

OFG BANCORP
Form 11-K
June 28, 2013

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 11-K

**FOR ANNUAL REPORTS OF EMPLOYEE
STOCK REPURCHASE SAVINGS AND
SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 001-12647

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

The Oriental Bank and Trust CODA Profit Sharing Plan

c/o Oriental Bank
254 Muñoz Rivera Avenue,

Oriental Center 15th Floor

San Juan, Puerto Rico 00918

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

OFG BANCORP

FORMERLY KNOWN AS

ORIENTAL FINANCIAL GROUP INC.

254 Muñoz Rivera Avenue,

Oriental Center 15th Floor

San Juan, Puerto Rico 00918

The Oriental Bank and Trust CODA Profit Sharing Plan

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Report of Independent Registered Public Accounting Firm

The 1165(e) Retirement Plan Committee

The Oriental Bank and Trust CODA Profit Sharing Plan:

We have audited the accompanying statements of net assets available for benefits of The Oriental Bank and Trust CODA Profit Sharing Plan (the "Plan") as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of Schedule H, Line 4a – Schedule of Delinquent Participant Contributions for the year ended December 31, 2012 and Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2012 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2012 that accompanies the Plan's financial statements does not disclose the historical cost of nonparticipant directed plan assets

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held by the Plan trustee. Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

/s/ KPMG LLP

June 28, 2013

San Juan, Puerto Rico

Certified Public Accountants

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THE ORIENTAL BANK AND TRUST CODA PROFIT SHARING PLAN

Statements of Net Assets Available for Benefits

December 31, 2012 and 2011

	2012		2011
Assets:			
Cash and investments:			
Cash	\$ 4,844	\$	560
Investments at fair value:			
Money market instruments	336,678		5,802
Common stock	3,663,800		3,601,633
Insurance company investment contracts:			
Pooled separate accounts	4,471,311		3,318,082
Stable value fund	1,852,502		1,868,195
Total cash and investments	10,329,135		8,794,272
Receivables:			
Participants' contributions	39,069		31,774
Employer's contributions	16		4,715
Dividends	14,898		17,845
Total receivables	53,983		54,334
Total assets	\$ 10,383,118	\$	8,848,606
Liabilities:			
Other liabilities	\$ 37,960	\$	22,446
Total liabilities	37,960		22,446
Net assets available for benefits	\$ 10,345,158	\$	8,826,160

See accompanying notes to financial statements.

THE ORIENTAL BANK AND TRUST CODA PROFIT SHARING PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2012

Additions to net assets attributed to:

Investment income:

Net appreciation in fair value of investments	\$	834,317
Dividends		65,378
Interest and other		30,056
Total investment income		929,751

Contributions:

Participants		1,044,754
Employer		329,938
Total contributions		1,374,692
Total additions		2,304,443

Deductions from net assets attributed to:

Benefits paid to participants		(753,928)
Administrative fees		(31,517)
Total deductions		(785,445)
Net increase		1,518,998

Net assets available for benefits:

Beginning of year		8,826,160
End of year	\$	10,345,158

See accompanying notes to financial statements.

THE ORIENTAL BANK AND TRUST CODA PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(1) Description of the Plan

The following description of The Oriental Bank and Trust CODA Profit Sharing Plan (the “Plan”) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan’s provisions.

(a) General

The Plan was organized on January 1, 1992 as a defined contribution plan originally maintained by Oriental Bank, formerly known as Oriental Bank and Trust, (the “Bank”) for the benefit of its employees and those of its affiliated companies, who are residents of Puerto Rico and are age 21 or older. The Plan is intended to be a qualified plan pursuant to Section 1165(a) of the Puerto Rico Internal Revenue Code of 1994, as amended (the “1994 Code”). It contains a cash or deferred arrangement qualifying under Section 1165(e) of the 1994 Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Effective January 1, 2011, the Plan is intended to be a qualified plan pursuant to Sections 1081.01(a) and (d) of the Puerto Rico Internal Revenue Code of 2011, as amended (the “2011 Code”). The Employer amended the Plan effective as of January 1, 2011 and as of January 1, 2012, as statutorily required, in compliance with the provisions of Sections 1081.01 (a) and (d) of the 2011 Code, and submitted the Plan to the Puerto Rico Treasury Department (the “PR Treasury”) to obtain an updated favorable determination letter as to the Plan’s Puerto Rico tax qualified status under the 2011 Code. The Employer further intends to amend the Plan to incorporate statutory requirements introduced by Act No. 232-201, a technical amendments bill to the 2011 Code, and to submit such amendment for qualification with the PR Treasury.

Effective November 30, 2011, the Plan changed its legal name to “The Oriental Bank and Trust CODA Profit Sharing Plan” from the “Oriental Financial Group, Inc. CODA Profit Sharing Plan”.

(b) Contributions

Effective as of January 1, 2011, total deferrals cannot exceed the maximum deferral amount under the provisions of U.S. Code Section 402(g) as annually indexed by the U.S. Internal Revenue Service (for 2012 the limit is \$17,000). If in addition to a deferral election under the Plan, participants contribute to an individual retirement account in Puerto Rico (“PR-IRA”), pre-tax contributions cannot exceed the sum of the annual deferral limit under the 2011 Code (\$13,000 for tax year ended December 31, 2012) and the 2011 Code limit on contributions to a PR-IRA (\$5,000).

Participants may also contribute amounts representing distributions from other Puerto Rico and U.S. qualified defined benefit or contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers pooled separate accounts, a stable value fund, and shares of common stock of the Employer as investment options for participants. For the years 2012 and 2011, the employer matched 80% of the participants’ contributions, up to a maximum of \$832 per year as discretionary matching contributions. As part of the Plan Amendments, effective on April 1, 2013, the Employer will match 50% of each participant’s contributions up to a maximum of 4% of the participant’s compensation per year as discretionary matching contributions. Contributions are subject to certain limitations.

(c) Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Employer's contribution and (b) Plan earnings, and charged with an allocation of administrative fees. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

(d) Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. The Employer's contribution portion of their accounts plus actual earnings thereon vest upon the occurrence of any of the

THE ORIENTAL BANK AND TRUST CODA PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS – (Continued)

YEARS ENDED DECEMBER 31, 2012 AND 2011

following events: completion of three years of credited service; attaining age 65; total disability while employed by the Employer; or death while employed by the Employer.

(e) Payment of Benefits

On termination of service due to death, disability, or retirement, a participant may elect to receive the value of the vested interest in his or her account in either a lump sum amount, a fixed period that may not exceed the participant's life expectancy or through a fixed annuity contract. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump sum distribution.

(f) Loans to Participants

The Plan does not allow for loans to participants.

(g) Forfeited Accounts

Employer contributions that are not vested upon termination of employment are forfeited and may be used to reduce future contributions to the Plan by the Employer. For the years ended December 31, 2012 and 2011, forfeitures totaling approximately \$12,000 and \$300, respectively, were used to offset Employer contributions.

(h) Plan Termination

Although it has not expressed any intent to do so, the Employer has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their Employer's contributions.

THE ORIENTAL BANK AND TRUST CODA PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS – (Continued)

YEARS ENDED DECEMBER 31, 2012 AND 2011

(2) Summary of Significant Accounting Policies

Following are the significant accounting policies followed by the Plan:

(a) Basis of Presentation

The accompanying financial statements have been prepared under the accrual method of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, for a defined contribution plan attributable to fully benefit responsive investment contracts, such as the stable value fund, the contract value is the relevant measurement attribute for that portion of the net assets available for plan benefits since it is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statement of net assets available for benefits presents the fair value of the investment contracts. For the stable value fund, the contract value of each participant account approximates its fair value.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Risks and Uncertainties

The Plan invests in various investment instruments. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

(d) Investments Valuation and Income Recognition

The pooled separate accounts with Transamerica Life Insurance Company ("Transamerica") are stated at fair value as reported to the Plan by Transamerica, based on the quoted market prices of the underlying mutual funds. The unit value of the pooled separate account is calculated by dividing the total value of the assets of the separate account by the number of units in the separate account. For separate accounts that invest exclusively in mutual funds, the total value of the assets of the separate account is based on the net asset value (NAV), or price per share, of the underlying mutual fund. The mutual fund calculates its NAV by dividing the mutual fund's net assets by the mutual fund's outstanding number of shares. Those separate accounts investing in mutual funds or equity securities are measured using quoted prices in active markets for identical assets. Those separate accounts directly investing in fixed maturity securities are measured based on the pricing data provided by outside valuation service providers who in turn

generally use the mean of bid and ask prices but may also use alternative observable pricing inputs for certain securities. The stable value fund is valued at contract value, and is based on its beginning balance plus any deposit and credited interest, less any withdrawals, charges, or expenses, a measurement which approximates fair value. Shares of common stock are valued at quoted closing market prices. Money market instruments are stated at fair value, which approximates cost plus accumulated interest earnings less distributions to date.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

(e) Payments of Benefits

Benefits are recorded when paid.

THE ORIENTAL BANK AND TRUST CODA PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS – (Continued)

YEARS ENDED DECEMBER 31, 2012 AND 2011

(f) *Plan Expenses*

Under the group annuity contract entered into with Transamerica, contract asset charges are assessed each month based on the actual combined balance of all separate accounts and the stable value fund. These charges are presented as administrative fees in the statement of changes in net assets available for benefits.

Administrative expenses, including trustee, legal, auditing, and other fees, may be paid out of the invested assets unless paid by the Employer. Expenses paid and absorbed by the Employer during the year ended December 31, 2012 amounted to \$38,629.

(g) *Subsequent Events*

Effective January 1, 2013, the Plan changed its legal name to “The Oriental Bank CODA Profit Sharing Plan” from the “The Oriental Bank and Trust CODA Profit Sharing Plan.”

Effective April 1, 2013, the Plan was amended to include a new subsection which states that all Employees who were employed by Banco Bilbao Vizcaya Argentaria Puerto Rico (“BBVA Bank”) on December 17, 2012 and who became emplo