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# Individual Retirement Account Disclosure

# FIRSTBANK PUERTO RICO
# INDIVIDUAL RETIREMENT ACCOUNTS TRUST
## Individual Retirement Accounts Disclosure

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This Individual Retirement Account (IRA) Disclosure (hereafter "Disclosure") and the following documents: Individual Retirement Account Trust Adoption Agreement, the Trust Deed, the Deposit Account Agreement Booklet, Your IRA Account Disclosure, and the Privacy Policy and First Bancorp's Information Disclosure, contain the terms and conditions that govern your Account.

## I. Introduction

This Disclosure and the documents mentioned above contain the provisions, terms and conditions, and other disclosures that apply to the Individual Retirement Account(s) and services selected by you. By signing any account opening document, including but not limited to the account signature card, or by using your account(s) or services you accept these provisions, terms and conditions and services as stated. In case of any doubt, please contact any FirstBank branch or call our FirstLine Customer Center at the address or telephones listed at the end of this Disclosure. If there is any change in the address or telephone number provided, we shall notify you in your quarterly account statement.

To the extent required by law, we shall mail you to the address in our records notification of changes we may make from time to time in the terms of these Disclosures. You must inform us in writing of any change in your mailing address.

In this document the terms "Trustee", "Bank", "FirstBank", "us" and "our", refer to FirstBank Puerto Rico; and "Depositor", "Participant", "you" or "your", refer to any person whose signature appears in account opening documents including, but not limited to, the account signature card.

"IRA" is shorthand for "Individual Retirement Account". These type of accounts include Deductible IRA, or Non-Deductible IRA (also known as ROTH IRA).

The term "Accountholder" or "Participant" means the person and/or its legal representatives who establish an IRA Account with FirstBank. The term "Disclosure" means this Disclosure and any other documents provided to you along with this Disclosure.

"Contributions" means tax deductible or non-deductible contributions to an IRA Account. "Distributions" means withdrawals or cancellations made against the Account. "APY" means "Annual Percentage Yield" and refers to the percentage yield of your Account on a yearly basis. This yield is the interest rate that shall be actually accrued by deposits in your Account if the deposited amount and the interest earned remain deposited in your Account throughout the year. Since accrued interests also earn interest if these remain deposited in the Account, the stated APY is higher than the stated interest rate. However, if part of the interest or part of the principal in the Account is withdrawn, the amount of interest earned shall be reduced.

"Business day" means every day except Saturdays, Sundays and federal holidays. Although the Bank offers service to the public, these days will not be considered business days.

This Disclosure statement is provided in compliance with the requirements established under the Internal Revenue Code for a New Puerto Rico of 2011, as amended ("the PR-IRC") and the applicable regulations providing a descriptive disclosure statement of the statutory provisions applicable to Individual Retirement Accounts. This disclosure statement must be given to each person who establishes an Account and each person who contributes to an Account. This disclosure statement is not intended to be exhaustive or conclusive, or to apply to any person or situation, nor is it intended to be a substitute for legal or qualified tax advice. Persons interested in opening an Account and/or contributing to an Account and participating in the Trust are urged to consult their financial or legal advisors prior to opening an Account and contributing to the Trust.

## II. General Information

**A.** The PR-IRC, enable eligible individuals to make annual tax-deductible contributions to an IRA ("the IRA Contributions") in order to provide financially for their retirement. The Office of the Commissioner of Financial Institutions has promulgated

Regulations regarding the establishment and administration of this type of Trust. The PR-IRC and Regulations adopted under the PR-IRC contain penalties and restrictions to dissuade or prevent use of Deductible IRA or Non-Deductible IRA contributions for purposes other than financially providing for your retirement. All planning for retirement should be made on a long-term basis. Persons interested in establishing an IRA Account should read the applicable legal provisions and the Deed of Trust because these describe the requirements for establishing an IRA. If the person has any questions regarding these legal requirements the person is encouraged to consult with his or her tax adviser.

1. **Deductible IRA**. Under a Deductible IRA an eligible person may make a contribution that may be deducted from his/her tax return when computing his/her taxable income for the purposes of Puerto Rico taxes for the year in which the contribution is made.

2. **Non-Deductible IRA (Roth IRA)**. Under a Non-Deductible IRA (Roth IRA) a person may make a contribution that is non-deductible from his/her taxable income, but the increase in value of the Account is non-taxable if the person receives funds from the Account in a qualified distribution, following requirements established for said distributions.

## III. Right to Withdraw a Contribution and Close the Account

Your participation in the IRA Trust may be revoked or canceled within seven (7) business days after executing the Adoption Agreement, by means of a written notification sent by certified mail, return receipt requested, addressed to the Trustee at:

FirstBank Puerto Rico
Transactions and Support Management
PO Box 9146
San Juan, Puerto Rico 00908-0146

Said notification will be deemed mailed on the date in which it was certified or registered. Such notice may be also delivered personally to the Trustee before the seven (7) business day period expires. If the Adoption Agreement is revoked or canceled within the seven day period described herein, the Trustee will refund the initial contribution, without interest, after deducting any penalty for early withdrawal imposed by the banking product. The IRA Account will become irrevocable and non-transferable, provided certain limited exceptions established in the applicable provisions of the PR-IRC, once the seven (7) business day period elapses.

## IV. Eligibility

The only requirement for eligibility is that you receive Compensation, that is, wages, salaries, professional fees, income from occupations, salesperson's commissions, tips or self-employment income. Compensation does not include interest, dividends, rents, royalties or capital gains or other non-employment income. FirstBank offers IRA products exclusively to persons whose principal residence is in Puerto Rico. FirstBank reserves the right to terminate any IRA at the time it learns the person is not or ceases to be a resident of Puerto Rico.

In the event of married taxpayers filing a joint Puerto Rico income tax return, an IRA may be opened for each spouse, even if only one of the spouses is employed or receives any Compensation. In addition, the maximum allowable annual contribution to an IRA by an Accountholder who has made elective deferrals under certain Qualified Plans (as defined below) may be less than the statutory limit described herein. This last limitation, however, shall not be applicable to taxable years commencing after December 31, 2010.

Each contribution made to an IRA must be accompanied by instructions from the Accountholder indicating the tax year for which the Accountholder will claim the deduction for said contribution.

## V. Irrevocable and Nontransferable; Life Insurance

You may not transfer ownership of your IRA without disqualifying it from tax-favored treatment, except to your former spouse as a result of a divorce decree or under a written instrument arising from your divorce. The IRA Account will become irrevocable and non-transferable, with certain limited exceptions established in the applicable provision of the PR-IRC, once the aforementioned seven (7) business day period elapses.

No part of the IRA Contributions to the Trust can be invested in life insurance policies.

## VI. Contributions to the Account

### A. Maximum Contribution

Under applicable law, the maximum annual contribution allowed to an IRA for taxable year 2004 and subsequent years, the maximum contribution that an individual can make is $5,000.00 and for a joint filing marriage is $10,000.00.

The contribution to IRAs by individuals or married couples is limited to the lesser of the above mentioned maximum amounts and the gross adjusted income (aggregated adjusted gross income in the case of married couples) arising from salaries and earnings attributable to professions or occupations for the year in which the contribution is made.

In the case of a Non-Deductible IRA (Roth IRA) the maximum contribution per tax year is the difference between the maximum permissible amount and the amount contributed by the person to a Deductible IRA.

In the case of a Deductible IRA said contributions are deductible for tax purposes (except for rollover contributions).

In the case of a Non-Deductible IRA (Roth IRA), contributions made are not deductible from the person's taxable income, but the appreciation in value of the Non-Deductible IRA (Roth IRA) and interests and other income accrued by the Non-

Deductible IRA (Roth IRA) are not taxable if the person receives funds from the Account in a "qualified distribution", as this term is defined below.

## B. Excess IRA Contribution

If an Accountholder contributes to an IRA an amount in excess of the maximum amount permissible and said excess, together with any income generated by the excess, is not withdrawn no later than the filing deadline of the income tax return of the year for which the excess IRA Contribution was made (including any applicable extension for the filing of said return), the total balance of the IRA will be considered as if it had been distributed to the Account Owner on the first day of the year for which the excess IRA Contribution was made. In addition, the Account Owner would be subject to the imposition of the 10% early withdrawal penalty imposed under the PR-IRC described below if the person is under sixty (60) years of age at the time the entire IRA is deemed to have been distributed to them.

An Accountholder will not be entitled to deduct or carry over to another taxable year any excess IRA Contribution from a prior year. A written request by the Accountholder for the withdrawal of an excess IRA Contribution must be sent to the Trustee at the aforementioned address stating the amount of the excess IRA Contribution.

## C. Age Limit for IRA Contributions

1. **Deductible IRA Account**. The Accountholder of a Deductible IRA may continue to make contributions to the Account until the tax year in which he/she turns seventy-four (74) years of age. After age seventy-four (74), a Deductible IRA accountholder may not make further contributions to the Deductible IRA (except for a rollover contribution, as defined below).

2. **Non-Deductible IRA (Roth IRA)**. There is no age limit to make contributions to a Non-deductible IRA (Roth IRA). Contributions are allowed after a person attains seventy-five (75) years of age, the age limit for contributions to a Deductible IRA.

**D. Deadline for IRA Contributions**

IRA Contributions by an Accountholder for a given year must be made by no later than the date prescribed by law for the Accountholder to file his or her Puerto Rico income tax return for that year (including any applicable extension of time for filing).

**E. Contributions to the Trust**

IRA Contributions must be made in cash, check or money order, and may be made periodically or in one lump sum; provided, however, that some of the banking products that are offered for the investment of IRA Accounts will have a minimum deposit amount. Periodical payments may not apply to some Account products.

**F. Contribution by Rollover**

Amounts contributed as a result of distribution from an IRA established by the Accountholder or from a pension plan, profit-sharing or stock bonus plan described in the PR-IRC (hereafter "the Qualified Plan") may be transferred to another IRA established by the Accountholder (these IRA Contributions being referred to as "Rollover Contributions") in an amount greater than the maximum amount described above and regardless of the Accountholder's age. Rollover Contributions, however, are not tax-deductible for the year with respect to which such Rollover Contribution is made. If a Rollover Contribution is made by an Accountholder who received the amount involved as a distribution from another IRA of the Accountholder or a Qualified Plan, the rollover must be made within 60 days of the receipt of the distribution. If the rollover is made, but not on a timely basis, the rollover may well result in an excess IRA Contribution as referred to under Excess Contributions above with the adverse consequences which pertain to excess IRA Contributions. Only one rollover from one IRA to another IRA can be made in any one year period ending on the date of receipt of the distribution being transferred. If a rollover is made directly between IRA trustees, this one year restriction does not apply. An individual retirement account maintained under the United States Internal Revenue Code of 1986, as amended, is not an IRA to or from which assets of an IRA which is governed by Puerto Rico law may be transferred.

Rollover transfers to a Non-Deductible IRA are allowed from: (i) a Deductible IRA; (ii) lump sum distributions from Qualified Plans due to employment termination; and (iii) from another Non-Deductible IRA (Roth IRA). Rollover contributions or conversion are not allowed from a Non-Deductible IRA to a traditional IRA.

Although rollover transfers described in (i) and (ii) above are not subject to a 10% penalty for nonqualified distributions, these are subject to the payment of applicable income tax as if a distribution had taken place. However, if any such Rollover Transfer or conversion is made before July 1, 2003, then withdrawn or converted funds which constitute taxable income will be subject to tax payment at a rate of 12.5% instead of the normally applicable rates.

## VII. Distributions from the Account

The Participant may request fund distribution at any moment. If the reason for requesting the distribution does not conform to provisions in the PR-IRC and/or applicable Regulations the transaction may result in payment of penalties or applicable taxes, as specified below.

The PR-IRC requires that Deductible IRA accountholders begin receiving distributions no later than the end of the year in which the individual attains the age of seventy-five (75). The Accountholder of the Deductible IRA must notify the Trustee the chosen distribution for the Deductible IRA, no later than the date on which the individual turns seventy-five (75).

There is no age limit to begin receiving fund distributions from a Non-Deductible IRA (Roth IRA).

**A. Tax Treatment upon Distribution**

Upon an actual or deemed distribution from an IRA, the full amount received or deemed received is considered to be ordinary income subject to Puerto Rico income taxes at the regular rates; provided, however, under the PR-IRC, that for contributing years beginning after December 31, 2018: (i) an Accountholder is given the alternative to select a special tax rate according the percentage established by said law, instead of the ordinary rate, for distributions (not including the distribution of the original IRA contributions or the distribution of interest income) that constitute income from sources within Puerto Rico as defined in the PR-IRC; and (ii) an Accountholder may choose pay a special rate of 10% if and when the Accountholder is enjoying the retirement benefits offered by the "Sistema de Retiro del Estado Libre Asociado de Puerto Rico y sus Instrumentalidades, Sistema de Retiro de la Judicatura or the Sistema de Retiro para Maestros". In addition, the amount of any income earned by the IRA on tax-exempt investments (but not any gains on the disposition of said investments) is added to the Accountholder's basis in his or her IRA (which basis is otherwise zero), and therefore is not subject to Puerto Rico income taxes when distributed. Also, subject to the limitations imposed by the PR-IRC, a distribution of any interest earned by the IRA from certain types of deposits with financial institutions is eligible for the Puerto Rico income tax exclusion available for qualifying interest and the preferential tax rate that is established by the PR-IRC for that portion of the qualifying interest not covered by such Puerto Rico income tax exclusion. Notwithstanding the above, Puerto Rico income taxation on certain distributions from an IRA shall be deferred if the Accountholder uses the amount distributed for the purchase of his or her first principal residence and complies with other requirements of the PR-IRC: (i) an Accountholder is given the alternative under the PR-IRC to select a special tax rate of 17% for distributions (not including the distribution of the original IRA contributions or the distribution of interest income) that constitute income from sources within Puerto Rico as defined in the PR-IRC; and (ii) an Accountholder may choose pay a special rate of 10% if and when the Accountholder is enjoying the retirement benefits offered by the "Sistema de Retiro del Estado Libre Asociado de Puerto Rico y sus Instrumentalidades, Sistema de Retiro de la Judicatura or the Sistema de Retiro para Maestros". In addition, the amount of any income earned by the IRA on tax-exempt investments (but not any gains on the disposition of said investments) is added to the Accountholder's basis in his or her IRA (which basis is otherwise zero), and therefore is not subject to Puerto Rico income taxes when distributed to the Accountholder or his or her beneficiaries.

Also, subject to the limitations imposed by the PR-IRC, a distribution of any interest earned by the IRA from certain types of deposits with financial institutions is eligible for the Puerto Rico income tax exclusion available for qualifying interest and the preferential tax rate of 17% for that portion of the qualifying interest not covered by such Puerto Rico income tax exclusion. Notwithstanding the above, Puerto Rico income taxation on certain distributions from an IRA shall be deferred if the Accountholder uses the amount distributed for the purchase of his or her first principal residence and complies with other requirements of the PR-IRC.

Contributions to a Non-Deductible IRA may not be utilized as a deduction from taxable income. However, when Non-Deductible IRA distributions are made, the contribution portion is not taxable. The distribution of the appreciation in value, interests, and other income generated over Non-Deductible IRA contributions are not taxable if these are considered a qualified distribution. If these are not considered a qualified distribution, the appreciation in value, interests, and other income generated over contributions to the Non-Deductible IRA (Roth IRA) are taxable at the rates described below for Early Distributions.

## B. Form of Distributions

1. **Lump Sum or Periodic Payment**. Distributions may be made in a lump sum payment or in periodic payments. In the case of a Deductible IRA distributions may be made in a lump sum payment or in periodic payments extending over a period not longer than any of the following: (i) the life of the Accountholder; (ii) the lives of the Accountholder and the Accountholder's spouse; (iii) the life expectancy of the Accountholder; or (iv) the joint life expectancy of the Accountholder and the Accountholder's spouse. If a Deductible IRA Accountholder does not choose a method of distribution from the Accountholder's IRA by the date the Accountholder attains age seventy-five (75), the entire balance of the Accountholder's IRA shall be distributed to the Accountholder in a lump sum payment by the end of the year in which the Accountholder attains age 75.

2. **Early Distributions**. Distributions from an IRA may be made at any time, and any current distribution or an implicit distribution (deemed to be done) before the Accountholder attains age 60, however, is subject to a 10% penalty imposed by the PR-IRC, unless the distribution is qualififed or is on account of (i) the Accountholder's death, (ii) the Accountholder's disability (as defined in the PR-IRC), (iii) the Accountholder's unemployment (as defined in the PR-IRC), (iv) the need of funds to cover the expenses of the Accountholder's direct dependents in connection with their university studies, (v)

the purchase or construction of the Accountholder's first principal residence (subject to compliance with certain requirements of the PR-IRC), (vi) the repair or reconstruction of the Accountholder's principal residence as a result of fire, hurricane, earthquake or other fortuitous cause, or to avoid the inminent foreclosure or incurring a default in connection with the mortgage covering the principal residence (including entering into a refinancing) of the Accountholder on account of the lost of employment or the substantial and verifiable reduction in income, (vii) the withdrawal of up to $1,200.00 for the acquisition or purchase of a computer to be used by a dependent of the Accountholder within the second degree of consanguinity who is studying up to the university level (the withdrawal for the purchase of a computer may be made once every six years), or (viii) the payment of the treatment expenses of severe, chronic, degenerative and terminal illnesses of a member of the Accountholder's family, up to the fourth degree of consanginity and the second degree of afinity. In addition, the 10% penalty shall not apply if the amount distributed is transferred by the Accountholder to another IRA of the Accountholder in a Rollover Contribution (as defined below) within 60 days of the Accountholder's receipt of the distribution.

3. **Qualified Distributions**. To be eligible for qualified distributions, the taxpayer must submit to the trustee or authorized entity a notarized Sworn Statement along with the evidence or certification required for each of the following reasons referred to as Qualified Distribution.

    a. **Distribution after sixty (60) years of age**. Any distribution made on or after the date a person attains sixty (60) years of age is considered a qualified distribution.

b. **Death of an Accountholder**. Upon an Accountholder's death, the entire balance of the Accountholder's IRA shall be distributed to the Accountholder's beneficiary or beneficiaries within a period of five years of the death of the Accountholder. Notwithstanding the above, if the Accountholder selected to receive distributions from the Accountholder's IRA over a term certain permitted by the PR-IRC, and such distributions have commenced, the distributions shall continue as scheduled. The same rule applies at the death of the surviving spouse of an Accountholder with respect to his or her beneficiaries if distributions to the surviving spouse have commenced. However, this rule does not apply to a beneficiary who chooses to treat the balance of the Accountholder's IRA as the beneficiary's own IRA.

   Any value distributed from the Accountholder's account at his/her death is deductible from Puerto Rico estate taxes if the Accountholder is a Puerto Rico resident as defined under applicable law. A lump sum distribution from an Accountholder's IRA is not eligible for capital gains treatment for Puerto Rico income tax purposes. In any event, the method of payment shall not violate the provisions of the PR-IRC, or of any other applicable legal requirements, including the provisions regarding hereditary succession.

c. **Rollover Distribution**. Amounts distributed from one IRA established by the Accountholder or from a pension, profit-sharing or stock bonus plan described in Section 1081.01 of the PR-IRC ("the Qualified Plan") may be transferred to another IRA established by the Accountholder (these IRA Contributions being referred to as

"Rollover Contributions") in an amount greater than the maximum amount described above and regardless of the Accountholder's age. Rollover Contributions, however, are not tax-deductible for the year with respect to which such Rollover Contribution is made. If a Rollover Contribution is made by an Accountholder who received the amount involved as a distribution from another IRA of the Accountholder or a Qualified Plan, the rollover must be made within 60 days of the receipt of the distribution. If the rollover is made, but not on a timely basis, the rollover may well result in an excess IRA Contribution as referred to under Excess Contributions above with the adverse consequences which pertain to excess IRA Contributions. Only one rollover from one IRA to another IRA can be made in any one year period ending on the date of receipt of the distribution being transferred. If a rollover is made directly between IRA trustees, this one year restriction does not apply. An individual retirement account maintained under the United States Internal Revenue Code of 1986, as amended, is not an IRA to or from which assets of an IRA which is governed by Puerto Rico law may be transferred.

d. **Distribution due to disability**. For a distribution due to the Accountholder's disability to qualify as a qualified distribution, the Accountholder must show a medical certificate provided by the State Insurance Fund Corporation, the Veterans Administration, the Social Security Administration or any governing board of a legally established retirement system.

e. **Distribution due to unemployment**. For a distribution due to the Accountholder's unemployment to qualify as a qualified distribution, the Accountholder must show a certificate provided by the Department of Labor and Human Resources.

f. **Distribution to cover university studies of direct dependents**. For a distribution to cover university studies of direct dependents to qualify as a qualified distribution, the Accountholder must show a certification provided by the university stating that the dependent is enrolled in that university and detailing the study costs that must be covered by the Accountholder.

g. **Distribution due to Purchase of the First Principal Home**. For a Distribution due to purchase of the Accountholder's first principal home to qualify as a qualified distribution, the Accountholder must certify that the funds will be utilized in the purchase of his/her first principal home and that before the date of the distribution he/she has not owned a residential property which has been utilized as his/her principal residence. The Accountholder must also comply with certain additional requirements. Taxation of funds from a Non-Deductible IRA utilized for this purpose is deferred until the property is sold or transferred.

h. **Distribution due to repairs or rebuilding of the principal home or to avoid the inminent foreclosure or default of the mortgage**. For a distribution due to repairs or rebuilding of the Accountholder's principal home (due to fire, hurricane, earthquake or other fortuitous causes), or to avoid the inminent foreclosure or incurring a default in connection with the mortgage covering his principal residence (including entering into a refinancing) due to the lost of employment or the substantial and verifiable reduction in income, to qualify as a qualified distribution, the Accountholder must present all documentation required to justify the request for a qualified distribution.

Provided, however, that in the case of the inminent foreclosure or incurring in default in connection with the mortgage covering the principal residence (including the refinancing to avoid a default), the Accountholder may withdraw up to half of the funds deposited in his IRA or $20,000.00, which ever of these amounts is larger.

i. **Distribution for the purchase of a computer**. For a distribution for the purchase of a computer to qualify as a qualified distribution, the Accountholder must certify that the funds will be utilized for the purchase of a computer, that no funds have been withdrawn from another IRA Account (regular or Non-Deductible) for the purchase of a computer during the previous six (6) years, and that the computer will be utilized by a dependent within the second degree of consanguinity who is studying up to the university level. The Accountholder must comply with certain additional requirements (currently, distributions for the purchase of a computer may not exceed $1,200.00).

j. **Distribution for the payment of treatment expenses of severe, chronic, degenerative and terminal illness**. For a distribution to pay the treatmen expenses of severe, chronic, degenerative and terminal illnesses of a member of the Accountholder’s family, up to the fourth degree of consanginity and the second of afinity, to qualify as a qualified distribution, the Accountholder must present all documentation required to justify the request for a qualified distribution.

k. **Acquisition of a renewable, efficient and environmentally friendly energy system for your residence**. Meaning all equipment or personal property, or set of them, that produces energy from renewable sources, such as: solar, wind, geothermal, ocean-thermal, hydroelectric or renewable fuels, not including fossil fuels. This alternative is limited to a maximum withdrawal of $20,000.00 once every 10 years and requires copy of the invoice or quotation of the supplier or commercial establishment.

## VIII. Fees; Expenses; Penalties

### A. Service Charges

The Deed of Trust provides that the trustee may charge the Account those normal and reasonable expenses which become necessary in order to administer the IRA Accounts, including, but not limited to reasonable compensation for its services of administering the IRA accounts, legal fees and the cost of Trustee insurance.

### B. Institutional Penalties for Early Withdrawal

The bank product in which the Accountholder chooses to deposit the contributions may establish penalties regarding the early withdrawal of moneys before the maturity of said product. You should review the documents and other disclosures provided to you which describe the terms and conditions of the bank product and penalties, if any, for withdrawing funds before the maturity date of said product.

### C. Government Penalty for Early Withdrawal

Applicable penalties (of 10%) imposed by the Regulations of the Department of Treasury of Puerto Rico shall be withheld from a distribution unless the Accountholder provides FirstBank satisfactory evidence that the distribution is exempt from the penalty as a Qualified Distribution.

### D. Charges for Rollover

FirstBank may charge a fee for account rollovers to another eligible institution. This amount shall be paid at the time the transfer is made.

## IX. IRA May Not be Used as Collateral

An Accountholder's interest in an IRA or in assets held in the IRA may not be used as collateral for a loan, and any amount so utilized shall be deemed to have been distributed to the Accountholder and may be subject to the 10% penalty for early distributions described above. The Accountholder is solely responsible for compliance with this limitation and shall immediately inform FirstBank in writing of any noncompliance with this limitation.

## X. Prohibited Transactions

If an Accountholder, his/her spouse or beneficiary engages in any prohibited transaction, as such term is defined by the PR-IRC and any applicable regulations promulgated there under, with respect to his/her IRA, such Account will be disqualified as of the first day of the taxable year when the prohibited transaction occurs. The Accountholder must then include in the gross income for such taxable year the value of the IRA as of the first day of such year and may be subject to the 10% penalty for early distributions described above.

## XI. Required Filings

An Accountholder must report the IRA deduction on the Accountholder's income tax return in order to qualify for the tax benefits of an IRA.

## XII. Additional Tax Information

In a deductible IRA the total amount of the permissible annual IRA Contributions is deductible by the Accountholder in computing his or her taxable income for Puerto Rico income tax purposes for the year with respect to which the IRA Contribution is made. No Puerto Rico income taxes are paid on the income generated by the assets held in an IRA until a distribution is made from the IRA.

## XIII. Reports

The Trustee will send to each Accountholder quarterly and annual statements covering transactions made with respect to his/her IRA. Such reports will indicate the amount of any distribution, withdrawal or rollover made to or from the Accountholder's IRA, any interest or other credit earned and charges made to the Accountholder's IRA, and any other information required under the applicable provisions of the PR-IRC and regulations promulgated there under. Said quarterly and annual reports will be mailed to Accountholders on or before the dates required under the PR-IRC and the applicable regulations there under, and the annual reports will be mailed to the Secretary of the Treasury on or before the date required under the PR-IRC and the applicable regulations there under.

## XIV. Notification

Any written notice to FirstBank shall be sent to:

FirstBank Puerto Rico
Transactions and Support Management
P. O. Box 9146, San Juan, Puerto Rico 00908-0146

Telephone communications may be made at:

FirstLine Solution Center
(787) 725-2511
1(866) 690-2511 (Toll free)

If you have any questions regarding your eligibility, tax status or any other matters after reviewing this Disclosure of Individual Retirement Accounts of FirstBank you should contact your tax adviser.

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