REFINITIV

DELTA REPORT

10-Q

OFG BANCORP

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1510
CHANGES	500
DELETIONS	425
ADDITIONS	585

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, June 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ______________

Commission File Number: 001-12647

OFG Bancorp

(Exact name of registrant as specified in its charter)

Commonwealth of Puerto Rico	**66-0538893**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
254 Muñoz Rivera Avenue	**00918**
San Juan, Puerto Rico	(Zip code)
(Address of principal executive offices)	

(787) 771-6800

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, par value $1.00 per share	**OFG**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þNo ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þNo ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☑ Large Accelerated Filer	☐ Accelerated Filer	☐ Non-Accelerated Filer	☐ Smaller Reporting Company
			☐ Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

47,002,057 46,561,532 common shares ($1.00 par value per share) outstanding as of April 30, 2024 July 31, 2024

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FORWARD-LOOKING STATEMENTS

The information included in this quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to the financial condition, results of operations, plans, objectives, future performance and business of OFG Bancorp ("we," "our," "us" or "OFG"), including, but not limited to, statements with respect to the adequacy of the allowance for credit losses ("ACL"), delinquency trends, market risk and the impact of interest rate changes, capital markets conditions, capital adequacy and liquidity, and the effect of legal proceedings and new accounting standards on OFG's financial condition and results of operations. All statements contained herein that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "continues," "expect," "estimate," "intend," "project" and similar expressions and future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may," or similar expressions are generally intended to identify forward-looking statements.

These statements are not guarantees of future performance and involve certain risks, uncertainties, estimates and assumptions by management that are difficult to predict. Various factors, some of which by their nature are beyond OFG's control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- the rate of growth in the economy and employment levels, inflationary pressures or recessionary conditions, as well as general business and economic conditions;
- changes in interest rates, as well as the magnitude of such changes;
- a credit default by municipalities of the government of Puerto Rico;
- a credit default by the U.S. government or a downgrade in the credit ratings of the U.S. government;
- the impacts related to or resulting from bank failures and other volatility, including potential increased regulatory and compliance requirements and costs and potential impacts to macroeconomic conditions, which could affect the ability of depository institutions, including the Bank, to attract and retain depositors and to borrow or raise capital;
- the actual or perceived soundness of other financial institutions, including as a result of the financial or operational failure of a major financial institution, or concerns about the creditworthiness of such a financial institution or its ability to fulfill its obligations, which can cause substantial and cascading disruption within the financial markets;
- amendments to the fiscal plans approved by the Financial Oversight and Management Board for Puerto Rico;
- determinations in the court-supervised debt-restructuring process under Title III of PROMESA for the Puerto Rico government and all of its agencies, including some of its public corporations, as well as the ability to successfully implement any court-approved plan of adjustment;
- unforeseen or catastrophic events, including extreme weather events, other natural disasters, man-made disasters, pandemics, war or other international conflicts and acts of terrorism (including cyber-attacks), or utility disruptions, which could cause a disruption in our operations or other adverse consequences for our business;
- the impact of property, credit and other losses in Puerto Rico as a result of hurricanes, earthquakes and other natural disasters;
- the amount of government financial assistance for the reconstruction of Puerto Rico's infrastructure, which was impacted by the effects of Hurricane Maria in 2017, earthquakes in 2020, and Hurricane Fiona in 2022;
- the pace and magnitude of Puerto Rico's economic recovery;
- the fiscal and monetary policies of the federal government and its agencies;
- changes in federal bank regulatory and supervisory policies, including with respect to required levels of capital;
- the relative strength or weakness of the commercial and consumer credit sectors and the real estate market in Puerto Rico;
- the performance of the stock and bond markets;
- competition in the financial services industry;
- possible legislative, tax or regulatory changes; and
- factors beyond our control such as severe weather conditions, natural disasters, pandemics, power loss, disruptions in telecommunications, terrorism and other catastrophic events, any of which could significantly affect delinquency rates, loan and accounts receivable balances and other aspects of our business and results of operations.

Other possible events or factors that could cause results or performance to differ materially from those expressed in these forward-looking statements include the following: negative economic conditions that adversely affect the general economy, housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the level of non-performing assets, charge-offs and provision for credit losses expense; changes in interest rates and market liquidity which may reduce interest margins, impact funding sources and affect the ability to originate and distribute financial products in the primary and secondary markets; adverse movements and volatility in debt and equity capital markets; changes in market rates and prices which may adversely impact the value of financial assets and liabilities; risk of impairment of investment securities, goodwill, other intangible assets or deferred tax assets; liabilities resulting from litigation and regulatory investigations; changes in accounting standards, rules and interpretations; increased competition; OFG's ability to grow its core businesses; decisions to downsize, sell or close units or otherwise change OFG's business mix; and management's ability to identify and manage these and other risks.

All forward-looking statements included in this quarterly report on Form 10-Q are based upon information available to OFG as of the date of this quarterly report on Form 10-Q, and other than as required by law, including the requirements of applicable securities laws, OFG assumes no obligation to update or revise any such forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
AS OF MARCH 31, JUNE 30, 2024 AND DECEMBER 31, 2023

		March 31,	**December 31,**		
		June 30,	**December 31,**		
	2024	**2024**	**2023**	**2024**	**2023**
			(In thousands)		
ASSETS					
Cash and cash equivalents:					
Cash and cash equivalents:					
Cash and cash equivalents:					
Cash and due from banks					
Cash and due from banks					
Cash and due from banks					
Money market investments					
Total cash and cash equivalents					
Investments:					
Investments:					
Investments:					
Trading securities, at fair value, with amortized cost of $163 (December 31, 2023 - $163)					
Trading securities, at fair value, with amortized cost of $163 (December 31, 2023 - $163)					
Trading securities, at fair value, with amortized cost of $163 (December 31, 2023 - $163)					
Investment securities available-for-sale, at fair value, with amortized cost of $1,993,754 (December 31, 2023 - $2,177,761); no allowance for credit losses					
Investment securities held-to-maturity, at amortized cost, with fair value of $483,657 (December 31, 2023 - $490,764); no allowance for credit losses					
Investment securities available-for-sale, at fair value, with amortized cost of $2,198,116 (December 31, 2023 - $2,177,761); no allowance for credit losses					
Investment securities held-to-maturity, at amortized cost, with fair value of $279,437 (December 31, 2023 - $490,764); no allowance for credit losses					
Equity securities					
Total investments					
Loans:					
Loans held-for-sale, at lower of cost or fair value					
Loans held-for-sale, at lower of cost or fair value					
Loans held-for-sale, at lower of cost or fair value					
Loans held-for-investment, net of allowance for credit losses of $156,563 (December 31, 2023 - $161,106)					
Loans held-for-investment, net of allowance for credit losses of $157,301 (December 31, 2023 - $161,106)					
Total loans					
Other assets:					
Foreclosed real estate					
Foreclosed real estate					

Foreclosed real estate
Accrued interest receivable
Deferred tax assets, net
Premises and equipment, net
Customers' liability on acceptances
Servicing assets
Goodwill
Other intangible assets
Operating lease right-of-use assets
Other assets
Total assets

See notes to unaudited consolidated financial statements.

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF MARCH 31, JUNE 30, 2024 AND DECEMBER 31, 2023 (CONTINUED)

	March 31,	December 31,			
	June 30,	December 31,			
	2024	2024	2023	2024	2023
		(In thousands)			
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Deposits:					
Deposits:					
Demand deposits					
Demand deposits					
Demand deposits					
Savings accounts					
Time deposits					
Total deposits					
Borrowings:					
Advances from the Federal Home Loan Bank of New York (the "FHLB")					
Advances from the Federal Home Loan Bank of New York (the "FHLB")					
Advances from the Federal Home Loan Bank of New York (the "FHLB")					
Other borrowings					
Other borrowings					
Other borrowings					
Total borrowings					
Other liabilities:					
Acceptances executed and outstanding					
Acceptances executed and outstanding					
Acceptances executed and outstanding					
Operating lease liabilities					
Deferred tax liabilities, net					
Accrued expenses and other liabilities					
Total liabilities					

Commitments and contingencies (See Note 18)	**Commitments and contingencies (See Note 18)**	**Commitments and contingencies (See Note 18)**
Stockholders' equity:		
Common stock, $1 par value; 100,000,000 shares authorized; 59,885,234 shares issued: 47,216,571 shares outstanding (December 31, 2023 - 59,885,234 shares issued; 47,065,156 shares outstanding)		
Common stock, $1 par value; 100,000,000 shares authorized; 59,885,234 shares issued: 46,561,532 shares outstanding (December 31, 2023 - 59,885,234 shares issued; 47,065,156 shares outstanding)		
Common stock, $1 par value; 100,000,000 shares authorized; 59,885,234 shares issued: 47,216,571 shares outstanding (December 31, 2023 - 59,885,234 shares issued; 47,065,156 shares outstanding)		
Common stock, $1 par value; 100,000,000 shares authorized; 59,885,234 shares issued: 46,561,532 shares outstanding (December 31, 2023 - 59,885,234 shares issued; 47,065,156 shares outstanding)		
Common stock, $1 par value; 100,000,000 shares authorized; 59,885,234 shares issued: 47,216,571 shares outstanding (December 31, 2023 - 59,885,234 shares issued; 47,065,156 shares outstanding)		
Common stock, $1 par value; 100,000,000 shares authorized; 59,885,234 shares issued: 46,561,532 shares outstanding (December 31, 2023 - 59,885,234 shares issued; 47,065,156 shares outstanding)		
Additional paid-in capital		
Legal surplus		
Retained earnings		
Treasury stock, at cost, 12,668,663 shares (December 31, 2023 - 12,820,078 shares)		
Accumulated other comprehensive loss, net of tax of $14,316 (December 31, 2023 - $11,484)		
Treasury stock, at cost, 13,323,702 shares (December 31, 2023 - 12,820,078 shares)		
Accumulated other comprehensive loss, net of tax of $15,316 (December 31, 2023 - $11,484)		
Total stockholders' equity		
Total liabilities and stockholders' equity		

See notes to unaudited consolidated financial statements.

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS AND SIX-MONTH PERIODS ENDED MARCH 31, JUNE 30, 2024 AND 2023

	Quarter Ended March 31,	
	Quarter Ended March 31,	
	Quarter Ended March 31,	
	2024	
	2024	
	Quarter Ended June 30,	
	Quarter Ended June 30,	
	Quarter Ended June 30,	**Six-Month Period Ended June 30,**
	2024	
	(In thousands, except per share data)	
	(In thousands, except per share data)	
	(In thousands, except per share data)	
Interest income:		
Loans		
Loans		
Loans		
Mortgage-backed securities		
Mortgage-backed securities		

Mortgage-backed securities
Investment securities and other
Investment securities and other
Investment securities and other
Total interest income
Total interest income
Total interest income
Interest expense:
Interest expense:
Interest expense:
Deposits
Deposits
Deposits
Advances from FHLB and other borrowings
Advances from FHLB and other borrowings
Advances from FHLB and other borrowings
Total interest expense
Total interest expense
Total interest expense
Net interest income
Net interest income
Net interest income
Provision for credit losses
Provision for credit losses
Provision for credit losses
Net interest income after provision for credit losses
Net interest income after provision for credit losses
Net interest income after provision for credit losses
Non-interest income:
Non-interest income:
Non-interest income:
Banking service revenue
Banking service revenue
Banking service revenue
Wealth management revenue
Wealth management revenue
Wealth management revenue
Mortgage banking activities
Mortgage banking activities
Mortgage banking activities
Total banking and financial service revenues
Total banking and financial service revenues
Total banking and financial service revenues
Net (loss) gain on:
Net (loss) gain on:
Net loss on sale of securities
Net (loss) gain on:
Sale of securities
Sale of securities
Sale of securities
Net loss on sale of securities

Net loss on sale of securities
Other non-interest income
Other non-interest income
Other non-interest income
Total non-interest income
Total non-interest income
Total non-interest income

See notes to unaudited consolidated financial statements.

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS AND SIX-MONTH PERIODS ENDED MARCH 31, JUNE 30, 2024 AND 2023 (CONTINUED)

	Quarter Ended March 31,
	Quarter Ended June 30,
	Quarter Ended March 31,
	Quarter Ended June 30,
	Quarter Ended March 31,
	Quarter Ended June 30,
	2024
	2024
	2024
	(In thousands, except per share data)
	(In thousands, except per share data)
	(In thousands, except per share data)
Non-interest expense:	
Compensation and employee benefits	
Compensation and employee benefits	
Compensation and employee benefits	
Occupancy, equipment and infrastructure costs	
Occupancy, equipment and infrastructure costs	
Occupancy, equipment and infrastructure costs	
Electronic banking charges	
Electronic banking charges	
Electronic banking charges	
Information technology expenses	
Information technology expenses	
Information technology expenses	
Professional and service fees	
Professional and service fees	
Professional and service fees	
Taxes, other than payroll and income taxes	
Taxes, other than payroll and income taxes	
Taxes, other than payroll and income taxes	
Insurance	
Insurance	
Insurance	
Loan servicing and clearing expenses	
Loan servicing and clearing expenses	

Loan servicing and clearing expenses
Advertising, business promotion, and strategic initiatives
Advertising, business promotion, and strategic initiatives
Advertising, business promotion, and strategic initiatives
Communication
Communication
Communication
Printing, postage, stationery and supplies
Printing, postage, stationery and supplies
Printing, postage, stationery and supplies
Director and investor relations
Director and investor relations
Director and investor relations
Foreclosed real estate and other repossessed assets income, net of expenses
Foreclosed real estate and other repossessed assets income, net of expenses
Foreclosed real estate and other repossessed assets income, net of expenses
Other
Other
Other
Total non-interest expense
Total non-interest expense
Total non-interest expense
Income before income taxes
Income before income taxes
Income before income taxes
Income tax expense
Income tax expense
Income tax expense
Net income available to common shareholders
Net income available to common shareholders
Net income available to common shareholders
Earnings per common share:
Earnings per common share:
Earnings per common share:
Basic
Basic
Basic
Diluted
Diluted
Diluted
Average common shares outstanding and equivalents
Average common shares outstanding and equivalents
Average common shares outstanding and equivalents
Cash dividends per share of common stock
Cash dividends per share of common stock
Cash dividends per share of common stock

See notes to unaudited consolidated financial statements.

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS AND SIX-MONTH PERIODS ENDED MARCH 31, JUNE 30, 2024 AND 2023

	Quarter Ended March 31,	
	Quarter Ended March 31,	
	Quarter Ended March 31,	
	2024	
	2024	
	Quarter Ended June 30,	
	Quarter Ended June 30,	
	Quarter Ended June 30,	Six-Month Period Ended June 30,
	2024	
	(In thousands)	
	(In thousands)	
	(In thousands)	
Net income		
Other comprehensive (loss) income before tax:		
Other comprehensive (loss) income before tax:		
Other comprehensive (loss) income before tax:		
Unrealized (loss) gain on securities available-for-sale		
Unrealized (loss) gain on securities available-for-sale		
Unrealized (loss) gain on securities available-for-sale		
Realized loss on sale of securities available-for-sale		
Realized loss on sale of securities available-for-sale		
Realized loss on sale of securities available-for-sale		
Unrealized loss on cash flow hedges		
Unrealized loss on cash flow hedges		
Unrealized loss on cash flow hedges		
Other comprehensive (loss) income before taxes		
Other comprehensive (loss) income before taxes		
Other comprehensive (loss) income before taxes		
Income tax effect		
Income tax effect		
Income tax effect		
Other comprehensive (loss) income after taxes		
Other comprehensive (loss) income after taxes		
Other comprehensive (loss) income after taxes		
Comprehensive income		
Comprehensive income		
Comprehensive income		

See notes to unaudited consolidated financial statements.

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY
FOR THE QUARTERS AND SIX-MONTH PERIODS ENDED MARCH 31, JUNE 30, 2024 AND 2023

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	2024

	2024	
	Quarter Ended June 30,	
	Quarter Ended June 30,	
	Quarter Ended June 30,	Six-Month Period Ended June 30,
	2024	
	(In thousands)	
	(In thousands)	
	(In thousands)	
Common stock:		
Common stock:		
Common stock:		
Balance at the beginning and end of period		
Balance at the beginning and end of period		
Balance at the beginning and end of period		
Additional paid-in capital:		
Additional paid-in capital:		
Additional paid-in capital:		
Balance at beginning of period		
Balance at beginning of period		
Balance at beginning of period		
Stock-based compensation expense		
Stock-based compensation expense		
Stock-based compensation expense		
Lapsed restricted stock units		
Lapsed restricted stock units		
Lapsed restricted stock units		
Balance at end of period		
Balance at end of period		
Balance at end of period		
Legal surplus:		
Legal surplus:		
Legal surplus:		
Balance at beginning of period		
Balance at beginning of period		
Balance at beginning of period		
Transfer from retained earnings		
Transfer from retained earnings		
Transfer from retained earnings		
Balance at end of period		
Balance at end of period		
Balance at end of period		
Retained earnings:		
Retained earnings:		
Retained earnings:		
Balance at beginning of period		
Balance at beginning of period		
Balance at beginning of period		
Net income		
Net income		
Net income		
Cash dividends declared on common stock[1]		

Cash dividends declared on common stock[1]
Cash dividends declared on common stock[1]
Transfer to legal surplus
Transfer to legal surplus
Transfer to legal surplus
Balance at end of period
Balance at end of period
Balance at end of period
Treasury stock:
Treasury stock:
Treasury stock:
Balance at beginning of period
Balance at beginning of period
Balance at beginning of period
Stocks repurchased
Stocks repurchased
Stocks repurchased
Lapsed restricted stock units and options
Lapsed restricted stock units and options
Lapsed restricted stock units and options
Balance at end of period
Balance at end of period
Balance at end of period
Accumulated other comprehensive loss, net of tax:
Accumulated other comprehensive loss, net of tax:
Accumulated other comprehensive loss, net of tax:
Balance at beginning of period
Balance at beginning of period
Balance at beginning of period
Other comprehensive (loss) gain, net of tax
Other comprehensive (loss) gain, net of tax
Other comprehensive (loss) gain, net of tax
Balance at end of period
Balance at end of period
Balance at end of period
Total stockholders' equity
Total stockholders' equity
Total stockholders' equity

[1] Dividends declared per common share during the quarter ended March 31, 2024 June 30, 2024 - $0.25 (March 31, (June 30, 2023 - $0.22). Dividends declared per common share during the six-month period ended June 30, 2024 - $0.50 (June 30, 2023 - $0.44).

See notes to unaudited consolidated financial statements.

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS SIX-MONTH PERIODS ENDED MARCH 31, JUNE 30, 2024 AND 2023

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	2024
	2024

	Six-Month Period Ended June 30, Six-Month Period Ended June 30, Six-Month Period Ended June 30,
	2024
	(In thousands)
	(In thousands)
	(In thousands)
Cash flows from operating activities:	
Net income	
Net income	
Net income	
Adjustments to reconcile net income to net cash provided by operating activities:	
Adjustments to reconcile net income to net cash provided by operating activities:	
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization of deferred loan origination fees and fair value premiums on loans	
Amortization of deferred loan origination fees and fair value premiums on loans	
Amortization of deferred loan origination fees and fair value premiums on loans	
Amortization of deferred loan origination fees, net of costs, and fair value premiums on loans	
Amortization of deferred loan origination fees, net of costs, and fair value premiums on loans	
Amortization of deferred loan origination fees, net of costs, and fair value premiums on loans	
Amortization of investment securities (discounts), net of accretion of premiums	
Amortization of investment securities discounts, net of accretion of premiums	
Amortization of investment securities (discounts), net of accretion of premiums	
Amortization of investment securities discounts, net of accretion of premiums	
Amortization of investment securities (discounts), net of accretion of premiums	
Amortization of investment securities discounts, net of accretion of premiums	
Amortization of other intangible assets	
Amortization of other intangible assets	
Amortization of other intangible assets	
Net change in operating leases	
Net change in operating leases	
Net change in operating leases	
Depreciation and amortization of premises and equipment	
Depreciation and amortization of premises and equipment	
Depreciation and amortization of premises and equipment	
Deferred income tax expense, net	
Deferred income tax expense, net	
Deferred income tax expense, net	
Provision for credit losses	
Provision for credit losses	
Provision for credit losses	
Stock-based compensation	
Stock-based compensation	
Stock-based compensation	
(Gain) loss on:	
(Gain) loss on:	
(Gain) loss on:	
Sale of securities	
Sale of securities	
Sale of securities	
Sale of loans	

Sale of loans
Sale of loans
Foreclosed real estate and other repossessed assets
Foreclosed real estate and other repossessed assets
Foreclosed real estate and other repossessed assets
Sale of other assets
Sale of other assets
Sale of other assets
Originations and purchases of loans held-for-sale
Originations and purchases of loans held-for-sale
Originations and purchases of loans held-for-sale
Proceeds from sale of loans held-for-sale
Proceeds from sale of loans held-for-sale
Proceeds from sale of loans held-for-sale
Net decrease (increase) in:
Net (increase) decrease in:
Net decrease (increase) in:
Net (increase) decrease in:
Net decrease (increase) in:
Net (increase) decrease in:
Accrued interest receivable
Accrued interest receivable
Accrued interest receivable
Servicing assets
Servicing assets
Servicing assets
Other assets
Other assets
Other assets
Net (decrease) increase in:
Net (decrease) increase in:
Net (decrease) increase in:
Accrued interest on deposits and borrowings
Accrued interest on deposits and borrowings
Accrued interest on deposits and borrowings
Accrued expenses and other liabilities
Accrued expenses and other liabilities
Accrued expenses and other liabilities
Net cash provided by operating activities
Net cash provided by operating activities
Net cash provided by operating activities

See notes to unaudited consolidated financial statements.

See notes to unaudited consolidated financial statements.

See notes to unaudited consolidated financial statements.

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2024 AND 2023 (CONTINUED)

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2024 AND 2023 (CONTINUED)

Quarter Ended March 31,

2024

2024

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (CONTINUED)

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (CONTINUED)
OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (CONTINUED)

	Six-Month Period Ended June 30,
	2024
	(In thousands)
	(In thousands)
	(In thousands)
Cash flows from investing activities:	
Purchases of:	
Purchases of:	
Purchases of:	
Investment securities available-for-sale	
Investment securities available-for-sale	
Investment securities available-for-sale	
FHLB stock	
FHLB stock	
FHLB stock	
Equity securities	
Equity securities	
Equity securities	
Maturities and redemptions of:	
Maturities and redemptions of:	
Maturities and redemptions of:	
Investment securities available-for-sale	
Investment securities available-for-sale	
Investment securities available-for-sale	
Investment securities held-to-maturity	
Investment securities held-to-maturity	
Investment securities held-to-maturity	
FHLB stock	
FHLB stock	
FHLB stock	
Proceeds from sales of:	
Proceeds from sales of:	
Proceeds from sales of:	
Investment securities available-for-sale	
Investment securities available-for-sale	
Investment securities available-for-sale	

Foreclosed real estate and other repossessed assets, including write-offs
Foreclosed real estate and other repossessed assets, including write-offs
Foreclosed real estate and other repossessed assets, including write-offs
Premises and equipment
Premises and equipment
Premises and equipment
Origination and purchase of loans, excluding loans held-for-sale
Origination and purchase of loans, excluding loans held-for-sale
Origination and purchase of loans, excluding loans held-for-sale
Principal repayment of loans
Principal repayment of loans
Principal repayment of loans
Additions to premises and equipment
Additions to premises and equipment
Additions to premises and equipment
Net cash provided by investing activities
Net cash provided by investing activities
Net cash provided by investing activities
Cash flows from financing activities:
Cash flows from financing activities:
Cash flows from financing activities:
Net (decrease) increase in:
Net (decrease) increase in:
Net (decrease) increase in:
Deposits
Deposits
Deposits
FHLB advances and other borrowings
FHLB advances and other borrowings
FHLB advances and other borrowings
Exercise of stock options and restricted units lapsed, net
Exercise of stock options and restricted units lapsed, net
Exercise of stock options and restricted units lapsed, net
Purchase of treasury stock
Purchase of treasury stock
Purchase of treasury stock
Dividends paid on common stock
Dividends paid on common stock
Dividends paid on common stock
Net cash (used in) provided by financing activities
Net cash (used in) provided by financing activities
Net cash (used in) provided by financing activities
Net change in cash, cash equivalents and restricted cash
Net change in cash, cash equivalents and restricted cash
Net change in cash, cash equivalents and restricted cash
Cash, cash equivalents and restricted cash at beginning of period
Cash, cash equivalents and restricted cash at beginning of period
Cash, cash equivalents and restricted cash at beginning of period
Cash, cash equivalents and restricted cash at end of period
Cash, cash equivalents and restricted cash at end of period
Cash, cash equivalents and restricted cash at end of period

Net change in cash and cash equivalents
Net change in cash and cash equivalents
Net change in cash and cash equivalents
Cash and cash equivalents at beginning of period
Cash and cash equivalents at beginning of period
Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period
Cash and cash equivalents at end of period
Cash and cash equivalents at end of period

See notes to unaudited consolidated financial statements.

OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2024 AND 2023 (CONTINUED)
OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2024 AND 2023 (CONTINUED)
OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2024 AND 2023 (CONTINUED)
OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (CONTINUED)
OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (CONTINUED)
OFG BANCORP
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (CONTINUED)

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	2024
	2024
	Six-Month Period Ended June 30,
	Six-Month Period Ended June 30,
	Six-Month Period Ended June 30,
	2024
	(In thousands)
	(In thousands)
	(In thousands)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Statements of Financial Condition:	
Cash and due from banks	
Cash and due from banks	
Cash and due from banks	
Money market investments	
Money market investments	
Money market investments	
Restricted cash	
Restricted cash	
Restricted cash	
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	

Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	
	Quarter Ended March 31,
Total cash and cash equivalents at end of period	
	Quarter Ended March 31,
Total cash and cash equivalents at end of period	
	Quarter Ended March 31,
	2024
	2024
	2024
	(In thousands)
	(In thousands)
	(In thousands)
Total cash and cash equivalents at end of period	
Supplemental Cash Flow Disclosure and Schedule of Non-cash Activities:	
Supplemental Cash Flow Disclosure and Schedule of Non-cash Activities:	
Supplemental Cash Flow Disclosure and Schedule of Non-cash Activities:	
Interest paid	
Interest paid	
Interest paid	
Income taxes paid	
Income taxes paid	
Income taxes paid	
Operating lease liabilities paid	
Operating lease liabilities paid	
Operating lease liabilities paid	
Mortgage loans held-for-sale securitized into mortgage-backed securities	
Mortgage loans held-for-sale securitized into mortgage-backed securities	
Mortgage loans held-for-sale securitized into mortgage-backed securities	
Transfer from loans to foreclosed real estate and other repossessed assets	
Transfer from loans to foreclosed real estate and other repossessed assets	
Transfer from loans to foreclosed real estate and other repossessed assets	
Reclassification of loans held-for-investment portfolio to held-for-sale portfolio	
Reclassification of loans held-for-investment portfolio to held-for-sale portfolio	
Reclassification of loans held-for-investment portfolio to held-for-sale portfolio	
Reclassification of loans held-for-sale portfolio to held-for-investment portfolio	
Reclassification of loans held-for-sale portfolio to held-for-investment portfolio	
Reclassification of loans held-for-sale portfolio to held-for-investment portfolio	
Financed sales of foreclosed real estate	
Financed sales of foreclosed real estate	
Financed sales of foreclosed real estate	
Delinquent loans booked under the GNMA buy-back option	
Delinquent loans booked under the GNMA buy-back option	
Delinquent loans booked under the GNMA buy-back option	

See notes to unaudited consolidated financial statements.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

OFG is a publicly-owned financial holding company incorporated under the laws of the Commonwealth of Puerto Rico. OFG operates through various subsidiaries including, a commercial bank, Oriental Bank (the "Bank"), a securities broker-dealer and investment adviser, Oriental Financial Services LLC ("Oriental Financial Services"), an insurance agency, Oriental Insurance, LLC ("Oriental Insurance"), a captive reinsurance company, OFG Reinsurance Ltd ("OFG Reinsurance"), and OFG Ventures LLC ("OFG Ventures"), which holds investments. Through these subsidiaries and their respective divisions, OFG provides a wide range of banking and financial services such as commercial, consumer, auto, and mortgage lending, financial planning, insurance sales, investment advisory, and securities brokerage services, as well as corporate and individual trust services.
The Bank has a wholly-owned operating subsidiary, OFG USA LLC ("OFG USA"), which is a commercial lender organized in Delaware. In addition, Oriental International Bank Inc. ("OIB"), a wholly-owned subsidiary of the Bank, and Oriental Overseas, a division of the Bank, are international banking entities licensed pursuant to the International Banking Center Regulatory Act of Puerto Rico, as amended. OIB and Oriental Overseas offer the Bank certain Puerto Rico tax advantages. Their activities are limited under Puerto Rico law to persons located in Puerto Rico with assets/liabilities located outside of Puerto Rico. During the quarter ended March 31, 2024, In March 2024, the Bank organized OBPEF LLC ("OBPEF"), as a wholly-owned subsidiary of the Bank and a private equity fund under the Puerto Rico Incentives Code, as amended, which objective is to provide financing to eligible borrowers, whether in the form of senior or subordinated debt, to support the economic development of Puerto Rico.

Basis of Presentation

The accompanying unaudited consolidated financial statements of OFG have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and in accordance with guidance provided by the Securities and Exchange Commission ("SEC"). Accordingly, these consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows of OFG on a consolidated basis, and all such adjustments are of a normal recurring nature. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in OFG's annual report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Form 10-K"). Operating results for the quarter six-month period ended March 31, 2024 June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. OFG evaluated subsequent events through the filing date of this report with the SEC and has recorded or disclosed those material events or transactions as described within the accompanying consolidated financial statements and notes. Material estimates that are particularly susceptible to significant change in the near term relate mainly to the determination of the allowance for credit losses.

New Accounting Updates Not Yet Adopted

Codification Improvements—Amendments to Remove References to the Concepts Statements. In March 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-02, which removes various references to concept statements from the FASB Accounting Standards Codification. The ASU intends to simplify the Accounting Standards Codification and distinguish between non-authoritative and authoritative guidance. For public business entities, the amendments will be effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. The amendments can be applied prospectively or retrospectively. We will adopt this guidance when it becomes effective, in the first quarter of 2025 and on a prospective basis, and the impact on our financial statements and disclosures is not expected to be material.

Compensation—Stock Compensation. In March 2024, the FASB issued ASU 2024-01 to improve GAAP by adding an illustrative example to demonstrate how an entity should apply the scope guidance in paragraph 718-10-15-3 to determine whether profits interest and similar awards should be accounted for in accordance with Topic 718. The ASU 2024-01 is intended to reduce complexity and diversity in practice. For public business entities, the amendments will be effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. Early adoption is

permitted. Although OFG is currently evaluating the impact that the adoption of this guidance will have on its financial statements and disclosures, we do not expect the impact to be material.

Segment Reporting—Improvements to Reportable Segment Disclosures. In November 2023, the Financial Accounting Standards Board ("FASB") FASB issued ASU 2023-07 to enhance segment reporting by expanding the breadth and frequency of segment disclosures required for public entities. The amendments in this ASU will allow registrants to disclose multiple measures of segment profit or loss and it also clarifies that single reportable segment entities must apply Topic 280 in its entirety. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The amendments will be effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We will adopt this guidance when it becomes effective in the annual period of 2024 on a retrospective basis to all periods presented in the financial statements, and the impact on our financial statements and disclosures is not expected to be material.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Income Taxes—Improvements to Income Tax Disclosures. In December 2023, the FASB issued ASU 2023-09 to enhance income tax disclosures and address investor requests for more information about the tax risks and opportunities present in an entity's worldwide operations. The ASU's two primary enhancements will require further disaggregation for existing disclosures for the effective tax rate reconciliation and income taxes paid. More specifically, the amendments will require entities to disclose: a tabular effective tax rate reconciliation, broken out into specific categories with certain reconciling items above a 5% threshold further broken out by nature and jurisdiction; and income taxes paid (net of refunds received), broken out between federal, state and foreign, and net amounts paid to an individual jurisdiction that exceed 5% of the total. The amendments in this update are effective for annual periods beginning after December 15, 2024. Entities are permitted to early adopt these amendments. The amendments should be applied prospectively, but retrospective application is permitted. We will adopt this guidance when it becomes effective, in the annual period of 2025 on a prospective basis, and the impact on our financial statements and disclosures is not expected to be material.

The Enhancement and Standardization of Climate-Related Disclosures for Investors. On March 6, 2024, the SEC issued a final rule under SEC Release No. 33-11275 that requires registrants to provide climate disclosures in their annual reports and registration statements. The rule includes disclosure concerning the use of carbon offsets or renewable energy credits or certificates if their use is a material component of the registrant's plans to achieve its disclosed climate-related targets or goals, and certain disclosures about Scope 1 and/or Scope 2 greenhouse gas ("GHG") emissions, if material. It also requires disclosures of amounts related to the effects of severe weather events and other natural conditions. The disclosure requirements will apply to OFG's fiscal year beginning January 1, 2025. We will adopt this rule when it becomes effective. OFG is currently evaluating the final rule, but the impact on our financial statements and disclosures is not expected to be material.

NOTE 2 – RESTRICTED CASH

The Bank is required by Puerto Rico law to maintain average weekly reserve balances to cover demand deposits, excluding government deposits that are secured with pledged collateral. The amount of those minimum average reserve balances for the week that covered March 31, 2024 June 30, 2024 was $475.7 million $474.2 million (December 31, 2023 - $464.5 million). At March 31, 2024 June 30, 2024 and December 31, 2023, the Bank complied with this requirement. Cash and due from bank, as well as other short-term highly liquid securities, are used to cover the required average reserve balances.

NOTE 3 – INVESTMENT SECURITIES

Money Market Investments

OFG considers as cash equivalents all money market instruments that are not pledged and that have maturities of three months or less at the date of acquisition. At March 31, 2024 June 30, 2024 and December 31, 2023, money market instruments included as part of cash and cash equivalents amounted to $4.7 5.1 million and $4.6 million, respectively.

Investment Securities

The amortized cost, gross unrealized gains and losses, fair value, weighted average yield and contractual maturities of the securities owned by OFG at March 31, 2024 June 30, 2024 and December 31, 2023 were as follows:

	June 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
	(In thousands)				
Available-for-sale					
Mortgage-backed securities					
FNMA and FHLMC certificates					
Due from 1 to 5 years	$ 8,933	$ —	$ 421	$ 8,512	1.98 %
Due from 5 to 10 years	36,742	—	2,517	34,225	1.97 %
Due after 10 years	1,512,171	5,261	69,008	1,448,424	4.28 %
Total FNMA and FHLMC certificates	1,557,846	5,261	71,946	1,491,161	4.21 %
GNMA certificates					
Due from 1 to 5 years	7,965	—	319	7,646	1.72 %
Due from 5 to 10 years	13,552	7	883	12,676	2.23 %
Due after 10 years	409,828	5,017	38,662	376,183	3.54 %
Total GNMA certificates	431,345	5,024	39,864	396,505	3.47 %
CMOs issued by US government-sponsored agencies					
Due from 1 to 5 years	6,896	—	274	6,622	1.78 %
Due after 10 years	790	—	11	779	5.06 %
Total CMOs issued by US government-sponsored agencies	7,686	—	285	7,401	2.11 %

Total mortgage-backed securities	**1,996,877**	**10,285**	**112,095**	**1,895,067**	**4.04 %**
Investment securities					
US Treasury securities					
Due less than 1 year	200,656	2	—	200,658	5.41 %
Other debt securities					
Due less than 1 year	500	—	—	500	3.25 %
Due from 1 to 5 years	83	—	2	81	2.97 %
Total other debt securities	583	—	2	581	3.21 %
Total investment securities	**201,239**	**2**	**2**	**201,239**	**5.41 %**
Total securities available for sale	**$ 2,198,116**	**$ 10,287**	**$ 112,097**	**$ 2,096,306**	**4.17 %**

	June 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
	(In thousands)				
Held-to-maturity					
Mortgage-backed securities					
FNMA and FHLMC certificates					
Due after 10 years	$ 303,621	$ —	$ 59,256	$ 244,365	1.72 %
Investment securities					
Other debt securities					
Due from 1 to 5 years	35,000	72	—	35,072	6.33 %
Total securities held to maturity	**$ 338,621**	**$ 72**	**$ 59,256**	**$ 279,437**	**2.20 %**

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	March 31, 2024									
	Amortized Cost		Amortized Cost	Gross Unrealized Gains		Gross Unrealized Losses		Fair Value		Weighted A
	(In thousands)									
Available-for-sale										
Mortgage-backed securities										
Mortgage-backed securities										
Mortgage-backed securities										
FNMA and FHLMC certificates										
FNMA and FHLMC certificates										
FNMA and FHLMC certificates										
Due from 1 to 5 years										
Due from 1 to 5 years										
Due from 1 to 5 years	$ 7,060	$	$ —	$	$ 340	$	$ 6,720	1.82	1.82 %	$ 6,972
Due from 5 to 10 years	Due from 5 to 10 years 42,231	—	—	2,864	2,864	39,367	39,367	1.99	1.99 %	
Due after 10 years	Due after 10 years 1,367,038	5,322	5,322	64,893	64,893	1,307,467	1,307,467	4.10	4.10 %	

Total FNMA and FHLMC certificates	Total FNMA and FHLMC certificates	1,416,329	5,322	5,322	68,097	68,097	1,353,554	1,353,554	4.02	4.02	%
GNMA certificates											
Due less than 1 year											
Due less than 1 year											
Due less than 1 year		2	—	—	—	—	2	2	1.31	1.31	%
Due from 1 to 5 years	Due from 1 to 5 years	9,253	—	—	390	390	8,863	8,863	1.72	1.72	%
Due from 5 to 10 years	Due from 5 to 10 years	14,394	9	9	942	942	13,461	13,461	2.23	2.23	%
Due after 10 years	Due after 10 years	393,433	5,373	5,373	36,961	36,961	361,845	361,845	3.46	3.46	%
Total GNMA certificates	Total GNMA certificates	417,082	5,382	5,382	38,293	38,293	384,171	384,171	3.38	3.38	%
CMOs issued by US government-sponsored agencies											
Due from 1 to 5 years											
Due from 1 to 5 years											
Due from 1 to 5 years		7,995	—	—	345	345	7,650	7,650	1.78	1.78	%
Due after 10 years											
Due after 10 years											
Due from 5 to 10 years		54		—		—		54		2.14	%
Due after 10 years		834	—	—	14	14	820	820	5.07	5.07	%
Total CMOs issued by US government-sponsored agencies	Total CMOs issued by US government-sponsored agencies	8,829	—	—	359	359	8,470	8,470	2.09	2.09	%
Total mortgage-backed securities	**Total mortgage-backed securities**	**1,842,240**	**10,704**	**10,704**	**106,749**	**106,749**	**1,746,195**	**1,746,195**	**3.87**	**3.87**	**%**
Investment securities											
US Treasury securities											
US Treasury securities											
US Treasury securities											
Due less than 1 year											
Due less than 1 year											
Due less than 1 year		150,915	—	—	—	—	150,915	150,915	5.36	5.36	%
Other debt securities											
Other debt securities											
Other debt securities											
Due less than 1 year											
Due less than 1 year											
Due less than 1 year		500	—	—	—	—	500	500	3.25	3.25	%
Due from 1 to 5 years	Due from 1 to 5 years	99	—	—	2	2	97	97	2.97	2.97	%
Total other debt securities											

Total other debt securities										
Total other debt securities	599	—	—	2	2	597	597	3.20	3.20 %	
Total investment securities	Total investment securities	151,514	—	—	2	2	151,512	151,512	5.35	5.35 %
Total securities available for sale	Total securities available for sale	$1,993,754	$	$10,704	$	$106,751	$	$1,897,707	3.98	3.98 %	Total securities available for sale $

March 31, 2024

March 31, 2024

March 31, 2024

December 31, 2023

December 31, 2023

December 31, 2023

	Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted A
	(In thousands)					
Held-to-maturity						
Mortgage-backed securities						
Mortgage-backed securities						
Mortgage-backed securities						
FNMA and FHLMC certificates						
FNMA and FHLMC certificates						
FNMA and FHLMC certificates						
Due after 10 years						
Due after 10 years						
Due after 10 years	$ 309,764	$	$ —	$	$ 60,241	$	$ 249,523	1.73	1.73 %	$ 314,710
Investment securities						
Investment securities						
Investment securities						
US Treasury securities						
US Treasury securities						
US Treasury securities						
Due less than 1 year						
Due less than 1 year						
Due less than 1 year	199,727	—	—	647	647	199,080	199,080	3.32	3.32 %
Other debt securities						
Other debt securities						
Other debt securities						
Due from 1 to 5 years						
Due from 1 to 5 years						
Due from 1 to 5 years	35,000	54	—	35,054	6.33 %	
Total securities held to maturity	**$ 544,491**	**$ 54**	**$ 60,888**	**$ 483,657**	**2.61 %**	

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
	(In thousands)				
Available-for-sale					
Mortgage-backed securities					
FNMA and FHLMC certificates					
Due from 1 to 5 years	$ 6,972	—	$ 311	$ 6,661	1.76 %
Due from 5 to 10 years	45,835	—	2,767	43,068	2.00 %
Due after 10 years	1,411,327	8,989	54,100	1,366,216	4.11 %
Total FNMA and FHLMC certificates	1,464,134	8,989	57,178	1,415,945	4.03 %
GNMA certificates					
Due less than 1 year	5	—	—	5	1.31 %
Due from 1 to 5 years	8,851	—	351	8,500	1.71 %
Due from 5 to 10 years	17,113	16	955	16,174	2.19 %
Due after 10 years	380,306	4,419	33,110	351,615	3.38 %
Total GNMA certificates	406,275	4,435	34,416	376,294	3.30 %
CMOs issued by US government-sponsored agencies					
Due from 1 to 5 years	9,071	—	364	8,707	1.78 %
Due from 5 to 10 years	54	—	—	54	2.14 %
Due after 10 years	861	—	12	849	5.07 %
Total CMOs issued by US government-sponsored agencies	9,986	—	376	9,610	2.06 %
Total mortgage-backed securities	**1,880,395**	**13,424**	**91,970**	**1,801,849**	**3.86 %**
Investment securities					
US Treasury securities					
Due less than 1 year	296,747	52	—	296,799	5.40 %
Other debt securities					
Due less than 1 year	500	—	—	500	3.25 %
Due from 1 to 5 years	119	—	3	116	2.97 %
Total investment securities	**297,366**	**52**	**3**	**297,415**	**5.39 %**
Total securities available for sale	**$ 2,177,761**	**$ 13,476**	**$ 91,973**	**$ 2,099,264**	**4.07 %**

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
	(In thousands)				
Held-to-maturity					
Mortgage-backed securities					
FNMA and FHLMC certificates					
Due after 10 years	$ 314,710	$ —	$ 56,767	$ 257,943	1.72 %
Investment securities					
US Treasury securities					
Due less than 1 year	199,314	—	1,548	197,766	3.33 %
Other debt securities					
Due from 1 to 5 years	35,000	55	—	35,055	6.36 %
Total securities held to maturity	**$ 549,024**	**$ 55**	**$ 58,315**	**$ 490,764**	**2.60 %**

Other debt securities

Due from 1 to 5 years	35,000	55	—	35,055	6.36 %
Total securities held to maturity	**$ 549,024**	**$ 55**	**$ 58,315**	**$ 490,764**	**2.60 %**

Securities not due on a single contractual maturity date, such as collateralized mortgage obligations, are classified in the period of final contractual maturity. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

The weighted average yield on debt securities available-for-sale is based on amortized cost and does not give effect to changes in fair value. Weighted average yields on tax-exempt obligations have been computed on a fully taxable equivalent basis.

At March 31, 2024 June 30, 2024 and December 31, 2023, most securities held by OFG are issued by U.S. government entities and government-sponsored agencies that have a zero-credit loss assumption and, therefore, have no allowance for credit losses.

Investment securities at March 31, 2024 June 30, 2024 include $1.617 billion $1.648 billion pledged to secure government deposits and regulatory collateral, of which $1.570 billion $1.602 billion serve as collateral for public funds. For regulatory collateral, the secured parties are not permitted to sell or repledge them. Investment securities as of December 31, 2023 include $1.624 billion pledged to secure government deposits, derivatives, and regulatory collateral that the secured parties are not permitted to sell or repledge, of which $1.575 billion serve as collateral for public funds.

At March 31, 2024 June 30, 2024 and December 31, 2023, the Bank's international banking entity, OIB, held short-term US Treasury securities in the amount of $525 thousand and $325 thousand, respectively, as the legal reserve required for international banking entities under Puerto Rico law. At both March 31, 2024 June 30, 2024 and December 31, 2023, the Bank's international banking entity, Oriental Overseas, held short-term US Treasury securities in the amount of $325 thousand as the legal reserve required for international banking entities under Puerto Rico law. These instruments cannot be withdrawn or transferred without the prior written approval of the Office of the Commissioner of Financial Institutions.

During the quarters six-month periods ended March 31, 2024 June 30, 2024 and 2023, OFG retained securitized GNMA pools totaling $17.4 million $38.1 million and $16.5 million $41.1 million, respectively, at a yield of 5.05% 5.09% and 5.19% 5.16%, respectively, from its own originations.

During the quarter six-month periods ended March 31, 2023 June 30, 2023, OFG retained FNMA pools totaling $4.9 million $12.6 million at a yield of 5.30%. 5.31%, from its own originations. OFG did not retain FNMA pools during the first quarter of 2024. six-month periods ended June 30, 2024.

During the quarter six-month periods ended March 31, 2024, June 30, 2024 and 2023, OFG sold $149.4 million and $203.3 million, respectively, of available for sale US Treasury securities and recognized a $7 thousand loss and $1.1 million, respectively, in losses on the sale. There were no sales These losses are included in the consolidated statements of securities during the quarter ended March 31, 2023. operations.

Description	Six-Month Period Ended June 30, 2024			
	Sale Price	Book Value at Sale	Gross Gains	Gross Losses
	(In thousands)			
Sale of investment securities available-for-sale				
Investment securities				
US Treasury securities	**$ 149,406**	**$ 149,413**	**$ —**	**$ 7**

Description	Six-Month Period Ended June 30, 2023			
	Sale Price	Book Value at Sale	Gross Gains	Gross Losses
	(In thousands)			
Sale of investment securities available-for-sale				
Investment securities				
US Treasury securities	**$ 202,133**	**$ 203,282**	**$ —**	**$ 1,149**

Description	Quarter Ended March 31, 2024			
	Sale Price	Book Value at Sale	Gross Gains	Gross Losses
	(In thousands)			
Sale of investment securities available-for-sale				
Investment securities				
US Treasury securities	**$ 149,406**	**$ 149,413**	**$ —**	**$ 7**

The following table shows OFG's gross unrealized losses and fair value of investment securities available-for-sale at March 31, 2024 June 30, 2024 and December 31, 2023, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position:

		March 31, 2024		June 30, 2024			12 months or more
	Amortized Cost	Amortized Cost	Unrealized Loss	Fair Value	Amortized Cost	Unrealized Loss	Fair Value
		(In thousands)					
Securities available-for-sale							
FNMA and FHLMC certificates							
FNMA and FHLMC certificates							
FNMA and FHLMC certificates							
GNMA certificates							
CMOs issued by US Government-sponsored agencies							
CMOs issued by US Government-sponsored agencies							
CMOs issued by US Government-sponsored agencies							
Other debt securities							
	$						
		March 31, 2024					
		June 30, 2024					
		March 31, 2024					
		June 30, 2024					
		March 31, 2024					
		June 30, 2024					

		Less than 12 months					
	Amortized Cost	Amortized Cost	Unrealized Loss	Fair Value	Amortized Cost	Unrealized Loss	Fair Value
		(In thousands)					
Securities available-for-sale							
FNMA and FHLMC certificates							
FNMA and FHLMC certificates							
FNMA and FHLMC certificates							
GNMA certificates							
		$					
		$					
		$					
		March 31, 2024					
		June 30, 2024					
		March 31, 2024					
		June 30, 2024					
		March 31, 2024					
		June 30, 2024					

		Total					
	Amortized Cost	Amortized Cost	Unrealized Loss	Fair Value	Amortized Cost	Unrealized Loss	Fair Value
		(In thousands)					
Securities available-for-sale							
FNMA and FHLMC certificates							
FNMA and FHLMC certificates							
FNMA and FHLMC certificates							
GNMA certificates							
CMOs issued by US Government-sponsored agencies							
Other debt securities							
Other debt securities							
Other debt securities							

$

The unrealized losses on OFG's investment in federal agency mortgage-backed securities were caused by market volatility related to interest rate increases. OFG purchased those investments at a discount relative to their face amount, and the contractual cash flows of those investments are guaranteed by an agency of the U.S. government or by a government sponsored government-sponsored enterprise. Accordingly, it is expected that the securities would not be settled at a price that is less than the amortized cost bases basis of OFG's investments. OFG does not intend to sell the investments, and it is not more likely than not that OFG will be required to sell the investments before recovery of their amortized cost bases. basis.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31, 2023		
	12 months or more		
	Amortized Cost	Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
FNMA and FHLMC certificates	$ 731,334	$ 56,847	$ 674,487
GNMA certificates	275,669	34,364	241,305
CMOs issued by US Government-sponsored agencies	9,986	376	9,610
Other debt securities	119	3	116
	$ 1,017,108	**$ 91,590**	**$ 925,518**

	December 31, 2023		
	Less than 12 months		
	Amortized Cost	Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
FNMA and FHLMC certificates	$ 106,235	$ 331	$ 105,904
GNMA certificates	7,864	52	7,812
	$ 114,099	**$ 383**	**$ 113,716**

	December 31, 2023		
	Total		
	Amortized Cost	Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
FNMA and FHLMC certificates	$ 837,569	$ 57,178	$ 780,391
GNMA certificates	283,533	34,416	249,117
CMOs issued by US Government-sponsored agencies	9,986	376	9,610
Other debt securities	119	3	116
	$ 1,131,207	**$ 91,973**	**$ 1,039,234**

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

NOTE 4 - LOANS

OFG's loan portfolio is composed of four segments: commercial, mortgage, consumer, and auto loans. Loans are further segregated into classes which OFG uses when assessing and monitoring the risk and performance of the portfolio.

The composition of the amortized cost basis of OFG's loan portfolio at March 31, 2024 June 30, 2024 and December 31, 2023 was as follows:

	March 31, 2024			December 31, 2023		
	Non-PCD	PCD	Total	Non-PCD	PCD	Total
	(In thousands)					
Commercial PR:						
Commercial secured by real estate	$ 1,172,215	$ 117,984	$ 1,290,199	$ 1,095,207	$ 120,988	$ 1,216,195
Other commercial and industrial	1,006,533	14,051	1,020,584	1,091,021	14,459	1,105,480
	2,178,748	**132,035**	**2,310,783**	**2,186,228**	**135,447**	**2,321,675**
Commercial US	740,665	—	740,665	755,228	—	755,228
Total commercial loans	**2,919,413**	**132,035**	**3,051,448**	**2,941,456**	**135,447**	**3,076,903**
Mortgage loans	**609,939**	**909,106**	**1,519,045**	**629,247**	**933,362**	**1,562,609**
Consumer loans:						
Personal loans	577,304	260	577,564	568,358	264	568,622
Credit lines	10,747	284	11,031	10,926	288	11,214
Credit cards	39,016	—	39,016	40,314	—	40,314
Overdraft	369	—	369	296	—	296
	627,436	**544**	**627,980**	**619,894**	**552**	**620,446**
Auto loans	**2,339,836**	**1,358**	**2,341,194**	**2,272,530**	**1,891**	**2,274,421**
	6,496,624	**1,043,043**	**7,539,667**	**6,463,127**	**1,071,252**	**7,534,379**
Allowance for credit losses	(148,767)	(7,796)	(156,563)	(152,610)	(8,496)	(161,106)
Total loans held for investment, net	**6,347,857**	**1,035,247**	**7,383,104**	**6,310,517**	**1,062,756**	**7,373,273**
Mortgage loans held-for-sale	9,370	—	9,370	—	—	—
Other loans held-for-sale	18,904	—	18,904	28,345	—	28,345
Total loans held-for-sale	**28,274**	**—**	**28,274**	**28,345**	**—**	**28,345**
Total loans, net	**$ 6,376,131**	**$ 1,035,247**	**$ 7,411,378**	**$ 6,338,862**	**$ 1,062,756**	**$ 7,401,618**

	June 30, 2024			December 31, 2023		
	Non-PCD	PCD	Total	Non-PCD	PCD	Total
	(In thousands)					
Commercial PR:						
Commercial secured by real estate	$ 1,182,145	$ 114,516	$ 1,296,661	$ 1,095,207	$ 120,988	$ 1,216,195
Other commercial and industrial	1,109,608	14,068	1,123,676	1,091,021	14,459	1,105,480
	2,291,753	**128,584**	**2,420,337**	**2,186,228**	**135,447**	**2,321,675**
Commercial US	662,026	—	662,026	755,228	—	755,228
Total commercial loans	**2,953,779**	**128,584**	**3,082,363**	**2,941,456**	**135,447**	**3,076,903**
Mortgage loans	**600,031**	**885,096**	**1,485,127**	**629,247**	**933,362**	**1,562,609**
Consumer loans:						
Personal loans	594,271	253	594,524	568,358	264	568,622
Credit lines	10,648	352	11,000	10,926	288	11,214
Credit cards	38,382	—	38,382	40,314	—	40,314
Overdraft	271	—	271	296	—	296
	643,572	**605**	**644,177**	**619,894**	**552**	**620,446**
Auto loans	**2,427,089**	**951**	**2,428,040**	**2,272,530**	**1,891**	**2,274,421**
	6,624,471	**1,015,236**	**7,639,707**	**6,463,127**	**1,071,252**	**7,534,379**

Allowance for credit losses	(150,849)	(6,452)	(157,301)	(152,610)	(8,496)	(161,106)
Total loans held for investment, net	**6,473,622**	**1,008,784**	**7,482,406**	**6,310,517**	**1,062,756**	**7,373,273**
Mortgage loans held-for-sale	8,375	—	8,375	—	—	—
Other loans held-for-sale	12,361	—	12,361	28,345	—	28,345
Total loans held-for-sale	**20,736**	**—**	**20,736**	**28,345**	**—**	**28,345**
Total loans, net	**$ 6,494,358**	**$ 1,008,784**	**$ 7,503,142**	**$ 6,338,862**	**$ 1,062,756**	**$ 7,401,618**

During the quarter six-month period ended March 31, 2024 June 30, 2024, OFG sold $16.7 million of $40.9 million commercial loans held-for-sale and recognized a $26 $53 thousand loss, gain, included in other non-interest income in the consolidated statement of operations. During the six month period ended June 30, 2023, OFG sold $86 thousand commercial loans held-for-sale with no gain or loss. At June 30, 2024 and December 31, 2023, OFG had $12.4 million and $28.3 million, respectively, in commercial loans held-for-sale.

At March 31, 2024 June 30, 2024 and December 31, 2023, OFG had carrying balances of $75.5 million $75.8 million and $68.6 million, respectively, in loans held-for-investment granted to the Puerto Rico government or its instrumentalities as part of the commercial loan segment. The Bank's loans to the Puerto Rico government are general obligations of municipalities secured by ad valorem taxation, without limitation as to rate or amount, on all taxable property within the issuing municipalities in current status. The good faith, credit and unlimited taxing power of each issuing municipality are pledged for the payment of its general obligations.

The tables below present the aging of the amortized cost of loans held for investment at March 31, 2024 June 30, 2024 and December 31, 2023, by class of loans. Mortgage loans past due include $18.5 million $19.0 million and $19.4 million of delinquent loans in the GNMA buy-back option program at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Servicers of loans underlying GNMA mortgage-backed securities must report as their own assets the defaulted loans that they have the option (but not the obligation) to repurchase, even when they elect not to exercise that option.

	March 31, 2024						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	Loans 90+ Days Past Due and Still Accruing
	(In thousands)						
Commercial PR:							
Commercial secured by real estate	$ 2,146	$ 298	$ 5,534	$ 7,978	$ 1,164,237	$ 1,172,215	$ —
Other commercial and industrial	2,349	265	2,509	5,123	1,001,410	1,006,533	—
	4,495	**563**	**8,043**	**13,101**	**2,165,647**	**2,178,748**	**—**
Commercial US	1,070	—	—	1,070	739,595	740,665	—
Total commercial loans	**5,565**	**563**	**8,043**	**14,171**	**2,905,242**	**2,919,413**	**—**
Mortgage loans	**5,248**	**7,832**	**31,414**	**44,494**	**565,445**	**609,939**	**2,934**
Consumer loans:							
Personal loans	6,423	3,359	3,312	13,094	564,210	577,304	—
Credit lines	52	29	20	101	10,646	10,747	—
Credit cards	562	407	527	1,496	37,520	39,016	—
Overdraft	69	—	—	69	300	369	—
	7,106	**3,795**	**3,859**	**14,760**	**612,676**	**627,436**	**—**
Auto loans	**91,686**	**35,018**	**14,516**	**141,220**	**2,198,616**	**2,339,836**	**—**
Total loans	**$ 109,605**	**$ 47,208**	**$ 57,832**	**$ 214,645**	**$ 6,281,979**	**$ 6,496,624**	**$ 2,934**

As of March 31, 2024, total past due loans exclude $6.5 million of past due commercial loans held-for-sale.

	June 30, 2024						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	Loans 90+ Days Past Due and Still Accruing
	(In thousands)						
Commercial PR:							

	30-59 Day Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	Loans 90+ Days Past Due and Still Accruing
Commercial secured by real estate	$ 3,533	$ 2,189	$ 6,032	$ 11,754	$ 1,170,391	$ 1,182,145	$ —
Other commercial and industrial	704	313	3,890	4,907	1,104,701	1,109,608	—
	4,237	**2,502**	**9,922**	**16,661**	**2,275,092**	**2,291,753**	**—**
Commercial US	1,042	—	—	1,042	660,984	662,026	—
Total commercial loans	**5,279**	**2,502**	**9,922**	**17,703**	**2,936,076**	**2,953,779**	**—**
Mortgage loans	**5,442**	**7,325**	**29,684**	**42,451**	**557,580**	**600,031**	**1,682**
Consumer loans:							
Personal loans	6,904	4,766	2,569	14,239	580,032	594,271	—
Credit lines	476	70	12	558	10,090	10,648	—
Credit cards	542	281	722	1,545	36,837	38,382	—
Overdraft	63	—	—	63	208	271	—
	7,985	**5,117**	**3,303**	**16,405**	**627,167**	**643,572**	**—**
Auto loans	**111,291**	**41,526**	**16,689**	**169,506**	**2,257,583**	**2,427,089**	**—**
Total loans	**$ 129,997**	**$ 56,470**	**$ 59,598**	**$ 246,065**	**$ 6,378,406**	**$ 6,624,471**	**$ 1,682**

	December 31, 2023						
	30-59 Day Past Due	**60-89 Days Past Due**	**90+ Days Past Due**	**Total Past Due**	**Current**	**Total Loans**	**Loans 90+ Days Past Due and Still Accruing**
				(In thousands)			
Commercial PR:							
Commercial secured by real estate	$ 1,585	$ 411	$ 5,671	$ 7,667	$ 1,087,540	$ 1,095,207	$ —
Other commercial and industrial	1,366	291	4,974	6,631	1,084,390	1,091,021	—
	2,951	**702**	**10,645**	**14,298**	**2,171,930**	**2,186,228**	**—**
Commercial US	—	—	—	—	755,228	755,228	—
Total commercial loans	**2,951**	**702**	**10,645**	**14,298**	**2,927,158**	**2,941,456**	**—**
Mortgage loans	**6,107**	**9,596**	**31,557**	**47,260**	**581,987**	**629,247**	**2,478**
Consumer loans:							
Personal loans	6,115	4,041	2,755	12,911	555,447	568,358	—
Credit lines	137	35	35	207	10,719	10,926	—
Credit cards	657	280	586	1,523	38,791	40,314	—
Overdraft	87	14	—	101	195	296	—
	6,996	**4,370**	**3,376**	**14,742**	**605,152**	**619,894**	**—**
Auto loans	**101,610**	**46,071**	**19,056**	**166,737**	**2,105,793**	**2,272,530**	**—**
Total loans	**$ 117,664**	**$ 60,739**	**$ 64,634**	**$ 243,037**	**$ 6,220,090**	**$ 6,463,127**	**$ 2,478**

As of December 31, 2023, total past due loans exclude $6.4 million of past due commercial loans held-for sale.-sale, these loans were sold during the quarter ended June 30, 2024. There were no past due commercial loans held-for-sale as of June 30, 2024.

Upon adoption of the Current Expected Credit Losses (“CECL”) methodology, OFG elected to maintain pools of loans that were previously accounted for under ASC 310-30 and will continue to account for these pools as a unit of account. As such, purchased credit deteriorated (“PCD”) loans are not included in the preceding two tables.

Non-accrual Loans

The following table presents the amortized cost basis of loans held for investment on non-accrual status as of March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31, 2024
	March 31, 2024
	March 31, 2024

	June 30, 2024
	June 30, 2024
	June 30, 2024
	Non-accrual with Allowance for Credit Loss
	Non-accrual with Allowance for Credit Loss
	Non-accrual with Allowance for Credit Loss
	(In thousands)
	(In thousands)
	(In thousands)
Non-PCD:	
Non-PCD:	
Non-PCD:	
Commercial PR:	
Commercial PR:	
Commercial PR:	
Commercial secured by real estate	
Commercial secured by real estate	
Commercial secured by real estate	
Other commercial and industrial	
Other commercial and industrial	
Other commercial and industrial	
	6,759
	6,759
	6,759
	6,446
	6,446
	6,446
Commercial US	
Commercial US	
Commercial US	
Total Commercial loans	
Total Commercial loans	
Total Commercial loans	
Mortgage loans	
Mortgage loans	
Mortgage loans	
Consumer loans:	
Consumer loans:	
Consumer loans:	
Personal loans	
Personal loans	
Personal loans	
Personal lines of credit	
Personal lines of credit	
Personal lines of credit	
Credit cards	
Credit cards	
Credit cards	
	3,750
	3,750
	3,750

	3,297
	3,297
	3,297
Auto loans	
Auto loans	
Auto loans	
Total	
Total	
Total	
PCD:	
PCD:	
PCD:	
Commercial PR:	
Commercial PR:	
Commercial PR:	
Commercial secured by real estate	
Commercial secured by real estate	
Commercial secured by real estate	
Other commercial and industrial	
Other commercial and industrial	
Other commercial and industrial	
	2,835
	2,835
	2,835
	569
	569
	569
Mortgage loans	
Mortgage loans	
Mortgage loans	
Total	
Total	
Total	
Total non-accrual loans	
Total non-accrual loans	
Total non-accrual loans	

The determination of non-accrual or accrual status of PCD loans is made at the pool level, not the individual loan level.

As of March 31, 2024 and For December 31, 2023, total commercial non-accrual loans exclude $6.5 million and excludes $6.4 million of non-accrual commercial loans held for sale, respectively. held-for-sale, these loans were sold during the second quarter of 2024. There were no commercial non-accrual loans held-for-sale at June 30, 2024.

Delinquent residential mortgage loans insured or guaranteed under applicable Federal Housing Administration (“FHA”) and Veterans Administration (“VA”) programs are classified as non-performing loans when they become 90 days or more past due but are not placed in non-accrual status until they become 12 months or more past due, since they are insured loans. Therefore, those loans are included as non-performing loans but excluded from non-accrual loans.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Modifications to Debtors Experiencing Financial Difficulty

OFG's loss mitigation program was designed to ensure that borrowers experiencing financial difficulties have the opportunity to continue paying their obligations. The loss mitigation alternatives are divided depending on the borrower's hardship and its ability to continue with regular payment or with a new modified payment plan. The loss mitigation program provides alternatives for home retention or disposition options avoiding foreclosure proceedings and collateral retention.

OFG offers various types of loan modifications to borrowers experiencing financial difficulty in the form of an interest rate reduction, an other-than-insignificant payment delay, a term extension, interest or principal forbearance or forgiveness, or any combination of these types of concessions.

At March 31, 2024 June 30, 2024 and 2023, the amortized cost of modified loans excludes zero $1 thousand and $32 $5 thousand, respectively, in accrued interest receivable. Accrued interest receivable on loans is included in the "accrued interest receivable" line in OFG's consolidated statements of financial condition. The amortized cost of modified loans during the quarters six-month period ended March 31, 2024 June 30, 2024 and 2023, includes $54 $229 thousand and $2.4 million $4.2 million, respectively, of government-guaranteed loans (*e.g.,* FHA/VA).

The following tables present the amortized cost basis as of March 31, 2024 June 30, 2024 and 2023 of loans held for investment that were modified during the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023, disaggregated by class of financing receivable and type of concession granted.

Quarter Ended March 31, 2024

	Interest Rate Reduction		Interest Rate Reduction		Term Extension		Principal Forbearance/Forgiveness		Combination of Term Extension and Interest Rate Reduction		Cor Exter Forgiv	
	Amortized Cost Basis		Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of
	(Dollars in thousands)											
Mortgage loans												
Mortgage loans												
Mortgage loans	$ —	—	— %	$95	0.01 0.01 %	$—	— — %	$—	— — %	$—	— — %	$ —
Consumer:												
Personal loans												
Personal loans												
Personal loans	27	—	%	7	— %	—	— %	—	— %	—	— %	
Total												
Auto loans												
Total												
Auto loans												
Auto loans	**32**	**—**	**%**	**—**	**— %**	**—**	**— %**	**—**	**— %**	**$—**	**— %**	
Total												

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Quarter Ended March 31, 2023

	Interest Rate Reduction		Interest Rate Reduction		Term Extension		Principal Forbearance/Forgiveness		Combination of Term Extension and Interest Rate Reduction		
	Amortized Cost Basis		Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amo C B
	(Dollars in thousands)										
Commercial PR:											
Commercial secured by real estate											
Commercial secured by real estate											
Commercial secured by real estate	$ —	—	— %	$ 495	0.04 %	$—	— %	$ —	— %	$—	— %
Mortgage loans											
Mortgage loans											
Mortgage loans	—	—	— %	2,604	0.16 0.16 %	129	0.01 0.01 %	187	0.01 0.01 %	$—	— — % $
Consumer:											
Personal loans											
Personal loans											
Personal loans	—	—	— %	—	— — %	—	— — %	28	0.01 0.01 %	$—	— — %
Total											
Auto loans											
Total											
Auto loans											
Auto loans	32	—	%	—	— %	—	— %	—	— %	—	— %
Total											

	Quarter Ended June 30, 2023									
	Interest Rate Reduction		Term Extension		Principal Forbearance / Forgiveness		Combination of Term Extension and Interest Rate Reduction		Combination of Term Extension and Principal Forgiveness / Forbearance	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
	(Dollars in thousands)									
Commercial PR:										
Commercial secured by real estate	$ —	— %	$ 5,341	0.48 %	$ —	— %	$ —	— %	$ —	— %
Other commercial and industrial	—	— %	147	0.01 %	—	— %	—	— %	$ —	— %

	—	— %	5,488	0.20 %	—	— %	—	— %	—	— %
Commercial US	—	— %	—	— %	—	— %	—	— %	4,260	0.64 %
Total Commercial loans	**$ —**	**— %**	**5,488**	**0.20 %**	**—**	**— %**	**—**	**— %**	**4,260**	**0.64 %**
Mortgage loans	**—**	**— %**	**1,827**	**0.11 %**	**—**	**— %**	**417**	**0.03 %**	**$ 431**	**0.03 %**
Consumer:										
Personal loans	—	— %	—	— %	—	— %	58	0.01 %	$ —	— %
Total	**$ —**		**$ 7,315**		**$ —**		**$ 475**		**$ 4,691**	

	Six-Month Period Ended June 30, 2023									
	Interest Rate Reduction		Term Extension		Principal Forbearance / Forgiveness		Combination of Term Extension and Interest Rate Reduction		Combination of Term Extension and Principal Forgiveness / Forbearance	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
	(Dollars in thousands)									
Commercial PR:										
Commercial secured by real estate	$ —	— %	$ 5,810	0.52 %	$ —	— %	$ —	— %	$ —	— %
Other commercial and industrial	—	— %	147	0.01 %	—	— %	—	— %	$ —	— %
	—	— %	5,957	0.21 %	—	— %	—	— %	—	— %
Commercial US	—	— %	—	— %	—	— %	—	— %	4,260	0.64 %
Total Commercial loans	**$ —**	**— %**	**5,957**	**0.21 %**	**—**	**— %**	**—**	**— %**	**4,260**	**0.64 %**
Mortgage loans	**$ —**	**— %**	**4,318**	**0.27 %**	**$ 100**	**0.01 %**	**602**	**0.02 %**	**431**	**0.03 %**
Consumer:										
Personal loans	—	— %	—	— %	—	— %	84	0.02 %	—	— %
Total	**$ —**		**$ 10,275**		**$ 100**		**$ 686**		**$ 4,691**	

Our credit loss estimation methodology incorporates a lifetime approach, utilizing modeled loan performance based on the historical experience of loans with similar risk characteristics, adjusted for current conditions, and reasonable and supportable forecasts. The model considers extensive historical loss experience, including the impact of loss mitigation programs offered to borrowers facing financial difficulty and projected loss severity from loan defaults, and is applied consistently across all portfolio segments. Additionally, our ACL is recorded on each asset upon origination or acquisition and is based on historical loss information, including modifications made to borrowers facing financial difficulty, and expected behavior. Changes to the ACL are generally not recorded upon modification, as the effects of most modifications are already considered in the estimation methodology. Refer to Note 5 – Allowance for Credit Losses for additional information.

The following tables present the financial effect of the modifications granted to borrowers experiencing financial difficulty during the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023. The financial effect of the combined modifications is presented separately by type of modification.

	Quarter Ended March 31, 2024		
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (In months)	Weighted-Average Forgiveness/Forbearance of Principal Amount (In thousands)
Mortgage loans	— %	180	—
Consumer loans:			
Personal loans	5.00 %	18	—

	Quarter Ended March 31, 2023		
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (In months)	Weighted-Average Forgiveness/Forbearance of Principal Amount (In thousands)

Commercial PR:			
Commercial loans secured by real estate	— %	12	$ —
Mortgage loans	2.08 %	212	$ 39
Consumer loans:			
Personal loans	5.00 %	24	$ —

	Quarter Ended June 30, 2024		
	Weighted-Average Interest Rate Reduction	**Weighted-Average Term Extension (In months)**	**Weighted-Average Forgiveness/Forbearance of Principal Amount (In thousands)**
Mortgage loans	**0.38 %**	**178**	**—**
Auto loans	**3.00 %**	**0**	**—**

	Six-Month Period Ended June 30, 2024		
	Weighted-Average Interest Rate Reduction	**Weighted-Average Term Extension (In months)**	**Weighted-Average Forgiveness/Forbearance of Principal Amount (In thousands)**
Mortgage loans	**0.38 %**	**176**	**—**
Consumer loans:			
Personal loans	5.00 %	18	—
Auto loans	**3.00 %**	**0**	**—**

	Quarter Ended June 30, 2023		
	Weighted-Average Interest Rate Reduction	**Weighted-Average Term Extension (In months)**	**Weighted-Average Forgiveness/Forbearance of Principal Amount (In thousands)**
Commercial PR:			
Commercial loans secured by real estate	— %	25	$ —
Commercial US	— %	31	2,973
		56	$ 2,973
Mortgage loans	1.86 %	195	20
Consumer loans:			
Personal loans	1.25 %	110	—

	Six-Month Period Ended June 30, 2023		
	Weighted-Average Interest Rate Reduction	**Weighted-Average Term Extension (In months)**	**Weighted-Average Forgiveness/Forbearance of Principal Amount (In thousands)**
Commercial PR:			
Commercial loans secured by real estate	— %	24	$ —
Commercial US	— %	31	$ 2,973
	— %	56	$ 2,973
Mortgage loans	2.04 %	206	$ 24
Consumer loans:			
Personal loans	2.50 %	81	—

The following table presents the amortized cost basis as of March 31, 2024 June 30, 2024 of loans held for investment that had a payment default subsequent to being granted a modification to borrowers experiencing financial difficulty in the prior twelve-months.

Twelve Months Ended March 31, 2024

	Twelve-Months Ended June 30, 2024				
	Amortized Cost Basis of Modified Financing Receivables that Subsequently Defaulted				
Interest Rate Reduction	Interest Rate Reduction	Term Extension	Principal Forgiveness/Forbearance	Combination - Term Extension and Interest Rate Reduction	Total
	(In thousands)				
Mortgage loans					

Twelve-Months Ended June 30, 2024
Twelve-Months Ended June 30, 2024
Interest Rate Reduction
Interest Rate Reduction
(In thousands)
(In thousands)
Mortgage loans
Mortgage loans

The following table presents the amortized cost basis as of June 30, 2023 of loans held for investment that had a payment default subsequent to being granted a modification to borrowers experiencing financial difficulty in the six-month period ended June 30, 2023.

	Six-Months Ended June 30, 2023				
	Amortized Cost Basis of Modified Financing Receivables that Subsequently Defaulted				
	Interest Rate Reduction	Term Extension	Principal Forgiveness/Forbearance	Combination - Term Extension and Interest Rate Reduction	Total
	(In thousands)				
Mortgage loans	$ —	$ 415	$ —	$ —	$ 415

A payment default for a financial difficulty modification loan is defined as reaching 90 days past due with respect to principal and/or interest payments or when the borrower missed three consecutive monthly payments since modification. Payment defaults is one of the factors considered when projecting future cash flows in the calculation of the allowance for credit losses of loans.

OFG closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the payment status of loans that have been modified in the last twelve-months. twelve-months period ended June 30, 2024 and in the six-month period ended June 30, 2023 that were granted to borrowers experiencing financial difficulty.

		March 31, 2024						June 30, 2024					
	30-59 Day Past Due	30-59 Day Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total	30-59 Day Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total
	(In thousands)												
Commercial loans:													
Commercial PR:													
Commercial PR:													
Commercial PR:													
Commercial loans secured by real estate													
Commercial loans secured by real estate													
Commercial loans secured by real estate													
Other commercial and industrial	—												
Commercial US													

Mortgage loans

Consumer loans:

Personal loans

Personal loans

Personal loans

—

Auto loans

—

Auto loans

—

Auto loans

Total

	June 30, 2023					
	30-59 Day Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total
	(In thousands)					
Commercial PR:						
Commercial loans secured by real estate	$ —	$ —	$ —	$ —	$ 5,810	$ 5,810
Other commercial and industrial	—	—	—	—	147	147
Commercial US	—	—	—	—	4,260	4,260
	—	—	—	—	**10,217**	**10,217**
Mortgage loans	**—**	**122**	**415**	**537**	**4,914**	**5,451**
Consumer loans:						
Personal loans	—	—	—	—	84	84
Total	**$ —**	**$ 122**	**$ 415**	**$ 537**	**$ 15,215**	**$ 15,752**

There were no outstanding commitments to lend additional funds to debtors experiencing financial difficulties at March 31, 2024 June 30, 2024 and December 31, 2023.

As of March 31, 2024 June 30, 2024 and December 31, 2023, the recorded investment on residential mortgage loans collateralized by residential real estate property that were in the process of foreclosure amounted to $18.2 million $16.7 million and $24.1 million, respectively. OFG commences the foreclosure process on residential real estate loans when a borrower becomes 120 days delinquent. Puerto Rico and the USVI require the foreclosure to be processed through their respective courts. Foreclosure timelines vary according to local law and investor guidelines. Occasionally, foreclosures may be delayed due to, among other reasons, mandatory mediation, bankruptcy, court delays and property title issues.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Collateral-dependent Loans

The table below presents the amortized cost of commercial collateral-dependent loans held for investment at March 31, 2024 June 30, 2024 and December 31, 2023, by class of loans.

		March 31,	December 31,		
		June 30,	December 31,		
	2024	2024	2023	2024	2023
		(In thousands)			
Commercial PR:					
Commercial loans secured by real estate					
Commercial loans secured by real estate					

Commercial loans secured by real estate

PCD loans, except for single-pooled loans, are not included in the table above as their unit of account is the loan pool.

Credit Quality Indicators

OFG categorizes its loans into loan grades based on relevant information about the ability of borrowers to service their debts, such as economic conditions, portfolio risk characteristics, prior loss experience, and the results of periodic credit reviews of individual loans.

OFG uses the following definitions for loan grades:

Pass: Loans classified as “pass” have a well-defined primary source of repayment very likely to be sufficient, with no apparent risk, strong financial position, minimal operating risk, profitability, liquidity and capitalization better than industry standards.

Special Mention: Loans classified as “special mention” have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution’s credit position at some future date.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Substandard: Loans classified as “substandard” are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as “doubtful” have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, questionable and improbable.

Loss: Loans classified as “loss” are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this worthless loan even though partial recovery may be effected in the future.

Loans not meeting the criteria above that are analyzed individually as part of the process described above are considered to be pass loans.

As of March 31, 2024 June 30, 2024, and based on the most recent analysis performed, the risk category of loans held for investment subject to risk rating by class of loans, and current year-to-date period gross charge-offs by year of origination is as follows:

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	Term Loans Amortized Cost Basis by Origination Year	Term Loans Amortized Cost Basis by Origination Year	Revolving Loans Amortized Cost Basis	Total	Term Loans Amortized Cost Basis by Origination Year	Revolving Loans Amortized Cost Basis	Total
	2024						
	(In thousands)						
	(In thousands)						
	(In thousands)						
Commercial PR:							
Commercial secured by real estate:							
Commercial secured by real estate:							
Commercial secured by real estate:							
Loan grade:							
Loan grade:							
Loan grade:							
Pass							
Pass							

Pass
Special Mention
Substandard
Doubtful
Loss
Total commercial secured by real estate
Commercial secured by real estate:
YTD gross charge-offs
YTD gross charge-offs
YTD gross charge-offs
Other commercial and industrial:
Loan grade:
Loan grade:
Loan grade:
Pass
Pass
Pass
Special Mention
Substandard
Doubtful
Loss
Total other commercial and industrial:
Other commercial and industrial:
YTD gross charge-offs
YTD gross charge-offs
YTD gross charge-offs
Commercial US:
Loan grade:
Loan grade:
Loan grade:
Pass
Pass
Pass
Special Mention
Substandard
Doubtful
Loss
Total Commercial US:
Commercial US:
YTD gross charge-offs
YTD gross charge-offs
YTD gross charge-offs
Total commercial loans
Total YTD gross charge-offs

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

As of December 31, 2023, and based on the most recent analysis performed, the risk category of loans held for investment subject to risk rating by class of loans is as follows:

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	
	2023	2022	2021	2020	2019	Prior		Total
					(In thousands)			
Commercial PR:								
Commercial secured by real estate:								
Loan grade:								
Pass	$ 224,598	$ 216,205	$ 195,884	$ 120,489	$ 80,671	$ 131,016	$ 65,873	$ 1,034,736
Special Mention	—	1,772	6,554	5,057	15,676	12,500	153	41,712
Substandard	—	459	1,386	1,109	2,615	11,939	1,236	18,744
Doubtful	—	—	—	—	—	15	—	15
Loss	—	—	—	—	—	—	—	—
Total commercial secured by real estate	224,598	218,436	203,824	126,655	98,962	155,470	67,262	1,095,207
Commercial secured by real estate:								
YTD gross charge-offs	—	—	265	—	94	820	—	1,179
Other commercial and industrial:								
Loan grade:								
Pass	284,615	99,522	113,760	37,665	7,438	14,836	527,008	1,084,844
Special Mention	8	2,953	—	—	51	100	—	3,112
Substandard	3	473	826	259	935	186	383	3,065
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total other commercial and industrial:	284,626	102,948	114,586	37,924	8,424	15,122	527,391	1,091,021
Other commercial and industrial:								
YTD gross charge-offs	—	124	1,095	89	9	1,180	—	2,497
Commercial US:								
Loan grade:								
Pass	142,222	63,885	69,233	31,206	28,202	8,085	358,757	701,590
Special Mention	—	7,803	—	—	—	—	20,913	28,716
Substandard	10,832	—	—	—	—	5,699	8,391	24,922
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total Commercial US:	153,054	71,688	69,233	31,206	28,202	13,784	388,061	755,228
Commercial US:								
YTD gross charge-offs	33	1,156	642	47	—	8,637	—	10,515
Total commercial loans	**$ 662,278**	**$ 393,072**	**$ 387,643**	**$ 195,785**	**$ 135,588**	**$ 184,376**	**$ 982,714**	**$ 2,941,456**
Total YTD gross charge-offs	**$ 33**	**$ 1,280**	**$ 2,002**	**$ 136**	**$ 103**	**$ 10,637**	**$ —**	**$ 14,191**

At March 31, 2024 June 30, 2024 and December 31, 2023, the balance of revolving commercial loans converted to term loans was $162.7 $177.7 million and $144.1 million, respectively.

OFG considers the performance of the loan portfolio and its impact on the ACL. For mortgage and consumer loan classes, OFG also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the amortized cost in mortgage and consumer loans held for investment based on payment activity as of March 31, 2024 June 30, 2024:

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	Term Loans Amortized Cost Basis by Origination Year	Term Loans Amortized Cost Basis by Origination Year	Revolving Loans Amortized Cost Basis	Total	Term Loans Amortized Cost Basis by Origination Year	Revolving Loans Amortized Cost Basis	Total
	2024						
	(In thousands)						
	(In thousands)						
	(In thousands)						
Mortgage loans:							
Payment performance:							
Payment performance:							
Payment performance:							
Performing							
Performing							
Performing							
Nonperforming							
Total mortgage loans:							
Mortgage loans:							
YTD gross charge-offs							
YTD gross charge-offs							
YTD gross charge-offs							
Consumer loans:							
Personal loans:							
Personal loans:							
Personal loans:							
Payment performance:							
Payment performance:							
Payment performance:							
Performing							
Performing							
Performing							
Nonperforming							
Total personal loans							
Personal loans:							
YTD gross charge-offs							
YTD gross charge-offs							
YTD gross charge-offs							
Credit lines:							
Payment performance:							
Payment performance:							
Payment performance:							
Performing							
Performing							
Performing							
Nonperforming							
Total credit lines							

Credit lines:
YTD gross charge-offs
YTD gross charge-offs
YTD gross charge-offs
Credit cards:
Payment performance:
Payment performance:
Payment performance:
Performing
Performing
Performing
Nonperforming
Total credit cards
Credit cards:
YTD gross charge-offs
YTD gross charge-offs
YTD gross charge-offs
Overdrafts:
Payment performance:
Payment performance:
Payment performance:
Performing
Performing
Performing
Nonperforming
Total overdrafts
Overdrafts:
YTD gross charge-offs
YTD gross charge-offs
YTD gross charge-offs
Total consumer loans
Total consumer loans YTD gross charge-offs
Total mortgage and consumer loans
Total mortgage and consumer loans YTD gross charge-offs

The following table presents the amortized cost in mortgage and consumer loans held for investment based on payment activity as of December 31, 2023:

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	2020	2019	Prior		
	(In thousands)							
Mortgage loans:								
Payment performance:								
Performing	$ 24,623	$ 19,722	$ 23,303	$ 15,821	$ 14,589	$ 511,182	$ —	$ 609,240
Nonperforming	$ —	—	181	108	479	19,239	—	20,007
Total mortgage loans:	24,623	19,722	23,484	15,929	15,068	530,421	—	629,247
Mortgage loans:								

YTD gross charge-offs	$ —	4	—	—	—	755	—	759
Consumer loans:								
Personal loans:								
Payment performance:								
Performing	270,883	186,612	68,133	19,185	14,460	6,330	—	$ 565,603
Nonperforming	503	1,588	304	193	66	101	—	2,755
Total personal loans	271,386	188,200	68,437	19,378	14,526	6,431	—	568,358
Personal loans:								
YTD gross charge-offs	1,748	10,512	4,661	830	1,384	731	—	19,866
Credit lines:								
Payment performance:								
Performing	—	—	—	—	—	—	10,891	$ 10,891
Nonperforming	—	—	—	—	—	—	35	35
Total credit lines	—	—	—	—	—	—	10,926	10,926
Credit lines:								
YTD gross charge-offs	—	—	—	—	—	—	419	419
Credit cards:								
Payment performance:								
Performing	—	—	—	—	—	—	39,728	$ 39,728
Nonperforming	—	—	—	—	—	—	586	586
Total credit cards	—	—	—	—	—	—	40,314	40,314
Credit cards:								
YTD gross charge-offs	—	—	—	—	—	—	2,825	2,825
Overdrafts:								
Payment performance:								
Performing	—	—	—	—	—	—	296	$ 296
Nonperforming	—	—	—	—	—	—	—	—
Total overdrafts	—	—	—	—	—	—	296	296
Overdrafts:								
YTD gross charge-offs	—	—	—	—	—	—	545	545
Total consumer loans	271,383	188,200	68,437	19,378	14,526	6,431	51,536	619,894
Total consumer loans YTD gross charge-offs	1,748	10,512	4,661	830	1,384	731	3,789	23,655
Total mortgage and consumer loans	**$ 296,009**	**$ 207,922**	**$ 91,921**	**$ 35,307**	**$ 29,594**	**$ 536,852**	**$ 51,536**	**$ 1,249,141**
Total mortgage and consumer loans YTD gross charge-offs	**$ 1,748**	**$ 10,516**	**$ 4,661**	**$ 830**	**$ 1,384**	**$ 1,486**	**$ 3,789**	**$ 24,414**

At March 31, 2024 June 30, 2024, the balance of revolving mortgage and consumer loans that converted to term loans was $54.4 $788 thousand. At December 31, 2023, there were no mortgage and consumer revolving loans that converted to term loans.

OFG evaluates credit quality for auto loans based on FICO score. The following table presents the amortized cost in auto loans held for investment based on their most recent FICO score as of March 31, 2024 June 30, 2024:

Term Loans

Amortized Cost Basis by Origination Year

Term Loans

Amortized Cost Basis by Origination Year

Term Loans

Amortized Cost Basis by Origination Year

	2024
	2024
	2024
	(In thousands)
	(In thousands)
	(In thousands)
Auto loans:	
Auto loans:	
Auto loans:	
FICO score:	
FICO score:	
FICO score:	
1-660	
1-660	
1-660	
661-699	
661-699	
661-699	
700+	
700+	
700+	
No FICO	
No FICO	
No FICO	
Total auto loans	
Total auto loans	
Total auto loans	
Auto loans:	
Auto loans:	
Auto loans:	
YTD gross charge-offs	
YTD gross charge-offs	
YTD gross charge-offs	

The following table presents the amortized cost in auto loans held for investment based on their most recent FICO score as of December 31, 2023:

	Term Loans Amortized Cost Basis by Origination Year						
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
				(In thousands)			
Auto loans:							
FICO score:							
1-660	170,639	190,743	118,821	57,087	41,124	38,570	616,984
661-699	169,430	110,260	58,166	25,886	18,253	16,137	398,132
700+	474,005	323,514	183,286	103,886	88,929	58,779	1,232,399
No FICO	6,203	6,537	4,592	2,200	3,886	1,597	25,015
Total auto loans	**$ 820,277**	**$ 631,054**	**$ 364,865**	**$ 189,059**	**$ 152,192**	**$ 115,083**	**$ 2,272,530**
Auto loans:							
YTD gross charge-offs	**$ 4,090**	**$ 18,142**	**$ 10,894**	**$ 4,008**	**$ 3,380**	**$ 3,250**	**$ 43,764**

Upon adoption of CECL, OFG elected to maintain pools of loans that were previously accounted for under ASC 310-30 and will continue to account for these pools as a unit of account. As such, PCD loans are not included in the preceding two tables.

As of March 31, 2024 June 30, 2024 and December 31, 2023, accrued interest receivable on loans totaled $62.6 million $64.0 million and $63.5 million, respectively, and is included in the accrued interest receivable line in OFG’s consolidated statements of financial condition. Refer to “Note 9 – Accrued Interest Receivable and Other Assets” for more information on accrued interest receivable on loans.

NOTE 5 – ALLOWANCE FOR CREDIT LOSSES

OFG measures its ACL based on management's best estimate of lifetime expected credit losses inherent in OFG's relevant financial assets. The ACL is estimated using quantitative methods that consider a variety of factors such as historical loss experience, the current credit quality of the portfolio, and an economic outlook over the life of the loan. Also included in the ACL are qualitative reserves to cover losses that are expected but, in OFG's assessment, may not be adequately represented in the quantitative methods or the economic assumptions. In its loss forecasting framework, OFG incorporates forward-looking information through the use of macroeconomic scenarios applied over the forecasted life of the assets. The scenarios that are chosen each quarter and the amount of weight given to each scenario depend on a variety of factors, including recent economic events, leading economic indicators, views of internal as well as third-party economists and industry trends. For more information on OFG's credit loss accounting policies, including the allowance for credit losses, see "Note 1 – Summary of Significant Accounting Policies" included in OFG's 2023 Form 10-K.

At March 31, 2024 June 30, 2024, OFG used an economic probability-weighted scenario approach consisting of the baseline and moderate recession scenarios, giving more weight to the baseline scenario, except for the US loan segment that uses a higher probability level in the moderate recessionary scenario. In addition, the ACL at March 31, 2024 June 30, 2024 continues to include qualitative reserves for certain segments that OFG views as higher risk that may not be fully recognized through its quantitative models, such as auto loan portfolio credit trends and the evolution of risk ratings applied to the commercial loans and collateral changes in real estate portfolios. There are still many unknown variables, including the results of the government's fiscal and monetary actions resulting from the effect of inflation and geopolitical tension.

As of March 31, 2024 June 30, 2024, the ACL decreased by $4.5 $3.8 million compared to December 31, 2023. The provision for credit losses for the quarter six-month period ended March 31, 2024 June 30, 2024, reflected adjustments of $15.1 million $26.4 million related to loan volume, $4.5 million from loss rate model and $1.7 million as a result of the strategic sale of a performing US commercial loan, partially offset by $1.7 million related to a reduction $2.9 million in specific reserves, for payments received on substantially reserved US commercial loans. offset by a $4.9 million release from economic model.

The net charge-offs for the quarter six-month period ended March 31, 2024 June 30, 2024, amounted to $19.8 million $34.8 million, an increase of $9.7 million $18.1 million when compared to the same period of 2023. The increase is mainly due to $5.3 million in $11.5 million from auto loans, $2.5 $6.2 million in from consumer loans and $2.4 $1.2 million in from commercial loans. loans, mainly from higher loan volume. Net charge-offs for the quarter six-month period ended March 31, 2024 June 30, 2024 include $3.5 million from retail commercial loans, mainly from previously and fully-reserved nonperforming paycheck protection program ("PPP") loans.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables present the activity in OFG's allowance for credit losses by segment for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023:

	Quarter Ended March 31, 2024						Quarter Ended June 30, 2024				
	Commercial	Commercial	Mortgage	Consumer	Auto	Total	Commercial	Mortgage	Consumer	Auto	Total
	(In thousands)										
Non-PCD:											
Balance at beginning of period											
Balance at beginning of period											
Balance at beginning of period											
(Recapture of) provision for credit losses											
Charge-offs											
Recoveries											
Balance at end of period											
PCD:											
Balance at beginning of period											
Balance at beginning of period											
Balance at beginning of period											
Recapture of provision for credit losses											
Recapture of credit losses											
Charge-offs											
Recoveries											

Balance at end of period					
Total allowance for credit losses at end of period					

	Six-Month Period Ended June 30, 2024				
	Six-Month Period Ended June 30, 2024				
	Six-Month Period Ended June 30, 2024				
	Commercial	Mortgage	Consumer	Auto	Total
	(In thousands)				
Non-PCD:					
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period					
(Recapture of) provision for credit losses					
Charge-offs					
Recoveries					
Balance at end of period					
PCD:					
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period					
Recapture of credit losses					
Charge-offs					
Recoveries					
Balance at end of period					
Total allowance for credit losses at end of period					

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

		Quarter Ended March 31, 2023					Quarter Ended June 30, 2023				
	Commercial	Commercial	Mortgage	Consumer	Auto	Total	Commercial	Mortgage	Consumer	Auto	Total
		(In thousands)									
Non-PCD:											
Balance at beginning of period											
Balance at beginning of period											
Balance at beginning of period											
Provision for (recapture of) credit losses											
Charge-offs											
Recoveries											
Balance at end of period											
PCD:											
Balance at beginning of period											
Balance at beginning of period											
Balance at beginning of period											
(Recapture of) provision for credit losses											
Charge-offs											
Recoveries											
Balance at end of period											
Total allowance for credit losses at end of period											

	Six-Month Period Ended June 30, 2023				
	Six-Month Period Ended June 30, 2023				
	Six-Month Period Ended June 30, 2023				
	Commercial	Mortgage	Consumer	Auto	Total
	(In thousands)				
Non-PCD:					
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period					
Provision for (recapture of) credit losses					
Provision for (recapture of) credit losses					
Provision for (recapture of) credit losses					
Charge-offs					
Recoveries					
Balance at end of period					
PCD:					
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period					
Provision for (recapture of) credit losses					
Provision for (recapture of) credit losses					
Provision for (recapture of) credit losses					
Charge-offs					
Recoveries					
Balance at end of period					
Total allowance for credit losses at end of period					

NOTE 6 — FORECLOSED REAL ESTATE

The following table presents the activity related to foreclosed real estate for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023:

	Quarter Ended March 31,	
	Quarter Ended March 31,	
	Quarter Ended March 31,	
	2024	
	2024	
	Quarter Ended June 30,	
	Quarter Ended June 30,	
	Quarter Ended June 30,	Six-Month Period Ended June 30,
	2024	
	(In thousands)	
	(In thousands)	
	(In thousands)	
Balance at beginning of period		
Additions		
Additions		
Additions		
Sales		

Sales
Sales
Decline in value
Decline in value
Decline in value
Other adjustments
Other adjustments
Other adjustments
Balance at end of period
Balance at end of period
Balance at end of period

NOTE 7 - SERVICING ASSETS

OFG periodically sells or securitizes mortgage loans while retaining the obligation to perform the servicing of such loans. In addition, OFG may purchase or assume the right to service mortgage loans originated by others. Whenever OFG undertakes an obligation to service a loan, management assesses whether a servicing asset and/or liability should be recognized. A servicing asset is recognized whenever the compensation for servicing is expected to more than adequately compensate OFG for servicing the loans. Likewise, a servicing liability would be recognized in the event that servicing fees to be received are not expected to adequately compensate OFG for its expected cost.

At March 31, 2024 June 30, 2024, the fair value of mortgage servicing rights was $49.6 million $49.8 million ($49.5 million — December 31, 2023).

The following table presents the changes in servicing rights measured using the fair value method for March 31, 2024 the quarters and six-month periods ended June 30, 2024 and 2023:

	Quarter Ended March 31,	
	Quarter Ended March 31,	
	Quarter Ended March 31,	
	2024	
	2024	
	Quarter Ended June 30,	
	Quarter Ended June 30,	
	Quarter Ended June 30,	**Six-Month Period Ended June 30,**
	2024	
	(In thousands)	
	(In thousands)	
	(In thousands)	
Fair value at beginning of period		
Servicing from mortgage securitization or asset transfers		
Servicing from mortgage securitization or asset transfers		
Servicing from mortgage securitization or asset transfers		
Changes due to payments on loans		
Changes due to payments on loans		
Changes due to payments on loans		
Changes in fair value due to changes in valuation model inputs or assumptions		
Changes in fair value due to changes in valuation model inputs or assumptions		
Changes in fair value due to changes in valuation model inputs or assumptions		
Fair value at end of period		
Fair value at end of period		
Fair value at end of period		

The following table presents key economic assumption ranges used in measuring the mortgage-related servicing asset fair value as of March 31, 2024 June 30, 2024 and 2023:

	Quarter Ended March 31,

	Quarter Ended March 31,
	Quarter Ended March 31,
	Six-Month Period Ended June 30,
	Six-Month Period Ended June 30,
	Six-Month Period Ended June 30,
	2024
Constant prepayment rate	
Constant prepayment rate	
Constant prepayment rate	
Discount rate	
Discount rate	
Discount rate	

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The sensitivity of the current fair value of servicing assets to immediate 10 percent and 20 percent adverse changes in the above key assumptions were as follows:

	March 31,
	March 31,
	March 31,
	June 30,
	June 30,
	June 30,
	2024
	2024
	2024
	(In thousands)
	(In thousands)
	(In thousands)
Mortgage-related servicing asset	
Mortgage-related servicing asset	
Mortgage-related servicing asset	
Carrying value of mortgage servicing asset	
Carrying value of mortgage servicing asset	
Carrying value of mortgage servicing asset	
Weighted average life (in years)	
Weighted average life (in years)	
Weighted average life (in years)	
Constant prepayment rate	
Constant prepayment rate	
Constant prepayment rate	
Decrease in fair value due to 10% adverse change	
Decrease in fair value due to 10% adverse change	
Decrease in fair value due to 10% adverse change	
Decrease in fair value due to 20% adverse change	
Decrease in fair value due to 20% adverse change	
Decrease in fair value due to 20% adverse change	
Discount rate	
Discount rate	
Discount rate	

Decrease in fair value due to 10% adverse change
Decrease in fair value due to 10% adverse change
Decrease in fair value due to 10% adverse change
Decrease in fair value due to 20% adverse change
Decrease in fair value due to 20% adverse change
Decrease in fair value due to 20% adverse change

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption.

Changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which may magnify or offset the sensitivities. Mortgage banking activities, a component of total banking and financial service revenue in the consolidated statements of operations, include the changes from period to period in the fair value of the mortgage loan servicing rights, which may result from changes in the valuation model inputs or assumptions (principally reflecting changes in discount rates and prepayment speed assumptions) and other changes, including changes due to collection/realization of expected cash flows.

Servicing fee income is based on a contractual percentage of the outstanding principal balance and is recorded as income when earned and included in the mortgage banking activities section in the consolidated statement of operations. Servicing fees on mortgage loans for the quarters ended March 31, 2024 June 30, 2024 and 2023 totaled $4.4 million $4.5 million and $5.0 million $4.8 million, respectively. Servicing fees on mortgage loans for the six-month periods ended June 30, 2024 and 2023 totaled $8.9 million and $9.8 million, respectively.

NOTE 8 — GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill by reportable business segment is included in the table below. Refer to “Note 22 – Business Segments” for additional information on OFG’s reportable business segments.

	Banking	Banking	Wealth Management	Treasury	Total	Banking	Wealth Management	Treasury	Total
		(In thousands)							
December 31, 2023									
March 31, 2024									
June 30, 2024									

There were no changes in the carrying amount of goodwill during the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023. There were no accumulated impairment losses at March 31, 2024 June 30, 2024 and December 31, 2023.

Relevant events and circumstances for evaluating whether it is more likely than not that the fair value of a reporting segment is less than its carrying amount may include macroeconomic conditions (such as deterioration of the Puerto Rico economy or the liquidity for Puerto Rico securities or loans secured by assets in Puerto Rico), adverse changes in legal factors or in the business climate, adverse actions by a regulator, unanticipated competition, the loss of key employees, natural disasters, or similar events.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

OFG performed its annual impairment review of goodwill during the fourth quarter of 2023 using October 31, 2023 as the annual evaluation date and concluded that there was no impairment at December 31, 2023. During the quarter six-month period ended March 31, 2024 June 30, 2024, OFG performed an assessment of events or circumstances that could trigger reductions in the book value of the goodwill. Based on this assessment, no impairments were identified at March 31, 2024 June 30, 2024.

The following table reflects the components of other intangible assets subject to amortization at March 31, 2024 June 30, 2024 and December 31, 2023:

	Gross Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
			(In thousands)				
March 31, 2024							
June 30, 2024							
Core deposit intangibles							
Core deposit intangibles							
Core deposit intangibles							
Customer relationship intangibles							

Total other intangible assets
Total other intangible assets
Total other intangible assets
December 31, 2023
Core deposit intangibles
Core deposit intangibles
Core deposit intangibles
Customer relationship intangibles
Total other intangible assets
Total other intangible assets
Total other intangible assets

In connection with previous acquisitions, OFG recorded core deposit intangibles representing the value of checking and savings deposits acquired. In addition, OFG recorded customer relationship intangibles representing the value of customer relationships acquired with its acquisitions of insurance agencies. During the quarter six-month period ended March 31, 2024 June 30, 2024, OFG performed an assessment of events or circumstances that could trigger reductions in the book value of other intangible assets. Based on this assessment, no impairments were identified at March 31, 2024 June 30, 2024.

Other intangible assets have a definite useful life. Amortization of other intangible assets for the quarters ended March 31, 2024 June 30, 2024 and 2023 was $1.5 million and $1.7 million, respectively.

Amortization of other intangible assets for the six-month periods ended June 30, 2024 and 2023, was $3.0 million and $3.4 million, respectively.

The following table presents the estimated amortization of other intangible assets for each of the following periods.

Year Ending December 31,	**(In thousands)**
2024	5,913
2025	4,927
2026	3,942
2027	2,956
2028	1,971
Thereafter	985

NOTE 9 — ACCRUED INTEREST RECEIVABLE AND OTHER ASSETS

Accrued interest receivable at March 31, 2024 June 30, 2024 and December 31, 2023 consists of the following:

	March 31, 2024 **March 31, 2024** **March 31, 2024**	**December 31, 2023**
	June 30, 2024 **June 30, 2024** **June 30, 2024**	**December 31, 2023**
		(In thousands)
Loans		
Investments		
	$	

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Accrued interest receivable on loans that participated in the Hurricane Fiona and Covid-19 deferral programs amounted to $19.9 $19.5 million at March 31, 2024 June 30, 2024, of which $17.8 $18.7 million corresponded to loans in current status, and $20.2 million at December 31, 2023, of which $18.2 million corresponded to loans in current status. OFG estimates expected credit losses on accrued interest receivable for loans that participated in moratorium programs. An allowance has been established for loans with delinquency status in 30 to 89 days past due and is calculated by applying the corresponding loan projected loss factors to the accrued interest receivable balance. At March 31, 2024 June 30, 2024 and December 31, 2023, the ACL for accrued interest receivable for loans that participated in moratorium programs amounted to $62 $92 thousand and $85 thousand, respectively, and is included in accrued interest receivable in the statement of financial condition.

Other assets at March 31, 2024 June 30, 2024 and December 31, 2023 consist of the following:

	March 31, 2024	
	March 31, 2024	
	March 31, 2024	December 31, 2023
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	December 31, 2023
		(In thousands)
Prepaid expenses		
Other repossessed assets		
Accounts receivable and other assets		
Accounts receivable and other assets		
Accounts receivable and other assets		
	$	

Prepaid expenses amounting to $62.1 million $88.5 million at March 31, 2024 June 30, 2024, include prepaid municipal, property and income taxes aggregating to $55.0 million $76.6 million. At December 31, 2023 prepaid expenses amounted to $63.0 million, including prepaid municipal, property and income taxes aggregating to $54.7 million.

Other repossessed assets totaled $6.8 million $5.7 million and $4.0 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and consist of repossessed automobiles, which are recorded at their net realizable value.

NOTE 10 — DEPOSITS AND RELATED INTEREST

Total deposits, including related accrued interest payable, as of March 31, 2024 June 30, 2024 and December 31, 2023 consist of the following:

	March 31, 2024	
	March 31, 2024	
	March 31, 2024	December 31, 2023
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	December 31, 2023
		(In thousands)
Non-interest-bearing demand deposits		
Interest-bearing savings and demand deposits		
Retail certificates of deposit		
Institutional certificates of deposit		
Total core deposits		
Brokered deposits		
Total deposits		

At March 31, 2024 June 30, 2024 and December 31, 2023, the aggregate amount of uninsured deposits was $4.891 billion (51% $4.979 billion (52% of total deposits) and $4.885 billion (50.0% of total deposits), respectively.

The weighted average interest rate of OFG's deposits was 1.54% 1.50% and 0.88%, respectively, at March 31, 2024 June 30, 2024 and December 31, 2023.

Interest expense for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023 was as follows:

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended June 30,
	Quarter Ended June 30,

	Quarter Ended June 30,	Six-Month Period Ended June 30,
	2024	
	2024	
	2024	
Demand and savings deposits		
Demand and savings deposits		
		(In thousands)
		(In thousands)
		(In thousands)
Demand and savings deposits		
Certificates of deposit		
Certificates of deposit		
Certificates of deposit		
	$	
	$	
	$	

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

At March 31, 2024 June 30, 2024 and December 31, 2023, time deposits in denominations of $250 thousand or higher, excluding accrued interest and unamortized discounts, amounted to $793.4 million $867.3 million and $747.2 million, respectively.

At March 31, 2024 June 30, 2024 and December 31, 2023, total public fund deposits from various Puerto Rico government municipalities, agencies and corporations amounted to $1.590 billion $1.577 billion and $1.616 billion, respectively. These public funds were collateralized with securities and commercial loans amounting to $1.694 billion $1.679 billion and $1.645 billion at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Excluding accrued interest of approximately $1.7 million $1.8 million and $3.0 million, the scheduled maturities of certificates of deposit at March 31, 2024 June 30, 2024 and December 31, 2023 are as follows:

March 31, 2024				
June 30, 2024				
		Period-end amount		
		Period-end amount		
		Period-end amount		
		Period-end amount		
		Period-end amount		
		Period-end amount		
		Period-end amount		
		Period-end amount		
		Period-end amount	Uninsured amount	Uninsured amount
			(In thousands)	
Within one year:				
Three months or less				
Three months or less				
Three months or less				
Over 3 months through 6 months				
Over 6 months through 1 year				
	1,001,104			

	1,130,889
Over 1 through 2 years	
Over 2 through 3 years	
Over 3 through 4 years	
Over 4 through 5 years	
Over 5 years	
	$

December 31, 2023

December 31, 2023

December 31, 2023

	Period-end amount	Uninsured amount	Uninsured amount
	Period-end amount		
	Period-end amount		
		(In thousands)	
Within one year:			
Within one year:			
Within one year:			
Three months or less			
Three months or less			
Three months or less			
Over 3 months through 6 months			
Over 6 months through 1 year			
983,193			
Over 1 through 2 years			
Over 2 through 3 years			
Over 3 through 4 years			
Over 4 through 5 years			
Over 5 years			
$			

The tables of scheduled maturities of certificates of deposits above includes brokered-deposits and individual retirement accounts.

The aggregate amount of overdrafts in demand deposit accounts that were reclassified to loans amounted to $633 $650 thousand and $564 thousand as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

NOTE 11— BORROWINGS AND RELATED INTEREST

Advances from the Federal Home Loan Bank of New York

Advances are received from the FHLB under an agreement whereby OFG is required to maintain a minimum amount of qualifying collateral with a fair value of at least 110% of the outstanding advances. At March 31, 2024 both June 30, 2024 and December 31, 2023, these advances were secured by mortgage and commercial loans amounting to $984.4 million and $1.0 billion, respectively. . Also, at March 31, 2024 June 30, 2024 and December 31, 2023, OFG had an additional borrowing capacity with the FHLB of $457.5 million $451.6 million and $446.0 million, respectively. At March 31, 2024 June 30, 2024 and December 31, 2023, the weighted average remaining maturity of FHLB advances was 11 8 months and 1.2 years, respectively. The original terms of the outstanding long-term advances advance at March 31, 2024 is June 30, 2024 due on March 2025 was 2 years.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table shows a summary of the advances and their terms, excluding accrued interest in the amount of $766 $741 thousand and $768 thousand at March 31, 2024 June 30, 2024 and December 31, 2023, respectively:

	March 31, 2024		December 31, 2023	
	(In thousands)			
Long-term fixed-rate advance from FHLB, with a weighted average interest rate of 4.52% (December 31, 2023 - 4.52%)	$	200,000	$	200,000

	June 30, 2024		December 31, 2023	
	(In thousands)			
Short-term fixed-rate advances from FHLB, with a weighted average interest rate of 4.52%	$	200,000	$	—
Long-term fixed-rate advance from FHLB, with a weighted average interest rate of 4.52%		—		200,000
	$	**200,000**	**$**	**200,000**

Advances from FHLB mature as follows:

	March 31, 2024	
	March 31, 2024	
	March 31, 2024	December 31, 2023
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	December 31, 2023
		(In thousands)
Over one to three years		
Over one to three years		
Due less than one year		
Due less than one year		
Due less than one year		
Over one to three years		
	$	
	$	
	$	

NOTE 12 — INCOME TAXES

OFG is subject to the provisions of the Puerto Rico Internal Revenue Code of 2011, as amended (the "PR Code"). The PR Code imposes a maximum statutory corporate tax rate of 37.5%. OFG has operations in the U.S. through its wholly owned subsidiaries OFG Ventures and OFG USA, LLC ("OFG USA"), which is a direct subsidiary of the Bank, and has two branches in the USVI. The United States subsidiaries are subject to federal income taxes at the corporate level, while the USVI branches are subject to federal income taxes under a mirror system and a 10% surtax included in the maximum tax rate. OFG USA is subject to North Carolina state taxes, and current investments in OFG Ventures are subject to state taxes in Missouri. In addition, OFG's wholly owned subsidiary, OFG Reinsurance Ltd., is tax exempt in Grand Cayman.

As of March 31, 2024 June 30, 2024, OFG's net deferred tax assets, net of a valuation allowance of $7.1 million $6.5 million, amounted to $4.4 million $4.1 million; and the net deferred tax liability, net of valuation allowance of $461 $610 thousand, amounted to $22.9 million $33.9 million, reflecting the aggregate deferred tax assets or liabilities of individual tax-paying subsidiaries of OFG. As of December 31, 2023, OFG's deferred tax asset, net of a valuation allowance of $7.0 million, amounted to $4.9 million; and net deferred tax liability, net of a valuation allowance of $569 thousand, amounted to $22.4 million, reflecting aggregate deferred tax assets or liabilities of individual tax-paying subsidiaries of OFG. The decrease in valuation allowance of $39 $528 thousand was mainly related to USVI operations. OFG's operations at the holding company level. In assessing the realizability of the deferred tax asset, management considers whether it is more likely than not that some portion or the entire deferred tax asset will not be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future income, and tax planning strategies in making this assessment. Based upon the assessment of positive and negative evidence, the level of historical taxable income, projections for future taxable income over the periods in which the deferred tax asset are deductible, and provisions of certain closing agreements, management believes it is more likely than not that OFG will realize the benefits of

these deductible differences, net of the existing valuation allowances, at March 31, 2024 June 30, 2024. The amount of the deferred tax asset that is considered realizable could be reduced in the near term if there are changes in estimates of future taxable income.

OFG maintained an effective tax rate ("ETR") lower than the statutory rate for the quarters six-month periods ended March 31, 2024 June 30, 2024 and 2023 of 26.8% 27.6% and 29.0% 30.9%, respectively, the decrease is mainly related to exempt income, income subject to preferential tax treatment under the PR Code and a discrete tax windfall on stock options recognized during the period. first quarter of 2024 and discrete benefit mainly related to the purchase of tax credits during the second quarter of 2024. The expected ETR for 2024 is 28.5% 29.2%.

OFG classifies unrecognized tax benefits in other liabilities. These gross unrecognized tax benefits would affect the ETR if realized. At March 31, 2024 June 30, 2024, the amount of unrecognized tax benefits was $952 $970 thousand (December 31, 2023 - $936 thousand).

Income tax expense for the quarters ended March 31, 2024 June 30, 2024 and 2023 was $18.2 $20.1 million and $18.9 $21.6 million, respectively. Income tax expense for the six-month periods ended June 30, 2024 and 2023 was $38.4 million and $40.5 million, respectively.

NOTE 13 — REGULATORY CAPITAL REQUIREMENTS

Regulatory Capital Requirements

OFG (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by federal and Puerto Rico banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on OFG's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, OFG and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. OFG and the Bank have elected to exclude accumulated comprehensive income related to both available for sale securities and derivative valuations from Common Equity Tier 1 Capital.

As of March 31, 2024 June 30, 2024 and December 31, 2023, OFG and the Bank met all capital adequacy requirements to which they are subject. As of March 31, 2024 June 30, 2024 and December 31, 2023, OFG and the Bank are "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," an institution must maintain minimum CET1 risk-based, Tier 1 risk-based, total risk-based, and Tier 1 leverage ratios as set forth in the tables presented below.

OFG's and the Bank's actual capital amounts and ratios as of March 31, 2024 June 30, 2024 and December 31, 2023 were as follows:

	Actual			Actual			Minimum Capital Requirement (including capital conservation buffer)			Minimum to be Well Capitalized			Actual			
	Amount		Amount		Ratio		Amount		Ratio	Amount		Ratio		Amount		
	(Dollars in thousands)															
OFG Bancorp Ratios																
As of March 31, 2024																
As of March 31, 2024																
As of March 31, 2024																
As of June 30, 2024																
As of June 30, 2024																
As of June 30, 2024																
Total capital to risk-weighted assets																
Total capital to risk-weighted assets																
Total capital to risk-weighted assets	$1,309,893	**15.71**	**15.71**	**%**	$875,507	**10.50**	**10.50**	**%**	$833,817	**10.00**	**10.00**	**%**	$1,330,474	**15.54**	**15.54**	**%**

Tier 1 capital to risk-weighted assets	Tier 1 capital to risk-weighted assets	$1,205,231	**14.45**	**14.45 %**	$708,744	**8.50**	**8.50 %**	$667,053	**8.00**	**8.00 %**	Tier 1 capital to risk-weighted assets	$1,223,031	**14.29**	**14.29 %**
Common equity tier 1 capital to risk-weighted assets	Common equity tier 1 capital to risk-weighted assets	$1,205,231	**14.45**	**14.45 %**	$583,672	**7.00**	**7.00 %**	$541,981	**6.50**	**6.50 %**	Common equity tier 1 capital to risk-weighted assets	$1,223,031	**14.29**	**14.29 %**
Tier 1 capital to average total assets	Tier 1 capital to average total assets	$1,205,231	**10.76**	**10.76 %**	$447,862	**4.00**	**4.00 %**	$559,827	**5.00**	**5.00 %**	Tier 1 capital to average total assets	$1,223,031	**10.86**	**10.86 %**
<u>As of December 31, 2023</u>														
Total capital to risk-weighted assets														
Total capital to risk-weighted assets														
Total capital to risk-weighted assets		$1,278,537	**15.37**	**15.37 %**	$873,369	**10.50**	**10.50 %**	$831,780	**10.00**	**10.00 %**	$1,278,537	**15.37**	**15.37**	**%**
Tier 1 capital to risk-weighted assets	Tier 1 capital to risk-weighted assets	$1,174,205	**14.12**	**14.12 %**	$707,013	**8.50**	**8.50 %**	$665,424	**8.00**	**8.00 %**	Tier 1 capital to risk-weighted assets	$1,174,205	**14.12**	**14.12 %**
Common equity tier 1 capital to risk-weighted assets	Common equity tier 1 capital to risk-weighted assets	$1,174,205	**14.12**	**14.12 %**	$582,246	**7.00**	**7.00 %**	$540,657	**6.50**	**6.50 %**	Common equity tier 1 capital to risk-weighted assets	$1,174,205	**14.12**	**14.12 %**
Tier 1 capital to average total assets	Tier 1 capital to average total assets	$1,174,205	**11.03**	**11.03 %**	$425,911	**4.00**	**4.00 %**	$532,389	**5.00**	**5.00 %**	Tier 1 capital to average total assets	$1,174,205	**11.03**	**11.03 %**

	Actual		**Actual**		**Minimum Capital Requirement (including capital conservation buffer)**		**Minimum to be Well Capitalized**	**Actual**
Amount		**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**
			(Dollars in thousands)					

Bank Ratios

As of March 31, 2024

As of March 31, 2024

As of March 31, 2024

As of June 30, 2024

As of June 30, 2024

As of June 30, 2024

Total capital to risk-weighted assets

Total capital to risk-weighted assets

Total capital to risk-weighted assets		$1,192,181	**14.40**	**14.40 %**	$869,541	**10.50**	**10.50 %**	$828,134	**10.00**	**10.00 %**		$1,245,627	**14.64**	**14.64 %**
Tier 1 capital to risk-weighted assets	Tier 1 capital to risk-weighted assets	$1,088,220	**13.14**	**13.14 %**	$703,914	**8.50**	**8.50 %**	$662,507	**8.00**	**8.00 %**	Tier 1 capital to risk-weighted assets	$1,138,874	**13.39**	**13.39 %**
Common equity tier 1 capital to risk-weighted assets	Common equity tier 1 capital to risk-weighted assets	$1,088,220	**13.14**	**13.14 %**	$579,694	**7.00**	**7.00 %**	$538,287	**6.50**	**6.50 %**	Common equity tier 1 capital to risk-weighted assets	$1,138,874	**13.39**	**13.39 %**
Tier 1 capital to average total assets	Tier 1 capital to average total assets	$1,088,220	**9.82**	**9.82 %**	$443,045	**4.00**	**4.00 %**	$553,807	**5.00**	**5.00 %**	Tier 1 capital to average total assets	$1,138,874	**10.22**	**10.22 %**

As of December 31, 2023

Total capital to risk-weighted assets

Total capital to risk-weighted assets

Total capital to risk-weighted assets		$1,179,164	**14.27**	**14.27 %**	$867,797	**10.50**	**10.50 %**	$826,474	**10.00**	**10.00 %**		$1,179,164	**14.27**	**14.27 %**
Tier 1 capital to risk-weighted assets	Tier 1 capital to risk-weighted assets	$1,075,487	**13.01**	**13.01 %**	$702,503	**8.50**	**8.50 %**	$661,179	**8.00**	**8.00 %**	Tier 1 capital to risk-weighted assets	$1,075,487	**13.01**	**13.01 %**
Common equity tier 1 capital to risk-weighted assets	Common equity tier 1 capital to risk-weighted assets	$1,075,487	**13.01**	**13.01 %**	$578,532	**7.00**	**7.00 %**	$537,208	**6.50**	**6.50 %**	Common equity tier 1 capital to risk-weighted assets	$1,075,487	**13.01**	**13.01 %**

Tier 1 capital to average total assets	Tier 1 capital to average total assets	$1,075,487	**10.20**	**10.20 %**	$421,660	**4.00**	**4.00 %**	$527,075	**5.00**	**5.00 %**	Tier 1 capital to average total assets	$1,075,487	**10.20**	**10.20 %**

NOTE 14 – STOCKHOLDERS' EQUITY

Common Stock

At both March 31, 2024 June 30, 2024 and December 31, 2023, common stock amounted to $59.9 million.

Additional Paid-in Capital

Additional paid-in capital represents contributed capital in excess of par value of common stock, net of the costs of issuance. At both March 31, 2024 June 30, 2024 and December 31, 2023, accumulated common stock issuance costs charged against additional paid-in capital amounted to $13.6 million.

Legal Surplus

The Puerto Rico Banking Act requires that a minimum of 10% of the Bank's net income for the year be transferred to a reserve fund until such fund (legal surplus) equals the total paid-in capital on common and preferred stock. At March 31, 2024 June 30, 2024 and December 31, 2023, the Bank's legal surplus amounted to $155.7 million $160.6 million and $151.0 million, respectively. During the quarter and six-month period ended March 31, 2024 June 30, 2024, OFG transferred $4.8 million and $9.6 million, respectively, to the legal surplus account. During the quarter and six-month period ended June 30, 2023, OFG transferred $4.2 million and $8.7 million, respectively, to the legal surplus account. The amount transferred to the legal surplus account is not available for the payment of dividends to shareholders.

Treasury Stock

In January 2024, OFG announced the approval by the Board of Directors of a stock repurchase program for the purchase of up to $50 million of its outstanding shares of common stock. The new stock repurchase program, which is open-ended, replaces the prior stock repurchase program of $100 million, which had a remaining balance of $17.2 million and had been approved by the Board of Directors in January 2022. 2022, which had a remaining balance of $17.2 million. The shares of common stock repurchased are held by OFG as treasury shares. OFG records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. There were no repurchases of stock under During the new program during the quarter six-month period ended March 31, 2024. Under the prior stock program, June 30, 2024, OFG repurchased 104,800 669,200 shares for a total of $2.9 million $24.3 million at an average price of $27.61 per share during the quarter ended March 31, 2023.

OFG did not repurchase any shares of its common stock during the quarter ended March 31, 2024 and 2023, other than through its publicly announced stock repurchase program.

price of $36.28 per share. Under the prior stock repurchase program, OFG repurchased 670,099 shares for a total of $16.5 million at an average price of $24.57 per share during the six-month period ended June 30, 2023.

At June 30, 2024, the estimated remaining number of shares that may be purchased under the new $50 million program is 686,741 and was calculated by dividing the remaining balance of $25.7 million by $37.45 (closing price of OFG's common stock at June 30, 2024).

OFG did not repurchase any shares of its common stock during the six-month periods ended June 30, 2024 and 2023, other than through its publicly announced stock repurchase program.

The activity in connection with common shares held in treasury by OFG for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023 is set forth below:

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended June 30,
	Quarter Ended June 30,
	Quarter Ended June 30,
	2024
	2024
	2024
	Shares
	Shares
	Shares
	(In thousands, except shares data)
	(In thousands, except shares data)

	(In thousands, except shares data)
Beginning of period	
Common shares used upon lapse of restricted stock units and options	
Common shares used upon lapse of restricted stock units and options	
Common shares used upon lapse of restricted stock units and options	
Common shares repurchased as part of the stock repurchase programs	
Common shares repurchased as part of the stock repurchase programs	
Common shares repurchased as part of the stock repurchase programs	
End of period	
End of period	
End of period	

	Six-Month Period Ended June 30,
	Six-Month Period Ended June 30,
	Six-Month Period Ended June 30,
	2024
	Shares
	Shares
	Shares
	(In thousands, except shares data)
	(In thousands, except shares data)
	(In thousands, except shares data)
Beginning of period	
Common shares used upon lapse of restricted stock units and options	
Common shares used upon lapse of restricted stock units and options	
Common shares used upon lapse of restricted stock units and options	
Common shares repurchased as part of the stock repurchase programs	
Common shares repurchased as part of the stock repurchase programs	
Common shares repurchased as part of the stock repurchase programs	
End of period	
End of period	
End of period	

NOTE 15 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss, net of income taxes, as of March 31, 2024 June 30, 2024 and December 31, 2023 consisted of:

	March 31, 2024	
	March 31, 2024	
	March 31, 2024	**December 31, 2023**
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	**December 31, 2023**
		(In thousands)
Unrealized loss on securities available-for-sale		
Income tax effect of unrealized loss on securities available-for-sale		
Net unrealized loss on securities available-for-sale		
Accumulated other comprehensive loss, net of income taxes		
Accumulated other comprehensive loss, net of income taxes		
Accumulated other comprehensive loss, net of income taxes		

The following table presents changes in accumulated other comprehensive loss by component, net of taxes, for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023:

	Quarter Ended March 31, 2024
	Net unrealized loss on securities available-for-sale
	(In thousands)
Beginning balance	$ (67,013)
Other comprehensive loss before reclassifications	(14,711)
Amounts reclassified out of accumulated other comprehensive loss	(7)
Other comprehensive loss	(14,718)
Ending balance	**$ (81,731)**

	Net unrealized loss on securities available-for-sale	
	Quarter Ended June 30, 2024	Six-Month Period Ended June 30, 2024
	(In thousands)	
Beginning balance	$ (81,731)	$ (67,013)
Other comprehensive loss before reclassifications	(4,765)	(19,474)
Amounts reclassified out of accumulated other comprehensive loss	2	(7)
Other comprehensive loss	(4,763)	(19,481)
Ending balance	**$ (86,494)**	**$ (86,494)**

	Quarter Ended June 30, 2023		
	Net unrealized loss on securities available-for-sale	Net unrealized gain on cash flow hedges	Accumulated other comprehensive loss
	(In thousands)		
Beginning balance	$ (78,512)	$ 172	$ (78,340)
Other comprehensive loss before reclassifications	(9,980)	(2,525)	(12,505)
Amounts reclassified out of accumulated other comprehensive loss	(1,147)	2,428	1,281
Other comprehensive loss	(11,127)	(97)	(11,224)
Ending balance	**$ (89,639)**	**$ 75**	**$ (89,564)**

	Six-Month Period Ended June 30, 2023		
	Net unrealized loss on securities available-for-sale	Net unrealized gain on cash flow hedges	Accumulated other comprehensive loss
	(In thousands)		
Beginning balance	$ (93,663)	$ 254	$ (93,409)
Other comprehensive income (loss) before reclassifications	5,169	(3,198)	1,971
Amounts reclassified out of other comprehensive income (loss)	(1,145)	3,019	1,874
Other comprehensive income (loss)	4,024	(179)	3,845
Ending balance	**$ (89,639)**	**$ 75**	**$ (89,564)**

	Quarter Ended March 31, 2023		
	Net unrealized loss on securities available-for-sale	Net unrealized loss on cash flow hedges	Accumulated other comprehensive loss
	(In thousands)		
Beginning balance	$ (93,663)	$ 254	$ (93,409)
Other comprehensive income (loss) before reclassifications	15,149	(673)	14,476
Amounts reclassified out of accumulated other comprehensive (loss) income	2	591	593
Other comprehensive income (loss)	15,151	(82)	15,069
Ending balance	**$ (78,512)**	**$ 172**	**$ (78,340)**

The following table presents reclassifications out of accumulated other comprehensive loss for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023:

	Amount reclassified out of accumulated other comprehensive loss Quarter Ended March 31,	Amount reclassified out of accumulated other comprehensive loss Quarter Ended March 31,	
	Amount reclassified out of accumulated other comprehensive loss Quarter Ended March 31,		Affected Line Item in Consolidated Statement of Operations
	Amount reclassified out of accumulated other comprehensive loss		
	Amount reclassified out of accumulated other comprehensive loss		
	Amount reclassified out of accumulated other comprehensive loss	Affected Line Item in Consolidated Statement of Operations	
	Quarter Ended June 30,		
	2024		
	2024		
	2024		
	(In thousands)		
	(In thousands)		
	(In thousands)		
Cash flow hedges:			
Cash flow hedges:			
Cash flow hedges:			
Interest-rate contracts			
Interest-rate contracts			

Interest-rate contracts	$ —	$	$ 591	Net interest expense	Net interest expense	$ —	$	$2,428	$	$ —	$	$3,019	Net interest expense	Net interest expense	
Available-for-sale securities:															
Loss on sale of investments															
Loss on sale of investments															
Loss on sale of investments	(7)	—	—	Net (loss) gain on sale of securities	Net (loss) gain on sale of securities	—	(1,149)	(1,149)	(7)	(7)	(1,149)	(1,149)	Net lo sale c secur		
Tax effect from changes in tax rates	Tax effect from changes in tax rates	—	2	2	Income tax expense	Income tax expense	Tax effect from changes in tax rates	2	2	2	—	—	4	4	
	$														

NOTE 16 – EARNINGS PER COMMON SHARE

The calculation of earnings per common share for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023 is as follows:

	Quarter Ended March 31,			
	Quarter Ended March 31,			
	Quarter Ended March 31,			
	Quarter Ended June 30,		**Six-Month Period Ended June 30,**	
	2024	**2024**	**2023**	**2024**	**2023**
	2024			
	2024			
	(In thousands, except per share data)			
	(In thousands, except per share data)			
	(In thousands, except per share data)		**(In thousands, except per share data)**	
Income available to common shareholders				
Income available to common shareholders				
Income available to common shareholders				
Average common shares outstanding				
Average common shares outstanding				
Average common shares outstanding				
Effect of dilutive securities:				
Effect of dilutive securities:				
Effect of dilutive securities:				
Average potential common shares-options				
Average potential common shares-options				
Average potential common shares-options				
Total weighted average common shares outstanding and equivalents				
Total weighted average common shares outstanding and equivalents				
Total weighted average common shares outstanding and equivalents				
Earnings per common share - basic				
Earnings per common share - basic				
Earnings per common share - basic				
Earnings per common share - diluted				
Earnings per common share - diluted				

Earnings per common share - diluted

For the quarters ended March 31, 2024 June 30, 2024 and 2023, weighted-average restricted stock units with an anti-dilutive effect on earnings per share not included in the calculation amounted to zero and 446, 147,878, respectively. For the six-month periods ended June 30, 2024 and 2023, weighted-average restricted stock units with an anti-dilutive effect on earnings per share not included in the calculation amounted to zero and 128,681, respectively.

During the first quarter ended March 31, 2024, of 2024, OFG increased its quarterly common stock cash dividend to $0.25 per share from $0.22 per share at December 31, 2023.

NOTE 17 – GUARANTEES

At March 31, 2024 June 30, 2024 and December 31, 2023, the notional amount of the obligations undertaken in issuing the guarantees under standby letters of credit represented a liability of $24.7 million $25.0 million and $24.0 million, respectively.

OFG has a liability for residential mortgage loans sold subject to credit recourse pursuant to FHLMC's, GNMA's, FHLMC's, GNMA's, and FNMA's FNMA's residential mortgage loan sales and securitization programs. At March 31, 2024 June 30, 2024 and December 31, 2023, the unpaid principal balance of residential mortgage loans sold subject to credit recourse under the residential mortgage loan sales programs was $96.4 million $94.5 million and $98.7 million, respectively. The estimated losses to be absorbed under the credit recourse arrangements were recorded as a liability when the credit recourse was assumed and are updated on a quarterly basis. At March 31, 2024 June 30, 2024, OFG's liability for estimated credit losses related to loans sold with credit recourse amounted to $73 $59 thousand (December

(December 31, 2023– $102 thousand). On May 1, 2023, OFG and a third-party servicer terminated a subservicing agreement by mutual agreement. Pursuant to such termination, the third-party servicer assumed the direct servicing of the subserviced loans pursuant to FNMA's FNMA's residential mortgage loans sales program, thereby relieving OFG of its corresponding recourse obligation under that program.

The following table shows the changes in OFG's liability for estimated losses from these credit recourse agreements, included in the consolidated statements of financial condition during the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023:

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended June 30,
	Quarter Ended June 30,
	Quarter Ended June 30,
	2024
	2024
	2024
	(In thousands)
	(In thousands)
	(In thousands)
Balance at beginning of period	
Balance at beginning of period	
Balance at beginning of period	
Net recoveries (charge-offs/terminations)	
Net recoveries (charge-offs/terminations)	
Net recoveries (charge-offs/terminations)	
Balance at end of period	
Balance at end of period	
Balance at end of period	

The expected loss, which represents the amount expected to be lost on a given loan, considers the probability of default and loss severity. The probability of default represents the probability that a loan in good standing would become 120 days delinquent, in which case OFG is obligated to repurchase the loan.

If a borrower defaults, pursuant to the credit recourse provided, OFG is required to repurchase the loan or reimburse the third-party investor for the incurred loss. The maximum potential amount of future payments that OFG would be required to make under the recourse arrangements is equivalent to the total outstanding balance of the residential mortgage loans serviced with recourse and interest, if applicable. During the quarters ended March 31, 2024 June 30, 2024 and 2023, OFG repurchased $134 $106 thousand and $65 $545 thousand, respectively, in mortgage loans. During the six-month periods ended June 30, 2024 and 2023, OFG repurchased $240 thousand and $610 thousand, respectively, in such mortgage loans. If a borrower defaults, OFG has rights to the underlying collateral securing the mortgage loan. OFG suffers losses on these mortgage loans when the proceeds from a foreclosure sale of the collateral property are less than the outstanding principal balance of the loan, any uncollected interest advanced, and the costs of holding and disposing the related property.

When OFG sells or securitizes mortgage loans, it generally makes customary representations and warranties regarding the characteristics of the loans sold. OFG's mortgage operations division groups conforming mortgage loans into pools that are exchanged for FNMA and GNMA mortgage-backed securities, which are generally sold to private investors, or are sold directly to FNMA or other private investors for cash. As required under such mortgage-backed securities programs, quality review procedures are performed by OFG to ensure that asset guideline qualifications are met. To the extent the loans do not meet specified characteristics, OFG may be required to repurchase such loans or indemnify for losses and bear any subsequent loss related to the loans. During the quarter ended March 31, 2024 June 30, 2024, OFG repurchased $1.0 million (March 31, $915 thousand (June 30, 2023 –$2.2 4.2 million) of unpaid principal balance in mortgage loans, excluding mortgage loans subject to such credit recourse provision. During the six-month period ended June 30, 2024, OFG repurchased $1.9 million (June 30, 2023- $6.4 million). At March 31, 2024 June 30, 2024 and December 31, 2023, OFG had a $277 $275 thousand and a $405 thousand liability, respectively, for the estimated credit losses related to these loans.

During the quarters ended March 31, 2024 June 30, 2024 and 2023, OFG recognized $28 $14 thousand and $6 $141 thousand in gains, net of reserves, respectively, from the repurchase of residential mortgage loans sold subject to credit recourse, and $109 thousand and $252 $21 thousand in gains and $372 thousand in losses, respectively, from the repurchase of residential mortgage loans as a result of breaches of customary representations and warranties. During the six-month periods ended June 30, 2024 and 2023 OFG recognized $43 thousand and $147 thousand, respectively, in gains from the repurchase of residential mortgage loans sold subject to credit recourse, and $77 thousand and $121 thousand, respectively, in losses from the repurchase of residential mortgage loans as a result of breaches of customary representations and warranties.

At March 31, 2024 June 30, 2024 OFG serviced $5.6 billion (December 31, 2023 - $5.6 billion) in mortgage loans for third parties. Servicing agreements relating to the mortgage-backed securities programs of FNMA and GNMA, and to mortgage loans sold or serviced to certain other investors, including FHLMC, require OFG to advance funds to make scheduled payments of principal, interest, taxes and insurance, if such payments have not been received from the borrowers. OFG generally recovers funds advanced pursuant to these arrangements from the mortgage owner, from liquidation proceeds when the mortgage loan is foreclosed or, in the case of FHA/VA loans, under the applicable FHA and VA insurance and guarantee programs. However, in the meantime, OFG must absorb the cost of the funds it advances during the time the advance is outstanding. OFG must also bear the costs of attempting to collect on delinquent and defaulted mortgage loans. In addition, if a defaulted loan is not cured, the mortgage loan would be canceled as part of the foreclosure proceedings and OFG would not receive any future servicing income with respect to that loan. At March 31, 2024 June 30, 2024, the outstanding balance of funds advanced by OFG under such mortgage loan servicing agreements was approximately $3.4 million $3.7 million (December 31, 2023 - $4.2 million). To the extent the mortgage loans underlying OFG's servicing portfolio experience increased delinquencies, OFG would be required to dedicate additional cash resources to comply with its obligation to advance funds as well as incur additional administrative costs related to increases in collection efforts.

NOTE 18— COMMITMENTS AND CONTINGENCIES

Commitments

In the normal course of business, OFG becomes a party to credit-related financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby and commercial letters of credit, and financial guarantees. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated statements of financial condition. The contract or notional amount of those instruments reflects the extent of OFG's involvement in particular types of financial instruments.

OFG's exposure to credit losses in the event of nonperformance by the counterparty to the financial instrument for commitments to extend credit, including commitments under credit card arrangements, and commercial letters of credit is represented by the contractual notional amounts of those instruments, which do not necessarily represent the amounts potentially subject to risk. In addition, the measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are identified. OFG uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Credit-related financial instruments at March 31, 2024 June 30, 2024 and December 31, 2023 were as follows:

	March 31, 2024	
	March 31, 2024	
	March 31, 2024	**December 31, 2023**
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	**December 31, 2023**
		(In thousands)
Commitments to extend credit		
Commercial letters of credit		

Commitments to extend credit represent agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. OFG evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by OFG upon the extension of credit, is based on management's credit evaluation of the counterparty.

At March 31, 2024 June 30, 2024 and December 31, 2023, commitments to extend credit consisted mainly of undisbursed available amounts on commercial lines of credit, construction loans, and revolving credit card arrangements. Since many of the unused commitments are expected to expire unused or be only partially used, the total amount of these unused commitments does not necessarily represent future cash requirements.

Commercial letters of credit are issued or confirmed to guarantee payment of customers' payables or receivables in short-term international trade transactions. Generally, drafts will be drawn when the underlying transaction is consummated as intended. However, the short-term nature of this instrument serves to mitigate the risk associated with these contracts.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The summary of instruments that are considered financial guarantees in accordance with the authoritative guidance related to guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others, at March 31, 2024 June 30, 2024 and December 31, 2023, is as follows:

	March 31, 2024 March 31, 2024 March 31, 2024	December 31, 2023
	June 30, 2024 June 30, 2024 June 30, 2024	December 31, 2023
		(In thousands)
Standby letters of credit and financial guarantees		
Loans sold with recourse		

Standby letters of credit and financial guarantees are written conditional commitments issued by OFG to guarantee the payment and/or performance of a customer to a third party ("beneficiary"). If the customer fails to comply with the agreement, the beneficiary may draw on the standby letter of credit or financial guarantee as a remedy. The amount of credit risk involved in issuing letters of credit in the event of non-performance is the face amount of the letter of credit or financial guarantee. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The amount of collateral obtained, if it is deemed necessary by OFG upon extension of credit, is based on management's credit evaluation of the customer.

At March 31, 2024 June 30, 2024 and December 31, 2023, the ACL for off-balance sheet credit exposures corresponding to commitments to extend credit and standby letters of credit amounted to $1.0 million $833 thousand and $1.2 million, respectively, and is included in other liabilities in the statement of financial condition.

At March 31, 2024 both June 30, 2024 and December 31, 2023, OFG maintained other non-credit commitments amounting to $19.1 million and $18.9 million, respectively, primarily for the acquisition of equity securities. In addition, as we continue to transform OFG with a focus on simplification and building a culture of excellence and customer service, we continue to invest in technology. Some of our technology investments require us to continuously upgrade our systems. Others require us to focus our technology on investments that drive our strategy, namely digital, data analytics, cloud migration, cyber security, and our sales and service capabilities. At March 31, 2024 June 30, 2024 and December 31, 2023, OFG had commitments for capital expenditures in technology amounting to $6.0 million $7.2 million and $7.8 million, respectively.

Contingencies

OFG and its subsidiaries are defendants in a number of legal proceedings incidental to their business. In the ordinary course of business, OFG and its subsidiaries are also subject to governmental and regulatory examinations. Certain subsidiaries of OFG, including the Bank (and its subsidiary, OIB), Oriental Financial Services and Oriental Insurance, are subject to regulation by various U.S., Puerto Rico and other regulators.

OFG seeks to resolve all arbitration, litigation and regulatory matters in the manner management believes is in the best interests of OFG and its shareholders, and contests allegations of liability or wrongdoing and, where applicable, the amount of damages or scope of any penalties or other relief sought as appropriate in each pending matter.

In accordance with applicable accounting guidance, OFG establishes an accrued liability when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. As a matter develops, OFG, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. Once the loss contingency is deemed to be both probable and estimable, OFG will establish an accrued liability and record a corresponding amount of expense. At March 31, 2024 June 30, 2024 and December 31, 2023, accrued liability for legal contingencies amounted to $725 $561 thousand and $817 thousand, respectively. OFG continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. OFG also has an accrued liability for potential losses, operational errors, loss on theft not covered by insurance premiums, uncollectible receivables, among other transactions, amounting to $1.7 million $1.5 million and $1.4 million, respectively, as of March 31, 2024 June 30, 2024 and December 31, 2023.

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Subject to the accounting and disclosure framework under the provisions of ASC 450, it is the opinion of OFG's management, based on current knowledge and after taking into account its current legal accruals, that the eventual outcome of all matters would not be likely to have a material adverse effect on the consolidated statements of financial condition of OFG. Nonetheless, given the substantial or indeterminate amounts sought in certain of these matters, and the inherent unpredictability of such matters, an adverse outcome in certain of these matters could, from time to time, have a material adverse effect on OFG's consolidated results of operations or cash flows in particular quarterly or annual periods. OFG has evaluated all arbitration, litigation and regulatory matters where the likelihood of a potential loss is deemed reasonably possible. OFG has determined that the estimate of the reasonably possible loss is not significant.

NOTE 19— OPERATING LEASES

Substantially all leases in which OFG is the lessee are comprised of real estate property for branches, ATM locations, and office space with terms extending through 2038. OFG's leases do not contain residual value guarantees or material variable lease payments. All leases are classified as operating leases and are included on the consolidated statements of financial condition as a right-of-use asset and a corresponding lease liability. OFG leases to others certain space in its principal offices for terms extending through 2024; 2026; all are operating leases.

Operating Lease Cost

Quarter Ended March 31,
Quarter Ended March 31,
Quarter Ended March 31,
Quarter Ended June 30,
Quarter Ended June 30,
Quarter Ended June 30,
2024
2024

	2024		**2023**	**Statement of Operations Classification**			**2023**		**2024**		**2023**	**Statement of Operations Classification**				
	(In thousands)															
Lease costs																
Lease costs																
Lease costs	$2,653	$	$2,600	Occupancy and equipment	Occupancy and equipment	$	2,261	$	$2,608	$	$	4,914	$	$5,208	Occupancy and equipment	Occupa and equipm
Variable lease costs	Variable lease costs	411	341	341	Occupancy and equipment	Occupancy and equipment	Variable lease costs	370	347	347	781	781	687			6
Short-term lease costs	Short-term lease costs	50	157	157	Occupancy and equipment	Occupancy and equipment	Short-term lease costs	91	148	148	141	141	305			3
Lease income	Lease income	(22)	(38)	(38)	Occupancy and equipment	Occupancy and equipment	Lease income	(29)	(17)	(17)	(51)	(51)	(54)			(

Total lease costs

Operating Lease Assets and Liabilities

		March 31, 2024 March 31, 2024 March 31, 2024		December 31, 2023	Statement of Financial Condition Classification							
		June 30, 2024 June 30, 2024 June 30, 2024		December 31, 2023	Statement of Financial Condition Classification							
	(In thousands)											
Right-of-use assets Right-of-use assets Right-of-use assets		$ 21,606	$	$ 21,725	Operating lease right-of-use assets	Operating lease right-of-use assets	$ 20,298	$	$21,725		Operating lease right-of-use assets	Operating lease right-of-use assets
Lease Liabilities	Lease Liabilities	$ 23,969	$	$ 24,029	Operating leases liabilities	Operating leases liabilities	Lease Liabilities	$22,605	$	$24,029	Operating leases liabilities	Operating leases liabilities

		March 31, 2024		December 31, 2023		
		June 30, 2024		December 31, 2023		
				(In thousands)		
Weighted-average remaining lease term	Weighted-average remaining lease term	5.1 years	5.1 years	Weighted-average remaining lease term	5.0 years	5.1 years
Weighted-average discount rate	Weighted-average discount rate	7.5 %	7.0 %	Weighted-average discount rate	7.5 %	7.0 %

Future minimum payments for operating leases with initial or remaining terms of one year or more as of March 31, 2024 June 30, 2024 were as follows:

	Minimum Rent
As of March 31, 2024	**(In thousands)**
As of June 30, 2024	**(In thousands)**
2024	
2025	
2026	
2027	
2028	
Thereafter	
Total lease payments	
Less imputed interest	
Present value of lease liabilities	

OFG, as lessor, leases and subleases real property to tenants under operating leases. As of March 31, 2024 June 30, 2024, no material lease concessions have been granted to tenants. As of March 31, 2024 June 30, 2024, OFG, as lessee, has not requested any lease concessions.

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS

OFG follows the fair value measurement framework under GAAP.

Fair Value Measurement

The fair value measurement framework defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This framework also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Money market investments

The fair value of money market investments is based on the carrying amounts reflected in the consolidated statements of financial condition as these are reasonable estimates of fair value given the short-term nature of the instruments.

Investment securities

The fair value of investment securities is based on valuations obtained from an independent pricing provider, ICE Data Pricing (formerly known as IDC) (“ICE”). ICE is a well-recognized pricing company and an established leader in financial information. Such securities are classified as Level 1 or Level 2, depending on the basis for determining fair value. At March 31, 2024 June 30, 2024, there was one security held-to-maturity, carried at amortized cost with no ACL established, classified as Level 3.

Servicing assets

Servicing assets do not trade in an active market with readily observable prices. Servicing assets are priced using a discounted cash flow model. The valuation model considers servicing fees, portfolio characteristics, prepayment assumptions, delinquency rates, late charges, other ancillary revenues, cost to service, and other economic factors. Due to the unobservable nature of certain valuation inputs, the servicing rights are classified as Level 3.

Foreclosed real estate

Foreclosed real estate includes real estate properties securing residential mortgage and commercial loans. The fair value of foreclosed real estate may be determined using an external appraisal, broker price opinion or an internal valuation. These foreclosed assets are classified as Level 3 given certain internal adjustments that may be made to external appraisals.

Other repossessed assets

Other repossessed assets are mainly composed of repossessed automobiles. The fair value of the repossessed automobiles may be determined using internal valuation and an external appraisal. These repossessed assets are classified as Level 3 given certain internal adjustments that may be made to external appraisals.

Assets and liabilities measured at fair value on a recurring and non-recurring basis are summarized below:

	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024
	Fair Value Measurements
	Fair Value Measurements
	Fair Value Measurements
	Level 1
	Level 1
	Level 1
	(In thousands)
	(In thousands)
	(In thousands)
Recurring fair value measurements:	
Recurring fair value measurements:	
Recurring fair value measurements:	
Investment securities available-for-sale	
Investment securities available-for-sale	
Investment securities available-for-sale	
Trading securities	

Trading securities	
Trading securities	
Money market investments	
Money market investments	
Money market investments	
Servicing assets	
Servicing assets	
Servicing assets	
	$
	$
	$
Non-recurring fair value measurements:	
Non-recurring fair value measurements:	
Non-recurring fair value measurements:	
Collateral dependent loans	
Collateral dependent loans	
Collateral dependent loans	
Foreclosed real estate	
Foreclosed real estate	
Foreclosed real estate	
Other repossessed assets	
Other repossessed assets	
Other repossessed assets	
Mortgage loans held for sale	
Mortgage loans held for sale	
Mortgage loans held for sale	
Other loans held for sale	
Other loans held for sale	
Other loans held for sale	
	$
	$
	$

	December 31, 2023			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Recurring fair value measurements:				
Investment securities available-for-sale	$ 296,799	$ 1,802,465	$ —	$ 2,099,264
Trading securities	—	13	—	13
Money market investments	4,623	—	—	4,623
Servicing assets	—	—	49,520	49,520
	$ 301,422	**$ 1,802,478**	**$ 49,520**	**$ 2,153,420**
Non-recurring fair value measurements:				
Collateral dependent loans	$ —	$ —	$ 8,027	$ 8,027
Foreclosed real estate	—	—	10,780	10,780
Other repossessed assets	—	—	4,032	4,032
Other loans held for sale	$ —	$ —	$ 28,345	28,345
	$ —	**$ —**	**$ 51,184**	**$ 51,184**

The fair value information included in the tables above for non-recurring fair value measurements is not as of year-end. period-end. Instead, it is as of the date that the fair value measurement was recorded during March 31, 2024 closest to June 30, 2024 and December 31, 2023, excludes nonrecurring fair value measurements of assets no longer outstanding as of the reporting date.

The tables below present a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for March 31, 2024 June 30, 2024 and 2023:

Level 3 Instruments Only

	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended March 31,
	Quarter Ended June 30,
	Quarter Ended June 30,
	Quarter Ended June 30,
	2024
	2024
	2024
	Servicing Assets
	Servicing Assets
	Servicing Assets
	(In thousands)
	(In thousands)
	(In thousands)
Balance at beginning period	
Balance at beginning period	
Balance at beginning period	
New instruments acquired	
New instruments acquired	
New instruments acquired	
Principal repayments and amortization	
Principal repayments and amortization	
Principal repayments and amortization	
Gains included in earnings	
Gains included in earnings	
Gains included in earnings	
Gains included in other comprehensive income	
Gains included in other comprehensive income	
Gains included in other comprehensive income	
Balance at end of period	
Balance at end of period	
Balance at end of period	

	Six-Month Period Ended June 30,
	Six-Month Period Ended June 30,
	Six-Month Period Ended June 30,
	2024
	2024
	2024
	Servicing Assets
	Servicing Assets
	Servicing Assets

	(In thousands)
	(In thousands)
	(In thousands)
Balance at beginning of period	
Balance at beginning of period	
Balance at beginning of period	
New instruments acquired	
New instruments acquired	
New instruments acquired	
Principal repayments and amortization	
Principal repayments and amortization	
Principal repayments and amortization	
Gains included in earnings	
Gains included in earnings	
Gains included in earnings	
Gains included in other comprehensive income	
Gains included in other comprehensive income	
Gains included in other comprehensive income	
Balance at end of period	
Balance at end of period	
Balance at end of period	

Servicing assets gains included in earnings during the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023 were included as mortgage servicing activities in the consolidated statements of operations. For more information on the qualitative information about Level 3 fair value measurements, see Note 7 – Servicing Assets.

During the quarters ended March 31, 2024 and 2023, there There were purchases and sales of assets and no liabilities measured at fair value on a recurring basis.

basis and non-recurring basis at June 30, 2024 and December 31, 2023. The table below presents quantitative information for all assets and liabilities measured at fair value on a recurring and non-recurring basis using significant unobservable inputs (Level 3) at March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31, 2024					
	Fair Value		Valuation Technique	Unobservable Input	Range	Weighted Average
	(In thousands)					
Servicing assets	$	49,553	Cash flow valuation	Constant prepayment rate	1.14% - 15.08%	6.18 %
				Discount rate	10.00% - 15.50%	11.46 %
Collateral dependent loans	$	7,862	Fair value of property or collateral	Appraised value less disposition costs	10.20% - 33.20%	16.99 %
Foreclosed real estate	$	10,850	Fair value of property or collateral	Appraised value less disposition costs	10.20% - 33.20%	12.53 %
Other repossessed assets	$	6,844	Fair value of property or collateral	Estimated net realizable value less disposition costs	31.00% - 77.00%	56.43 %
Mortgage loans held for sale	$	9,370	Market prices	Pricing and execution whole loan	96.04% - 101.24%	98.25 %
Other loans held for sale	$	18,904	Bids or sales contract prices	Estimated market value	98.41% - 147.96%	129.96 %

	June 30, 2024				
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average

	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
	(In thousands)				
Servicing assets	$ 49,789	Cash flow valuation	Constant prepayment rate	1.49% - 11.45%	6.07 %
			Discount rate	10.00% - 15.50%	11.45 %
Collateral dependent loans	$ 13,772	Fair value of property or collateral	Appraised value less disposition costs	10.20% - 33.20%	17.67 %
Foreclosed real estate	$ 6,526	Fair value of property or collateral	Appraised value less disposition costs	10.00% - 33.00%	10.95 %
Other repossessed assets	$ 5,713	Fair value of property or collateral	Estimated net realizable value less disposition costs	36.00% - 71.00%	55.48 %
Mortgage loans held for sale	$ 8,375	Market prices	Pricing and execution whole loan	92.89% - 101.33%	98.25 %
Other loans held for sale	$ 12,361	Bids or sales contract prices	Estimated market value	100.00% - 104.47%	100.48 %

	December 31, 2023				
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
	(In thousands)				
Servicing assets	$ 49,520	Cash flow valuation	Constant prepayment rate	1.35% - 17.34%	6.12 %
			Discount rate	10.00% - 15.50%	11.45 %
Collateral dependent loans	$ 8,027	Fair value of property or collateral	Appraised value less disposition costs	10.20% - 33.20%	17.00 %
Foreclosed real estate	$ 10,780	Fair value of property or collateral	Appraised value less disposition costs	10.20% - 33.20%	12.67 %
Other repossessed assets	$ 4,032	Fair value of property or collateral	Estimated net realizable value less disposition costs	31.00% - 77.00%	57.72 %
Other loans held for sale	$ 28,345	Bids or sales contract prices	Estimated market value	52.00% - 103.20%	84.80%

Information about Sensitivity to Changes in Significant Unobservable Inputs

Servicing assets – The significant unobservable inputs used in the fair value measurement of OFG's servicing assets are constant prepayment rates and discount rates. Changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which may magnify or offset the sensitivities. Mortgage banking activities, a component of total banking and financial service revenue in the consolidated statements of operations, include the changes from period to period in the fair value of the mortgage loan servicing rights, which may result from changes in the valuation model inputs or assumptions (principally reflecting changes in discount rates and prepayment speed assumptions) and other changes, including changes due to collection/realization of expected cash flows.

Fair Value of Financial Instruments

The information about the estimated fair value of financial instruments required by GAAP is presented hereunder. The aggregate fair value amounts presented do not necessarily represent management's estimate of the underlying value of OFG.

The estimated fair value is subjective in nature, involves uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect these fair value estimates. The fair value estimates do not take into consideration the value of future business and the value of assets and liabilities that are not financial instruments. Other significant tangible and intangible assets that are not considered financial instruments include the value of long-term customer relationships of retail deposits, and premises and equipment.

OFG BANCORP
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The estimated fair value and carrying value of OFG's financial instruments at March 31, 2024 June 30, 2024 and December 31, 2023 was as follows:

	March 31, 2024	
	June 30, 2024	
	March 31, 2024	
	June 30, 2024	
	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Fair Value		
	(In thousands)	
	(In thousands)	
	(In thousands)	
Financial Assets:		
Financial Assets:		
Financial Assets:		
Level 1		
Level 1		
Level 1		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Investment securities available-for-sale		
Investment securities available-for-sale		
Investment securities available-for-sale		
Level 2		
Level 2		
Level 2		
Financial Assets:		
Financial Assets:		
Financial Assets:		
Trading securities		
Trading securities		
Trading securities		
Investment securities available-for-sale		
Investment securities available-for-sale		
Investment securities available-for-sale		
Investment securities held-to-maturity		
Investment securities held-to-maturity		
Investment securities held-to-maturity		
Federal Home Loan Bank (FHLB) stock		
Federal Home Loan Bank (FHLB) stock		
Federal Home Loan Bank (FHLB) stock		
Equity securities		
Equity securities		
Equity securities		
Level 3		
Level 3		
Level 3		
Financial Assets:		

Financial Assets:
Financial Assets:
Investment securities held-to-maturity
Investment securities held-to-maturity
Investment securities held-to-maturity
Total loans (including loans held-for-sale)
Total loans (including loans held-for-sale)
Total loans (including loans held-for-sale)
Accrued interest receivable
Accrued interest receivable
Accrued interest receivable
Servicing assets
Servicing assets
Servicing assets
Accounts receivable and other assets
Accounts receivable and other assets
Accounts receivable and other assets
Financial Liabilities:
Financial Liabilities:
Financial Liabilities:
Deposits
Deposits
Deposits
Advances from FHLB
Advances from FHLB
Advances from FHLB
Other borrowings
Other borrowings
Other borrowings
Accrued expenses and other liabilities
Accrued expenses and other liabilities
Accrued expenses and other liabilities

The following methods and assumptions were used to estimate the fair values of significant financial instruments at March 31, 2024 June 30, 2024 and December 31, 2023:

- Cash and cash equivalents (including money market investments and time deposits with other banks), accrued interest receivable, accounts receivable and other assets, accrued expenses and other liabilities, and other borrowings have been valued at the carrying amounts reflected in the consolidated statements of financial condition as these are reasonable estimates of fair value given the short-term nature of the instruments.
- Investments in FHLB stock are valued at their redemption value.
- The fair value of investment securities, including trading securities, is based on quoted market prices, when available or prices provided from contracted pricing providers, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use both observable and unobservable inputs depending on the market activity of the instrument. The estimated fair value of the AFICA bond in other debt securities held-to-maturity is determined by using a detailed discounted cash flow valuation model to calculate the present value of projected future cash flows. The credit losses are recorded using the ACL methodology. This involves comparing the amortized cost of the securities with the fair value of the expected future cash flows. Several assumptions requiring a high degree of judgment include the selection of market discount rates, the determination of current credit spread, and the estimation of both the probability of default and loss given default rates. Equity securities do not have readily available fair values and are measured at cost, less any impairment.
- The fair value of servicing asset is estimated by using a cash flow valuation model, which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected loan prepayment rates, discount rates, servicing costs, and other economic factors, which are determined based on current market conditions.

- The fair value of the loan portfolio (including loans held-for-sale and non-performing loans) is based on the exit market price, which is estimated by segregating by loan type, such as mortgage, commercial, consumer and auto. The fair value is calculated by discounting contractual cash flows. The discount rate used in such calculation considers a capital adjustment as well as other premiums for systemic risk, servicing costs, modeling and uncertainty risk, and impairment uncertainty.

- The fair value of demand deposits and savings accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is based on the discounted value of the contractual cash flows, using estimated current market discount rates for deposits of similar remaining maturities.

- The fair value of long-term borrowings, including advances from FHLB, is based on the discounted value of the contractual cash flows using current estimated market discount rates for borrowings with similar terms, remaining maturities and put dates.

NOTE 21 – BANKING AND FINANCIAL SERVICE REVENUES

The following table presents the major categories of banking and financial service revenues for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023:

	Quarter Ended March 31,	
	Quarter Ended March 31,	
	Quarter Ended March 31,	
	2024	
	2024	
	Quarter Ended June 30,	
	Quarter Ended June 30,	
	Quarter Ended June 30,	**Six-Month Period Ended June 30,**
	2024	
	(In thousands)	
	(In thousands)	
	(In thousands)	**(In thousands)**
Banking service revenues:		
Banking service revenues:		
Banking service revenues:		
Electronic banking fees		
Electronic banking fees		
Electronic banking fees		
Checking accounts fees		
Checking accounts fees		
Checking accounts fees		
Savings accounts fees		
Savings accounts fees		
Savings accounts fees		
Credit life commissions		
Credit life commissions		
Credit life commissions		
Branch service commissions		
Branch service commissions		
Branch service commissions		
Servicing and other loan fees		
Servicing and other loan fees		
Servicing and other loan fees		
International fees		
International fees		
International fees		

Miscellaneous income
Miscellaneous income
Miscellaneous income
Total banking service revenues
Total banking service revenues
Total banking service revenues
Wealth management revenue:
Wealth management revenue:
Wealth management revenue:
Insurance income
Insurance income
Insurance income
Broker fees
Broker fees
Broker fees
Trust fees
Trust fees
Trust fees
Other fees
Other fees
Other fees
Total wealth management revenue
Total wealth management revenue
Total wealth management revenue
Mortgage banking activities:
Mortgage banking activities:
Mortgage banking activities:
Net servicing fees
Net servicing fees
Net servicing fees
Net gains on sale of mortgage loans and valuation
Net gains on sale of mortgage loans and valuation
Net gains on sale of mortgage loans and valuation
Net gain on repurchased loans and other
Net gain on repurchased loans and other
Net gain on repurchased loans and other
Net gain (loss) on repurchased loans and other
Net gain (loss) on repurchased loans and other
Net gain (loss) on repurchased loans and other
Total mortgage banking activities
Total mortgage banking activities
Total mortgage banking activities
Total banking and financial service revenues
Total banking and financial service revenues
Total banking and financial service revenues

OFG recognizes the revenue from banking services, wealth management and mortgage banking based on the nature and timing of revenue streams from contracts with customers:

Banking Service Revenues

Electronic banking fees are credit and debit card processing services, use of the Bank’s ATMs by non-customers, debit card interchange income and service charges on deposit accounts. Revenue is recorded once the contracted service has been provided.

Service charges on checking and saving accounts is recognized as consumer periodic maintenance revenue once the service is rendered, while overdraft and late charges revenues are recorded after the contracted service has been provided.

Other income as credit life and branch service commissions, servicing and other loan fees, international fees, and miscellaneous income recognized as banking services revenue are out of the scope of ASC 606 – Revenue from Contracts with Customers.

Wealth Management Revenue

Insurance income from commissions generated in the sale of insurance policies issued by unaffiliated insurance companies and sale of annuities are recorded once the sale has been completed. Reinsurance revenue is recorded based on earned premium confirmed by the fronting insurance company. Contingent insurance commissions are recorded once the paying insurance companies confirm the amounts earned.

Broker fees consist of two categories:

- Sales commissions generated by advisers for their clients' purchases and sales of securities and other investment products, which are collected once the stand-alone transactions are completed at trade date or as earned, and managed account fees which are fees charged to advisers' clients' accounts on OFG's corporate advisory platform. These revenues do not cover future services, as a result there is no need to allocate the amount received to any other service.

- Fees for providing distribution services related to mutual funds, net of compensation paid to a provider of such services, as well as trailer fees (also known as 12b-1 fees). These fees are considered variable and are recognized over time, as the uncertainty of the fees to be received is resolved as the net asset value of the mutual fund is determined and investor activity occurs. Fees do not cover future services, as a result there is no need to allocate the amount received to any other service.

Trust fees are revenues related to fiduciary services provided to 401K retirement plans, an IRA trust, trusts, and retirement plans. These generally include payment for trustee services, distribution services, custodial services of plan assets, due diligence services, and investment advisory services. Fees are billed based on services contracted. Negotiated fees are detailed in the contract. Fees collected in advance are amortized over the term of the contract. Fees are generally collected on an annual or quarterly basis once the administrative service has been completed. Fees do not include future services.

Mortgage Banking Activities

Mortgage banking activities such as servicing fees, gain on sale of mortgage loans and valuation, and loss gain (loss) on repurchased loans and other are out of the scope of ASC 606.

NOTE 22 – BUSINESS SEGMENTS

OFG segregates its businesses into the following segments of business: Banking, Wealth Management, and Treasury. Management established the reportable segments based on the internal reporting used to evaluate performance and to assess where to allocate resources. Other factors such as OFG's organization, nature of its products, distribution channels and economic characteristics of the products were also considered in the determination of the reportable segments. OFG measures the performance of these segments based on pre-established goals of different financial parameters such as net income, net interest income, loan production, and fees generated. OFG's methodology for allocating non-interest expenses among segments is based on several factors such as revenue, employee headcount, occupied space, dedicated services or time, among others. These factors are reviewed on a periodical basis and may change if the conditions warrant.

Banking includes the Bank's branches and traditional banking products such as deposits and commercial, consumer, auto, and mortgage loans. Mortgage banking activities are carried out by the Bank's mortgage banking division, whose principal activity is to originate mortgage loans for OFG's own portfolio. As part of its mortgage banking activities, OFG may sell loans directly into the secondary market or securitize conforming loans into mortgage-backed securities.

Wealth Management is comprised of the Bank's trust division, Oriental Financial Services, Oriental Insurance, and OFG Reinsurance. The core operations of this segment are financial planning, securities brokerage services, investment advisory services, insurance, corporate and individual trust and retirement services.

The Treasury segment encompasses all of OFG's asset/liability management activities, such as purchases and sales of investment securities, interest rate risk management, and borrowings. Intersegment sales and transfers, if any, are accounted for as if the sales or transfers were to third parties, that is, at current market prices.

Following are the results of operations and the selected financial information by operating segment for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023:

	Quarter Ended March 31, 2024					Quarter Ended June 30, 2024					
Banking	Banking	Wealth Management	Treasury	Total Major Segments	Eliminations	Consolidated Total	Banking	Wealth Management	Treasury	Total Major Segments	Eliminat
		(In thousands)									

Interest income
Interest expense
Net interest income
Provision for (recapture of) credit losses
Non-interest income
Non-interest expenses
Intersegment revenue
Intersegment expenses
Income before income taxes
Income tax expense
Net income
Total assets

	Six-Month Period Ended June 30, 2024					
	Six-Month Period Ended June 30, 2024					
	Six-Month Period Ended June 30, 2024					
	Banking	**Wealth Management**	**Treasury**	**Total**	**Eliminations**	**Consolidated Total**
	(In thousands)					
Interest income						
Interest expense						
Net interest income						
Provision for (recapture of) credit losses						
Non-interest income, net						
Non-interest expenses						
Intersegment revenue						
Intersegment expenses						
Income before income taxes						
Income tax expense						

Net income

Total assets

Eliminations include interest income and expense for a time deposit opened by the Bank in Oriental Overseas, an international banking entity organized and licensed under Puerto Rico law, which operates as a unit within the Bank. The time deposit with a balance of $301.4 million$302.4 million and $414.6 million$364.2 million at March 31, 2024June 30, 2024 and 2023, respectively, to fund Oriental Overseas operations is included in the Treasury Segment with its corresponding interest expense, to fund Oriental Overseas operations, whichand the related interest income is included in the Banking Segment, with its corresponding interest income, and are eliminated in the consolidation. Interest income is accrued on the unpaid principal balance. The decrease in interest income and interest expense from the prior year period was mainly as a result of lower interest rate and average balance.

	Quarter Ended March 31, 2023					
	Banking	Wealth Management	Treasury	Total Major Segments	Eliminations	Consolidated Total
	(In thousands)					
Interest income	$ 132,425	$ 5	$ 21,126	$ 153,556	$ (4,571)	**$ 148,985**
Interest expense	(12,381)	—	(5,278)	(17,659)	4,571	**(13,088)**
Net interest income	120,044	5	15,848	135,897	—	**135,897**
Provision for credit losses	9,405	—	40	9,445	—	**9,445**
Non-interest income	21,625	7,276	—	28,901	—	**28,901**
Non-interest expenses	(85,365)	(3,955)	(900)	(90,220)	—	**(90,220)**
Intersegment revenue	546	—	—	546	(546)	**—**
Intersegment expenses	—	(377)	(169)	(546)	546	**—**
Income before income taxes	47,445	2,949	14,739	65,133	—	**65,133**
Income tax expense	18,892	—	12	18,904	—	**18,904**
Net income	**$ 28,553**	**$ 2,949**	**$ 14,727**	**$ 46,229**	**$ —**	**$ 46,229**
Total assets	**$ 8,484,413**	**$ 28,605**	**$ 2,591,608**	**$ 11,104,626**	**$ (1,047,045)**	**$ 10,057,581**

	Quarter Ended June 30, 2023					
	Banking	Wealth Management	Treasury	Total Major Segments	Eliminations	Consolidated Total
	(In thousands)					
Interest income	$ 139,999	$ 6	$ 22,841	$ 162,846	$ (4,858)	**$ 157,988**
Interest expense	(15,824)	—	(7,378)	(23,202)	4,858	**(18,344)**
Net interest income	124,175	6	15,463	139,644	—	**139,644**
Provision for credit losses	15,052	—	(8)	15,044	—	**15,044**
Non-interest income	23,354	7,868	(1,149)	30,073	—	**30,073**
Non-interest expenses	(83,876)	(4,138)	(874)	(88,888)	—	**(88,888)**
Intersegment revenue	575	—	—	575	(575)	**—**
Intersegment expenses	—	(380)	(195)	(575)	575	**—**
Income before income taxes	49,176	3,356	13,253	65,785	—	**65,785**
Income tax expense	21,577	20	15	21,612	—	**21,612**
Net income	**$ 27,599**	**$ 3,336**	**$ 13,238**	**$ 44,173**	**$ —**	**$ 44,173**
Total assets	**$ 8,720,156**	**$ 33,946**	**$ 2,338,820**	**$ 11,092,922**	**$ (1,061,375)**	**$ 10,031,547**

	Six-Month Period Ended June 30, 2023					
	Banking	Wealth Management	Treasury	Total	Eliminations	Consolidated Total
	(In thousands)					
Interest income	$ 272,424	$ 11	$ 43,967	$ 316,402	$ (9,429)	**$ 306,973**
Interest expense	$ (28,205)	$ —	$ (12,656)	$ (40,861)	$ 9,429	**$ (31,432)**

Net interest income	$ 244,219	$ 11	$ 31,311	$ 275,541	$ —	**$ 275,541**
Provision for credit losses	$ 24,457	$ —	$ 32	$ 24,489	$ —	**$ 24,489**
Non-interest income, net	$ 44,979	$ 15,144	$ (1,149)	$ 58,974	$ —	**$ 58,974**
Non-interest expenses	$ (169,241)	$ (8,093)	$ (1,774)	$ (179,108)	$ —	**$ (179,108)**
Intersegment revenue	$ 1,122	$ —	$ —	$ 1,122	$ (1,122)	**$ —**
Intersegment expenses	$ —	$ (758)	$ (364)	$ (1,122)	$ 1,122	**$ —**
Income before income taxes	$ 96,622	$ 6,304	$ 27,992	$ 130,918	$ —	**$ 130,918**
Income tax expense	$ 40,469	$ 20	$ 27	$ 40,516	$ —	**$ 40,516**
Net income	**$ 56,153**	**$ 6,284**	**$ 27,965**	**$ 90,402**	**$ —**	**$ 90,402**
Total assets	**$ 8,720,156**	**$ 33,946**	**$ 2,338,820**	**$ 11,092,922**	**$ (1,061,375)**	**$ 10,031,547**

ITEM 2. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

Please read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included under Item I, "Financial Statements" of this quarterly report on Form 10-Q. This discussion and analysis section contains forward-looking statements. Please see "Forward-Looking Statements," "Risk Factors," and "Quantitative and Qualitative Disclosures about Market Risk" in this quarterly report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 and set forth in our annual report for the year ended December 31, 2023 (the "2023 Form 10-K"), as supplemented and amended by any subsequent quarterly reports on Form 10-Q, for a discussion of the uncertainties, risks and assumptions associated with these statements.

Other factors not identified above, including those described under the headings in our 2023 Form 10-K and any subsequent quarterly reports on Form 10-Q may also cause actual results to differ materially from those described in our forward-looking statements.

INTRODUCTION

OFG is a publicly-owned financial holding company that provides wide range of banking and financial services such as commercial, consumer, auto, and mortgage lending, financial planning, insurance sales, investment advisory and securities brokerage services, as well as corporate and individual trust services. OFG It operates through three business segments: Banking, Wealth Management, and Treasury, and distinguishes itself based on quality service. OFG conducts its business through its main office in San Juan, Puerto Rico, forty-two branches in Puerto Rico and two branches in the U.S. Virgin Islands (the "USVI"). OFG It has three five subsidiaries with operations in Puerto Rico: the Bank, Oriental Financial Services, Oriental Insurance, OIB and Oriental Insurance; OBPEF; two subsidiaries in the United States, OFG USA and OFG Ventures; and one subsidiary in the Cayman Islands, OFG Reinsurance. OFG's long-term goal is to strengthen its banking and financial services franchise by expanding its lending businesses, increasing the level of integration in the marketing and delivery of banking and financial services, continuously improving our already effective asset-liability management, growing non-interest revenue from banking and financial services, as well as achieving greater operating efficiencies.

OFG's diversified mix of businesses and products generates both the interest income traditionally associated with a banking institution and non-interest income traditionally associated with a financial services institution (generated by such businesses as securities brokerage, fiduciary services, investment advisory, insurance agency and reinsurance). Although all of these businesses, to varying degrees, are affected by interest rate and financial market fluctuations and other external factors, OFG's commitment is to continue producing a balanced and growing revenue stream.

OFG's mission is to make possible the progress of our customers, employees, shareholders, and the communities we serve. OFG has been deploying its Digital First strategy to achieve this mission. Our strategy highly differentiates OFG through a sales and service business model and culture that emphasizes convenience and accessibility through digital channels while creating a simple, self-service and enjoyable customer experience. OFG strives to proactively identify the customer's objectives and needs to offer value-added services that help them achieve financial progress and well-being.

RECENT DEVELOPMENTS

Capital Actions

In January 2024, OFG announced that its Board of Directors approved the increase of its regular quarterly cash dividend to $0.25 per common share from $0.22 per share, beginning in the quarter ended March 31, 2024. The Board of Directors also approved a new $50.0 million stock repurchase program. The new stock repurchase program, which is open-ended, replaces the prior stock repurchase program which had had been approved by the Board of Directors in January 2022, and which had $17.2 million remaining of its $100.0 million repurchase parameters. At March 31, 2024 During the six-month period ended June 30, 2024, there have been no repurchases under this new program. OFG repurchased 669,200 shares for a total of $24.3 million at an average price of $36.28 per share.

Economic Conditions

We believe that Puerto Rico's economy continues to demonstrate resiliency and growth and its private sector, including business investments, is expanding. The Puerto Rico Economic Activity Index, as published by the Economic Development Bank for Puerto Rico, increased 3.4% slightly decreased 2.0% year-over-year in December 2023 and retail sales increased 4.5% year-over-year also in December 2023. as of April 2024. According to the data published by Economic Development Bank for Puerto Rico, wages are rising, and labor participation is increasing. Total non-farm payroll employment averaged 960,300 jobs in December 2023 increased 2.6% year-over-year April, equivalent to an increase of 0.8% for that month, in a month-over-month basis, and total employment rose 2.5% from July 2022 to December 2023. an annual increase of 2.4%. The inflow of federal stimulus and reconstruction funds for rebuilding infrastructure has continued, and we believe this inflow will stimulate the local economy. Nevertheless, OFG continues to pay attention to the potential impact of interest rate changes, inflation, and other economic factors, and global conflicts, all of which could impact our business and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in the consolidated financial statements. Understanding our accounting policies and the extent to which we use management judgment and estimates in applying these policies is integral to understanding our financial statements. We provide a summary of our significant accounting policies in "Note 1—Summary of Significant Accounting Policies" of our 2023 Form 10-K.

In the "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" section of our 2023 Form 10-K, we identified the Allowance for Credit Losses related to loans collectively evaluated for impairment as a critical accounting policy and estimate because it involves significant estimation uncertainty that has or is reasonably likely to have a material impact on our financial condition or results of operations.

We evaluate our critical accounting estimates and judgments on an ongoing basis and update them as necessary based on changing conditions. As part of OFG's continuous enhancement to the allowance for credit losses methodology, during the quarter six-month period ended March 31, 2024 June 30, 2024, an assessment of the weight of probability scenarios for the US loan segment was performed and updated to use a higher probability level in the moderate recessionary scenario. This change in the allowance for credit losses is considered a change in accounting estimate as per ASC 250-10 provisions, where adjustments should be made prospectively. Apart from the foregoing change, there have been no material changes in the methods that we used to formulate these critical accounting estimates from those discussed in our 2023 Form 10-K.

FINANCIAL HIGHLIGHTS

First We believe that the second quarter earnings per share diluted of 2024 continued to demonstrate the strength of OFG's strategies and franchise. EPS-diluted increased 9.4% 16.1% year-over-year on a 5.9% 5.2% increase in total core revenues, reflecting what revenues. OFG generated strong performance metrics through consistent growth; increased loans, deposits, and non-interest income; and stable credit quality. Further, we believe is an overall solid performance across all businesses in line with that our strategic plans. We believe that OFG's Digital First 'Digital First' strategy continues to drive an increase help expand retail and business relationships through new and upgraded products, services, and self-service tools. In addition, we implemented close to half of our $50 million share buyback program, purchasing $24.3 million of OFG's shares in customers the open market. At the same time, Puerto Rico's economy continued to grow and their engagement. Overall, Puerto Rico's business activity and consumer liquidity remains strong. We believe that OFG's balance sheet is well positioned to navigate a longer-high-interest rate environment.

First Quarter of 2024:

steadily decouple from mainland economic uncertainties.

Earnings per share diluted diluted was $1.05 of $1.08 compared to $0.98 $1.05 in the fourth first quarter of 2023 2024 and $0.96 $0.93 in the first second quarter of 2023. Total core revenues of $174.2 million $179.4 million compared to $175.6 million $174.2 million in the fourth first quarter of 2023 2024 and $164.4 million $170.5 million in the first second quarter of 2023.

Performance metrics: Net interest margin of 5.40% 5.51%, return on average assets of 1.77% 1.82%, return on average tangible common stockholders' equity of 17.92% 18.24%, and efficiency ratio of 52.49% 51.81%.

Total interest income Interest Income of $183.4 million $187.7 million compared to $176.2 million $183.4 million in the fourth first quarter of 2023 2024 and $149.0 million $158.0 million in the first second quarter of 2023. Compared to the fourth first quarter of 2023, 2024, the first second quarter of 2024 primarily reflected higher average balances and yields on investment securities, cash and loans. The second quarter of 2024 also included $2.1 million from the recovery of a non-accrual U.S. commercial loan paid in full.

Total Interest Expense of $40.3 million compared to $39.3 million in the first quarter of 2024 included one fewer day than the fourth quarter of 2023, which reduced interest income by about $1.4 million.

Total interest expense of $39.3 million compared to $32.7 million and $18.3 million in the fourth quarter of 2023 and $13.1 million in the first second quarter of 2023. Compared to the fourth first quarter of 2023, 2024, the second quarter of 2024 reflected higher average core deposits and a 7 basis point increase in rates, partially offset by lower average wholesale funding and rate.

Total Banking and Financial Service Revenues of $32.1 million compared to $30.1 million in the first quarter of 2024 core deposits average balances increased 10% and the cost increased 40 basis points reflecting the impact of the $1.2 billion in government funds deposited late $30.9 million in the fourth second quarter of 2023. Compared to the first quarter of 2024, the second quarter of 2024 reflected higher banking service, wealth management and mortgage banking revenues. Banking service revenues included $0.6 million prepayment fees on U.S. loans, while wealth management included $0.5 million in annual recognition of certain commercial insurance commissions.

Total banking and financial service revenues Pre-Provision Net Revenues of $30.1 million $86.8 million compared to $32.1 million in the fourth quarter of 2023 and $28.5 million $83.0 million in the first quarter of 2023. The first 2024 and $80.8 million in the second quarter of 2024 reflected one fewer day 2023.

Total Provision for Credit Losses of $15.6 million compared to the fourth quarter of 2023, which included $2.5 million of annual insurance recognition.

Pre-provision net revenues of $83.0 million compared to $88.2 million in the fourth quarter of 2023 and $74.6 million $15.1 million in the first quarter of 2024 and $15.0 million in the second quarter of 2023. The fourth second quarter of 2023 included $8.8 million from a gain on the sale of nonperforming commercial loans and from annual insurance recognition revenues. 2024 provision primarily reflected increased loan volume.

Total provision for credit losses Credit Quality: Net charge-offs of $15.1 million $15.0 million compared to $19.7 million in the fourth quarter of 2023 and $9.4 million $19.8 million in the first quarter of 2023. The first quarter of 2024 provision reflected $15.1 million related to loan volume and $1.7 million as a result of the strategic sale of a performing U.S. commercial loan. This was partially offset by $1.7 million mainly due to a reduction in specific reserves for payments received on substantially reserved U.S. commercial loans.

Credit quality: Net charge-offs of $19.8 million compared to $16.3 million $6.6 million in the fourth quarter of 2023 and $10.1 million in the first second quarter of 2023. The first quarter of 2024 included $3.5 million from previously and fully reserved nonperforming PPP loans. The first second quarter of 2024 early and total delinquency rates were 2.41% 2.81% and 3.30% 3.71%, respectively, lower than the fourth quarter of 2023 and pre-pandemic levels. respectively. The non-performing nonperforming loan rate of 1.10% 1.08% was the lowest over in the last five quarters.

Total non-interest expense Non-Interest Expense of $91.4 million $93.0 million compared to $94.1 million in the fourth quarter of 2023 and $90.2 million $91.4 million in the first quarter of 2024 and $88.9 million in the second quarter of 2023. The Compared to the first quarter of 2024, the second quarter of 2024 included a higher level increases of $1.3 million in electronic banking expenses, $1.1 million in professional services fees, and $0.4 million for increased FDIC deposit insurance assessments now that Oriental exceeds $10 billion in assets. This was partially offset by reductions of $1.4 million in foreclosed real estate costs and in FICA payments compared payroll-related expenses relative to the fourth quarter of 2023, which included $3.2 million in workforce early retirement and rightsizing costs. prior quarter.

Effective Tax Rate ("ETR") of 26.8% 28.2% compared to 31.9% 26.8% in the fourth first quarter of 2023 2024 and first 32.9% in the second quarter of 2023. The first second quarter of 2024 reflected an expected 2024 effective tax rate ETR of 28.5% 29.0% due to higher forecasted business activities with preferential tax treatment under the Puerto Rico Internal Revenue Code of 2011, tax code, coupled with a $0.8 million tax benefit credit in the second quarter of 2024 compared to $1.1 million discrete benefit for stock vested in in the first quarter of 2024.

Loans held Held for investment Investment of $7.54 billion $7.64 billion compared to $7.53 billion in the fourth quarter of 2023 and $6.85 billion $7.54 billion in the first quarter of 2023. Loans were approximately level with December 31, 2023 balances 2024 and increasing by 10.0% year-over-year. $7.12 billion in the second quarter of 2023. Compared to December 31, 2023 the first quarter of 2024, the second quarter of 2024 increased 1.3%, the March 31, 2024 loans reflected increases reflecting growth in retail Puerto Rico commercial, auto and consumer loans, partially offset by regular paydowns of residential mortgages and securitization and sale prepayment of conforming loans as well as seasonal paydowns of U.S. commercial lines of credit.

New loan production of $536.6 million compared to $663.9 million in the fourth quarter of 2023 and $561.3 million in the first quarter of 2023. loans. Compared to the fourth quarter of 2023, production reflected increased auto and consumer lending and lower commercial and residential mortgage lending.

Total investments of $2.48 billion compared to $2.69 billion in the fourth quarter of 2023 and $1.92 billion in the first quarter of 2023. The first quarter of 2024 primarily reflected the sale of US Treasury securities.

Customer deposits of $9.55 billion compared to $9.60 billion in the fourth quarter of 2023 and $8.57 billion in the first quarter of 2023.

Total borrowings and brokered deposits of $203.3 million compared to $363.0 million in the fourth quarter of 2023 and $226.8 million in the first quarter of 2023. Compared to the fourth second quarter of 2023, the first quarter of 2024 reflected a reduced need for wholesale funding. loans increased 7.3%.

Cash and cash equivalents New Loan Production of $754.4 million $589.0 million compared to $748.2 million in the fourth quarter of 2023 and $847.5 million $536.6 million in the first quarter of 2024 and $681.8 million in the second quarter of 2023. Compared to the first quarter of 2024, the second quarter of 2024 loan production, led by auto, reflected increases in all categories.

Total assets Investments of $11.16 billion $2.48 billion compared to $11.34 billion in the fourth quarter of 2023 and $10.06 billion $2.48 billion in the first quarter of 2024 and $1.70 billion in the second quarter of 2023.

Customer Deposits of $9.60 billion compared to $9.55 billion in the first quarter of 2024 and $8.54 billion in the second quarter of 2023. Compared to the first quarter of 2024, the second quarter of 2024 reflected an increase in commercial deposits partially offset by a decline in retail deposits.

Total Borrowings and Brokered Deposits of $201.2 million compared to $203.3 million in the first quarter of 2024 and $226.5 million in the second quarter of 2023.

Cash and Cash Equivalents of $740.4 million compared to $754.4 millionin the first quarter of 2024 and $799.0 millionin the second quarter of 2023.

Capital: CET1 ratio of 14.45% was 14.29% compared to 14.12% 14.45% in the fourth first quarter of 2023 2024 and 14.07% 14.03% in the first second quarter of 2023. The Tangible Common Equity ratio was 10.06% 10.09% compared to 9.68% 10.06% in the fourth first quarter of 2023 2024 and 9.85% 9.99% in the first second quarter of 2023. Tangible Book Value of $24.18 per share of $23.55 compared to $23.13 in the fourth quarter of 2023 and $20.57 $23.55 in the first quarter of 2023. The first 2024 and $21.06 in the second quarter of 2024 Tangible Book Value reflected increased retained earnings. 2023.

Selected income statement and balance sheet data and key performance indicators are presented in the tables below:

	Quarter Ended March 31,	
	Quarter Ended June 30,	
	Quarter Ended March 31,	
	Quarter Ended June 30,	
	Quarter Ended March 31,	
	2024	
	2024	
	Quarter Ended June 30,	**Six-Month Period Ended June 30,**
	2024	
EARNINGS DATA:		
EARNINGS DATA:		
EARNINGS DATA:	**(In thousands, except per share data)**	**(In thousands, except per share data)**
Interest income		
Interest expense		
Interest expense		
Interest expense		
Net interest income		
Net interest income		
Net interest income		
Provision for credit losses		
Provision for credit losses		
Provision for credit losses		
Net interest income after provision for credit losses		
Net interest income after provision for credit losses		
Net interest income after provision for credit losses		
Non-interest income		
Non-interest income		
Non-interest income		
Non-interest expenses		
Non-interest expenses		
Non-interest expenses		
Income before taxes		
Income before taxes		
Income before taxes		
Income tax expense		
Income tax expense		
Income tax expense		
Net income available to common shareholders		
Net income available to common shareholders		
Net income available to common shareholders		
PER SHARE DATA:		
PER SHARE DATA:		
PER SHARE DATA:		
Basic		
Basic		
Basic		
Diluted		
Diluted		
Diluted		
Average common shares outstanding		
Average common shares outstanding		

Average common shares outstanding
Average common shares outstanding and equivalents
Average common shares outstanding and equivalents
Average common shares outstanding and equivalents
Cash dividends declared per common share
Cash dividends declared per common share
Cash dividends declared per common share
Cash dividends declared on common shares
Cash dividends declared on common shares
Cash dividends declared on common shares
PERFORMANCE RATIOS:
PERFORMANCE RATIOS:
PERFORMANCE RATIOS:
Return on average assets (ROA)
Return on average assets (ROA)
Return on average assets (ROA)
Return on average tangible common stockholders’ equity
Return on average tangible common stockholders’ equity
Return on average tangible common stockholders’ equity
Return on average common equity (ROE)
Return on average common equity (ROE)
Return on average common equity (ROE)
Efficiency ratio
Efficiency ratio
Efficiency ratio
Interest rate spread
Interest rate spread
Interest rate spread
Interest rate margin
Interest rate margin
Interest rate margin

		March 31,										
		March 31,										
		March 31,		December 31,		Variance						
		June 30,										
		June 30,										
		June 30,		December 31,		Variance						
	2024		2024		2023		%		2024		2023	
PERIOD END BALANCES AND CAPITAL RATIOS:	**PERIOD END BALANCES AND CAPITAL RATIOS:**	**(In thousands, except per share data)**			**PERIOD END BALANCES AND CAPITAL RATIOS:**		**(In thousands, except per share data)**					
Investments and loans												
Investment securities												
Investment securities												
Investment securities		$	2,482,374	$	2,686,770		(7.6)%	$	2,476,017	$	2,686,770	(7.8)
Loans, net	Loans, net		7,411,378		7,401,618		0.1%	Loans, net	7,503,142		7,401,618	1.4

Total investments and loans	**Total investments and loans**	**$ 9,893,752**	**$ 10,088,388**	(1.9)%	**Total investments and loans**	**$ 9,979,159**	**$ 10,088,388**	(1.1)
Deposits and borrowings								
Deposits								
Deposits								
Deposits		$ 9,548,274	$ 9,762,169	(2.2)%		$ 9,605,250	$ 9,762,169	(1.6)
Borrowings								
Borrowings								
Borrowings		200,766	200,770	—%		200,741	200,770	—
Total deposits and borrowings	**Total deposits and borrowings**	**$ 9,749,040**	**$ 9,962,939**	(2.1)%	**Total deposits and borrowings**	**$ 9,805,991**	**$ 9,962,939**	(1.6)
Stockholders' equity								
Common stock								
Common stock								
Common stock		59,885	59,885	—%		59,885	59,885	—
Additional paid-in capital	Additional paid-in capital	636,208	638,667	(0.4)%	Additional paid-in capital	637,895	638,667	(0.1)
Legal surplus	Legal surplus	155,732	150,967	3.2%	Legal surplus	160,560	150,967	6.4
Retained earnings	Retained earnings	672,455	639,324	5.2%	Retained earnings	706,807	639,324	10.6
Treasury stock, at cost	Treasury stock, at cost	(226,896)	(228,350)	(0.6)%	Treasury stock, at cost	(250,951)	(228,350)	9.9
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(81,731)	(67,013)	22.0%	Accumulated other comprehensive loss	(86,494)	(67,013)	29.1
Total stockholders' equity	**Total stockholders' equity**	**$ 1,215,653**	**$ 1,193,480**	1.9%	**Total stockholders' equity**	**$ 1,227,702**	**$ 1,193,480**	2.9
Per share data								
Book value per common share								
Book value per common share								
Book value per common share		**$ 25.75**	**$ 25.36**	1.5%		**$ 26.37**	**$ 25.36**	4.0
Tangible book value per common share	**Tangible book value per common share**	**$ 23.55**	**$ 23.13**	1.8%	**Tangible book value per common share**	**$ 24.18**	**$ 23.13**	4.5
Market price	**Market price**	**$ 36.81**	**$ 37.48**	(1.8)%	**Market price**	**$ 37.45**	**$ 37.48**	(0.1)
Capital ratios								
Leverage capital								
Leverage capital								
Leverage capital		**10.76 %**	**11.03 %**	(2.4)%		**10.86 %**	**11.03 %**	(1.5)
Common equity Tier 1 capital	**Common equity Tier 1 capital**	**14.45 %**	**14.12 %**	2.3%	**Common equity Tier 1 capital**	**14.29 %**	**14.12 %**	1.2
Tier 1 risk-based capital	**Tier 1 risk-based capital**	**14.45 %**	**14.12 %**	2.3%	**Tier 1 risk-based capital**	**14.29 %**	**14.12 %**	1.2

Total risk-based capital	Total risk-based capital	15.71	%	15.37	%	2.2%	Total risk-based capital	15.54	%	15.37	%	1.1
Financial assets managed												
Trust assets managed												
Trust assets managed												
Trust assets managed		$ 2,648,006		$ 2,511,880		5.4%	$	2,200,102		$ 2,511,880		(12.4)
Broker-dealer assets managed	Broker-dealer assets managed	2,579,404		2,446,281		5.4%	Broker-dealer assets managed	2,159,204		2,446,281		(11.7)
Total assets managed	**Total assets managed**	**$ 5,227,410**		**$ 4,958,161**		5.4%	**Total assets managed**	**$ 4,359,306**		**$ 4,958,161**		(12.1)

ANALYSIS OF RESULTS OF OPERATIONS

The following tables show major categories of interest-earning assets and interest-bearing liabilities, their respective interest income, expenses, yields and costs, and their impact on net interest income due to changes in volume and rates for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023.

TABLE 1 - ANALYSIS OF NET INTEREST INCOME AND CHANGES DUE TO VOLUME/RATE FOR THE QUARTERS ENDED MARCH 31, JUNE 30, 2024 AND 2023

		Interest		Interest		Average rate		Average balance		
		March 2024		March 2023	March 2024	March 2023		March 2024		March 2023
		June 2024		June 2023	June 2024	June 2023		June 2024		June 2023
		(Dollars in thousands)								
A - TAX EQUIVALENT SPREAD										
Interest-earning assets										
Interest-earning assets										
Interest-earning assets		**$183,426**	**$**	**$148,985**	**6.87 6.87 %**	**6.46 %**		**$10,739,590**		**$9,359,211 $ 187,658 $**
Tax equivalent adjustment										
Interest-earning assets - tax equivalent	**Interest-earning assets - tax equivalent**	**187,535**	**153,620**	**153,620**	**7.02 7.02 %**	**6.66 %**		**10,739,590**		**9,359,211**	**Interest-earning assets - tax equivalent 1**
Interest-bearing liabilities	Interest-bearing liabilities	39,324	13,088	13,088	1.61 1.61 %	0.61 %		9,812,300		8,668,789	Interest-bearing liabilities
Tax equivalent net interest income / spread	**Tax equivalent net interest income / spread**	**148,211**	**140,532**	**140,532**	**5.41 5.41 %**	**6.05 %**		**927,290**		**690,422**	**Tax equivalent net interest income / spread 1**
Tax equivalent interest rate margin										
B - NORMAL SPREAD										
B - NORMAL SPREAD										
B - NORMAL SPREAD										
Interest-earning assets:										
Interest-earning assets:										
Interest-earning assets:										

Investments:												
Investments:												
Investments:												
Investment securities												
Investment securities												
Investment securities		25,836	14,229	14,229	3.98	3.98 %	2.93 %	2,597,542	1,939,990	24,666		
Interest bearing cash and money market investments	Interest bearing cash and money market investments	7,996	6,445	6,445	5.36	5.36 %	4.73 %	600,291	552,635	Interest bearing cash and money market investments		
Total investments	**Total investments**	**33,832**	**20,674**	**20,674**	**4.26**	**4.26 %**	**3.36 %**	**3,197,833**	**2,492,625**	**Total investments**		
Non-PCD loans												
Mortgage												
Mortgage												
Mortgage		8,229	8,573	8,573	5.56	5.56 %	5.42 %	591,621	633,126	8,214		
Commercial	Commercial	57,235	44,299	44,299	7.96	7.96 %	7.31 %	2,925,082	2,457,932	Commercial		
Consumer	Consumer	18,623	16,238	16,238	11.48	11.48 %	11.38 %	652,220	578,686	Consumer		
Auto	Auto	48,885	40,220	40,220	8.52	8.52 %	8.15 %	2,307,125	2,001,222	Auto		
Total Non-PCD loans	**Total Non-PCD loans**	**132,972**	**109,330**	**109,330**	**8.26**	**8.26 %**	**7.82 %**	**6,476,048**	**5,670,966**	**PCD loans**	**Total Non-**	**1**
PCD loans												
Mortgage												
Mortgage												
Mortgage		14,426	15,707	15,707	6.27	6.27 %	6.16 %	919,660	1,020,297	14,059		
Commercial	Commercial	2,120	3,112	3,112	5.89	5.89 %	7.34 %	143,888	169,678	Commercial		
Consumer	Consumer	18	45	45	11.53	11.53 %	23.13 %	623	781	Consumer		
Auto	Auto	58	117	117	15.22	15.22 %	9.66 %	1,538	4,864	Auto		
Total PCD loans	**Total PCD loans**	**16,622**	**18,981**	**18,981**	**6.24**	**6.24 %**	**6.35 %**	**1,065,709**	**1,195,620**	**Total PCD loans**		
Total loans (1)	**Total loans** (1)	**149,594**	**128,311**	**128,311**	**7.98**	**7.98 %**	**7.58 %**	**7,541,757**	**6,866,586**	**Total loans** (1)		**1**
Total interest-earning assets	**Total interest-earning assets**	**183,426**	**148,985**	**148,985**	**6.87**	**6.87 %**	**6.46 %**	**10,739,590**	**9,359,211**	**Total interest-earning assets**		**1**
Interest-bearing liabilities:												
Interest-bearing liabilities:												
Interest-bearing liabilities:												
Deposits:												
Deposits:												
Deposits:												
NOW Accounts												
NOW Accounts												
NOW Accounts		20,516	4,212	4,212	2.38	2.38 %	0.68 %	3,472,852	2,497,917	20,964		
Savings and money market	Savings and money market	4,417	3,135	3,135	0.87	0.87 %	0.57 %	2,042,865	2,232,903	Savings and money market		
Time deposits	Time deposits	9,924	3,821	3,821	2.70	2.70 %	1.28 %	1,480,753	1,209,432	Time deposits		
Total core deposits	**Total core deposits**	**34,857**	**11,168**	**11,168**	**2.00**	**2.00 %**	**0.76 %**	**6,996,470**	**5,940,252**	**Total core deposits**		

Brokered deposits	Brokered deposits	803	8	8	5.50	5.50 %		0.30 %	58,737	10,229	Brokered deposits	
			35,660	**11,176**		**2.03 %**		**0.76 %**	**7,055,207**	**5,950,481**		
			36,681	**14,595**		**2.10 %**		**0.98 %**	**7,023,192**	**5,955,611**		
Non-interest bearing deposits	Non-interest bearing deposits	—	—	—	—	—	—	—	2,536,320	2,536,320	2,654,140	N b d

		Interest		Interest	Average rate		Average balance		Interest
		March 2024		**March 2023**	**March 2024**	**March 2023**	**March 2024**	**March 2023**	
		June 2024		**June 2023**	**June 2024**	**June 2023**	**June 2024**	**June 2023**	

(Dollars in thousands)

Fair value premium and core deposit intangible amortizations	Fair value premium and core deposit intangible amortizations	1,132	1,321	1,321	—	— %	— %		—	Fair value premium and core deposit intangible amortizations	1,131	1,321	1,321		
Total deposits	**Total deposits**	**36,792**	**12,497**	**12,497**	**1.54**	**1.54 %**	**0.59 %**	**9,591,527**		**8,604,621**					
Borrowings:															
Advances from FHLB and other borrowings															
Advances from FHLB and other borrowings															
Advances from FHLB and other borrowings		2,532	591	591	4.61	4.61 %	3.74 %	220,773		64,168	2,521	2,428	2,428		
Total borrowings															
Total borrowings															
Total borrowings		**2,532**	**591**	**591**	**4.61**	**4.61 %**	**3.74 %**	**220,773**		**64,168**	**2,521**	**2,428**	**2,428**		
Total interest-bearing liabilities	**Total interest-bearing liabilities**	**39,324**	**13,088**	**13,088**	**1.61**	**1.61 %**	**0.61 %**	**9,812,300**		**8,668,789**	**Total interest-bearing liabilities**	**40,333**	**18,344**	**18,3**	
Net interest income / spread															
Interest rate margin															
Interest rate margin															
Interest rate margin															
Excess of average interest-earning assets over average interest-bearing liabilities															
Excess of average interest-earning assets over average interest-bearing liabilities															
Excess of average interest-earning assets over average interest-bearing liabilities										**$**	**927,290**	**$**	**690,422**		

Average interest-earning assets to average interest-bearing liabilities ratio	Average interest-earning assets to average interest-bearing liabilities ratio	109.45	%	92.62	%

Average interest-earning assets to average interest-bearing liabilities ratio

(1) Includes loans held for sale and excludes allowance for credit losses. Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is generally recognized on a cost recovery basis

(1) Includes loans held for sale and excludes allowance for credit losses. Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is generally recognized on a cost recovery basis

(1) Includes loans held for sale and excludes allowance for credit losses. Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is generally recognized on a cost recovery basis

C - CHANGES IN NET INTEREST INCOME DUE TO:

	Volume	Volume	Rate	Total	Volume	Rate	Total
	(In thousands)						
Interest Income:							
Investment securities							
Investment securities							
Investment securities							
Interest bearing cash and money market investments							
Loans							
Total interest income							
Interest Expense:							
NOW Accounts							
NOW Accounts							
NOW Accounts							
Savings and money market							
Time deposits							
Brokered deposits							
Fair value premium and core deposit intangible amortizations							
Advances from FHLB and other borrowings							
Advances from FHLB and other borrowings							
Advances from FHLB and other borrowings							
Total interest expense							
Total interest expense							
Total interest expense							
Net Interest Income							

TABLE 1 - ANALYSIS OF NET INTEREST INCOME AND CHANGES DUE TO VOLUME/RATE
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023

	Interest		Average rate		Average balance	
	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023
	(Dollars in thousands)					
A - TAX EQUIVALENT SPREAD						
Interest-earning assets	**$ 371,084**	**306,973**	**6.94 %**	**6.57 %**	**$ 10,749,306**	**$ 9,426,405**
Tax equivalent adjustment	7,756	8,573	0.14 %	0.18 %	—	—

Interest-earning assets - tax equivalent	**378,840**	**315,546**	**7.08 %**	**6.75 %**	**10,749,306**	**9,426,405**
Interest-bearing liabilities	79,657	31,432	1.63 %	0.73 %	9,816,806	8,712,977
Tax equivalent net interest income / spread	**299,183**	**284,114**	**5.45 %**	**6.02 %**	**932,500**	**713,428**
Tax equivalent interest rate margin			**5.59 %**	**6.20 %**		
B - NORMAL SPREAD						
Interest-earning assets:						
Investments:						
Investment securities	50,502	27,669	3.97 %	2.96 %	2,543,515	1,867,857
Interest bearing cash and money market investments	16,731	15,475	5.35 %	5.01 %	628,709	623,393
Total investments	**67,233**	**43,144**	**4.24 %**	**3.49 %**	**3,172,224**	**2,491,250**
Non-PCD loans						
Mortgage loans	16,443	17,226	5.59 %	5.48 %	588,021	628,423
Commercial loans	116,893	92,123	7.99 %	7.44 %	2,933,046	2,495,892
Consumer loans	37,639	33,452	11.51 %	11.39 %	657,451	592,469
Auto loans	99,738	83,228	8.54 %	8.23 %	2,347,823	2,039,598
Total Non-PCD loans	**270,713**	**226,029**	**8.34 %**	**7.92 %**	**6,526,341**	**5,756,382**
PCD loans						
Mortgage loans	28,485	31,468	6.28 %	6.25 %	907,411	1,006,623
Commercial loans	4,526	6,053	6.40 %	3.62 %	141,399	167,100
Consumer loans	35	51	11.23 %	13.36 %	629	761
Auto loans	92	228	14.22 %	5.32 %	1,302	4,289
Total PCD loans	**33,138**	**37,800**	**6.31 %**	**6.41 %**	**1,050,741**	**1,178,773**
Total loans (1)	**303,851**	**263,829**	**8.06 %**	**7.67 %**	**7,577,082**	**6,935,155**
Total interest-earning assets	**$ 371,084**	**306,973**	**6.94 %**	**6.57 %**	**$ 10,749,306**	**$ 9,426,405**

	Interest		**Average rate**		**Average balance**	
	June 2024	**June 2023**	**June 2024**	**June 2023**	**June 2024**	**June 2023**
	(Dollars in thousands)					
Interest-bearing liabilities:						
Deposits:						
NOW Accounts	41,479	9,187	2.41 %	0.75 %	3,460,498	2,476,360
Savings accounts	9,004	7,264	0.89 %	0.66 %	2,031,759	2,227,196
Time deposits	21,032	9,313	2.79 %	1.51 %	1,516,791	1,243,835
Total core deposits	**71,515**	**25,764**	**2.05 %**	**0.87 %**	**7,009,048**	**5,947,391**
Brokered deposits	824	8	5.50 %	0.30 %	30,152	5,086
	72,339	**25,772**	**2.06 %**	**0.88 %**	**7,039,200**	**5,952,477**
Non-interest bearing deposits	—	—	— %	— %	2,557,268	2,614,840
Fair value premium and core deposit intangible amortizations	2,265	2,641	— %	— %	—	—
Total deposits	**74,604**	**28,413**	**1.56 %**	**0.67 %**	**9,596,468**	**8,567,317**
Borrowings:						
Advances from FHLB and other borrowings	5,053	3,019	4.61 %	4.18 %	220,338	145,660
Total borrowings	**5,053**	**3,019**	**4.61 %**	**4.18 %**	**220,338**	**145,660**
Total interest-bearing liabilities	**79,657**	**31,432**	**1.63 %**	**0.73 %**	**9,816,806**	**8,712,977**
Net interest income / spread	**$ 291,427**	**$ 275,541**	**5.31 %**	**5.84 %**		
Interest rate margin			**5.45 %**	**5.89 %**		

Excess of average interest-earning assets over average interest-bearing liabilities	**$ 932,500**	**$ 713,428**
Average interest-earning assets to average interest-bearing liabilities ratio	**109.50 %**	**108.19 %**

(1) Includes loans held for sale and excludes allowance for credit losses. Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is generally recognized on a cost recovery basis.

C - CHANGES IN NET INTEREST INCOME DUE TO:

	Volume	Rate	Total
		(In thousands)	
Interest Income:			
Investment securities	$ 11,071	$ 11,762	$ 22,833
Interest-bearing cash and money market investments	(620)	1,876	1,256
Loans	28,447	11,575	40,022
Total interest income	**38,898**	**25,213**	**64,111**
Interest Expense:			
NOW accounts	4,907	27,385	32,292
Savings accounts	(688)	2,428	1,740
Time deposits	3,622	8,097	11,719
Brokered deposits	181	635	816
Fair value premium and core deposit intangible amortizations	—	(376)	(376)
Advances from FHLB and other borrowings	1,687	347	2,034
Total interest expense	**9,709**	**38,516**	**48,225**
Net Interest Income	**$ 29,189**	**$ (13,303)**	**$ 15,886**

Net Interest Income

Net interest income is a function of the difference between rates earned on OFG's interest-earning assets and rates paid on its interest-bearing liabilities (interest rate spread) and the relative amounts of its interest earning assets and interest-bearing liabilities (interest rate margin). OFG constantly monitors the composition and re-pricing of its assets and liabilities to maintain its net interest income at adequate levels.

Comparison of quarters ended March 31, 2024 June 30, 2024 and 2023

NetNet interest income of $144.1 $147.3 million increased $8.2 $7.7 million from $135.9 $139.6 million. Tax equivalent basis net interest income of $148.2 $150.9 million increased $7.7 $7.3 million, or 5.5% 5.1%, from $140.5 $143.6 million.

Interest rate spread decreased 59 48 basis points to 5.26% 5.36% from 5.85% 5.84% and net interest margin decreased 49 39 basis points to 5.40% 5.51% from 5.89% 5.90%.

Net interest income was positively impacted by:

- A $21.3 $18.7 million increase in interest income from loans, primarily driven by: (i) higher interest income from commercial loans by $11.9 $11.3 million, reflecting the upward repricing of variable rate loans, and increased yields on new loans originated during 2024; 2024 and a $2.1 million recovery of a non-accrual commercial US loan paid in full; (ii) higher interest income from auto loans by $8.6 $7.8 million, mainly due to an increase in the average balance of this portfolio by approximately $302.6 $308.3 million; and (iii) higher interest income from consumer loans by $2.4 $1.8 million, mainly due to an increase in the average balance of this portfolio of approximately $73.4 by $56.5 million. These increases were partially offset by lower interest income from residential mortgage loans by $1.6 $2.1 million, reflecting a decrease in the average balance of this portfolio by approximately $142.1 $137.3 million, mainly from regular paydowns and the securitization and sale of conforming loans; and

- A $11.6 $11.2 million increase in interest income from investments securities, primarily related to higher yield by 105 97 basis points, which contributed to an increase in interest income of approximately $6.2 $5.5 million and higher average volume of $657.6 $693.0 million, resulting in an increase in interest income of approximately $5.4 $5.7 million.

These increases were offset by higher interest expense of $22.0 million, $21.9 million from deposits due to higher average cost of 83 basis points, reflecting a $1.2 billion deposit from an existing long-standing Puerto Rico government client received during the fourth quarter of 2023 with variable interest rate.

Comparison of the six-month periods ended June 30, 2024 and 2023

Net interest income of $291.4 million increased by $15.9 million from $275.5 million. Tax equivalent basis net interest income of $299.2 million increased $15.1 million, or 5.3%, from $284.1 million.

Interest rate spread decreased by 53 basis points to 5.31% from 5.84% and net interest margin decreased 44 basis points to 5.45% from 5.89%. This decrease reflects an increase of 37 and 90 basis points, respectively, in the total average yield of interest-earning assets and the average cost of interest-bearing liabilities.

Net interest income was positively impacted by:

- A $40.0 million increase in interest income from loans driven by higher interest income from: (i) commercial loans of $23.2 million, primarily related to the upward repricing of variable rate commercial loans, increased yields on new loans originated during 2024, and higher average balance; (ii) consumer loans of $4.2 million mainly due to an increase of $64.9 million in the average balance of this portfolio; and (iii) auto loans of $16.4 million reflecting higher originations during 2024. These increases were partially offset by a decrease of $3.8 million in interest income from mortgage loans due to a reduction of $139.6 million in the average balance of this portfolio, mainly from regular paydowns and the securitization and sale of conforming loans;

- A $22.8 million increase in interest income from investment securities, primarily related to a higher average volume of $675.7 million, which resulted in an increase in interest income of $11.1 million, and higher yield by 101 basis points, which contributed to the increase in net interest income of $11.8 million; and

- A $1.6 $1.3 million increase in interest income from higher yield in lower balances of interest-bearing cash and money market investments related to higher FRB federal funds rates and higher average balances. interest rates.

These increases were partially offset by higher interest expense of $26.2 $48.2 million from (i) interest paid on deposits of $24.3 $46.2 million due to higher average cost of total deposits of 95 89 basis points, reflecting a $1.2 billion deposit from an existing long-standing Puerto Rico government client received during the fourth quarter of 2023 with a variable interest rate, and (ii) advances from $2.0 million interest expense on the $200.0 million two-year FHLB of $1.9 million related to a $156.6 million increase advance taken in the average balance. late 2023.

TABLE 2 - NON-INTEREST INCOME SUMMARY

	Quarter Ended March 31, Quarter Ended March 31, Quarter Ended March 31,						
	2024 2024						
	Quarter Ended June 30,				Six-Month Period Ended June 30,		
	2024	2024	2023	Variance %	2024	2023	
	(In thousands) (In thousands) (In thousands)						
Banking service revenue Banking service revenue							
Banking service revenue Banking service revenue	$18,781	$	$ 17,440	7.7 7.7 %	$ 36,040	$ $34,953	3.1 3.1 %
Wealth management revenue Wealth management revenue	8,440	8,194	8,194	3.0 3.0 %	16,547	15,314 15,314	8.1 8.:
Wealth management revenue Wealth management revenue							
Mortgage banking activities Mortgage banking activities							

Mortgage banking activities	Mortgage banking activities	4,864	5,225	5,225	(6.9)	(6.9)%	9,557	9,123	9,123	4.8	4.8
Total banking and financial service revenue	**Total banking and financial service revenue**	**32,085**	**30,859**	**30,859**	**4.0**	**4.0 %**	**62,144**	**59,390**	**59,390**	**4.6**	**4.6**
Total banking and financial service revenue											
Total banking and financial service revenue											
Net (loss) gain on:											
Net (loss) gain on:											
Net (loss) gain on:											
Sale of securities											
Sale of securities											
Sale of securities											
Net loss on sale of securities											
Net loss on sale of securities											
Net loss on sale of securities		—		(1,149)		(100.0) %	(7)		(1,149)	(99.4)%	
Other non-interest income											
Other non-interest income											
Other non-interest income		391	363	363	7.7	7.7 %	687	733	733	(6.3)	(6.3) %
Total non-interest income	**Total non-interest income**	**$32,476**	**$**	**$ 30,073**	**8.0**	**8.0 %**	**$ 62,824**	**$**	**$58,974**	**6.5**	**6.5 %**
Total non-interest income											

Total non-interest income

Non-Interest Income

Non-interest income is affected by fees generated from loans and deposit accounts, the amount of assets under management of the Bank's trust department, transactions generated by clients' financial assets serviced by OFG's securities broker-dealer, insurance agency and reinsurance subsidiaries, the level of mortgage banking activities, and gains or losses on sales of assets.

Comparison of quarters ended March 31, 2024 June 30, 2024 and 2023

OFG recorded non-interest income, net, in the amount of $30.3 million $32.5 million, compared to $28.9 million $30.1 million, an increase of 5.0% 8.0%, or $1.4 million $2.4 million. The increase in non-interest income was mainly due to the net effect of:

- A $987 $1.3 million increase in banking service revenues mainly due to: (i) higher debit card income of $639 thousand and merchant income of $300 thousand resulting from higher transactionality and migration of USVI merchant activity,

  (ii) $623 thousand prepayment fees, mainly from US commercial loans; offset by lower fees on deposits of $311 thousand from lower maintenance and overdrawn fees and higher waived fees.

- A $1.1 million loss associated with the sale of a $203.3 million short-term US treasury note available for sale during 2023, there were no sales of investments during the second quarter of 2024; and

- A $246 thousand increase in wealth management revenue primarily reflecting: (i) a $405 thousand increase in insurance income from higher annuities and reinsurance income, (ii) a $318 thousand increase in trust division fees and (iii) a $308 $212 thousand increase in broker-dealer fees related to higher market asset values; values and investment advisory services fees and (ii) $137 thousand increase in insurance income related to $123 thousand from reinsurance income, partially offset by lower annuities income of $92 thousand.

- A $795 These increases were partially offset by a $361 thousand increase decrease in mortgage banking activities mainly from favorable unfavorable impact of $1.7 million in mortgage servicing rights valuation and lower servicing fees, partially offset by lower gains on repurchased loan sales in the current quarter driven quarter.

Comparison of the six-month periods ended June 30, 2024 and 2023

OFG recorded non-interest income in the amount of $62.8 million, compared to $59.0 million, an increase of 6.5%, or $3.9 million. The increase in non-interest income was mainly due to:

- A $1.2 million increase in wealth management revenue primarily reflecting: (i) $519 thousand increase in broker-dealer fees related to higher market values of assets and investments advisory services fees, (ii) $449 thousand increase in insurance income related to $298 thousand from reinsurance income and $120 thousand in annuities income;

- A $1.1 million loss associated with the sale of a $149.4 million short-term US treasury note available for sale during 2023; and

- A $1.1 million increase in banking service revenues mainly due to: (i) higher debit card income of $675 thousand and merchant income of $411 thousand resulting from higher volume and migration of USVI merchants, and (ii) $623 thousand prepayment fees, mainly from US commercial loans; offset by lower sales volume. fees on deposits of $389 thousand from lower maintenance and overdrawn fees and higher waived fees.

TABLE 3 - NON-INTEREST EXPENSES SUMMARY

	Quarter Ended March 31,					
	Quarter Ended March 31,					
	Quarter Ended March 31,					
	2024					
	2024					
	Quarter Ended June 30,			Six-Month Period Ended June 30,		
	2024	2023	Variance %	2024	2023	Variance %
	(In thousands)			(In thousands)		
	(In thousands)					
	(In thousands)					
Compensation and employee benefits						

Compensation and employee benefits							
Compensation and employee benefits	Compensation and employee benefits	$38,467	$ 37,841	1.7 %	$ 78,283	$ 76,314	2.6 %
Occupancy, equipment and infrastructure costs	Occupancy, equipment and infrastructure costs	14,393	14,362	0.2 %	28,715	28,619	0.3 %
Occupancy, equipment and infrastructure costs							
Occupancy, equipment and infrastructure costs							
Electronic banking charges							
Electronic banking charges							
Electronic banking charges	Electronic banking charges	11,687	10,262	13.9 %	22,053	20,598	7.1 %
Information technology expenses	Information technology expenses	6,565	7,188	-8.7 %	13,168	13,606	-3.2 %
Information technology expenses							
Information technology expenses							
Professional and service fees							
Professional and service fees							
Professional and service fees	Professional and service fees	5,117	5,319	-3.8 %	9,121	10,383	-12.2 %
Taxes, other than payroll and income taxes	Taxes, other than payroll and income taxes	3,224	3,265	-1.3 %	6,467	6,538	-1.1 %
Taxes, other than payroll and income taxes							
Taxes, other than payroll and income taxes							
Insurance							
Insurance							
Insurance	Insurance	3,117	2,689	15.9 %	5,793	5,606	3.3 %
Loan servicing and clearing expenses	Loan servicing and clearing expenses	1,890	1,866	1.3 %	4,000	4,133	-3.2 %
Loan servicing and clearing expenses							
Loan servicing and clearing expenses							
Advertising, business promotion, and strategic initiatives							
Advertising, business promotion, and strategic initiatives							
Advertising, business promotion, and strategic initiatives	Advertising, business promotion, and strategic initiatives	2,445	2,063	18.5 %	4,824	4,098	17.7 %
Communication	Communication	1,219	1,160	5.1 %	2,300	2,189	5.1 %
Communication							
Communication							

Printing, postage, stationery and supplies	Printing, postage, stationery and supplies	939	866	8.4 %	1,898	1,596	18.9 %
Printing, postage, stationery and supplies							
Printing, postage, stationery and supplies							
Director and investor relations							
Director and investor relations							
Director and investor relations							
Foreclosed real estate and other repossessed assets income, net of expenses							
Foreclosed real estate and other repossessed assets income, net of expenses							
Foreclosed real estate and other repossessed assets income, net of expenses		(731)	(2,320)	-68.5 %	(63)	(1,527)	95.9 %
Other							
Other							
Other		4,628	4,327	7.0 %	7,813	6,955	12.3 %
Total non-interest expenses	**Total non-interest expenses**	**$92,960**	**$ 88,888**	**4.6 %**	**$ 184,372**	**$ 179,108**	**2.9 %**
Total non-interest expenses							
Total non-interest expenses							
Relevant ratios and data:							
Relevant ratios and data:							
Relevant ratios and data:							
Efficiency ratio							
Efficiency ratio							
Efficiency ratio							
Compensation and benefits to non-interest expense							
Compensation and benefits to non-interest expense							
Compensation and benefits to non-interest expense							
Compensation to average total assets owned							
Compensation to average total assets owned							
Compensation to average total assets owned							
Number of employees end of period							
Number of employees end of period							
Number of employees end of period							

Average number of employees
Average number of employees
Average number of employees
Average compensation per employee (in thousands)
Average compensation per employee (in thousands)
Average compensation per employee (in thousands)
Average loans per average employee
Average loans per average employee
Average loans per average employee

Comparison of quarters ended March 31, 2024 June 30, 2024 and 2023

Non-interest expense was $91.4 million $93.0 million, representing an increase of 1.3% 4.6% or $1.2 million $4.1 million, compared to $90.2 million $88.9 million. The increase in non-interest expense was mainly due to:

- Decrease of $1.6 million in foreclosed real estate and other repossessed assets income, net of expenses due to lower valuation adjustments and lower gain on sale of foreclosed real estate due to lower volume of properties sold.
- Increase of $1.3 million $1.4 million in electronic banking charges mainly due to increases of $1.2 million in point-of-sale and merchant-related fees due to increased transaction volumes.
- Increase of $626 thousand in compensation and employee benefits, as a result of higher salaries and benefits, including payroll taxes; and
- Increase of $539 $428 thousand in other insurance expenses primarily driven by a $940 thousand accrual recorded during the quarter related to regulatory examinations, offset by lower charitable contributions by $336 thousand; and higher FDIC deposit insurance assessment expense as a result of the Bank exceeding $10 billion in assets.

- Increase of $343 thousand in advertising, business promotion, and strategic initiatives, primarily driven by an increase in marketing campaigns and digital marketing efforts made during the current quarter.

The increase in non-interest expense was partially offset by a decrease of $1.1 million in professional and service fees, mainly due to lower consulting expenses.

The efficiency ratio was 52.49% 51.81%, an improvement from 54.87% 52.13%. The efficiency ratio measures how much of OFG’s revenues is used to pay operating expenses. OFG computes its efficiency ratio by dividing non-interest expenses by the sum of its net interest income and non-interest income, but excluding gains on the sale of investment securities, other gains and losses, and other income that may be considered volatile in nature. Management believes that the exclusion of those items permits consistent comparability. Amounts presented as part of non-interest income that were excluded from the adjusted efficiency ratio computation for the quarters ended March 31, 2024 June 30, 2024 and 2023 amounted to $289 $391 thousand and $370 $786 thousand, respectively.

Comparison of the six-month periods ended June 30, 2024 and 2023

Non-interest expense was $184.4 million, representing an increase of 2.9%, or $5.3 million, compared to $179.1 million. The increase in non-interest expense was mainly due to:

- Increase in compensation and employee benefits of $2.0 million due to higher salaries and benefits, including payroll taxes;
- Decrease of $1.5 million in foreclosed real estate and other repossessed assets income, net of expenses due to lower valuation adjustments and lower gain on sale of foreclosed real estate due to lower volume of properties sold;
- Increase of $1.5 million in electronic banking charges mainly due to increases of $2.1 million in point-of-sale and merchant-related fees from higher volume, partially offset by a $400 thousand annual transaction processing incentive; and
- Increase of $858 thousand in other expenses, primarily driven by a $993 thousand accrual recorded during the current period related to regulatory examinations.

The increase in non-interest expense was partially offset by, a decrease in professional and service fees of $1.3 million, reflecting lower balances in compliance-related expenses.

The efficiency ratio was 52.15%, an improvement from 53.48%. Amounts presented as part of non-interest income that were excluded from the efficiency ratio computation for six-month periods ended June 30, 2024 and 2023 amounted to $680 thousand and $416 thousand, respectively.

Provision for Credit Losses

Comparison of quarters ended March 31, 2024 June 30, 2024 and 2023

Provision for credit losses increased by $5.7 million $537 thousand to $15.1 million $15.6 million from $9.4 million $15.0 million. The provision for credit losses for the second quarter ended March 31, 2024, of 2024, reflected adjustments a provision of $15.1 $11.3 million related to the growth in loan volume and $1.7 balances, $2.8 million as a result of related to commercial-specific loan reserves, mainly in the strategic sale of a performing U.S. US commercial loan portfolio, $2.1 million associated with qualitative adjustment, mainly in auto loans, and $1.5 million in loss rate models. These increases were partially offset by $1.7 million related to a reduction $2.0 million in specific reserves for payments received on substantially reserved U.S. commercial loans. changes in the economic model.

The provision for credit losses for the second quarter ended March 31, 2023, of 2023 reflected a provision of $6.1 million $6.3 million related to the growth in loan balances and a provision of $4.1 million $9.4 million related to commercial-specific loan reserves. The increases to reserves, mainly in the provision were partially offset by releases of $619 thousand US commercial loan portfolio, and $1.6 million associated with qualitative adjustment, due to improvement in the performance of the portfolios and in Puerto Rico's labor market and $293 thousand partially offset by $2.8 million for changes in the economic and loss rate models.

Income Tax Expense

Comparison of quarters the six-month periods ended March 31, 2024 June 30, 2024 and 2023

Income tax expense Provision for credit losses increased $6.2 million to $30.7 million from $24.5 million. The provision for credit losses for the quarter six-month period ended March 31, 2024 increased $679 thousand June 30, 2024, reflected adjustments of $26.4 million related to $18.2 million the growth in loan balances, $4.5 million from $18.9 million. OFG maintained an effective tax loss rate ("ETR") lower than the statutory rate for the quarters ended March 31, 2024 model and 2023 of 26.8% and 29.0%, respectively. The current quarter reflected expected 2024 ETR of 28.5% due $2.9 million related to higher forecasted business activities with preferential tax treatment under the Puerto Rico tax code, and a $1.1 million discrete benefit for stock vested commercial-specific loan reserves, mainly in the current period. US commercial loan portfolio, offset by a $4.9 million release from economic model.

The provision for credit losses for 2023 reflected a provision of $12.5 million related to the growth in loan balances, a provision of $13.5 million related to commercial specific loan reserves, mainly in the US commercial loan portfolio, and $1.0 million associated with qualitative adjustment, partially offset by releases of $3.1 million for changes in the economic and loss rate models.

Business Segments

OFG segregates its businesses into the following segments: Banking, Wealth Management, and Treasury. Management established the reportable segments based on the internal reporting used to evaluate performance and to assess where to allocate resources. Other factors such as OFG's organization, nature of its products, distribution channels and economic characteristics of its services were also considered in the determination of the reportable segments. OFG measures the performance of these reportable segments based on pre-established goals of different financial parameters such as net income, net interest income, loan production, and fees generated. OFG's methodology for allocating non-interest expenses among segments is based on several factors such as revenue, employee headcount, occupied space, dedicated services or time, among others. Following are the results of operations and the selected financial information by operating segment for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023.

TABLE 4 - BUSINESS SEGMENTS

	Quarter Ended June 30, 2024					
	Banking	Wealth Management	Treasury	Total Major Segments	Eliminations	Consolidated Total
	(In thousands)					
Interest income	$ 155,681	$ 4	$ 32,929	$ 188,614	$ (956)	**$ 187,658**
Interest expense	(37,654)	—	(3,635)	(41,289)	956	**(40,333)**
Net interest income	118,027	4	29,294	147,325	—	**147,325**
Provision for (recapture of) credit losses	15,589	—	(8)	15,581	—	**15,581**
Non-interest income	24,723	7,654	99	32,476	—	**32,476**
Non-interest expenses	(87,506)	(4,623)	(831)	(92,960)	—	**(92,960)**
Intersegment revenue	415	—	—	415	(415)	**—**
Intersegment expenses	—	(243)	(172)	(415)	415	**—**
Income before income taxes	40,070	2,792	28,398	71,260	—	**71,260**
Income tax expense (benefit)	20,096	(5)	38	20,129	—	**20,129**
Net income	**$ 19,974**	**$ 2,797**	**$ 28,360**	**$ 51,131**	**$ —**	**$ 51,131**
Total assets	**$ 9,360,801**	**$ 36,217**	**$ 3,055,720**	**$ 12,452,738**	**$ (1,193,653)**	**$ 11,259,085**

	Six-Month Period Ended June 30, 2024					
	Banking	Wealth Management	Treasury	Total	Eliminations	Consolidated Total

	(In thousands)					
Interest income	$ 306,676	$ 13	$ 66,426	$ 373,115	$ (2,031)	**$ 371,084**
Interest expense	(73,503)	—	(8,185)	(81,688)	2,031	**(79,657)**
Net interest income	233,173	13	58,241	291,427	—	**291,427**
Provision for (recapture of) credit losses	30,814	—	(112)	30,702	—	**30,702**
Non-interest income, net	47,788	15,029	7	62,824	—	**62,824**
Non-interest expenses	(173,496)	(9,145)	(1,731)	(184,372)	—	**(184,372)**
Intersegment revenue	839	—	—	839	(839)	**—**
Intersegment expenses	—	(510)	(329)	(839)	839	**—**
Income before income taxes	$ 77,490	$ 5,387	$ 56,300	$ 139,177	$ —	**$ 139,177**
Income tax expense	38,262	8	84	38,354	—	**38,354**
Net income	**$ 39,228**	**$ 5,379**	**$ 56,216**	**$ 100,823**	**$ —**	**$ 100,823**
Total assets	**$ 9,360,801**	**$ 36,217**	**$ 3,055,720**	**$ 12,452,738**	**$ (1,193,653)**	**$ 11,259,085**

TABLE 4 - BUSINESS SEGMENTS

	Quarter Ended March 31, 2024					
	Banking	Wealth Management	Treasury	Total Major Segments	Eliminations	Consolidated Total
	(In thousands)					
Interest income	$ 150,995	$ 9	$ 33,497	$ 184,501	$ (1,075)	**$ 183,426**
Interest expense	(35,849)	—	(4,550)	(40,399)	1,075	**(39,324)**
Net interest income	115,146	9	28,947	144,102	—	**144,102**
Provision for (recapture of) credit losses	15,225	—	(104)	15,121	—	**15,121**
Non-interest income	23,065	7,375	(92)	30,348	—	**30,348**
Non-interest expenses	(85,990)	(4,522)	(900)	(91,412)	—	**(91,412)**
Intersegment revenue	424	—	—	424	(424)	**—**
Intersegment expenses	—	(267)	(157)	(424)	424	**—**
Income before income taxes	37,420	2,595	27,902	67,917	—	**67,917**
Income tax expense	18,166	13	46	18,225	—	**18,225**
Net income	**$ 19,254**	**$ 2,582**	**$ 27,856**	**$ 49,692**	**$ —**	**$ 49,692**
Total assets	**$ 9,132,772**	**$ 32,597**	**$ 3,144,241**	**$ 12,309,610**	**$ (1,150,375)**	**$ 11,159,235**

		Quarter Ended March 31, 2023						Quarter Ended June 30, 2023				
	Banking	Banking	Wealth Management	Treasury	Total Major Segments	Eliminations	Consolidated Total	Banking	Wealth Management	Treasury	Total Major Segments	Eliminat
		(In thousands)										
Interest income												
Interest expense												
Net interest income												
Provision for credit losses												
Non-interest income												

Provision for (recapture of) credit losses
Non-interest income (loss), net
Non-interest expenses
Intersegment revenue
Intersegment expenses
Income before income taxes
Income tax expense
Net income
Total assets

	Six-Month Period Ended June 30, 2023					
	Six-Month Period Ended June 30, 2023					
	Six-Month Period Ended June 30, 2023					
	Banking	**Wealth Management**	**Treasury**	**Total**	**Eliminations**	**Consolidated Total**
	(In thousands)					
Interest income						
Interest expense						
Net interest income						
Provision for credit losses						
Non-interest income (loss), net						
Non-interest expenses						
Intersegment revenue						
Intersegment expenses						
Income before income taxes						
Income tax expense						
Net income						
Total assets						

Eliminations include interest income and expense for a time deposit opened by the Bank in Oriental Overseas, an international banking entity organized and licensed under Puerto Rico law, which operates as a unit within the Bank. The time deposit with a balance of $301.4 million $302.4 million and $414.6 million $364.2 million at March 31, 2024 June 30, 2024 and 2023, respectively, to fund Oriental Overseas operations is included in the Treasury Segment with its corresponding interest expense, to fund Oriental Overseas operations, which and the related interest income is included in the Banking Segment, with its corresponding interest income, and are eliminated in the consolidation. Interest income is accrued on the unpaid principal balance. The decrease in interest income and interest expense from the prior year period was mainly as a result of lower interest rate and average balance.

Comparison of quarters ended March 31, 2024 June 30, 2024 and 2023

Banking

OFG's banking segment net income before taxes decreased by $10.0 million $9.1 million from $47.4 million $49.2 million to $37.4 million $40.1 million, mainly reflecting: due to:

- Increase of $23.5 million $21.8 million in interest expense primarily related to an increase in the average cost of deposits, and borrowings;
- **reflecting a** Increase of $5.8 million in provision for credit losses (provision for $1.2 billion deposit from an existing long-standing Puerto Rico government client received during the first fourth quarter of 2024 included $15.1 million related to the growth in loan balances); 2023 with a variable interest rate; and
- Decrease of $3.5 $3.9 million in interest income related to Oriental Overseas' time deposit from the Bank to fund its operations, eliminated in the consolidation, mainly as a result of lower interest rates and average in the current period.

The decrease in the banking segment's net income before taxes was partially offset by:

- Increase of $18.6 million $15.7 million in interest income from loans, driven by increased yields on higher balances.

Wealth Management

Wealth management segment revenue consists of commissions and fees from fiduciary activities, securities brokerage, and insurance and reinsurance activities. Net income before taxes from this segment decreased slightly from $2.9 million $3.4 million to $2.6 million. The decrease mostly reflected an increase in non-interest expenses of $567 thousand, $2.8 million, mainly from higher salaries and employee benefits. benefits by $489 thousand.

Treasury

Treasury segment net income before taxes increased by $13.2 million $15.1 million, mainly reflecting an increase in interest income from the purchases of investment securities during 2024 and late 2023 with higher yields, higher yield in interest bearing cash and money market investments related to higher interest rates, and lower interest expense associated with inter-segment borrowing as a result of lower interest rates and average balance.

Comparison of six-month periods ended June 30, 2024 and 2023

Banking

OFG's banking segment net income before taxes decreased by $19.1 million from $96.6 million to $77.5 million, mainly due to:

- Increase of $45.3 million in interest expense mainly related to higher costs of deposits, reflecting a $1.2 billion deposit from an existing long-standing Puerto Rico government client received during the fourth quarter of 2023 with variable interest rate;
- Increase of $6.4 million in provision for credit losses, mainly due to growth in loan balances;
- Decrease of $7.4 million in interest income related to Oriental Overseas' time deposit from the Bank to fund its operations, which is eliminated in the consolidation, mainly as a result of lower average balance in the current period; and
- Increase of $4.3 million in non-interest expenses, mainly due to: (i) $2.0 million increase in compensation and employee benefits, (ii) $1.5 million increase in electronic banking charges from higher point-of-sale and merchant-related fees, and (iii) $1.5 million decrease in foreclosed real estate and other repossessed assets income, net of expenses due to lower valuation adjustments and lower gain on sale of foreclosed real estate from decrease in sales volume, partially offset by lower: (a) professional and service fees of $1.3 million.

The decrease in the banking segment's net income was partially offset by:

- Increase of $40.0 million in interest income from loans, driven by increased yields on higher loan balances; and
- Increase of $2.8 million in non-interest income. The current period includes: (i) $1.1 million in prepayment fees, mainly from commercial US loans, (ii) higher debit card and merchant income due to higher volume and migration of USVI merchants, partially offset by lower period maintenance and overdrawn fees and higher waived fees.

Wealth Management

Wealth management segment revenue consists of commissions and fees from fiduciary activities, securities brokerage, and insurance and reinsurance activities. Net income before taxes from this segment decreased from $6.3 million to $5.4 million, mainly from higher salaries and employee benefits by $818 thousand.

Treasury

Treasury segment net income before taxes increased by $28.3 million, mainly reflecting:

- Increase of $22.5 million in interest income, reflecting the purchase of agency mortgage-backed securities and US Treasury securities with higher yields during such period and higher yield in interest-bearing cash and money market investments related to higher interest rate than in the previous period; and

- Decrease of $4.5 million in interest expense, reflecting $7.4 million lower inter-segment borrowings as a result of lower average balances, offset by a $2.0 million increase from the $200 million two-year FHLB advance taken in late 2023.

Income Tax Expense

Comparison of quarters ended June 30, 2024 and 2023

Income tax expense for the quarter ended June 30, 2024 decreased $1.5 million to $20.1 million from $21.6 million. OFG maintained an effective tax rate ("ETR") lower than the statutory rate for the quarters ended June 30, 2024 and 2023 of 28.2% and 32.9%, respectively. The current quarter reflected expected 2024 ETR of 29.2% due to higher forecasted business activities with preferential tax treatment under the Puerto Rico tax code, coupled with a $800 thousand tax benefit credit in the second quarter of 2024.

Comparison of the six-month periods ended June 30, 2024 and 2023

Income tax expense decreased $2.2 million to $38.4 million from $40.5 million. OFG's ETR was 27.6% in 2024 compared to 30.9% in 2023. The decrease is mainly related to exempt income, income subject to preferential tax treatment under the PR Code and a discrete tax windfall on stock options recognized during the first quarter of 2024 and discrete benefit mainly related to the purchase of tax credits during the second quarter of 2024.

ANALYSIS OF FINANCIAL CONDITION

Assets Owned

At March 31, 2024 June 30, 2024, OFG's total assets amounted to $11.159 billion $11.259 billion, a decrease of $185.2 million $85.4 million, when compared to $11.344 billion at December 31, 2023.

Cash and due from banks increased decreased by $6.2 million $8.2 million to $749.7 million $735.3 million, reflecting the effect of $149.4 million sale of US Treasury securities, principal paydowns on mortgage-backed securities totaling $55.3 million, offset by loan funding and lower deposit balances.

The investment portfolio decreased by $204.4 million $210.8 million or 7.6% 7.8% primarily driven by the sale maturity of a $149.4 million $500 million in US Treasury securities, available for sale, principal paydowns of $129 million, mainly on mortgage-backed securities, totaling $55.3 million and unfavorable market value adjustments the sale of $17.5 million, $149.4 million of US Treasury securities available-for-sale. These decreases were offset by $17.4 million $545.4 million new available-for-sale US Treasury and mortgage-backed securities, and $38.1 million in mortgage loan securitization and $933 thousand new US Treasury securities available for sale. securitization. OFG's investment strategy focuses on liquidity and highly liquid securities, considering their investment and the current market environment.

OFG's loan portfolio is comprised of commercial loans secured by real estate, other commercial and industrial loans, US commercial loans, residential mortgage loans, consumer loans, and auto loans. At March 31, 2024 June 30, 2024, OFG's net loan portfolio increased by $9.8 million $101.5 million or 0.1% 1.4% reflecting increases in commercial, retail auto and consumer loans, partially offset by regular paydowns of residential mortgage loans and securitization and sale of conforming loans as well as seasonal paydowns of commercial lines of credit.

loans.

Financial Assets Managed

At March 31, 2024 June 30, 2024, OFG's financial assets include those managed by OFG's trust division and its securities broker-dealer and insurance agency subsidiaries. OFG's trust division offers various types of individual retirement accounts ("IRAs") and manages Keogh retirement plans and custodian and corporate trust accounts. At March 31, 2024 June 30, 2024 and December 31, 2023, the total assets managed by OFG's trust division amounted to $2.648 billion $2.200 billion and $2.512 billion, $2.512 billion, respectively. OFG's broker-dealer subsidiary offers a wide array of investment alternatives to its client base, such as tax-advantaged fixed income securities, mutual funds, stocks, bonds and money management wrap-fee programs. At March 31, 2024 June 30, 2024, total assets managed by the securities broker-dealer and insurance agency subsidiaries from their customers' investment accounts amounted to $2.579 billion $2.159 billion, compared to $2.446 billion at December 31, 2023. Changes The decrease in trust and broker-dealer related assets also reflect changes in portfolio balances and differences in market value resulting from higher interest rates. reflects the termination of services by a retirement plan customer during the second quarter of 2024.

Goodwill

OFG's goodwill is not amortized to expense but is tested at least annually for impairment. A quantitative annual impairment test is not required if, based on a qualitative analysis, OFG determines that the existence of events and circumstances indicate that it is more likely than not that goodwill is not impaired. OFG completes its annual goodwill impairment test as of October 31 of each year. OFG tests for impairment by first allocating its goodwill and other assets and liabilities, as necessary, to defined reporting units. A fair value is then determined for each reporting unit. If the fair values of the reporting units exceed their book values, no write-down of the recorded goodwill is necessary. If the fair values are less than the book values, an additional valuation procedure is necessary to assess the proper carrying value of the goodwill.

As of both March 31, 2024 June 30, 2024 and December 31, 2023, OFG had $84.2 million of goodwill allocated as follows: $84.1 million to the banking segment and $100 thousand to the wealth management segment. Please refer to "Note 8 – Goodwill and Other Intangible Assets" to our consolidated financial statements for more information on the annual goodwill impairment test.

TABLE 5 - ASSETS SUMMARY AND COMPOSITION

	March 31, March 31, March 31, June 30,	December 31,	Variance %

		June 30, June 30,	December 31,	Variance %				
2024		(In thousands) (In thousands) (In thousands)						
Investments:								
Investments:								
Investments:								
FNMA and FHLMC certificates								
FNMA and FHLMC certificates								
FNMA and FHLMC certificates		$ 1,663,318	$ 1,730,655	-3.9 %		$ 1,794,782	$1,730,655	3.7 %
US Treasury securities								
US Treasury securities								
US Treasury securities		350,642	496,113	-29.3 %		200,658	496,113	-59.6 %
GNMA certificates								
GNMA certificates								
GNMA certificates		384,171	376,294	2.1 %		396,505	376,294	5.4 %
Equity securities	Equity securities	40,162	38,469	4.4 %	Equity securities	41,074	38,469	6.8 %
CMOs issued by US government-sponsored agencies	CMOs issued by US government-sponsored agencies	8,470	9,610	-11.9 %	CMOs issued by US government-sponsored agencies	7,401	9,610	-23.0 %
Other debt securities								
Other debt securities								
Other debt securities		35,597	35,616	-0.1 %		35,581	35,616	-0.1 %
Trading securities	Trading securities	14	13	7.7 %	Trading securities	16	13	23.1 %
Total investments	**Total investments**	**2,482,374**	**2,686,770**	**-7.6 %**	**Total investments**	**2,476,017**	**2,686,770**	**-7.8 %**
Loans, net	**Loans, net**	**7,411,378**	**7,401,618**	**0.1 %**	**Loans, net**	**7,503,142**	**7,401,618**	**1.4 %**
Total investments and loans	**Total investments and loans**	**9,893,752**	**10,088,388**	**-1.9 %**	**Total investments and loans**	**9,979,159**	**10,088,388**	**-1.1 %**
Other assets:								
Cash and due from banks								
Cash and due from banks								
Cash and due from banks		749,718	743,550	0.8 %		735,346	743,550	-1.1 %
Money market investments	Money market investments	4,674	4,623	1.1 %	Money market investments	5,083	4,623	10.0 %
Foreclosed real estate	Foreclosed real estate	10,850	10,780	0.6 %	Foreclosed real estate	6,526	10,780	-39.5 %
Accrued interest receivable	Accrued interest receivable	72,117	71,400	1.0 %	Accrued interest receivable	72,969	71,400	2.2 %
Deferred tax asset, net	Deferred tax asset, net	4,379	4,923	-11.1 %	Deferred tax asset, net	4,094	4,923	-16.8 %
Premises and equipment, net	Premises and equipment, net	104,980	104,102	0.8 %	Premises and equipment, net	104,384	104,102	0.3 %
Servicing assets	Servicing assets	49,553	49,520	0.1 %	Servicing assets	49,789	49,520	0.5 %
Goodwill	Goodwill	84,241	84,241	0.0 %	Goodwill	84,241	84,241	0.0 %
Other intangible assets	Other intangible assets	19,216	20,694	-7.1 %	Other intangible assets	17,738	20,694	-14.3 %
Operating lease right-of-use assets	Operating lease right-of-use assets	21,606	21,725	-0.5 %	Operating lease right-of-use assets	20,298	21,725	-6.6 %

Other assets and customers' liability on acceptances												
Other assets and customers' liability on acceptances												
Other assets and customers' liability on acceptances		144,149	140,507	2.6	%		179,458		140,507		27.7	%
Total other assets	**Total other assets**	**1,265,483**	**1,256,065**	**0.7**	**%**	**Total other assets**	**1,279,926**		**1,256,065**		**1.9**	**%**
Total assets	**Total assets**	**$11,159,235**	**$11,344,453**	**-1.6**	**%**	**Total assets**	**$ 11,259,085**	**$**	**11,344,453**		**-0.8**	**%**
Investment portfolio composition:												
FNMA and FHLMC certificates												
FNMA and FHLMC certificates												
FNMA and FHLMC certificates												
US Treasury securities												
US Treasury securities												
US Treasury securities												
GNMA certificates												
GNMA certificates												
GNMA certificates												
Equity securities												
Equity securities												
Equity securities												
CMOs issued by US government-sponsored agencies												
CMOs issued by US government-sponsored agencies												
CMOs issued by US government-sponsored agencies												
Other debt securities and trading securities												
Other debt securities and trading securities												
Other debt securities and trading securities												
		100.0										
		100.0										
		100.0										

TABLE 6 - LOAN PORTFOLIO COMPOSITION

	March 31, 2024		**December 31, 2023**							
	June 30, 2024		**December 31, 2023**		**Variance %**	**Variance %**				
	(In thousands)									
	(In thousands)									
	(In thousands)									
Loans held for investment:										
Loans held for investment:										
Loans held for investment:										
Commercial loans										
Commercial loans										
Commercial loans	$3,051,448	$	$3,076,903	(0.8)	(0.8) %	$ 3,082,363	$	$3,076,903	0.2	0.2

Mortgage loans	Mortgage loans	1,519,045	1,562,609	1,562,609	(2.8)	(2.8)	%	Mortgage loans	1,485,127	1,562,609	1,562,609	(5.0)
Consumer loans	Consumer loans	627,980	620,446	620,446	1.2	1.2	%	Consumer loans	644,177	620,446	620,446	3.8
Auto loans	Auto loans	2,341,194	2,274,421	2,274,421	2.9	2.9	%	Auto loans	2,428,040	2,274,421	2,274,421	6.8
			7,539,667	**7,534,379**		**0.1**	**%**					
			7,639,707	**7,534,379**		**1.4**	**%**					
Allowance for credit losses	Allowance for credit losses	(156,563)	(161,106)	(161,106)	(2.8)	(2.8)	%	Allowance for credit losses	(157,301)	(161,106)	(161,106)	(2.4)
Total loans held for investment		7,383,104		7,373,273	0.1	%						
Total loans held for investment, net		7,482,406		7,373,273	1.5	%						
Mortgage loans held for sale	Mortgage loans held for sale	9,370	—	—	100.0	100.0	%	Mortgage loans held for sale	8,375	—	—	100.0
Other loans held for sale	Other loans held for sale	18,904	28,345	28,345	(33.3)	(33.3)	%	Other loans held for sale	12,361	28,345	28,345	(56.4)
Total loans held for sale	**Total loans held for sale**	28,274	28,345	28,345	(0.3)	(0.3)	%	**Total loans held for sale**	20,736	28,345	28,345	(26.8)
Total loans, net	**Total loans, net**	**$7,411,378**	**$**	**$7,401,618**	**0.1**	**0.1**	**%**	**Total loans, net**	**$7,503,142**	**$**	**$7,401,618**	1.4 1

OFG's loan portfolio is composed of commercial, mortgage, consumer, and auto loans. As shown in Table 6 above, total loans, net, amounted to $7.411 billion $7.503 billion at March 31, 2024 June 30, 2024, a 0.1% 1.4% increase when compared to $7.402 billion at December 31, 2023. The composition and trends of OFG's loans held-for-investment portfolio were as follows:

- Commercial loan portfolio amounted to $3.051 billion (40.5% $3.082 billion (40.3% of the gross loan portfolio) compared to $3.077 billion (40.8% of the gross loan portfolio) at December 31, 2023, a 0.8% decrease 0.2% increase as a result of seasonal paydowns of lines of credit. credit usage and originations during 2024. Commercial loans secured by non-owner occupied commercial real estate amounted to $804.9 million $802.7 million and $744.6 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, which represented 10.7% 10.5% and 9.88% 9.9% of our total loan portfolio held for investment. US commercial loans amounted to $740.7 million $662.0 million and $755.2 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, which represented 9.8% 8.7% and 10.0% of our total loan portfolio held for investment. Commercial loan production decreased by 8% 32% or $18.9 million $103.0 million, to $203.5 million $219.5 million in the second quarter ended March 31, 2024 of 2024 from $222.4 million $322.6 million in the prior year quarter. quarter, and decreased 22% or $121.9 million, to $423.0 million in the six-month period ended June 30, 2024 from $544.9 million for the same period of 2023, mainly in the US commercial loan portfolio. US commercial loans activities include the purchase of middle market senior secured cash flow loan participations and the purchase of participations of loans to small and medium sized businesses. Excluding US commercial loans activities, PR commercial loan production decreased 8.8% to $192.1 million in the second quarter of 2024 from $210.7 million in the prior year quarter, and increased 22.5% to $378.5 million in the six month period ended June 30, 2024 from $309.0 million for the same period in of 2023.

- Mortgage loan portfolio amounted to $1.519 billion (20.1% $1.485 billion (19.4% of the gross loan portfolio) compared to $1.563 billion (20.7% of the gross originated loan portfolio) at December 31, 2023, a 2.8% 5.0% decrease resulting from regular paydowns of residential mortgages and securitization and sale of conforming loans. loans into mortgage-backed securities. Mortgage loans included delinquent loans in the GNMA buy-back option program amounting to $18.5 million $19.0 million and $19.4 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Under the GNMA program, issuers such as OFG have the option but not the obligation to repurchase loans that are 90 days or more past due. For accounting purposes, these loans subject to the repurchase option are required to be reflected (rebooked) on our financial statements with an offsetting liability. Mortgage loan production totaled $32.2 million $38.5 million and $70.7 million in the quarter and six-month period ended March 31, 2024 June 30, 2024, respectively, which represents an increase of 6% 7% and an increase of 6.6%, respectively, from $30.3 million $35.9 million and $66.3 million for the same periods in the prior year quarter. 2023.

  OFG follows a conservative residential mortgage lending policy with more than 90% of its residential mortgage portfolio consisting of fixed-rate, fully amortizing, fully documented loans that do not have the level of risk associated with subprime loans offered by certain major US mortgage loan originators. Furthermore, OFG has never been active in negative amortization loans or offered adjustable-rate mortgage loans with teaser rates.

- Consumer loan portfolio amounted to $628.0 million (8.3% $644.2 million (8.4% of the gross loan portfolio) compared to $620.4 million (8.2% of the gross loan portfolio) at December 31, 2023. Consumer loan production decreased by 21% 8% to $68.6 million $80.3 million in March 31, 2024 the second quarter of 2024 from $86.3 million $87.1 million in the prior year quarter. quarter, and decreased by 14%, or $24.4 million to $148.9 million in the six-month period ended June 30, 2024 from $173.3 million in the same period in 2023.

- Auto loans portfolio amounted to $2.341 billion (31.1% $2.428 billion (31.9% of the gross loan portfolio) compared to $2.274 billion (30.3% of the gross originated loan portfolio) at December 31, 2023. Auto loans production increased by 4%, or $10.0 million 6% to $232.3 million $250.6 million in the second quarter ended March 31, 2024 of 2024 compared to $222.3 million $236.3 million in the prior year quarter. quarter, and increased by 5%, or $24.3 million to $483.0 million in the six-month period ended June 30, 2024 from $458.6 million in the same period of 2023.

TABLE 7 - PUERTO RICO GOVERNMENT RELATED LOANS

	March 31, 2024					June 30, 2024				Maturity
	Carrying Value	Carrying Value	Less than 1 Year		1 to 3 Years	More than 3 Years	Carrying Value	Less than 1 Year	1 to 3 Years	More than 3 Years
Loans:	Loans:	(In thousands)		Loans:		(In thousands)				
Municipalities										
Municipalities										
Municipalities										

At March 31, 2024 June 30, 2024, OFG has $75.5 $75.8 million of direct credit exposure to the Puerto Rico government, a $6.9 $7.2 million increase from $68.6 million at December 31, 2023.

Allowance for Credit Losses

OFG measures its ACL based on management's best estimate of expected credit losses inherent in OFG's relevant financial assets. Tables 8 through 11 set forth an analysis of activity in the ACL and present selected credit loss statistics for the quarters and six-month periods ended March 31, 2024 June 30, 2024 and 2023 and as of March 31, 2024 June 30, 2024 and December 31, 2023. In addition, Table 6 sets forth the composition of the loan portfolio.

Please refer to the "Provision for Credit Losses" and "Critical Accounting Policies and Estimates" sections in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this quarterly report on Form 10-Q and "Note 5 – Allowance for Credit Losses" of the accompanying consolidated financial statements for a more detailed analysis of provisions and ACL.

Non-performing Assets

OFG's non-performing assets include non-performing loans, foreclosed real estate, and other repossessed assets (see Tables 12 and 14). At March 31, 2024 June 30, 2024, OFG had $72.1 million $72.2 million of non-accrual loans held for investment, including $6.2 million $5.0 million PCD loans, compared to $79.4 million at December 31, 2023, reflecting decreases of $0.5 million $1.5 million, $4.5 million $2.4 million and $2.8 million $3.3 million in mortgage, auto, and commercial loan portfolios, respectively, partially offset by an increase respectively. As of $0.5 million in the consumer loan portfolio. At March 31, 2024 and December 31, 2023, total commercial non-accrual past due loans excluded $6.5 million and exclude $6.4 million respectively, of non-accrual past due commercial loans held-for sale.-sale, these loans were sold during the quarter ended June 30, 2024. There were no past due commercial loans held-for-sale as of June 30, 2024.

On January 1, 2023, OFG adopted ASU 2022-02 related to the elimination of the recognition and measurement of TDRs and the enhancement of disclosures for loan restructurings for borrowers experiencing financial difficulty using the prospective transition method. Loans that were restructured in a TDR prior to the adoption of ASU 2022-02 will continue to be accounted for under the historical TDR accounting until the relevant loans are paid off, liquidated or subsequently modified.

Delinquent residential mortgage loans insured or guaranteed under applicable Federal Housing Administration ("FHA") and United States Department of Veterans Affairs ("VA") programs are classified as non-performing loans when they become 90 days or more past due but are not placed in non-accrual status until they become 12 months or more past due, since they are insured loans. Therefore, those loans are included as non-performing loans but excluded from non-accrual loans. As of March 31, 2024 June 30, 2024 and December 31, 2023, the outstanding balance of these residential mortgage loans was $5.3 million $4.6 million and $5.8 million, respectively.

At March 31, 2024 June 30, 2024, OFG's non-performing assets decreased by 4.9% 11.0% to $95.2 $89.1 million (0.85% (0.79% total assets) from $100.0 million (0.88% of total assets) at December 31, 2023.

Foreclosed real estate slightly increased decreased from $10.8 million at December 31, 2023 to $10.9 million $6.5 million at March 31, 2024 June 30, 2024 and other repossessed assets increased from $4.0 million at December 31, 2023 to $6.8 million $5.7 million at March 31, 2024 June 30, 2024, both recorded at fair value. OFG does not expect non-performing loans to result in significantly higher losses. At March 31, 2024 June 30, 2024, the allowance coverage ratio to non-performing loans was 202.1% 204.8% (189.1% at December 31, 2023).

Upon adoption of the CECL methodology, OFG elected to maintain pools of loans that were previously accounted for under ASC 310-30 and will continue to account for these pools as a unit of account. As such, for PCD loans the determination of non-accrual or accrual status is made at the pool level, not the individual loan level. The ACL was determined for each pool and added to the pool's carrying amount to establish a new amortized cost basis. The difference between the unpaid principal balance of the pool and the new amortized cost basis is the non-credit premium or discount which will be amortized interest income over the remaining life of the pool. On a quarterly basis, management will monitor the composition and behavior of the pools to assess the ability for cash flow estimation and timing. If based on the analysis performed the pool is classified as non-accrual, the accretion/amortization of the non-credit (discount) premium will cease.

The following items comprise non-performing loans held for investment, including Non-PCD and PCDs:

Commercial loans - At March 31, 2024 June 30, 2024, OFG's non-performing commercial loans amounted to $39.8 $39.2 million (51.3% (51.1% of OFG's non-performing loans), a 6.5% 7.7% decrease from $42.5 million at December 31, 2023 (49.9% of OFG's non-performing loans). Non-PCD commercial loans are placed on non-accrual status when they become 90 days or more past due and are written down, if necessary, based on the specific evaluation of the underlying collateral, if any.

Mortgage loans - At March 31, 2024 June 30, 2024, OFG's non-performing mortgage loans totaled $19.3 $17.6 million (24.9% (22.9% of OFG's non-performing loans), a 4.8% 13.3% decrease from $20.3 million (23.8% of OFG's non-performing loans) at December 31, 2023. Non-PCD mortgage loans are placed on non-accrual status when they become 90 days or more past due and are written-down, if necessary, based on the specific evaluation of the collateral underlying the loan, except for FHA and VA insured mortgage loans which are placed in non-accrual when they become 12 months or more past due.

Consumer loans - At March 31, 2024 June 30, 2024, OFG's non-performing consumer loans amounted to $3.9 $3.3 million (5.0% (4.3% of OFG's non-performing loans), a 15.3% increase 1.4% decrease from $3.4 million at December 31, 2023 (4.0% of OFG's non-performing loans). Non-PCD consumer loans are placed on non-accrual status when they become 90 days past due and written-off when payments are delinquent 120 days in personal loans and 180 days in credit cards and personal lines of credit.

Auto loans - At March 31, 2024 June 30, 2024, OFG's non-performing auto loans amounted to $14.5 $16.7 million (18.8% (21.7% of OFG's total non-performing loans), a decrease of 23.8% 12.4% from $19.1 million at December 31, 2023 (22.3% of OFG's total non-performing loans). Non-PCD auto loans are placed on non-accrual status when they become 90 days past due, partially written-off to collateral value when payments are delinquent 120 days, and fully written-off when payments are delinquent 180 days.

OFG has two mortgage loan modification programs. These are the Loss Mitigation Program and the Non-Conforming Mortgage Loan Program. Both programs are intended to help responsible homeowners to remain in their homes and avoid foreclosure, while also reducing OFG's losses on non-performing mortgage loans.

The Loss Mitigation Program helps mortgage borrowers who are or will become financially unable to meet the current or scheduled mortgage payments. Loans that qualify under this program are those guaranteed by FHA, VA, USDA Rural Development (RURAL), Puerto Rico Housing Finance Authority (PRHFA), conventional loans guaranteed by Mortgage Guaranty Insurance Corporation (MGIC), conventional loans sold to FNMA and FHLMC, and conventional loans retained by OFG. The program offers diversified alternatives such as regular or reduced payment plans, payment moratorium, mortgage loan modification, partial claims (only FHA), short sale, and deed in lieu of foreclosure.

The Non-Conforming Mortgage Loan Program is for non-conforming mortgages, including balloon payment, interest-only/interest first, variable interest rate, adjustable interest rate and other qualified loans. Non-conforming mortgage loan portfolios are segregated into the following categories: performing loans that meet secondary market requirement and are refinanced under the credit underwriting guidelines of FHA/VA/FNMA/ FHLMC and performing loans not meeting secondary market guidelines processed pursuant OFG's current credit and underwriting guidelines. OFG achieved an affordable and sustainable monthly payment by taking specific, sequential, and necessary steps such as reducing the interest rate, extending the loan term, capitalizing arrearages, deferring the payment of principal or, if the borrower qualifies, refinancing the loan.

In order to apply for any of our loan modification programs, if the borrower is active in Chapter 13 bankruptcy, it must request an authorization from the bankruptcy trustee to allow the loan modification. Borrowers with discharged Chapter 7 bankruptcies may also apply. Loans in these programs are evaluated by designated credit underwriters for financial difficulty modification if OFG grants a concession for legal or economic reasons due to the debtor's financial difficulties.

TABLE 8 - ALLOWANCE FOR CREDIT LOSSES BREAKDOWN

		March 31,	December 31,					
		June 30,	December 31,	Variance %				Variance %
2024		(In thousands) (In thousands) (In thousands)						
ACL:								
ACL:								
ACL:								
Non-PCD								
Non-PCD								
Non-PCD								
Commercial loans								
Commercial loans								
Commercial loans		$ 37,371	$ 44,041	-15.1 %	$	33,809	$ 44,041	-23.2 %
Mortgage loans	Mortgage loans	7,627	7,998	-4.6 %	Mortgage loans	6,886	7,998	-13.9 %
Consumer loans	Consumer loans	27,453	27,086	1.4 %	Consumer loans	29,432	27,086	8.7 %
Auto loans	Auto loans	76,316	73,485	3.9 %	Auto loans	80,722	73,485	9.8 %
Total ACL	**Total ACL**	**$ 148,767**	**$ 152,610**	**-2.5 %**	**Total ACL**	**$ 150,849**	**$ 152,610**	**-1.2 %**
PCD								
PCD								
PCD								
Commercial loans								
Commercial loans								

Commercial loans		$	1,133	$	1,113	1.8 %		$	789	$	1,113	-29.1 %
Mortgage loans	Mortgage loans		6,638		7,351	-9.7 %	Mortgage loans		5,642		7,351	-23.2 %
Consumer loans	Consumer loans		7		7	— %	Consumer loans		8		7	14.3 %
Auto loans	Auto loans		18		25	-28.0 %	Auto loans		13		25	-48.0 %
Total ACL	**Total ACL**	**$**	**7,796**	**$**	**8,496**	**-8.2 %**	**Total ACL**	**$**	**6,452**	**$**	**8,496**	**-24.1 %**

ACL summary

ACL summary

ACL summary

Commercial loans

Commercial loans

Commercial loans		$	38,504	$	45,154	-14.7 %		$	34,598	$	45,154	-23.4 %
Mortgage loans	Mortgage loans		14,265		15,349	-7.1 %	Mortgage loans		12,528		15,349	-18.4 %
Consumer loans	Consumer loans		27,460		27,093	1.4 %	Consumer loans		29,440		27,093	8.7 %
Auto loans	Auto loans		76,334		73,510	3.8 %	Auto loans		80,735		73,510	9.8 %
Total ACL	**Total ACL**	**$**	**156,563**	**$**	**161,106**	**-2.8 %**	**Total ACL**	**$**	**157,301**	**$**	**161,106**	**-2.4 %**

ACL composition:

ACL composition:

ACL composition:

Commercial loans

Commercial loans

Commercial loans

Mortgage loans

Mortgage loans

Mortgage loans

Consumer loans

Consumer loans

Consumer loans

Auto loans

Auto loans

Auto loans

100.0

100.0

100.0

ACL coverage ratio at end of year:

ACL coverage ratio at end of period:

ACL coverage ratio at end of year:

ACL coverage ratio at end of period:

ACL coverage ratio at end of year:

ACL coverage ratio at end of period:

Commercial loans

Commercial loans

Commercial loans		1.3 %	1.5 %	(14.3)%		1.12 %	1.47 %	(23.8) %
Mortgage loans	Mortgage loans	0.9 %	1.0 %	(4.1)%	Mortgage loans	0.84 %	0.98 %	(14.3)%
Consumer loans	Consumer loans	4.4 %	4.3 %	1.4 %	Consumer loans	4.57 %	4.37 %	4.6 %
Auto loans	Auto loans	3.3 %	3.2 %	0.9 %	Auto loans	3.33 %	3.23 %	3.1 %
		2.1 %	**2.1 %**	**(2.8) %**				
		2.06 %	**2.14 %**	**(3.7) %**				

ACL coverage ratio to non-performing loans:

ACL coverage ratio to non-performing loans:

ACL coverage ratio to non-performing loans:

Commercial loans	96.8 %	106.2 %	(8.9)%	88.2 %	106.2 %	(16.9) %
Mortgage loans	73.9 %	75.8 %	(2.5)%	71.3 %	75.8 %	(5.9)%
Consumer loans	705.4 %	802.5 %	(12.1)%	884.3 %	802.5 %	10.2 %
Auto loans	525.9 %	385.8 %	36.3 %	483.8 %	385.8 %	25.4 %
	202.1 %	**189.1 %**	**6.9 %**			
	204.8 %	**189.1 %**	**8.3 %**			

TABLE 9 - ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

	March 31, / June 30,				December 31,		
	2024		2024		2023		
	Amount of ACL		Amount of ACL	Percent of loans in each category of total loans [1]	Amount of ACL	Percent of loans in each category of total loans [1]	Amount of ACL	Pe loar cat tota
(In thousands)							
Commercial loans	$ 38,504	40.5%	$ 45,154	40.8%	$ 34,598	40.3%	$ 45,15
Mortgage loans	14,265	20.1%	15,349	20.7%	12,528	19.4%	
Consumer loans	27,460	8.3%	27,093	8.2%	29,440	8.4%	
Auto loans	76,334	31.1%	73,510	30.3%	80,735	31.9%	
Total	**$156,563**	**100.0 100.0 %**	**$ 161,106**	**100.0 100.0 %**	**$ 157,301**	**100.0 100.0 %**	**$**

[1] Total loans in this table refers to total loans held for investment.

TABLE 10 - ALLOWANCE FOR CREDIT LOSSES SUMMARY

	Quarter Ended March 31, / Quarter Ended June 30,			Six-Month Period Ended June 30,	
	2024	2024	2023	Variance %	2024	2023
	(Dollars in thousands) / (In thousands)					
Balance at beginning of period						

Balance at beginning of period

Balance at beginning of period	**Balance at beginning of period**	$ 156,563	$	$ 151,884	3.1	3.1 %	$161,106	$	$152,673	5.5	5
Provision for credit losses	Provision for credit losses	15,751	14,644	14,644	7.6	7.6 %	31,020	23,975	23,975	29.4	
Charge-offs	Charge-offs	(22,774)	(18,533)	(18,533)	22.9	22.9 %	(50,445)	(37,507)	(37,507)	34.5	
Recoveries	Recoveries	7,761	11,928	11,928	-34.9	-34.9 %	15,620	20,782	20,782	-24.8	
Balance at end of period	**Balance at end of period**	**$157,301**	**$**	**$159,923**	**-1.6**	**-1.6 %**	**$157,301**	**$**	**$159,923**	**-1.6**	

Provision for credit losses
Provision for credit losses
Charge-offs
Charge-offs
Recoveries
Recoveries
Balance at end of period
Balance at end of period

TABLE 11 — NET CREDIT LOSSES STATISTICS ON LOANS

	Quarter Ended March 31,				
	Quarter Ended March 31,				
	Quarter Ended March 31,				
	2024				
	2024				
	Quarter Ended June 30,			**Six-Month Period Ended June 30,**	
	2024	**2024**	**2023**	**Variance %**	**2024**
	(Dollars in thousands)				
	(Dollars in thousands)				
	(Dollars in thousands)				
<u>Non-PCD:</u>					
<u>Non-PCD:</u>					
<u>Non-PCD:</u>					
Mortgage loans					
Mortgage loans					
Mortgage loans					

Charge-offs										
Charge-offs										
Charge-offs	$	(1)	$	$ (191)	(99.5)	(99.5) %	$ (65)	$	$(392)	
Recoveries	Recoveries	540	334	334	61.7	61.7 %		807	550	
Recoveries										
Recoveries										
Total	Total	**539**	**143**	**143**	**276.9**	**276.9 %**		**742**	**158**	
Total										
Total										
Commercial PR										
Commercial PR										
Commercial PR										
Charge-offs										
Charge-offs										
Charge-offs	$	(160)	(523)	(523)	(69.4)	(69.4) %		(3,727)	(1,898)	(
Recoveries	Recoveries	111	237	237	(53.2)	(53.2)%		163	563	
Recoveries										
Recoveries										
Total Commercial PR	Total Commercial PR	**(49)**	**(286)**	**(286)**	**(82.9)**	**(82.9)%**		**(3,564)**	**(1,335)**	
Total Commercial PR										
Total Commercial PR										
Commercial US										
Commercial US										
Commercial US										
Charge-offs										
Charge-offs										
Charge-offs	$	(1,574)	(2,973)	(2,973)	(47.1)	(47.1) %	$	(3,323)	(2,973)	(
Recoveries	Recoveries	45	—	—	100.0	100.0 %		45	—	
Recoveries										
Recoveries										
Total Commercial US	Total Commercial US	**(1,529)**	**(2,973)**	**(2,973)**	**(48.6)**	**(48.6)%**		**(3,278)**	**(2,973)**	
Total Commercial US										
Total Commercial US										
Consumer loans										
Consumer loans										

Consumer loans									
Charge-offs									
Charge-offs									
Charge-offs		(8,180)	(5,518)	(5,518)	48.2	48.2 %	(16,161)	(10,958)	(1
Recoveries	Recoveries	851	2,003	2,003	(57.5)	(57.5)%	1,544	2,869	
Recoveries									
Recoveries									
Total	Total	**(7,329)**	**(3,515)**	**(3,515)**	**108.5**	**108.5 %**	**(14,617)**	**(8,089)**	
Total									
Total									
Auto loans									
Auto loans									
Auto loans									
Charge-offs									
Charge-offs									
Charge-offs		(12,559)	(9,169)	(9,169)	37.0	37.0 %	(26,777)	(18,648)	(1
Recoveries	Recoveries	5,926	8,332	8,332	(28.9)	(28.9)%	11,897	14,931	
Recoveries									
Recoveries									
Total									
Total									
Total	Total	**(6,633)**	**(837)**	**(837)**	**692.5**	**692.5 %**	**(14,880)**	**(3,717)**	
PCD:									
PCD:									
PCD:									
Mortgage loans									
Mortgage loans									
Mortgage loans									
Charge-offs									
Charge-offs									
Charge-offs		$ (29)	$	$ (1)	2800.0	2800.0 %	$(112)	$	$ (76)
Recoveries	Recoveries	93	260	260	(64.2)	(64.2)%	731	507	
Recoveries									
Recoveries									
Total	Total	**64**	**259**	**259**	**(75.3)**	**(75.3)%**	**619**	**431**	
Total									
Total									
Commercial PR									
Commercial PR									
Commercial PR									
Charge-offs									
Charge-offs									
Charge-offs		(265)	—	—	100.0	100.0 %	(265)	(2,104)	(
Recoveries	Recoveries	158	319	319	(50.5)	(50.5)%	315	808	
Recoveries									
Recoveries									

Total Commercial PR loans	Total Commercial PR loans	**(107)**	**319**	**319**	**(133.5)**	**(133.5)%**	**50**	**(1,296)**	
Total Commercial PR loans									
Total Commercial PR loans									
Consumer loans									
Consumer loans									
Consumer loans									
Charge-offs									
Charge-offs									
Charge-offs		—	(124)	(124)	(100.0)	(100.0) %	—	(337)	
Recoveries	Recoveries	7	42	42	(83.3)	(83.3)%	30	53	
Recoveries									
Recoveries									
Total	Total	**7**	**(82)**	**(82)**	**(108.5)**	**(108.5)%**	**30**	**(284)**	
Total									
Total									
Auto loans									
Auto loans									
Auto loans									
Charge-offs									
Charge-offs									
Charge-offs		(6)	(34)	(34)	(82.4)	(82.4) %	(15)	(121)	
Recoveries	Recoveries	30	401	401	(92.5)	(92.5)%	88	501	
Recoveries									
Recoveries									
Total									
Total									
Total	Total	**24**	**367**	**367**	**(93.5)**	**(93.5)%**	**73**	**380**	
Total charge-offs									
Total charge-offs									
Total charge-offs		(22,774)	(18,533)	(18,533)	22.9	22.9 %	(50,445)	(37,507)	(3
Total recoveries	Total recoveries	7,761	11,928	11,928	(34.9)	(34.9)%	15,620	20,782	
Total recoveries									
Total recoveries									
Net credit losses	**Net credit losses**	**$(15,013)**	**$**	**$ (6,605)**	**127.3**	**127.3 %**	**$ (34,825)**	**$**	**$(1**
Net credit losses									
Net credit losses									

TABLE 11 — NET CREDIT LOSSES STATISTICS ON LOANS (CONTINUED)

	Quarter Ended March 31, Quarter Ended March 31, Quarter Ended March 31, Quarter Ended June 30,					
	2024 2024 2024	2023	Variance %	2024	2023	Variance %
	(Dollars in thousands) (Dollars in thousands) (Dollars in thousands)					
Net credit losses (recoveries) to average loans outstanding:						
Net credit losses (recoveries) to average loans outstanding:						
Net credit losses (recoveries) to average loans outstanding:						
Mortgage loans						
Mortgage loans						
Mortgage loans	(0.16) %	(0.10) %	60.0 %	(0.18) %	(0.07) %	157.1 %
Commercial PR	Commercial PR 0.03 %	(0.01) %	-400.0 %	0.30 %	0.26 %	15.4 %
Commercial PR						
Commercial PR						
Commercial US						
Commercial US						
Commercial US	Commercial US 0.85 %	1.81 %	(53.0)%	0.89 %	0.91 %	(2.2)%
Consumer loans	Consumer loans 4.42 %	2.37 %	86.5 %	4.43 %	2.82 %	57.1 %
Consumer loans						
Consumer loans						
Auto loans						
Auto loans						
Auto loans	Auto loans 1.11 %	0.09 %	1,133.3 %	1.26 %	0.33 %	281.8 %
Total	Total **0.79 %**	**0.38 %**	**107.9 %**	**1.13 %**	**0.48 %**	**135.4 %**
Total						
Total						
Recoveries to charge-offs	**Recoveries to charge-offs 34.08 %**	**64.36 %**	**-47.0 %**	**15.39 %**	**55.41 %**	**-72.2 %**
Recoveries to charge-offs						
Recoveries to charge-offs						
Average Loans Held for Investment						

Average Loans Held for Investment							
Average Loans Held for Investment							
Mortgage loans							
Mortgage loans							
Mortgage loans		$ 1,479,583	$ 1,616,873	(8.5) %	$ 1,495,432	$ 1,635,046	(8.5) %
Commercial PR	Commercial PR	2,363,831	2,040,547	15.8 %	2,338,196	2,012,927	16.2 %
Commercial PR							
Commercial PR							
Commercial US							
Commercial US							
Commercial US	Commercial US	716,089	657,439	8.9 %	736,249	650,065	13.3 %
Consumer loans	Consumer loans	663,315	606,842	9.3 %	658,080	593,230	10.9 %
Consumer loans							
Consumer loans							
Auto loans							
Auto loans							
Auto loans	Auto loans	2,389,589	2,081,270	14.8 %	2,349,125	2,043,887	14.9 %
Total	Total	**$ 7,612,407**	**$ 7,002,971**	**8.7 %**	**$ 7,577,082**	**$ 6,935,155**	**9.3 %**
Total							
Total							

Net charge-offs of $19.8 million for the second quarter ended March 31, 2024, increased of 2024 amounted to $15.0 million increasing by $9.7 million $8.4 million, when compared to $10.1 million $6.6 million in prior year quarter. Net charge-offs for the six-month period ended June 30, 2024 amounted to $34.8 million, increasing by $18.1 million, when compared to $16.7 million in the prior year period.

Net charge-offs variances were as follows:

- Residential mortgage loans net recoveries amounted to $758 $603 thousand in the first second quarter of 2024, increasing by $571 $201 thousand when compared to $187 $402 thousand in the first second quarter of 2023. Residential mortgage loans net recoveries for the six-month period ended June 30, 2024 amounted to $1.4 million, increasing by $772 thousand when compared to net recoveries of $589 thousand for prior year period.

- Commercial loans net charge-offs amounted to $5.1 million $1.7 million in the first second quarter of 2024, increasing decreasing by $2.4 million $1.3 million, when compared to $2.7 million $2.9 million in the first second quarter of 2023. Net charge-offs for the six-month period ended June 30, 2024 amounted $6.8 million, increasing by $1.2 million, when compared to $5.6 million in the prior year period. The first quarter of 2024 includes charge-offs for the six-month period ended June 30, 2024, include $3.5 million from retail commercial loans, mainly from previously and fully-reserved nonperforming PPP paycheck protection program ("PPP") loans.

- Consumer loans net charge-offs amounted to $7.3 million in the first second quarter of 2024, increasing by $2.5 million $3.7 million, when compared to $4.8 million net charge-offs of $3.6 million in the first second quarter of 2023. Net charge-offs for the six-month period ended June 30, 2024 amounted $14.6 million increasing by $6.2 million when compared to $8.4 million in the prior year period. The increase in net charge-offs during the six-month period ended June 30, 2024 was driven by an increase in business volume.

- Auto loans net charge-offs amounted to $8.2 million $6.6 million in the first second quarter of 2024, increasing by $5.3 million $6.1 million, when compared to $2.9 million $0.5 million in the first second quarter of 2023. Net charge-offs for the six-month period ended June 30, 2024 amounted to $14.8 million, increasing by $11.5 million, when compared to $3.3 million in the prior year period, reflecting post-pandemic credit normalization.

With Covid-19 cash stimulus fading away, OFG has increased net charge-offs in auto and consumer loan portfolios. Nevertheless, these figures are lower than pre-pandemic levels.

TABLE 12 — NON-PERFORMING ASSETS

	March 31,
	March 31,
	March 31,
	June 30,

	June 30,
	June 30,
	2024
	2024
	2024
	(Dollars in thousands)
	(Dollars in thousands)
	(Dollars in thousands)
Non-performing assets:	
Non-performing assets:	
Non-performing assets:	
Non-PCD	
Non-PCD	
Non-PCD	
Non-accruing loans	
Non-accruing loans	
Non-accruing loans	
Accruing loans	
Accruing loans	
Accruing loans	
Total	
Total	
Total	
PCD	
PCD	
PCD	
Total non-performing loans	
Total non-performing loans	
Total non-performing loans	
Foreclosed real estate	
Foreclosed real estate	
Foreclosed real estate	
Other repossessed assets	
Other repossessed assets	
Other repossessed assets	
Non-performing assets to total assets	
Non-performing assets to total assets	
Non-performing assets to total assets	
Non-performing assets to total capital	
Non-performing assets to total capital	
Non-performing assets to total capital	

TABLE 13 — NON-ACCRUAL LOANS

	March 31,	December 31,		
	June 30,	December 31,	Variance %	
				Variance %
2024				
	(Dollars in thousands)			
	(Dollars in thousands)			
	(Dollars in thousands)			

Non-accrual loans												
Non-PCD												
Non-PCD												
Non-PCD												
Commercial loans												
Commercial loans												
Commercial loans		$	33,794	$	36,096	-6.4 %	$		34,477	$	36,096	(4.5)%
Mortgage loans	Mortgage loans		13,700		14,197	-3.5 %	Mortgage loans		12,708		14,197	(10.5)%
Consumer loans	Consumer loans		3,893		3,376	15.3 %	Consumer loans		3,329		3,376	(1.4)%
Auto loans	Auto loans		14,516		19,056	-23.8 %	Auto loans		16,689		19,056	(12.4)%
Total	Total	**$**	**65,903**	**$**	**72,725**	**-9.4 %**	Total	**$**	**67,203**	**$**	**72,725**	(7.6)%
PCD												
Commercial loans												
Commercial loans												
Commercial loans		$	5,969	$	6,424	-7.1 %	$		4,748	$	6,424	(26.1)%
Mortgage loans	Mortgage loans		247		250	-1.2 %	Mortgage loans		244		250	(2.4)%
Total												
Total												
Total		**$**	**6,216**	**$**	**6,674**	**-6.9 %**	**$**		**4,992**	**$**	**6,674**	**(25.2)%**
Total non-accrual loans	Total non-accrual loans	**$**	**72,119**	**$**	**79,399**	**-9.2 %**	Total non-accrual loans	**$**	**72,195**	**$**	**79,399**	**(9.1)%**
Non-accruals loans composition percentages:												
Commercial loans												
Commercial loans												
Commercial loans												
Mortgage loans												
Mortgage loans												
Mortgage loans												
Consumer loans												
Consumer loans												
Consumer loans												
Auto loans												
Auto loans												
Auto loans												
Non-accrual loans ratios:												
Non-accrual loans ratios:												
Non-accrual loans ratios:												
Non-accrual loans to total loans												
Non-accrual loans to total loans												
Non-accrual loans to total loans		**0.96**	**%**	**1.05**	**%**	-8.57 %		**0.94**	**%**	**1.05**	**%**	(10.5)%
Allowance for credit losses to non-accrual loans	Allowance for credit losses to non-accrual loans	**217.09**	**%**	**202.91**	**%**	6.99 %	Allowance for credit losses to non-accrual loans	**217.88**	**%**	**202.91**	**%**	7.4%

Quarter Ended March 31,

Quarter Ended March 31,

Quarter Ended March 31,

2024

2024

Quarter Ended June 30, **Six-Month Period Ended June 30,**

	2024	2024	2023	2024	2023
	(In thousands)			(In thousands)	
	(In thousands)				
	(In thousands)				
Interest that would have been recorded in the period if the loans had not been classified as non-accruing loans					

TABLE 14 - NON-PERFORMING LOANS

		March 31,	December 31,	Variance %				
		June 30,	December 31,					Variance %
2024								
		(Dollars in thousands)						
		(Dollars in thousands)						
		(Dollars in thousands)						
Non-performing loans								
Non-PCD								
Non-PCD								
Non-PCD								
Commercial loans								
Commercial loans								
Commercial loans		$ 33,794	$ 36,096	-6.4 %		$ 34,477	$ 36,096	(4.5)%
Mortgage loans	Mortgage loans	19,044	20,007	-4.8 %	Mortgage loans	17,325	20,007	(13.4)%
Consumer loans	Consumer loans	3,893	3,376	15.3 %	Consumer loans	3,329	3,376	(1.4)%
Auto loans	Auto loans	14,516	19,056	-23.8 %	Auto loans	16,689	19,056	(12.4)%
Total	Total	**$ 71,247**	**$ 78,535**	**-9.3 %**	Total	**$ 71,820**	**$ 78,535**	**(8.6)%**
PCD								
Commercial loans								
Commercial loans								
Commercial loans		$ 5,969	$ 6,424	-7.1 %		$ 4,748	$ 6,424	(26.1)%
Mortgage loans	Mortgage loans	247	250	-1.2 %	Mortgage loans	244	250	(2.4)%
Total								
Total								
Total		**$ 6,216**	**$ 6,674**	**-6.9 %**		**$ 4,992**	**$ 6,674**	**(25.2)%**
Total non-performing loans	Total non-performing loans	**$ 77,463**	**$ 85,209**	**-9.1 %**	Total non-performing loans	**$ 76,812**	**$ 85,209**	**(9.9)%**
Non-performing loans composition percentages:								
Commercial loans								
Commercial loans								
Commercial loans								
Mortgage loans								
Mortgage loans								
Mortgage loans								
Consumer loans								
Consumer loans								
Consumer loans								
Auto loans								
Auto loans								

Auto loans												
Non-performing loans to:												
Non-performing loans to:												
Non-performing loans to:												
Total loans held for investment gross												
Total loans held for investment gross												
Total loans held for investment gross		**1.03**	**%**	**1.13**	**%**	-8.8 %		**1.01**	**%**	**1.13**	**%**	(10.6)%
Total assets	Total assets	**0.69**	**%**	**0.75**	**%**	-8.0 %	Total assets	**0.68**	**%**	**0.75**	**%**	(9.3)%
Total capital	Total capital	**6.37**	**%**	**7.14**	**%**	-10.8 %	Total capital	**6.26**	**%**	**7.14**	**%**	(12.3)%
Non-performing loans with partial charge-offs to:												
Total loans held for investment gross												
Total loans held for investment gross												
Total loans held for investment gross		**0.28**	**%**	**0.29**	**%**	-3.4 %		**0.25**	**%**	**0.29**	**%**	(13.8)%
Non-performing loans	Non-performing loans	**27.59**	**%**	**25.63**	**%**	7.6 %	Non-performing loans	**24.42**	**%**	**25.63**	**%**	(4.7)%
Other non-performing loans ratios:												
Charge-off rate on non-performing loans to non-performing loans on which charge-offs have been taken												
Charge-off rate on non-performing loans to non-performing loans on which charge-offs have been taken												
Charge-off rate on non-performing loans to non-performing loans on which charge-offs have been taken		**75.55**	**%**	**75.14**	**%**	0.5 %		**88.52**	**%**	**75.14**	**%**	17.8%
Allowance for credit losses to non-performing loans on which no charge-offs have been taken	Allowance for credit losses to non-performing loans on which no charge-offs have been taken	**279.11**	**%**	**254.24**	**%**	9.8 %	Allowance for credit losses to non-performing loans on which no charge-offs have been taken	**270.94**	**%**	**254.24**	**%**	6.6%

TABLE 15 - LIABILITIES SUMMARY AND COMPOSITION

	March 31,
	June 30,
	March 31,
	June 30,
	March 31,
	June 30,
	2024
	2024
	2024
	(Dollars in thousands)
	(Dollars in thousands)
	(Dollars in thousands)
Deposits:	
Deposits:	
Deposits:	
Non-interest-bearing deposits	

Non-interest-bearing deposits
Non-interest-bearing deposits
NOW accounts
NOW accounts
NOW accounts
Savings accounts
Savings accounts
Savings accounts
Time deposits
Time deposits
Time deposits
Total deposits
Total deposits
Total deposits
Accrued interest payable
Accrued interest payable
Accrued interest payable
Total deposits and accrued interest payable
Total deposits and accrued interest payable
Total deposits and accrued interest payable
Borrowings:
Borrowings:
Borrowings:
Advances from FHLB
Advances from FHLB
Advances from FHLB
Other borrowings
Other borrowings
Other borrowings
Total borrowings
Total borrowings
Total borrowings
Total deposits and borrowings
Total deposits and borrowings
Total deposits and borrowings
Other Liabilities:
Other Liabilities:
Other Liabilities:
Acceptances executed and outstanding
Acceptances executed and outstanding
Acceptances executed and outstanding
Lease liability
Lease liability
Lease liability
Deferred tax liability, net
Deferred tax liability, net
Deferred tax liability, net
Accrued expenses and other liabilities
Accrued expenses and other liabilities
Accrued expenses and other liabilities
Total liabilities
Total liabilities

Total liabilities	
Deposits portfolio composition percentages:	
Deposits portfolio composition percentages:	
Deposits portfolio composition percentages:	
Non-interest-bearing deposits	
Non-interest-bearing deposits	
Non-interest-bearing deposits	
NOW accounts	
NOW accounts	
NOW accounts	
Savings accounts	
Savings accounts	
Savings accounts	
Time deposits	
Time deposits	
Time deposits	
	100.0
	100.0
	100.0
Borrowings portfolio composition percentages:	
Borrowings portfolio composition percentages:	
Borrowings portfolio composition percentages:	
Advances from FHLB	
Advances from FHLB	
Advances from FHLB	

Liabilities and Funding Sources

As shown in Table 15 above, at March 31, 2024 June 30, 2024, OFG's total liabilities were $9.944 billion $10.031 billion, 2.0% 1.2% lower than the $10.151 billion reported at December 31, 2023. Deposits and borrowings, OFG's funding sources, amounted to $9.749 billion $9.806 billion at March 31, 2024 June 30, 2024 compared to $9.963 billion at December 31, 2023. Deposits, excluding accrued interest payable, decreased by $212.6 million $155.7 million reflecting a decrease in brokered deposits of $159.6 $161.8 million, demand deposits of $99.9 million and savings and money market accounts of $86.3 million $85.8 million and demand deposits of $33.1 million, offset by an increase in time deposits of $45.6 million $123.7 million. Excluding public fund deposits, retail deposits decreased $33.3 million and commercial deposits increased $77.2 million.

In December 2023, OFG received a $1.2 billion deposit in an interest-bearing checking account from an existing long-standing Puerto Rico government client who had an inflow of liquidity. At March 31, 2024 June 30, 2024 and December 31, 2023, total public fund deposits from various Puerto Rico government municipalities, agencies and corporations amounted to $1.590 billion $1.577 billion and $1.616 billion, respectively. These public funds were collateralized with securities and commercial loans amounting to $1.694 billion $1.679 billion and $1.645 billion at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

As of March 31, 2024 June 30, 2024, borrowings consist of FHLB advances, amounting to $200.8 million, representing a two-year FHLB advance amounting to $200.0 million acquired $200.7 million taken in 2023 as part of OFG's asset liability management strategies.

Stockholders' Equity

At March 31, 2024 June 30, 2024, OFG's total stockholders' equity was $1.216 billion $1.228 billion, a 1.9% 2.9% increase when compared to $1.193 billion at December 31, 2023. This increase reflects an increase in retained earnings of $33.1 million $67.5 million and legal surplus of $4.8 million $9.6 million, mainly due to $49.7 $100.8 million in net income, partially offset by $11.8 $23.7 million in common stock dividends, dividends. These variances were partially offset by $22.6 million from treasury stock as a result of repurchases of common stock in the aggregate amount of $24.3 million in connection with the $50 million stock buy back program announced in January 2024, and an increase in accumulated other comprehensive loss, net of tax, of $14.7 million $19.5 million from unfavorable market value adjustments on available-for-sale investment securities during the quarter ended March 31, 2024. securities.

Regulatory Capital

OFG and the Bank are subject to regulatory capital requirements established by the FRB and the FDIC. The current risk-based capital standards applicable to OFG and the Bank ("Basel III capital rules") are based on the final capital framework for strengthening international capital standards, known as Basel III, of the Basel Committee on Banking Supervision. As of March 31, 2024 June 30, 2024, the capital ratios of OFG and the Bank continue to exceed the minimum requirements for being "well-capitalized" under the Basel III capital rules.

On January 1, 2020, OFG implemented CECL using the modified retrospective approach, with an impact to capital of $25.5 million, net of its corresponding deferred tax effect. On March 27, 2020, in response to the Covid-19 pandemic, U.S. banking regulators issued an interim final rule that OFG adopted to delay for two years the initial adoption impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during 2020 and 2021 (i.e., a five-year transition period). During the two-year delay, OFG added back to common equity tier 1 ("CET1") capital 100% of the initial adoption impact of CECL plus 25% of the cumulative quarterly changes in the ACL (i.e., quarterly transitional amounts). After two years, starting on January 1, 2022, the quarterly transitional amounts along with the initial adoption impact of CECL are being phased out of CET1 capital over a three-year period.

The risk-based capital ratios presented in Table 16 include common equity tier 1, tier 1 capital, total capital and leverage capital as of March 31, 2024 June 30, 2024 and December 31, 2023 and are calculated based on the Basel III capital rules related to the measurement of capital, risk-weighted assets and average assets.

The following are OFG's consolidated capital ratios under the Basel III capital rules at March 31, 2024 June 30, 2024 and December 31, 2023:

TABLE 16 — CAPITAL, DIVIDENDS AND STOCK DATA

	March 31, 2024	December 31, 2023	Variance %	June 30, 2024	December 31, 2023	Variance %
(Dollars in thousands, except per share data)						
Capital data:						
Capital data:						
Capital data:						
Stockholders' equity						
Stockholders' equity						
Stockholders' equity	$ 1,215,653	$ 1,193,480	1.9 %	$ 1,227,702	$ 1,193,480	2.9%
Regulatory Capital Ratios data:						
Common equity tier 1 capital ratio						
Common equity tier 1 capital ratio						
Common equity tier 1 capital ratio	**14.45 %**	**14.12 %**	**2.3 %**	**14.29 %**	**14.12 %**	**1.2 %**
Minimum common equity tier 1 capital ratio required / Minimum common equity tier 1 capital ratio required	4.50 %	4.50 %	0.0 %	Minimum common equity tier 1 capital ratio required 4.50 %	4.50 %	— %
Actual common equity tier 1 capital / Actual common equity tier 1 capital	$ 1,205,231	1,174,205	2.6 %	Actual common equity tier 1 capital $ 1,223,031	1,174,205	4.2%
Minimum common equity tier 1 capital required / Minimum common equity tier 1 capital required	$ 375,218	374,301	0.2 %	Minimum common equity tier 1 capital required $ 385,270	374,301	2.9%
Minimum capital conservation buffer required (2.5%) / Minimum capital conservation buffer required (2.5%)	$ 208,454	207,945	0.2 %	Minimum capital conservation buffer required (2.5%) $ 214,039	207,945	2.9%
Excess over regulatory requirement / Excess over regulatory requirement	$ 621,559	591,959	5.0 %	Excess over regulatory requirement $ 623,722	591,959	5.4%
Risk-weighted assets / Risk-weighted assets	$ 8,338,168	8,317,802	0.2 %	Risk-weighted assets $ 8,561,549	8,317,802	2.9%

Tier 1 risk-based capital ratio	**Tier 1 risk-based capital ratio**	**14.45 %**	**14.12 %**	**2.3 %**	**Tier 1 risk-based capital ratio**	**14.29 %**	**14.12 %**	**1.2 %**
Minimum tier 1 risk-based capital ratio required	Minimum tier 1 risk-based capital ratio required	6.00 %	6.00 %	0.0 %	Minimum tier 1 risk-based capital ratio required	6.00 %	6.00 %	— %
Actual tier 1 risk-based capital	Actual tier 1 risk-based capital	$ 1,205,231	$ 1,174,205	2.6 %	Actual tier 1 risk-based capital	$ 1,223,031	$ 1,174,205	4.2%
Minimum tier 1 risk-based capital required	Minimum tier 1 risk-based capital required	$ 500,290	$ 499,068	0.2 %	Minimum tier 1 risk-based capital required	$ 513,693	$ 499,068	2.9%
Minimum capital conservation buffer required (2.5%)	Minimum capital conservation buffer required (2.5%)	$ 208,454	207,945	0.2 %	Minimum capital conservation buffer required (2.5%)	$ 214,039	207,945	2.9%
Excess over regulatory requirement	Excess over regulatory requirement	$ 496,487	$ 467,192	6.3 %	Excess over regulatory requirement	$ 495,299	$ 467,192	6.0%
Risk-weighted assets	Risk-weighted assets	$ 8,338,168	$ 8,317,802	0.2 %	Risk-weighted assets	$ 8,561,549	$ 8,317,802	2.9%
Total risk-based capital ratio	**Total risk-based capital ratio**	**15.71 %**	**15.37 %**	**2.2 %**	**Total risk-based capital ratio**	**15.54 %**	**15.37 %**	**1.1 %**
Minimum total risk-based capital ratio required	Minimum total risk-based capital ratio required	8.00 %	8.00 %	0.0 %	Minimum total risk-based capital ratio required	8.00 %	8.00 %	— %
Actual total risk-based capital	Actual total risk-based capital	$ 1,309,893	$ 1,278,537	2.5 %	Actual total risk-based capital	$ 1,330,474	$ 1,278,537	4.1%
Minimum total risk-based capital required	Minimum total risk-based capital required	$ 667,053	$ 665,424	0.2 %	Minimum total risk-based capital required	$ 684,924	$ 665,424	2.9%
Minimum capital conservation buffer required (2.5%)	Minimum capital conservation buffer required (2.5%)	$ 208,454	207,945	0.2 %	Minimum capital conservation buffer required (2.5%)	$ 214,039	207,945	2.9%
Excess over regulatory requirement	Excess over regulatory requirement	$ 434,386	$ 405,168	7.2 %	Excess over regulatory requirement	$ 431,511	$ 405,168	6.5%
Risk-weighted assets	Risk-weighted assets	$ 8,338,168	$ 8,317,802	0.2 %	Risk-weighted assets	$ 8,561,549	$ 8,317,802	2.9%
Leverage capital ratio	**Leverage capital ratio**	**10.76 %**	**11.03 %**	**(2.4)%**	**Leverage capital ratio**	**10.86 %**	**11.03 %**	**(1.5) %**
Minimum leverage capital ratio required	Minimum leverage capital ratio required	4.00 %	4.00 %	0.0 %	Minimum leverage capital ratio required	4.00 %	4.00 %	— %

Actual tier 1 capital	Actual tier 1 capital	$ 1,205,231	$ 1,174,205	2.6 %	Actual tier 1 capital	$ 1,223,031	$ 1,174,205	4.2%
Minimum tier 1 capital required	Minimum tier 1 capital required	$ 447,862	$ 425,911	5.2 %	Minimum tier 1 capital required	$ 450,325	$ 425,911	5.7%
Excess over regulatory requirement	Excess over regulatory requirement	$ 757,369	$ 748,294	1.2 %	Excess over regulatory requirement	$ 772,706	$ 748,294	3.3%
Tangible common equity to total assets	**Tangible common equity to total assets**	**9.97 %**	**9.60 %**	**3.9 %**	**Tangible common equity to total assets**	**10.00 %**	**9.60 %**	**4.2 %**
Tangible common equity to risk-weighted assets	**Tangible common equity to risk-weighted assets**	**13.34 %**	**13.09 %**	**1.9 %**	**Tangible common equity to risk-weighted assets**	**13.15 %**	**13.09 %**	**0.5 %**
Total equity to total assets	**Total equity to total assets**	**10.89 %**	**10.52 %**	**3.5 %**	**Total equity to total assets**	**10.90 %**	**10.52 %**	**3.6 %**
Total equity to risk-weighted assets	**Total equity to risk-weighted assets**	**14.58 %**	**14.35 %**	**1.6 %**	**Total equity to risk-weighted assets**	**14.34 %**	**14.35 %**	**(0.1) %**
Stock data:								
Outstanding common shares								
Outstanding common shares								
Outstanding common shares		47,216,571	47,065,156	0.3 %		46,561,532	47,065,156	(1.1)%
Book value per common share	Book value per common share	$ 25.75	$ 25.36	1.5 %	Book value per common share	$ 26.37	$ 25.36	4.0%
Tangible book value per common share	Tangible book value per common share	$ 23.55	$ 23.13	1.8 %	Tangible book value per common share	$ 24.18	$ 23.13	4.5%
Market price at end of period	Market price at end of period	$ 36.81	$ 37.48	-1.8 %	Market price at end of period	$ 37.45	$ 37.48	(0.1)%
Market capitalization at end of period	Market capitalization at end of period	$ 1,738,042	$ 1,764,002	-1.5 %	Market capitalization at end of period	$ 1,743,729	$ 1,764,002	(1.1)%

From December 31, 2023 to March 31, 2024 June 30, 2024, leverage capital ratio decreased from 11.03% to 10.76% 10.86% as average assets increased, tier 1 risk-based capital ratio and common equity tier 1 capital ratio increased from 14.12% to 14.45% 14.29%, total risk-based capital ratio increased from 15.37% to 15.71% 15.54%, and tangible common equity to tangible total assets increased from 9.68% to 10.06% 10.09%. The increases in capital ratios reflected an increase in retained earnings from net income, net of dividends, and CECL transition and stock repurchases, partially offset by an increase in risk-weighted assets of $20.4 million $243.7 million. Risk-weighted assets increased mainly due to an increase in unused commitments, from repayment of credit lines, loans, and an increase in loans. other assets.

The following table presents a reconciliation of OFG's total stockholders' equity to tangible common equity and total assets to tangible assets at March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31,	December 31,
	June 30,	**December 31,**

	2024	2024	2023	2024	2023
	(In thousands, except share or per share information)				
Total stockholders' equity	$ 1,215,653	$ 1,193,480	$ 1,227,702		$ 1,193,480
Goodwill	(84,241)	(84,241)	(84,241)	(84,241)	
Other intangible assets	(19,216)	(20,694)	(17,738)		(20,694)
Total tangible common equity (non-GAAP)	**$ 1,112,196**	**$ 1,088,545**	**$ 1,125,723**		**$ 1,088,545**
Total assets	$ 11,159,235	11,344,453	$ 11,259,085		11,344,453
Goodwill	(84,241)	(84,241)	(84,241)		(84,241)
Core deposit intangible	(14,716)	(15,848)	(13,584)		(15,848)
Customer relationship intangible	(4,500)	(4,846)	(4,154)		(4,846)
Total tangible assets	**$ 11,055,778**	**$ 11,239,518**	**$ 11,157,106**	**$ 11,239,518**	
Tangible common equity to tangible assets	**10.06 %**	**9.68 %**	**10.09 %**		**9.68 %**
Common shares outstanding at end of period	47,216,571	47,065,156	46,561,532		47,065,156
Tangible book value per common share	**$ 23.55**	**$ 23.13**	**$ 24.18**		**$ 23.13**

The tangible common equity to tangible assets ratio and tangible book value per common share are non-GAAP measures and, unlike tier 1 capital and common equity tier 1 capital, are not codified in the federal banking regulations. Management and many stock analysts use the tangible common equity to tangible assets ratio and tangible book value per common share in conjunction with more traditional bank capital ratios to compare the capital adequacy of banking organizations. Neither tangible common equity nor tangible assets or related measures should be considered in isolation or as a substitute for stockholders' equity, total assets or any other measure calculated in accordance with GAAP. Moreover, the manner in which OFG calculates its tangible common equity, tangible assets and any other related measures may differ from that of other companies reporting measures with similar names.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. To mitigate these limitations, OFG has procedures in place to calculate these measures using the appropriate GAAP or regulatory components. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools and should not be considered in isolation or as a substitute for analyses of results as reported under GAAP.

The following table presents OFG's capital adequacy information under the Basel III capital rules:

	March 31, 2024	December 31, 2023	Variance %	June 30, 2024	December 31, 2023	Variance %
	(Dollars in thousands)					
Risk-based capital:						
Common equity tier 1 capital	**$ 1,205,231**	**$ 1,174,205**	**2.6 %**	**$ 1,223,031**	**$ 1,174,205**	**4.2%**

Tier 1 capital								
Tier 1 capital								
Tier 1 capital		**1,205,231**	**1,174,205**	**2.6 %**		**1,223,031**	**1,174,205**	**4.2%**
Additional Tier 2 capital	Additional Tier 2 capital	104,662	104,332	0.3 %	Additional Tier 2 capital	107,443	104,332	3.0%
Total risk-based capital	**Total risk-based capital**	**$ 1,309,893**	**$ 1,278,537**	**2.5 %**	**Total risk-based capital**	**$ 1,330,474**	**$ 1,278,537**	**4.1%**
Risk-weighted assets:								
Balance sheet items								
Balance sheet items								
Balance sheet items		$ 7,749,150	$ 7,768,828	(0.3)%		$ 7,940,347	$ 7,768,828	2.2%
Off-balance sheet items	Off-balance sheet items	589,018	548,974	7.3 %	Off-balance sheet items	621,202	548,974	13.2%
Total risk-weighted assets	**Total risk-weighted assets**	**$ 8,338,168**	**$ 8,317,802**	**0.2 %**	**Total risk-weighted assets**	**$ 8,561,549**	**$ 8,317,802**	**2.9%**
Ratios:								
Common equity tier 1 capital (minimum required, including capital conservation buffer - 7%)								
Common equity tier 1 capital (minimum required, including capital conservation buffer - 7%)								
Common equity tier 1 capital (minimum required, including capital conservation buffer - 7%)		**14.45 %**	**14.12 %**	**2.3 %**		**14.29 %**	**14.12 %**	**1.2%**
Tier 1 capital (minimum required, including capital conservation buffer - 8.5%)	Tier 1 capital (minimum required, including capital conservation buffer - 8.5%)	**14.45 %**	**14.12 %**	**2.3 %**	Tier 1 capital (minimum required, including capital conservation buffer - 8.5%)	**14.29 %**	**14.12 %**	**1.2%**
Total capital (minimum required, including capital conservation buffer - 10.5%)	Total capital (minimum required, including capital conservation buffer - 10.5%)	**15.71 %**	**15.37 %**	**2.2 %**	Total capital (minimum required, including capital conservation buffer - 10.5%)	**15.54 %**	**15.37 %**	**1.1%**
Leverage ratio (minimum required - 4%)	Leverage ratio (minimum required - 4%)	**10.76 %**	**11.03 %**	**(2.4)%**	Leverage ratio (minimum required - 4%)	**10.86 %**	**11.03 %**	**(1.5)%**

The Bank is considered "well capitalized" under the regulatory framework for prompt corrective action. The table below shows the Bank's regulatory capital ratios at March 31, 2024 June 30, 2024 and December 31, 2023:

	March 31,	December 31,	Variance

	2024	June 30, 2024	December 31, 2023	Variance %		2024	2023	%
			(Dollars in thousands)					
Oriental Bank Regulatory Capital Ratios:								
Common Equity Tier 1 Capital to Risk-Weighted Assets								
Common Equity Tier 1 Capital to Risk-Weighted Assets								
Common Equity Tier 1 Capital to Risk-Weighted Assets		**13.14%**	**13.01%**	**1.0 %**		**13.39%**	**13.01%**	**2.9%**
Actual common equity tier 1 capital	Actual common equity tier 1 capital	$1,088,220	$1,075,487	1.2 %	Actual common equity tier 1 capital	$1,138,874	$ 1,075,487	5.9%
Minimum capital requirement (4.5%)	Minimum capital requirement (4.5%)	$ 372,660	$ 371,913	0.2 %	Minimum capital requirement (4.5%)	$ 382,754	$ 371,913	2.9%
Minimum capital conservation buffer requirement (2.5%)	Minimum capital conservation buffer requirement (2.5%)	$ 207,034	$ 206,618	0.2 %	Minimum capital conservation buffer requirement (2.5%)	$ 212,641	$ 206,618	2.9%
Minimum to be well capitalized (6.5%)	Minimum to be well capitalized (6.5%)	$ 538,287	$ 537,208	0.2 %	Minimum to be well capitalized (6.5%)	$ 552,866	$ 537,208	2.9%
Tier 1 Capital to Risk-Weighted Assets	**Tier 1 Capital to Risk-Weighted Assets**	**13.14%**	**13.01%**	**1.0 %**	**Tier 1 Capital to Risk-Weighted Assets**	**13.39%**	**13.01%**	**2.9%**
Actual tier 1 risk-based capital	Actual tier 1 risk-based capital	$1,088,220	$1,075,487	1.2 %	Actual tier 1 risk-based capital	$1,138,874	$ 1,075,487	5.9%
Minimum capital requirement (6%)	Minimum capital requirement (6%)	$ 496,880	$ 495,884	0.2 %	Minimum capital requirement (6%)	$ 510,338	$ 495,884	2.9%
Minimum capital conservation buffer requirement (2.5%)	Minimum capital conservation buffer requirement (2.5%)	$ 207,034	$ 206,618	0.2 %	Minimum capital conservation buffer requirement (2.5%)	$ 212,641	$ 206,618	2.9%
Minimum to be well capitalized (8%)	Minimum to be well capitalized (8%)	$ 662,507	$ 661,179	0.2 %	Minimum to be well capitalized (8%)	$ 680,451	$ 661,179	2.9%
Total Capital to Risk-Weighted Assets	**Total Capital to Risk-Weighted Assets**	**14.40%**	**14.27%**	**0.9 %**	**Total Capital to Risk-Weighted Assets**	**14.64%**	**14.27%**	**2.6%**
Actual total risk-based capital	Actual total risk-based capital	$1,192,181	$1,179,164	1.1 %	Actual total risk-based capital	$1,245,627	$ 1,179,164	5.6%
Minimum capital requirement (8%)	Minimum capital requirement (8%)	$ 662,507	$ 661,179	0.2 %	Minimum capital requirement (8%)	$ 680,451	$ 661,179	2.9%
Minimum capital conservation buffer requirement (2.5%)	Minimum capital conservation buffer requirement (2.5%)	$ 207,034	$ 206,618	0.2 %	Minimum capital conservation buffer requirement (2.5%)	$ 212,641	$ 206,618	2.9%
Minimum to be well capitalized (10%)	Minimum to be well capitalized (10%)	$ 828,134	$ 826,474	0.2 %	Minimum to be well capitalized (10%)	$ 850,564	$ 826,474	2.9%
Total Tier 1 Capital to Average Total Assets	**Total Tier 1 Capital to Average Total Assets**	**9.82%**	**10.20%**	**(3.7)%**	**Total Tier 1 Capital to Average Total Assets**	**10.22%**	**10.20%**	**0.2%**
Actual tier 1 capital	Actual tier 1 capital	$1,088,220	$1,075,487	1.2 %	Actual tier 1 capital	$1,138,874	$ 1,075,487	5.9%
Minimum capital requirement (4%)	Minimum capital requirement (4%)	$ 443,045	$ 421,660	5.1 %	Minimum capital requirement (4%)	$ 445,681	$ 421,660	5.7%
Minimum to be well capitalized (5%)	Minimum to be well capitalized (5%)	$ 553,807	$ 527,075	5.1 %	Minimum to be well capitalized (5%)	$ 557,101	$ 527,075	5.7%

OFG's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "OFG." "OFG". At March 31, 2024 June 30, 2024 and December 31, 2023, OFG's market capitalization for its outstanding common stock was $1.738 billion $1.744 billion ($36.81 37.45 per share) and $1.764 billion ($37.48 per share), respectively.

The following table provides the high and low prices and dividends per share of OFG's common stock for each quarter of the last three calendar years:

	Price		Price		Dividend		Cash Price		Dividend
	High	High	Low	Per share		High	Low		Per share
2024									
March 31, 2024									
March 31, 2024									
June 30, 2024									
June 30, 2024									
June 30, 2024									
March 31, 2024									
2023									
December 31, 2023									
December 31, 2023									
December 31, 2023									
September 30, 2023									
June 30, 2023									
March 31, 2023									
2022									
December 31, 2022									
December 31, 2022									
December 31, 2022									
September 30, 2022									
June 30, 2022									
March 31, 2022									

In January 2024, OFG announced the approval by the Board of Directors of a stock repurchase program for the purchase of up to $50 million. There were no repurchases of stock under this program during During the quarter six-month period ended March 31, 2024. Under the prior stock program, June 30, 2024, OFG repurchased 104,800 669,200 shares for a total of $2.9 million $24.3 million at an average price of $27.61 $36.28 per share. Under the prior stock repurchase program, OFG repurchased 670,099 shares for a total of $16.5 million at an average price of $24.57 per share during the quarter six-month period ended March 31, 2023 June 30, 2023.

OFG did not repurchase any shares of its common stock during the March 31, 2024 six-month periods ended June 30, 2024 and 2023, other than through its publicly announced stock repurchase program.

At June 30, 2024, the estimated remaining number of shares that may be purchased under the new $50 million program in prior year quarter. is 686,741 and was calculated by dividing the remaining balance of $25.7 million by $37.45 (closing price of OFG's common stock at June 30, 2024).

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Background

OFG's risk management policies are established by its Board of Directors (the "Board") and implemented by management through the adoption of a risk management program, which is overseen and monitored by the Chief Risk Officer, the Board's Risk and Compliance Committee, the executive Risk and Compliance Team, the executive Credit Risk Team, and the executive Asset/Liability Team ("ALT"). OFG has continued to refine and enhance its risk management program by strengthening policies, processes and procedures necessary to maintain effective risk management.

All aspects of OFG's business activities are susceptible to risk. Consequently, risk identification and monitoring are essential to risk management. As discussed in greater detail below, OFG's primary risk exposures include market, interest rate, credit, liquidity, operational and concentration risks.

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements of interest rate or prices. OFG evaluates market risk together with interest rate risk. OFG's financial results and capital levels are constantly exposed to market risk. The Board and management are primarily responsible for ensuring that the market risk assumed by OFG complies with the guidelines established by policies approved by the Board. The Board has delegated the management of this risk to ALT which is composed of certain executive officers from the risk management, treasury and finance areas. One of ALT's primary goals is to ensure that the market risk assumed by OFG is within the parameters established in such policies.

In March 2023, the market reacted with volatility as a result of the collapse of three large US regional banks, which became the biggest bank failures since 2008, after they experienced a run on deposits mainly driven by a significant decrease in the value of their investments. Market reactions to recession concerns and inflationary pressure, combined with aggressive interest rate

increases as part of the FRB's efforts to control inflation during 2022 and 2023, had a significant impact on bond prices, including those guaranteed by the US government or by a US government-sponsored entity. Nevertheless, we believe that OFG has strong capital and liquidity levels that facilitate holding securities until the recovery of their amortized cost basis. We also believe that our market risk management practices have allowed us to effectively manage the market volatility over time and remained strong under these conditions. After the events triggered by such bank failures, our customer deposits base has increased. Total core deposits at March 31, 2024 June 30, 2024 amounted to $9.546 billion $9.605 billion compared to $9.600 billion at December 31, 2023. The FDIC covers up to $250,000 per account owner by ownership category for retail and commercial deposit accounts. This coverage extends to both principal and accrued interest while the account balance remains within the limits. At March 31, 2024 June 30, 2024 and December 31, 2023, the aggregate amount of our uninsured deposits was $4.891 billion $4.979 billion and $4.885 billion, respectively. We have $1.590 billion $1.577 billion of deposits from the Puerto Rico government, its instrumentalities and municipalities, which represents 17% 16% of our total deposits as of March 31, 2024 June 30, 2024, mainly from a $1.2 billion deposit received in December 2023, as we continue to build and strengthen our customer relationships. These public funds are collateralized with securities and commercial loans amounting to $1.694 billion $1.679 billion and $1.645 billion at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. The amount of these deposits may fluctuate depending on the financial condition and liquidity of these entities, as well as on our ability to maintain these customer relationships. We believe that our clients are confident in the resiliency and strong position of the Bank.

Interest Rate Risk

Interest rate risk is the exposure to decline in earnings or capital due to changes in interest rates. To actively monitor the interest rate risk, the Board of Directors created ALT whose principal responsibilities consist in overseeing the management of the Bank's assets and liabilities to balance its risk exposures. In executing its responsibilities, ALT considers different methods to enhance profitability while maintaining acceptable levels of interest rate risks by implementing investment, pricing and financial strategies that help manage OFG's vulnerability to changes in interest rates.

On a quarterly basis, OFG performs net interest income simulation analysis on a consolidated basis to estimate the potential change in future earnings from projected changes in interest rates. These simulations are carried out over a five-year time horizon, assuming certain upward and downward interest rate movements, achieved during a twelve-month period. Market scenarios that include instantaneous and parallel interest rate movements as well as other scenarios with gradual interest rate ramps, speed of interest rate changes, and changes in the slope of the yield curve are also modeled. In addition to the change in interest rates, the results of the analysis could be affected by prepayments, caps, and floors. Management exercises its best judgment in formulating assumptions regarding events that management can influence such as non-maturity deposits repricing, as well as events outside management's control such as customer behavior on loans and deposits activity and the effects that competition has on both lending and deposits pricing. These assumptions are subjective and, as a result, net interest income simulation results will differ from actual results due to the timing, magnitude and frequency of interest rate changes, changes in market conditions, customer behavior and management strategies, among other factors.
OFG uses a software application to project future movements in OFG's balance sheet and income statement. The starting point of the projections generally corresponds to the actual values of the balance sheet on the date of the simulations.
The following table presents the results of the simulations for the most likely scenarios at March 31, 2024 June 30, 2024. The left of the table presents an analysis of our interest rate risk as measured by the estimated changes in net interest income resulting from an instantaneous and parallel shift in the yield curve over a 12-month horizon. The base case scenario assumes that the current interest rate environment is held constant throughout the forecast period for a static balance sheet and the instantaneous shocks are performed against that yield curve. The right side of the table presents an analysis of our interest rate risk as measured by the estimated changes in net interest income resulting from parallel gradual interest rates ramps over a 12-month horizon.

		Net Interest Income Risk (one-year projection)												
		Instantaneous Changes in Interest Rates		Instantaneous Changes in Interest Rates		Gradual Changes in Interest Rates				Instantaneous Changes in Interest Rates		Gradual Changes in Interest Rates		
		Amount Change	Amount Change	Percent Change		Amount Change	Percent Change		Amount Change		Percent Change		Amount Change	Percent Change
Change in interest rate	**Change in interest rate**	**(Dollars in thousands)**						**Change in interest rate**	**(Dollars in thousands)**					
+ 50 Basis points	+ 50 Basis points	$ 8,685	1.46	1.46 %	$ 2,970	0.50	0.50 %	+ 50 Basis points	$ 7,839	1.30	1.30 %	$ 2,534	0.42	0.42 %
+ 100 Basis points	+ 100 Basis points	$ 17,307	2.91	2.91 %	$ 6,049	1.02	1.02 %	+ 100 Basis points	$ 15,602	2.59	2.59 %	$ 5,173	0.86	0.86 %
+ 200 Basis points	+ 200 Basis points	$ 34,593	5.81	5.81 %	$ 12,119	2.03	2.03 %	+ 200 Basis points	$ 31,180	5.18	5.18 %	$ 10,361	1.72	1.72 %
- 50 Basis points	- 50 Basis points	$ (9,732)	-1.63	-1.63 %	$ (3,480)	-0.58	-0.58 %	- 50 Basis points	$ (8,973)	-1.49	-1.49 %	$ (3,028)	-0.50	-0.50 %

-100 Basis points	-100 Basis points	$(19,682)	-3.30	-3.30 %	$ (6,854)	-1.15	-1.15 %	-100 Basis points	$(17,958)	-2.98	-2.98 %	$ (5,760)	-0.96	-0.96 %
-200 Basis points	-200 Basis points	$(38,520)	-6.47	-6.47 %	$(14,356)	-2.41	-2.41 %	-200 Basis points	$(35,017)	-5.81	-5.81 %	$(12,236)	-2.03	-2.03 %

The scenarios above are both instantaneous shocks and gradual interest rate ramps that assume balance sheet management will mirror the base case. Even if interest rates change in the designated amounts, there can be no assurance that our assets and liabilities will perform as anticipated. Additionally, a change in the U.S. Treasury rates in the designated amounts accompanied by a change in the shape of the U.S. Treasury yield curve would cause significantly different changes to net interest income than indicated above. OFG strategic management of the balance sheet would be adjusted to accommodate these movements. As with any method of measuring interest rate risk, certain shortcomings are inherent in the methods of analysis presented above. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag changes in market rates. Also, the ability of many borrowers to service their debts may decrease in the event of an interest rate increase. ALT strategies consider all these factors as part of the monitoring of the exposure to interest rate risk.

Future net interest income could be affected by OFG's investments in callable securities, prepayment risk related to mortgage loans and mortgage-backed securities, and any structured repurchase agreements and advances from the FHLB in which it may enter into from time to time. As part of the strategy to limit the interest rate risk and reduce the re-pricing gaps of OFG's assets and liabilities, OFG has executed, in the past, certain transactions which included extending the maturity and the re-pricing frequency of the liabilities to longer terms and using hedge-designated swaps to hedge the variability of future interest cash flows of forecasted wholesale borrowings. At March 31, 2024 June 30, 2024, OFG did not have derivative instruments.

During Since 2023, OFG has redeployed its high cash levels and maturing treasury positions into longer-term mortgage-backed securities. These moves position OFG's balance sheet better for the expected lower interest rate environment in the second half of 2024.

Credit Risk

Credit risk is the possibility of loss arising from a borrower or counterparty in a credit-related contract failing to perform in accordance with its terms. The principal source of credit risk for OFG is its lending activities. In Puerto Rico, OFG's principal market, we believe that recent macroeconomic conditions continue to show strength. However, as demonstrated by Hurricane Fiona in September 2022, the January 2020 earthquakes and Hurricanes Irma and Maria in 2017, Puerto Rico is susceptible to natural disasters, which can have a disproportionate impact because of the logistical difficulties of bringing relief to an island far from the United States mainland. The effects of climate change may further increase the risk of natural disasters in the future and the correlative risk that the physical impact of such events could adversely affect our customers, operations, and business. Moreover, the Puerto Rico government's fiscal challenges and Puerto Rico's unique relationship with the United States also complicate any relief efforts after a natural disaster. These events increase credit risk as debtors may no longer be capable of operating their businesses and the collateral securing OFG's loans may suffer significant damages.

OFG manages its credit risk through a comprehensive credit policy which we believe establishes sound underwriting standards by monitoring and evaluating loan portfolio quality, and by the constant assessment of reserves and loan concentrations. OFG also employs proactive collection and loss mitigation practices.

OFG may also encounter risk of default in relation to its securities portfolio. The securities held by OFG are mostly agency mortgage-backed securities and US Treasury securities. Thus, these instruments are guaranteed by mortgages, a U.S. government-sponsored entity, or the full faith and credit of the U.S. government.

OFG's executive Credit Risk Team, composed of its Chief Risk Officer, Chief Credit Officer and other senior executives, has primary responsibility for setting strategies to achieve OFG's credit risk goals and objectives. Those goals and objectives are set forth in OFG's Credit Policy as approved by the Board.

Liquidity Risk

Liquidity risk is the risk of OFG not being able to generate sufficient cash from either assets or liabilities to meet obligations as they become due without incurring substantial losses. The Board has established a policy to manage this risk. OFG's cash requirements principally consist of deposit withdrawals, contractual loan funding, repayment of borrowings as these mature, and funding of new and existing investments as required.

OFG's business requires continuous access to various funding sources. Liquidity to support growth in loans held for investment has been fulfilled primarily through growth in customer deposits. OFG's goal is to obtain as much of its funding for loans held for investment and other earning assets as possible from customer deposits, which are generated principally through development of long-term customer relationships. In December 2023, OFG received a $1.2 billion deposit in an interest-bearing checking account from an existing long-standing Puerto Rico government client who had an isolated inflow of liquidity resulting in a total of $1.590 billion $1.577 billion and $1.616 billion deposits from the Puerto Rico government and its instrumentalities as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. OFG is not relying on this deposit as part its long-term funding management strategies, even though these funds could remain in the Bank for a longer period. Deposit volumes as well as the customer deposit base, excluding the Puerto Rico government deposit mentioned above, have remained stable. While OFG is able to fund its operations through deposits as well as through advances from the FHLB and other alternative sources, OFG's business may at times need to rely upon other external wholesale funding sources. OFG has selectively reduced its use of certain wholesale funding sources, such as repurchase agreements, brokered deposits, and subordinated notes, but depending on its assets and liabilities management strategies, it could use them in the future.

In the ordinary course of OFG's operations, it has entered into certain contractual obligations and has made other commitments to make future payments. OFG believes that it will be able to meet its contractual obligations as they come due through the maintenance of adequate cash levels. Commitments to extend credit are agreements to lend to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates, bear variable interest rate and may require payment of a fee. Since the commitments may expire unexercised, the total commitment amounts do not necessarily represent future cash requirements. OFG evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by OFG upon extension of credit, is based on management's credit evaluation of the customer. Loan commitments, which represent unused lines of credit, increased to $1.354 $1.424 billion at March 31, 2024 June 30, 2024 ($141.4 151.1 million with maturity of one year or less and $1.213 $1.273 billion with maturity over one year) compared to $1.256 billion at December 31, 2023 ($111.4 million with maturity of one year or less and

$1.144 billion with maturity over one year) as a result of seasonal paydowns of commercial lines of credit, and standby letters of credit provided to customers amounted to $24.7 million $25.0 million and $24.0 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Loans sold with recourse at March 31, 2024 June 30, 2024 and December 31, 2023 amounted to $96.4 million $94.5 million and $98.7 million, respectively.

In the case of loans serviced by OFG for FNMA, OFG is required to advance to the owners the payment of principal and interest on a scheduled basis for six months even when such payment was not collected from the borrower due to payment forbearance granted or payment delinquency. Such amounts advanced are recorded as a receivable by OFG and are expected to be collected from the borrower and/or government agency (FNMA). At June 30, 2024, the outstanding balance of funds advanced by OFG under such mortgage loan servicing agreements was approximately $3.7 million (December 31, 2023 - $4.2 million). To the extent the mortgage loans underlying OFG's servicing portfolio experience increased delinquencies, OFG would be required to dedicate additional cash resources to comply with its obligation to advance funds.

At March 31, 2024 both June 30, 2024 and December 31, 2023, OFG maintained other non-credit commitments amounting to $19.1 million and $18.9 million, respectively, primarily for the acquisition of other investments. These cash requirements are expected to be satisfied with OFG's unrestricted cash. In addition, as we continue to transform OFG with a focus on simplification and building a culture of excellence and customer service, we continue to invest in technology. Some of our technology investments are integrated at our long-term financial plan and required to continuously upgrade our systems. Others require us to focus our technology on investments that drive our strategy, namely digital, data analytics, cloud migration, cyber security, and our sales and service capabilities. At March 31, 2024 June 30, 2024 and December 31, 2023, OFG had commitments for capital expenditures in technology amounting to $6.0 million $7.2 million and $7.8 million, respectively, which are expected to be satisfied with OFG's unrestricted cash.

OFG expects to maintain adequate cash levels through profitability, loan and securities repayment and maturity activity and continued deposit gathering activities. Our liquidity risk management practices have allowed us to effectively manage the market volatility in the past, as with the Covid-19 pandemic and in the present, with the disruption in the banking industry caused by certain high-profile bank failures in 2023. Liquidity has grown from the federal stimulus programs Puerto Rico has received following Hurricane Maria in 2017, the January 2020 earthquakes, the Covid-19 pandemic, and Hurricane Fiona in 2022. However,

liquidity can be further affected by a number of factors such as counterparty willingness or ability to extend credit, regulatory actions and customer preferences, some of which are beyond our control. With the current economic uncertainty resulting from inflation, recent geopolitical events, and increasing recessionary risk in the US, we continue monitoring our liquidity position, specifically cash on hand to meet customer demands.

In addition, as OFG is a holding company, separate from the Bank, OFG's primary sources of liquidity are dividends received from the Bank and borrowings from outside sources. Banking regulations may limit the amount of dividends that may be paid by the Bank. Management believes that these limitations will not impact OFG's ability to meet its ongoing short-term cash obligations.

Although OFG expects to have continued access to credit from the foregoing sources of funds, there can be no assurance that such financing sources will continue to be available or will be available on favorable terms. In a period of financial disruption or if negative developments occur with respect to OFG, the availability and cost of OFG's funding sources could be adversely affected. In that event, OFG's cost of funds may increase, thereby reducing its net interest income, or OFG may need to dispose of a portion of its investment portfolio, which depending upon market conditions, could result in realizing a loss or experiencing other adverse accounting consequences upon any such dispositions. OFG's efforts to monitor and manage liquidity risk may not be successful to deal with dramatic or unanticipated changes in the global or US securities markets or other reductions in liquidity driven by OFG or market-related events. In the event that such sources of funds are reduced or eliminated and OFG is not able to replace these on a cost-effective basis, OFG may be forced to curtail or cease its loan origination business and treasury activities, which would have a material adverse effect on its operations and financial condition.

As of March 31, 2024 June 30, 2024, OFG had approximately $754.4 million $740.4 million in unrestricted cash and cash equivalents, $825.4 million $787.3 million in investment securities that are not pledged as collateral, $457.5 million $451.6 million in borrowing capacity at the FHLB and a secured line of credit through the FRB discount window with $1.922 billion $2.025 billion in loans pledged (borrowing capacity $1.198 billion $1.562 billion).

Operational Risk

Operational risk is the risk of loss from inadequate or failed internal processes, personnel and systems or from external events. All functions, products and services of OFG are susceptible to operational risk.

OFG faces ongoing and emerging risk and regulatory pressure related to the activities that surround the delivery of banking and financial products and services. Coupled with external influences such as the risk of natural disasters, market conditions, security risks, and legal risks, the potential for operational and reputational loss has increased. In order to mitigate and control operational risk, OFG has developed, and continues to enhance, specific internal controls, policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization. The purpose of these policies and procedures is to provide reasonable assurance that OFG's business operations are functioning within established limits. OFG also maintains a cybersecurity risk management framework in place to assess, identify and manage risks from cybersecurity threats. Refer to "Item 1C. Cybersecurity" in our 2023 Form 10-K for further discussion on OFG's cybersecurity risk management framework.

OFG classifies operational risk into two major categories: business specific and corporate-wide affecting all business lines. For business specific risks, a risk assessment group works with the various business units to ensure consistency in policies, processes and assessments. With respect to corporate-wide risks, such as information security, business recovery, legal and compliance, OFG has specialized groups, such as Information Security, Enterprise Risk Management, Legal and Corporate Compliance, Information Technology, and Operations. These groups assist our lines of business in the development and implementation of risk management practices specific to the needs of our business groups. All these matters are reviewed and discussed by the executive Risk and Compliance Team and the executive Consumer Compliance Team. OFG also has a Business Continuity Plan to address situations where its capacity to perform critical functions is affected. Under such circumstances, a Crisis Management Team is activated to restore such critical functions within established timeframes.

OFG is subject to extensive United States federal and Puerto Rico regulations, and OFG has established and continues to enhance procedures based on legal and regulatory requirements that are reasonably designed to ensure compliance with all applicable statutory and regulatory requirements. OFG has a corporate compliance function headed by the General Counsel who reports to the Chief Executive Officer and supervises the BSA Officer and Regulatory Corporate Compliance Officer. Director. The General Counsel is responsible for the oversight of regulatory compliance and implementation of a company-wide compliance program, including the Bank Secrecy Act/Anti-Money Laundering compliance program.

As a result of the 2023 bank failures, regulatory agencies may propose certain actions, including reforms to existing regulatory and prudential frameworks that may impose different capital and liquidity requirements, including increased requirements to issue debt or raise capital. In November 2023, the FDIC finalized a rule to recover losses to the FDIC deposit insurance fund as a result of the bank failures during the first half of 2023. failures. Under the rule, the FDIC will collect a special assessment based on a calculation using an insured depository institution's estimated amount of uninsured deposits. In particular, the special assessment will be was imposed on insured depository institutions based on their estimated uninsured deposits in excess of $5 billion at December 31, 2022. Given that OFG has had uninsured deposits under $5 billion, this special assessment does did not apply to us. However, in the future there may be additional special assessments imposed on insured depository institutions that may apply to us. It is not yet possible to quantify the scope of any of these actions or the potential impact on our operations.

Concentration Risk

Most of OFG's business activities and a significant portion of its credit exposure are concentrated in Puerto Rico. As a consequence, OFG's profitability and financial condition may be adversely affected by an extended economic slowdown, adverse political, fiscal or economic developments in Puerto Rico, or the effects of a natural disaster, all of which could result in a reduction in loan originations, an increase in non-performing assets, an increase in foreclosure losses on mortgage loans, and a reduction in the value of its loans and loan servicing portfolio.

ITEM 4. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

OFG's management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of the end of the period covered by this quarterly report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of OFG's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of OFG's disclosure controls and procedures. Based upon such evaluation, the CEO and CFO have concluded that, as of the end of the period covered by this quarterly report on Form 10-Q, OFG's disclosure controls and procedures provided reasonable assurance of effectiveness in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by OFG in the reports that it files or submits under the Securities Exchange Act of 1934. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within OFG to disclose material information otherwise required to be set forth in OFG's periodic reports.

Internal Control over Financial Reporting

There have not been any changes in OFG's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 June 30, 2024, that has materially affected, or is reasonably likely to materially affect, OFG's internal control over financial reporting.

PART - II OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

OFG and its subsidiaries are defendants in a number of legal proceedings incidental to their business. OFG is vigorously contesting such claims. Based upon a review by legal counsel and the development of these matters to date, management is of the opinion that the ultimate aggregate liability, if any, resulting from these claims will not have a material adverse effect on OFG's financial condition or results of operations.

ITEM 1A. *RISK FACTORS*

There have been no material changes to the risk factors previously disclosed in our 2023 Form 10-K, except as set forth in our subsequent quarterly reports on Form 10-Q. In addition to other information set forth in this quarterly report, you should carefully consider the risk factors included in our 2023 Form 10-K, as updated by this report or other filings we make with the SEC under the Exchange Act. Additional risks and uncertainties not presently known to OFG at this time or OFG currently deems immaterial may also adversely affect OFG's business, financial condition or results of operations.

ITEM 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

None. In January 2024, OFG's Board of Directors approved a new $50.0 million stock repurchase program. The new stock repurchase program, which is open-ended, replaces the prior stock repurchase program approved by the Board of Directors in January 2022, which had $17.2 million remaining of its $100.0 million repurchase parameters. Any shares of common stock repurchased are held by OFG as treasury shares. OFG records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. During the quarter ended June 30, 2024, OFG repurchased 669,200 shares for a total of $24.3 million at an average price of $36.28 per share.

The table below sets forth the information with respect to purchases of our common stock made by or on behalf of OFG during the quarter ended June 30, 2024:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Maximum approximate dollar value of shares that may yet be purchased under the programs
	(In thousands, except per share data)			
4/1/2024 - 4/30/2024	214,514	$ 36.29	214,514	$ 42,216
5/1/2024 - 5/31/2024	96,900	36.46	96,900	38,683
6/1/2024 - 6/30/2024	357,786	36.24	357,786	25,718
Total	**669,200**	**$ 36.28**	**669,200**	**$ 25,718**

The estimated remaining number of shares that may be purchased under the current $50 million stock buyback program is estimated at 686,741 and was calculated by dividing the remaining balance of $25.7 million by $37.45 (closing price of OFG common stock at June 30, 2024). OFG did not repurchase any shares of its common stock during the quarter ended June 30, 2024 other than through its publicly announced stock repurchase program.

ITEM 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

ITEM 5. *OTHER INFORMATION*

(a) None.

(b) None.

(c) None.

ITEM 6. *EXHIBITS*

Exhibit No.	Description of Document:
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from OFG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Unaudited Consolidated Statements of Financial Condition, (ii) Unaudited Consolidated Statements of Operations, (iii) Unaudited Consolidated Statements of Comprehensive Income, (iv) Unaudited Consolidated Statements of Changes in Stockholders' Equity, (v) Unaudited Consolidated Statements of Cash Flows, and (vi) Notes to Unaudited Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OFG BANCORP

By: /s/ José Rafael Fernández Dated: May 8, 2024 August 7, 2024

José Rafael Fernández
President and Chief Executive Officer

By: /s/ Maritza Arizmendi Díaz Dated: May 8, 2024 August 7, 2024

Maritza Arizmendi Díaz
Chief Financial Officer

EXHIBIT 31.1

MANAGEMENT CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **José Rafael Fernández**, President and Chief Executive Officer of OFG Bancorp, certify that:

1. I have reviewed this report on Form 10-Q of OFG Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record,process,summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, August 7, 2024

By: /s/ José Rafael Fernández
José Rafael Fernández
President and Chief Executive Officer

EXHIBIT 31.2

MANAGEMENT CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Maritza Arizmendi**, Chief Financial Officer of OFG Bancorp, certify that:

1. I have reviewed this report on Form 10-Q of OFG Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, August 7, 2024

By: /s/ Maritza Arizmendi
Maritza Arizmendi
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. §1350)

In connection with OFG Bancorp's report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, José Rafael Fernández, President and Chief Executive Officer of OFG Bancorp, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350), that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of OFG Bancorp.

In witness whereof, I execute this certification in San Juan, Puerto Rico, this 8th 7th day of May August 2024.

By: /s/ José Rafael Fernández
José Rafael Fernández
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. §1350)

In connection with OFG Bancorp's report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Maritza Arizmendi, Chief Financial Officer of OFG Bancorp, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1350), that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of OFG Bancorp.

In witness whereof, I execute this certification in San Juan, Puerto Rico, this 8th 7th day of May August 2024.

By: /s/ Maritza Arizmendi
Maritza Arizmendi
Chief Financial Officer

DISCLAIMER