seven working days after opening the IRA, or if it is a "qualified distribution".

A "qualified distribution" is a distribution made after the Customer reaches sixty (60) years of age; upon the death of the individual; if the Customer is permanently or temporally disabled; if the Customer or a family member until the fourth degree of consanguinity or second of affinity has a severe, chronic, degenerative and terminal disease; if the Customer becomes unemployed; to pay for college expenses of the Customer's direct dependants; up to an amount of \$1,200 once every six years for the purchase of a computer for educational purposes of the Customer's direct dependants up to the second degree of consanguinity that is pursuing education up to university level; for the purchase or construction in Puerto Rico of the Customer's first principal residence and for the repair or reconstruction of the Customer's first principal residence that has been damaged by fire, hurricane, earthquake or any other fortuitous act and to prevent mortgage delinquency (including certain refinancing), or foreclosure due to the loss of employment or verifiable substantial reduction in income, as required under the Code.

In addition to the aforementioned information, the 10% Treasury penalty will not apply if the Customer makes a rollover of the amount distributed to another Individual Retirement Account within sixty (60) days after receiving the distribution, or if the distribution is not considered taxable income.

Unless the Customer can present the Bank sufficient evidence to establish that the distribution is exempt from the penalty, the Bank will withhold the 10% Treasury penalty on a distribution. In the following section, we will specify the evidence or documents that the Customer must present in order to be exempt from the early distribution Treasury penalty, as described above. In addition to the required evidence or documentation, the Customer must present a sworn statement certified by a Public Notary. The Bank has a model sworn statement that may be used for this purpose.

3. Qualified Distributions

(a) Distributions after 60 Years of Age

At any time after the Customer reaches sixty (60) years of age, he/she can begin receiving distributions from his/her IRA without being subject to the 10% Treasury Penalty.

In the case of a Deductible IRA, the Customer must inform the Bank, no later than the date of his/her 75th birthday, the manner in which he/she would like to have the IRA distributed. The Deductible IRA can be distributed in a lump sum or in periodic payments; monthly, quarterly, bi-annually or annually beginning no later than the end of the calendar year in which the Customer reaches seventy-five (75) years of age, and payable over a period of time that does not exceed the life expectancy of the Customer or the joint life expectancy of the Customer and his/her spouse. Non-Deductible IRA's (Roth IRA) are not subject to this age/distribution requirement.

(b) Distributions Due to the Death of the Customer

Upon the death of the Customer, the balance of the Customer's IRA must be distributed to the beneficiary or beneficiaries of the Customer within five (5) years from the date of death of the Customer. However, if the Customer has chosen to receive the IRA distributions over a period of time, and such distributions have already begun at the time of death, the distributions will continue to be paid to the beneficiaries as established. If the Customer's beneficiary is the surviving spouse, the same rule will apply upon the death of the surviving spouse in relation to his/her beneficiaries, if the distributions to the spouse have already begun. The rules above do not apply if a beneficiary chooses to treat the balance of the Customer's IRA as his/her own IRA.

The beneficiaries of a Customer or of his/her surviving spouse will be those persons who, under applicable law and rules of joint property, community property, estate and succession laws, have the right to the IRA in the event of the death of the Customer or of his/her surviving spouse.

Required documents:

- Death certificate
- Designation of heirship of the Customer's Estate or the Customer's will or testament (Certified by the Court, dated after the death, that states that said document is the last one granted by the Customer).
- Testamentary letters that accredit authority to the executor, if applicable and,
- A copy of the authorization form granting the withdrawal of funds, certified by the Puerto Rico Treasury Department. Said authorization should include the following: a receipt for the taxes paid regarding the wealth of the property or a copy of the certificate granted tax exemption.

(c) Distributions Due to Disability

To qualify for the penalty exemption, the Customer must present a medical 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.

(d) Distributions Due to Severe, Chronic, Degenerative and Terminal Disease

The funds of an IRA may be withdrawn without the Puerto Rico Treasury Department's penalty of 10% if these will be used for the treatment of a severe, chronic, degenerative, and terminal disease of the Customer or a family member until the fourth degree of consanguinity or second of affinity (parents, offspring, spouse, siblings, grandparents,

grandchildren, nephews or nieces, great-grandparents, uncles or aunts, great-grandchildren, cousins, parents-in-law or, brother-in-law or sister-in-law). To the effects of the law, a disease of this kind is that whose foreseeable effect is the loss of life or permanent physical disability.

Required Documents:

The Customer must present a Sworn Statement regarding the purpose of the withdrawal of the funds and a medical certificate that shows proof that the severe, chronic, degenerative, and terminal disease was diagnosed to him/her or to a family member until the fourth degree of consanguinity or second by affinity, whose foreseeable effect is the loss of life or permanent physical disability.

(e) Distributions Due to Unemployment

To qualify for the penalty exemption, the Customer must present a 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.

(f) Distributions to Cover the College Education Expenses of Direct Dependents

To qualify for the penalty exemption, the Customer must present a certificate from the University stating that the direct dependent is a regular student at that institution, or was accepted to register at said 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 of costs already paid will be made.

(g) Distributions for the Acquisition or Purchase of a Computer

Regarding distributions for the acquisition or purchase of a computer, the Customer must certify in the sworn statement that the amount to be distributed will be used for the acquisition or purchase of a computer, that he/she has not withdrawn funds for this purpose from any IRA in the past six years, and that the acquisition or purchase of a computer is for the benefit of a dependent, up to a second-degree by consanguinity, who is currently in school, up to university level. The distribution will be subject to the maximum amount allowed by law or any applicable regulations. No reimbursements of costs already paid will be made.

(h) Distributions in order to Acquire First Principal Residence

For distributions made for the acquisition, through either purchase or construction, of a property that will be used as the Customer's principal residence, the Customer must certify that the amount distributed will be used for the acquisition of his/her first principal residence 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 of the residence that has been paid from IRA funds, as well as the IRA account number, must be stated in the Deed of Purchase of said residence. The tax on the amount distributed from an IRA used for the purchase of a principal residence will be deferred until the Customer sells or transfers said residence. No reimbursements of costs already paid will be made.

Required document:

- Sales contract that establishes that you have option the property or,
- Construction contract specifying the costs and the current stage of construction. Settlement Statements and Good Faith Estimates are unacceptable.

(i) Distributions for the Repair or Reconstruction of a Principal Residence

In the case of repairs or reconstruction of the principal residence damaged by fire, hurricane, earthquake or any other fortuitous act, the Customer is required to present the necessary certifications issued by federal or local agencies, that attest to the cause of the damages ( fire, hurricane or any other fortuitous act) and the amount of damages incurred by the Customer. No reimbursements of costs already paid will be made.

(j) Distribution to Prevent Mortgage Delinquency / Foreclosure of Principal Residence

In the case of distributions to prevent mortgage delinquency or foreclosure (including certain refinancing) over the client's principal residence due to loss of employment or substantial reduction in income, the Client must present a Sworn Statement describing the purpose of such withdrawal. The Client may withdraw up to fifty percent of the deposited funds or up to a maximum of \$20,000, whichever is higher, without incurring the 10% Treasury penalty. The check will be issued on behalf of the financial institution where the Client's mortgage is held, as specified in the Sworn Statement, and subject to any other requirement imposed by the Puerto Rico Treasury Department.

4. Prohibited transactions

The Customer may not engage in any transaction related to his/her IRA in violation of applicable laws and regulations. If at any time, the Customer does participate in a prohibited transaction, the Customer's IRA will cease to be an Individual Retirement Account on the first day of the year in which the Customer was involved in said prohibited transaction. The Customer will be solely responsible for complying with this limitation and must notify the Bank immediately, in writing, if he/she fails to comply with this limitation.

5. An IRA cannot be used as Collateral

A Customer's interest in an IRA or in the assets kept in an IRA cannot be used as collateral to a loan. Any amount so used will be deemed distributed and may be subject to the 10% penalty for early distribution described above. The Customer will be solely responsible for complying with this limitation and must notify the Bank immediately, in writing, if he/she fails to comply with this limitation.

6. Life Insurance Contracts

No funds from an IRA can be partially or completely invested in life insurance contracts.

F. Rollovers

The amounts distributed from an IRA established by the Customer, or from a Pension Plan, or from profit sharing or stock bonus as described in Section 1165(e) of the Code (the Qualified Plan), may be transferred to another IRA established

by the Customer, (these transfers will be referred to as "Rollovers"), in amounts in excess of the limits described above, and irrespective of the Customer's age.

Rollovers, however, will not be deductible for the year in which those transferred contributions were made. If the Customer rollover an amount distributed from another IRA or Qualified Plan, the rollover must be made within sixty (60) days after receiving the distribution. If the rollover is not made in time, it may be considered an excessive contribution, as stated in this IRA Agreement under "Excessive Contributions", with all the adverse consequences thereto.

Only one rollover from one IRA to another can be made within a one-year period, ending on the day that the amount being transferred was received. If a rollover is made directly between IRA trusts, the one-year restriction does not apply.

An IRA, whose trust has been established under the Internal Revenue Code of the United States, does not qualify to make or receive rollovers from an IRA in Puerto Rico.

Rollovers to a Non-Deductible IRA are allowed from the following sources of funds: (i) a Deductible IRA (ii) lump-sum distributions from an Employer's Qualified Retirement Plans due to separation from employment; or (iii) another Non-Deductible IRA. A Deductible IRA can be converted into a Non-Deductible IRA. However, a rollover from a Non-Deductible IRA to a Deductible IRA is not allowed.

Although rollovers (i) and (ii) are not subject to the Treasury penalty regarding early distribution, they are subject to applicable income taxes and will be treated as a non-qualified distribution.

Once transferred to a Non-Deductible IRA, the appreciation in value and the interest earned in the account after the Rollover or conversion are not subject to tax if the distribution thereafter constitutes a "qualified distribution."

G. Charges and Expenses

The Bank may impose a one-time fee for the initial set-up of an IRA account and an annual fee for account administration. Also, the Bank may impose a processing fee per instrument for each qualified distribution, withdrawal prior to the maturity date, cancellation of an instrument, return of excess contributions, transfer to other eligible institutions, and distribution prior to the age of 75. These fees may be reflected as an expense when calculating the net income of each Banco Popular IRA. The Bank will notify its Customers in writing when applicable fees will be imposed and their specific amounts.

There may be charges payable to the collective investment Trusts when funds are made available under the Banco Popular IRA at the time of purchase and/or sale of Units in such Trusts. This fee may be reflected as an expense when calculating the net income of each Trust.

The Bank may waive, reduce, or increase any fee, charge, or expense described herein and may impose new fees or charges at the Bank's discretion. Increases or the addition of fees will be made on a prospective basis.

The Bank shall be entitled to be reimbursed for such expenses of or pertaining to Banco Popular's IRA Trust, including legal, accounting, auditing and other operational fees and expenses, as the Bank may incur and those not paid by the fees described herein.

Any expenses (including the fees described herein) that are incurred in relation to a Banco Popular IRA in a particular, or to a group of Banco Popular IRAs, may be charged against or assigned to that particular IRA or group of IRAs.

#### H. Bank Penalties for Withdrawal Prior to the Maturity Date of the Instrument

In addition to the penalty imposed by the Puerto Rico Treasury Department for early distributions, the Bank may impose other penalties for withdrawals prior to the maturity date of the instrument in which the Customer elected to invest the funds. See Section III Investment Alternatives, Section IV Fixed-Term Time Deposits Disclosure (Regular IRA, Popular Roth IRA®, and Exenta Popular®), Section V Stock Market (IRA / Roth IRA) Deposit Disclosure, and the Offering Circulars of the collective investment funds.

From time to time, the Bank may change its penalties for withdrawals prior to maturity date 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.

Bank penalties shall not be imposed for the distribution to Clients upon reaching age sixty (60), for reasons of death, disability, or unemployment of the IRA Customer; nor for the severe, chronic, degenerative and terminal disease of a Customer or a relative until the fourth degree of consanguinity or second of affinity.

#### I. Reports

The Bank will send tax reporting forms to each Customer and to the Puerto Rico Treasury Department, in the manner and dates required by the Code that shall include all contributions and/or distributions to and from the Banco Popular IRA during the year. The Bank will also send each Customer a Quarterly and Annual Statement that includes all transactions related to the Customer's Banco Popular IRA as required by the Code. Said Statements will reflect the amount of all contributions, distributions, withdrawals or transfers made to or from a Customer's Banco Popular IRA, interests, returns, income or other credits earned, and any charges, expenses, or fees assessed.

#### J. Indemnity

Customers will indemnify and relieve the Bank of any and all claims, liability, and expenses (including, but not limited to, legal fees) that may arise or be imposed on the Bank as a result of non-compliance on the part of the Customer with the terms and conditions of the Deed of Trust, this agreement, the Offering Circulars, or any other disclosure documents regarding the Investment Alternatives selected for the investment, the Code, and the Regulations.

If you have any questions regarding your eligibility or tax status after having reviewed this IRA Agreement, the Deed of Trust, the Offering Circulars, or other disclosure documents in regards to the Investment Alternatives made available here to you, please consult your tax and legal advisors.

#### K. Notices

Any written notice to the Bank must be sent to: Banco Popular de Puerto Rico, Trust Division (725) P.O. Box 362708, San Juan, Puerto Rico 00936-2708.

### III. INVESTMENT ALTERNATIVES

The following is a brief description of the alternatives available for the investment of your Banco Popular IRA. For more information, please refer to the Time Deposit Disclosure Statements, Stock Market IRA Deposit Disclosure, the Offering Circulars for the Popular Tax-Exempt Trust Fund® and Popular Balanced IRA Trust Fund®, and the Disclosure Document for the Popular AutoRetiro Trust Fund®.

#### A. Fixed-Term Time Deposits (Regular IRA)

The minimum deposit is five hundred dollars (\$500). The time deposits are available with maturities of one (1) year, two (2) years, three (3) years, five (5) years, seven (7) years, and ten (10) years.

#### B. Fixed-Term Time Deposit (Popular Roth IRA®)

The minimum deposit is five hundred dollars (\$500). The time deposits are available with maturities of one (1) year, two (2) years, three (3) years, five (5) years, seven (7) years, and ten (10) years.

#### C. Fixed-Term Time Deposits (Exenta Popular®)

The minimum deposit is five hundred dollars (\$500). The time deposit is available with a maturity of three (3) years.

#### D. Fixed-Term Time Deposits (Regular IRA, Popular Roth IRA®, and Exenta Popular®)

If allowed by the Bank, the Customer may change the maturity term of a Fixed-Term Time Deposit before the original maturity date. The interest rate on a Fixed-Term Time Deposit is guaranteed for the term of the time deposit. The interest is computed daily based on the daily balance and is credited monthly. Unless the Customer instructs otherwise, the Fixed-Term Time Deposit selected by the Customer to invest all or a portion of his/her Banco Popular IRA will be renewed automatically at maturity into another Fixed-Term Time Deposit for the same period that it was issued, and with the interest rate being offered at that time for similar deposits with similar terms.

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

If the Customer withdraws any portion of his/her Banco Popular IRA invested in a fixed-term time deposit before maturity of such deposit, a penalty will be imposed by the Bank, except in those situations permitted by Law and after complying with the applicable requirements; a portion of the amount deposited by the Customer will be forfeited.

Please refer to the Disclosure Statement of the Fixed-Term Time Deposits Disclosure of this document for additional information concerning, among others, the manner in which interest is computed and the penalty applicable for premature cancellation of this type of time deposit.

#### E. Stock Market (IRA/ Roth IRA "Non- Deductible")

The minimum deposit is five hundred dollars (\$500). The Bank reserves the right to accept or reject, at its sole discretion, a Stock Market (IRA/ Roth IRA "Non-Deductible") of an amount in excess of two hundred and fifty thousand dollars (\$250,000). The maturity of a Stock Market (IRA / Roth IRA "Non-Deductible") is the last day of the sixtieth (60th) month following the month after the deposit is made. Unless the Customer instructs otherwise, the investment of a Banco Popular IRA in a Stock Market (IRA / Roth IRA "Non-Deductible") renew at maturity as follows: Stock Market IRA will be renewed automatically at maturity in a Fixed Term Time Deposit ( Regular IRA) for a term of five (5) years, at the interest rate offered by the Bank for IRA's with such term. Stock Market Roth IRA "Non-Deductible" will be renewed automatically at maturity in a Fixed Term Time Deposit (Popular Roth IRA "Non- deductible" for a term of five (5) years, at the interest rate offered by the Bank for IRA's with such term.

This instrument will be available during the IRA campaign season every year. Every external rollover received after the IRA campaign season will be deposited in a Regular IRA of one (1) year, or in the instrument that the Customer chooses in that moment.

The interest rate payable on a Stock Market (IRA / Roth IRA "Non- Deductible") is variable and is based on changes in the Standard & Poor's Corporation 500 Composite Stock Price Index "Standard & Poor's®", "S&P®", "S&P 500®", "Standard & Poor's 500®" over the term of the Stock Market Time Deposit.

The 60-Month Stock Market (IRA / Roth IRA "Non- Deductible"), together with any other time deposit that the Customer may have with the Bank, will be insured by the Federal Deposit Insurance Corporation up to a maximum of two hundred and fifty thousand dollars (\$250,000). The interest portion of the Stock Market is not insured by FDIC insurance.

The principal of your Stock Market (IRA/Roth/IRA Non-Deductible) will be insured 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 is not covered by the FDIC Insurance.

F. Popular AutoRetiro Trust Fund® (AutoRetiro Popular®)

The Popular AutoRetiro Trust Fund® is a collective investment trust established by the Bank that invests in securities and other instruments that generate income exempt from Puerto Rico income taxes. The main investment objective of the Fund is the preservation of capital and the accumulation of income exempt from Puerto Rico Taxes. The minimum initial amount that may be invested in this Fund is two hundred and fifty dollars (\$250). Additional amounts may be invested in this Fund with a minimum contribution of fifty dollars (\$50). An investment in an AutoRetiro Popular® will be credited in units representing a fractional interest in the assets of the Trust. The value of each unit issued by the AutoRetiro Trust Fund will be \$1.00. Banco Popular guarantees a rate of return (the "Guaranteed Rate") on the units and the \$1.00 per unit value credited to the Customer's IRA. The Guaranteed Rate is determined annually by Banco Popular and is applicable for the 12-month period beginning on January 1st of each calendar year ending on the next December 31, unless otherwise determined Banco Popular. The Bank will notify Customers of the Guaranteed Rate before it is made effective. The Customer will not be entitled to receive any income of the AutoRetiro Trust Fund other than the Guaranteed Rate. Any income above the Guaranteed Rate, if any, will be paid to Banco Popular for its services as trustee, investment advisor and for providing its guarantee with respect to the Guaranteed Rate and the value of the units.

Although investments in the Popular AutoRetiro Trust Fund® are not insured by the Federal Deposit Insurance Corporation and are not a deposit with, nor an obligation of the Bank or any of its affiliates, the Bank guarantees the value of unit of this Fund and a guaranteed rate of return, determined annually.

Please refer to the Disclosure Document of the Popular AutoRetiro Trust Fund® for further information regarding this Fund.

G. Popular Tax-Exempt Trust Fund® (IRA Doblemente Exenta)

The Popular Tax-Exempt Trust Fund® is a collective investment trust managed by the Bank that invests in securities and other instruments that generate income exempt from Puerto Rico income taxes. The main investment objective of the Fund is the preservation of Capital and the accumulation of income exempt from Puerto Rico Taxes. The minimum initial amount that may be invested in the Popular Tax-Exempt Trust Fund® is five hundred dollars (\$500). Additional amounts may be invested in this Fund with a minimum contribution of one hundred dollars (\$100). There is a one-time set-up fee for establishing the account that you must pay the Bank upon opening the account. This set-up fee must be paid with a separate

check, which should accompany the initial contribution. If the set-up fee is not paid with a separate check, the fee will be deducted from the initial contribution, as long as it does not affect the initial minimum required contribution. Furthermore, an annual fee corresponding to the trustee will be assessed in accordance with the trustee's role as administrator and investment advisor that includes all investment management services. An early withdrawal fee will be charged in connection with the redemption of units (including any additional units on a Client's existing units) held for four years or less prior to redemption. The early withdraw fee for the redemption of units held for less than four years is 0.0075 (3/4 of 1%) with respect to applicable units of the redemption proceeds. To determinate the early withdrawal fee, the Bank will consider the date in which the units in the Trust were purchased. All fees are detailed in the account opening document and the offering circular. The Trust intends to distribute monthly all of the net tax exempt investment income and to automatically reinvest such income on behalf of the Clients in additional units. By purchasing units in the Trust, the Client will have consented to such automatic reinvestment of tax exempt income.

The net asset value of the Trust will be determined by Banco Popular every Wednesday. If this day is not a Business Day, the determination will be made on the next Business Day (each, a "Valuation Date"). Purchases and redemptions will be made on the Business Day following the Valuation Date. The price at which the units of the Trust will be purchased and redeemed will be equal to the net asset value of the Trust, divided by the total number of Trust units. The net asset value of the Trust is equal to the total dollar amount of the assets maintained as part of the Trust, minus the reserves, responsibilities, fees, taxes, and other expenses that, at Banco Popular's discretion, can be charged to the Trust. The performance of a Popular Tax-Exempt Trust Fund® investment will depend on the net asset value of the units on the date of redemption, and on the number of units that correspond to the Customer's investment. The number of units that are issued to the Customer with respect to an investment will be equal to the total dollar amount of the investment divided by the net asset value of the units on the day following Valuation Date if the funds are available for investment prior to such Valuation Date. If the purchase is paid with a check or money order, the funds will be available after the Bank has cleared the check or money order. Investments in the Popular Tax-Exempt Trust Fund® are not insured by the Federal Deposit Insurance Corporation and are not deposits with, nor obligations of, nor are guaranteed by the Bank or any of its affiliates and will be subject to investment risks including the possible loss of the principal amount invested.

Please refer to the Offering Circular of the Popular Tax-Exempt Trust Fund® for further information about this Fund.

H. Popular Balanced IRA Trust Fund® (Popular Balanced IRA®)

The Popular Balanced IRA Trust Fund® is a collective investment trust managed by the Bank, which primarily invests in a diversified portfolio of assets. The investment portfolio will include stocks of corporations organized in Puerto Rico and United States, Puerto Rico Government Bonds and its agencies, mortgage-backed securities, and other fixed income securities. The main investment objective of the Fund is the long-term capital appreciation and its secondary objective is to generate current income. The initial minimum amount that can be invested in a Popular Balanced IRA® is five hundred dollars (\$500). Additional amounts may be invested in this Fund with a minimum contribution of one hundred (\$100). There is a one-time set-up fee for establishing the account that you must pay the Bank, upon opening the account. This set-up fee must be paid with a separate check, which must accompany the initial contribution. If the set-up fee is not paid with a separate check, the fee will be deducted from the initial contribution, as long as it does not affect the initial minimum required contribution. Furthermore, an annual fee corresponding to the trustee will be assessed in accordance with the trustee's role as administrator and investment advisor that includes all investment



management services. An early withdrawal fee will be charged in connection with the redemption of units (including any additional units on a Client's existing units) held for four years or less prior to redemption. The early withdrawal fee is 4% of the redemption proceeds during the first year and is reduced 1% each year until reaches 0% after four (4) years, with respect to applicable units. To determinate the early withdrawal fee, the Bank will consider the date in which the units in the Trust were purchased. All fees are detailed in the account opening document and the offering circular. The Trust intends to distribute monthly all of the net tax exempt investment income and to automatically reinvest such income on behalf of the Clients in additional units. By purchasing units in the Trust, the Client will have consented to such automatic reinvestment of tax exempt income.

The net asset value of the Trust will be determined by Banco Popular every Wednesday. If this day is not a Business Day, the determination will be made on the next Business Day (each, a "Valuation Date"). Purchases and redemptions will be made on the Business Day following the Valuation Date. The price at which the units will be purchased and redeemed will be equal to the net asset value of the Trust, divided by the total number of Trust units. The net asset value of the Trust is equal to the total dollar amount of the assets maintained as part of the Trust, minus the reserves, responsibilities, fees, taxes, and other expenses that, at Banco Popular's discretion, can be charged to the Trust. The performance of a Popular Balanced IRA® investment will depend on the net asset value of the units on the date of redemption, and on the number of units that correspond to the Customer's investments. The number of units that are issued to the Customer with respect to an investment will be equal to the total dollar amount of the investment divided by the net asset value of the units on the day following Valuation Date if the funds are made available for investment prior to such Valuation Date. If the purchase is paid with a check or money order, the funds will be available after the Bank has cleared the check or money order.

Investments in the Popular Balanced IRA Trust Fund® are not insured by the Federal Deposit Insurance Corporation and are not deposits with, nor obligations of, nor are guaranteed by Banco Popular or any of its affiliates and will be subject to investment risks including the possible loss of the principal amount invested. Please refer to the Offering Circular of the Popular Balanced IRA Trust Fund® for further information about this Fund.

#### I. Investment Changes

A Customer may change the investment of all or a portion of his/her Banco Popular IRA among the Investment Alternatives by providing the Bank with prior notice of 30-days, subject to the rules mentioned below. By disposition of law, rollovers from Popular Roth IRA® can only be transferred to another Popular Roth IRA®.

Investment Charges shall be subject to the following requirements:

1. Instructions for transferring amounts invested in a Fixed-Term Time Deposit or a Stock Market IRA Deposit to another Fixed-Term Time Deposit or 60-Month Stock Market IRA Deposit will become effective on the first Business Day after expiration of the 30-day notice period.
2. Instructions for transferring amounts invested in a Fixed-Term Time Deposit or a Stock Market IRA Deposit to the Popular Tax-Exempt Trust Fund®, Popular AutoRetiro Trust Fund®, or Popular Balanced IRA Trust Fund® will become effective on the first Business Day in which units of said funds are sold after the 30-day notification period.
3. Instructions for transferring amounts invested in the Popular Tax-Exempt Trust Fund®, Popular AutoRetiro Trust Fund®, or Popular Balanced IRA Trust Fund® to a Fixed-Term Time Deposit or a Stock Market IRA Deposit will become effective on the first Business Day in which units in said funds are eligible for redemption after the 30-day notification period.

4. Instructions for transferring amounts invested in the Popular Tax-Exempt Trust Fund®, Popular AutoRetiro Trust Fund®, or Popular Balanced IRA Trust Fund® to any of the aforementioned funds will become effective on the first Business Day in which units of said funds are eligible for redemption after the 30-day notification period.

Investment changes to a Banco Popular IRA in accordance with the Investment Alternatives will also be subject to the terms and conditions of each of the Investment Alternatives, as provided in the Declaration of Trust of the particular collective investment fund, the Fixed Term Time Deposit, the Stock Market IRA Deposit and as disclosed in the Offering Circulars and other disclosure documents regarding Investment Alternatives.

#### IV. FIXED-TERM TIME DEPOSITS DISCLOSURE (REGULAR IRA, POPULAR ROTH IRA®, AND EXENTA POPULAR®)

The Annual Percentage Yield (APY) disclosed is subject to maintaining the minimum initial deposit required for each term until its maturity.

##### A. Minimum Deposit

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

##### B. Terms and Interest Rate

Terms for the Regular IRA and Popular Roth IRA® are: 12, 24, 36, 60, 84, and 120 months. The term for Exenta Popular® is 36 months.

The interest rate 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.

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

##### D. Additional Deposits

After the instrument is opened, additional deposits cannot be made.

##### E. Renewal at Maturity

The instruments are renewed automatically, for the same term, at the current interest rate 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. There are no grace periods for renewals.

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

The penalty for withdrawal or cancellation before maturity of instruments opened or renewed after December 31, 2002 is 180 days of interest. Instruments opened or renewed on or before this date will be subject to the effective penalty at said time.

##### 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.

## V. STOCK MARKET (IRA / ROTH IRA "NON-DEDUCTIBLE") DISCLOSURE

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

### A. Minimum and Maximum Deposits

The minimum deposit required for a Stock Market (IRA/ Roth IRA "Non- Deductible") as an investment in a Banco Popular IRA is five hundred dollars (\$500). The Bank reserves the right to accept or reject, at its sole discretion, deposits in excess of two hundred and fifty thousand dollars (\$250,000).

### B. Term and Interest Rate

The maturity of a Stock Market is the last day of the fifty-ninth (59th) month following the month after the deposit is made.

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

### C. Transaction Limitations

After opening a Stock Market, additional deposits are not permitted at any time. Partial withdrawals of principal prior to maturity will not be permitted.

### D. Calculation and Payment of Interest

1. Interest Calculation. The Bank will compute the interest on the Stock Market as follows:

- a. The Initial Index Value will be the value of the S&P 500® Index on the Stock Market Business Day immediately preceding the date of opening the Stock Market Time Deposit. 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 (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 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 it from 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:  $1.25 \times 27.78\%$ , which is 34.73%:

$$\$3,000 \times 34.73\% = \$1,041.90$$

So, if you had deposited initially \$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%.

- 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 Time Deposit, but rather the average of all these values.

The Stock Market Time Deposit pays simple interest only. Since the interest computation and crediting occur only at maturity, there is no compounding of interest. Interest will be paid on the second Banking Business Day immediately following the maturity date of the Stock Market IRA, except as described below under "Market Disruption Event".

The Bank uses the Average Daily Balance Method to calculate interest on your Stock Market Time Deposit. The average daily balance is calculated by adding the principal in the Stock Market Time Deposit for each day of its term and dividing that figure by the number of days in the term of the Stock Market Time Deposit.

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

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

If the Stock Market (IRA / Roth IRA "Non Deductible") 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 applied to the principal as described below under "Penalty for Cancellation before Maturity".

### 2. Market Disruption Event

- a. Should a Market Disruption Event occur (as defined below) on the date of a Month-End Index Value calculation (also an "Index Valuation Date"), the Bank reserves the right to determine the S&P 500® Index Value for said Index Valuation Date on the basis of the value of the S&P 500® Index on the first of the five immediate Stock Market Business Days on which there was no Market Disruption Event. If there is a Market Disruption Event on any of the aforementioned dates, then the fifth Stock Market Business Day shall be used to determine the S&P 500® Index Value for said 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, option 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, 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 said Index Valuation Date as described above.

E. No Reduction in Principal

The principal balance in the Stock Market Time Deposit 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 principal balance reduction.

F. Penalties for Cancellation before Maturity

1. The Customer should not invest in a Stock Market (IRA/ Roth IRA "Non-Deductible") if he/she believes the funds will be needed before maturity or if it is anticipated that a mandatory IRA distribution will be triggered prior to maturity, upon reaching 75 years of age. Partial withdrawals are not permitted.
2. Early withdrawal before maturity of the initial deposit at any time is subject to a substantial penalty applied to principal. Furthermore, since interest does not accrue on the Stock Market until maturity, no interest will be earned on amounts paid prior to maturity.
3. Penalty for withdrawal or cancellation before maturity of instruments opened after December 31, 2002 will be the following: 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; subject to the requirements of applicable regulation. Instruments opened on or before this date will be subject to the effective penalty at said time.
4. The above penalties are in addition to the applicable penalties under Puerto Rico laws and regulations for early withdrawal of funds from IRAs. Investors should consult the IRA Disclosure and the Banco Popular IRA dispositions regarding application of such penalties and the other terms and conditions regarding the IRA Accounts under applicable laws and regulations.

G. Transfers

Neither rights within, nor the use of, nor the corresponding deposit evidenced regarding the Stock Market are transferable, except by an assignment duly executed by the owner in a way that is satisfactory to the Bank, and in all cases subject to any transfer restrictions imposed by the rules and regulations applicable to IRAs.

H. Renewals at Maturity

Stock Market (IRA / Roth IRA "Non-Deductible") does not renew automatically at maturity into another Stock Market Deposit (IRA / Roth IRA "Non-Deductible") At maturity the total balance of the Stock Market Time Deposit will be invested as follows: Stock Market IRA will be renewed automatically at maturity in a Fixed Term Time Deposit (Regular IRA) for a term of five (5) years, at the interest rate offered by the Bank for IRA's with such term. Stock Market Roth IRA "Non-Deductible" will be renewed automatically at maturity in a Fixed Term Time Deposit (Popular Roth IRA "Non-deductible" for a term of five (5) years, at the interest rate offered by the Bank for IRA's with such term.

I. FDIC Insurance

The principal of the Stock Market (IRA Roth "Non-Deductible"), 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 is not covered by the FDIC insurance.

J. Information about Standard and Poor's®

1. The Stock Market is not sponsored, endorsed, sold or promoted by S&P®. S&P® makes no representation or warranty, expressed or implied, to the Customer or any owner of a Stock Market or any member of the public regarding the advisability of investing in securities or in the Stock Market in particular, or the ability of the S&P 500® Index to track general stock market performance. S&P's only relationship with 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. "S&P®" has no obligation to take the needs of the Bank or any owners of a Stock Market 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 or the timing of the issuance or sale of the Stock Market, or in the determination or calculation of the equation used to calculate interest on the Stock Market.

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, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE BANK, ANY STOCK MARKET IRA CUSTOMER, OR ANY OTHER PERSON OR ENTITY, REGARDING 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 EXPRESSED OR IMPLIED WARRANTIES AND EXPLICITLY DISCLAIMS ALL WARRANTIES OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE S&P INDEX® OR ANY DATA INCLUDED THEREIN, WITHOUT LIMITING ANY OF THE FOREGOING, UNDER NO CIRCUMSTANCES WILL THE S&P® BE LIABLE FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SAID DAMAGES.

**VI. PAY-BY-PHONE SERVICE (IRA AHORRO)**

The Customer may contribute to a Banco Popular IRA through fund transfers from the Customer's checking or savings account in the Bank. The Banco Popular IRA account must be active when the Customer subscribes to the Pay-By-Phone Service.

A. Eligible Products

The eligible products for making contributions through Pay-By-Phone funds transfers are: Popular Balanced IRA®, Popular Tax-Exempt IRA®, and AutoRetiro Popular®.

B. Minimum and Maximum Contributions

The Customer may contribute from a minimum of \$25.00 up to the maximum annual contribution allowed by law for IRA Accounts.

C. Transaction Limitations

All the completed contributions to the selected IRA product will apply for the taxable year when the Pay-By-Phone funds transfers are made.

D. Deadline for Contributions

Contributions through Pay-By-Phone must be made between January 2 and December 15 of the year in which the Customer will take the tax benefit.

E. Charges

The Bank shall collect a charge for each Automatic Payment or Transfer that is returned because of insufficient funds or for any other reason. Said charge shall be disclosed to the Customer at the moment of opening a checking or savings account or subscribing to the Service, as established in the Deposit Accounts Agreement and the Pay-By-Phone Contract.

F. Report

At the end of each year, the Bank will issue an Information Return to each Customer containing all contributions to a Banco Popular IRA. Customers should include this form with their Income Tax Return.

G. Other Applicable Conditions

1. All transactions realized through the Pay-By-Phone Service shall be subject, additionally, to the terms set forth in the Pay-By-Phone Contract.
2. The Bank may, at its sole discretion, modify the eligible products list, quantity of contribution, and transaction limitations.