OFG BANCORP
Form 11-K
June 30, 2014

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):

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

For the fiscal year ended December 31, 2013

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 CODA Profit Sharing Plan

formerly known as

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

254 Muñoz Rivera Avenue,

Oriental Center 15th Floor

San Juan, Puerto Rico 00918

The Oriental Bank CODA Profit Sharing Plan

formerly known as

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 CODA Profit Sharing Plan:

We have audited the accompanying statements of net assets available for benefits of The Oriental Bank CODA Profit Sharing Plan (the Plan) as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. 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 the 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, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2013 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is 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. This supplemental schedule is the responsibility of the Plan’s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is 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, 2013 that accompanies the Plan’s financial statements does not disclose the historical cost of certain nonparticipant directed plan assets 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 30, 2014

San Juan, Puerto Rico

Certified Public Accountants

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THE ORIENTAL BANK CODA PROFIT SHARING PLAN				
Statements of Net Assets Available for Benefits				
December 31, 2013 and 2012				
	2013		2012	
Assets:				
Cash and investments:				
Cash	$	4,481	$	4,844
Investments at fair value:				
Money market instruments		5,999		336,678
Common stock		4,296,153		3,663,800
Insurance company investment contracts:				
Pooled separate accounts		28,449,954		4,471,311
Stable value fund		8,156,603		1,852,502
Total cash and investments		40,913,190		10,329,135
Receivables:				
Participants' contributions		-		39,069
Employer's contributions		-		16
Dividends		17,839		14,898
Notes receivable from participants		52,009		-
Total receivables		69,848		53,983
Total assets	$	40,983,038	$	10,383,118
Liabilities:				
Other liabilities	$	10	$	37,960
Total liabilities		10		37,960
Net assets available for benefits	$	40,983,028	$	10,345,158
See accompanying notes to financial statements.				

THE ORIENTAL BANK CODA PROFIT SHARING PLAN		
Statement of Changes in Net Assets Available for Benefits		
Year ended December 31, 2013		
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	$	3,270,977
Dividends		62,389
Interest		52,423
Total investment income		3,385,789
Contributions:		
Participants		2,280,566
Employer		805,914
Total contributions		3,086,480
Total additions		6,472,269
Deductions from net assets attributed to:		
Benefits paid to participants		(1,147,584)
Administrative fees		(26,656)
Total deductions		(1,174,240)
Net increase		5,298,029
Plan assets transferred in from the Plan Participación en		
Beneficios 1081 Banco Bilbao Vizcaya Argentaria Puerto Rico (Note 1)		25,339,841
Net assets available for benefits:		
Beginning of year		10,345,158
End of year	$	40,983,028
See accompanying notes to financial statements.		

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THE ORIENTAL BANK CODA PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

(1) Description of the Plan

The following description of The Oriental Bank 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 (the "Employer"), a wholly owned subsidiary of OFG Bancorp (the "Company"), for the benefit of its and its affiliated companies' employees who are residents of Puerto Rico and are age 21 or older. The Plan is intended to be a qualified plan pursuant to the Puerto Rico Internal Revenue Code of 2011, as amended (the "2011 Code"). It contains a cash or deferred arrangement qualifying under the 2011 Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

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 employees of the Employer on December 18, 2012 as a result of the acquisition of BBVA Bank by the Company that was completed on the same date, shall be credited with all periods of service with BBVA Bank for all appropriate purposes under the Plan and can participate in the Plan.

In October 2013, the net plan assets of the Plan Participacion en Beneficios 1081 Banco Bilbao Vizcaya Argentaria Puerto Rico, a defined contribution plan which covered all full time employees of the former BBVA Bank, were transferred to the Plan.

On June 6, 2014, the Plan was amended, effective October 1, 2013, to clarify that the Plan could accept, hold and administer loans to participants that were included in the assets of the Plan Participación en Beneficios 1081 Banco Bilbao Vizcaya Argentaria Puerto Rico.

(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 2013 the limit was $17,500). 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 ($17,500 for tax year ended December 31, 2013) and the 2011 Code limit on contributions to a PR-IRA ($5,500).

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 Company as investment options for participants. For the year 2012 and part of year 2013, the employer matched 80% of the participants' contributions, up to a maximum of $832 per year as discretionary matching contributions. Effective April 1, 2013, the Employer changed the discretionary matching contribution to a match of 50% of each participant's contributions up to a maximum contribution for matching purposes of 4% of the participant's compensation per year.

(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.

THE ORIENTAL BANK CODA PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS – (Continued)

YEARS ENDED DECEMBER 31, 2013 AND 2012

(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 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 or its heirs 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. In October 2013, the Plan Participación en Beneficios 1081 Banco Bilbao Vizcaya Argentaria Puerto Rico, a defined contribution plan which covered all full employees of former BBVA Bank, transferred its existing participant loans amounting to approximately $54,000 to the Plan. These loans will be extinguished as they are repaid by participants. Loan terms range from 1-5 years or up to 30 years for a home loan. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with the interest rate charged by persons in the business of lending money for loans which would be made under similar circumstances. Principal and interest is paid ratably through payroll deductions. No additional loans will be granted to participants.

(g) Forfeited Accounts

Employer contributions that are not vested upon termination of employment are forfeited and may be used to pay administrative expenses and then reduce future contributions to the Plan by the Employer. For the year ended December 31, 2012, forfeitures totaling approximately $12,000 were used to offset Employer contributions. For the year ended December 31, 2013, no forfeitures were used to offset Employer contributions. At December 31, 2013, the Plan had $185,435 in forfeitures available to pay administrative expenses and reduce future 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 CODA PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS – (Continued)

YEARS ENDED DECEMBER 31, 2013 AND 2012

(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.