

OFG BANCORP
Form 10-Q
August 10, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

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

Incorporated in the Commonwealth of Puerto Rico, IRS Employer Identification No. 66-0538893

Principal Executive Offices:

254 Muñoz Rivera Avenue

San Juan, Puerto Rico 00918

Telephone Number: (787) 771-6800

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 x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No

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

Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>
		(Do not check if a smaller reporting company)	

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

Number of shares outstanding of the registrant's common stock, as of the latest practicable date:

43,867,909 common shares (\$1.00 par value per share) outstanding as of July 31, 2015

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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 the “Company”), including, but not limited to, statements with respect to the adequacy of the allowance for loan losses, 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 the Company’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 the Company’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, as well as general business and economic conditions;
- changes in interest rates, as well as the magnitude of such changes;
- the fiscal and monetary policies of the federal government and its agencies;
- a credit default or potential restructuring by the Commonwealth of Puerto Rico or any of its agencies, municipalities or instrumentalities;
- changes in federal bank regulatory and supervisory policies, including required levels of capital;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) on the Company’s businesses, business practices and cost of operations;
- the relative strength or weakness of the consumer and commercial credit sectors and of the real estate market in Puerto Rico;
- the performance of the securities markets;
- competition in the financial services industry;
- additional Federal Deposit Insurance Corporation (“FDIC”) assessments; and

- possible legislative, tax or regulatory changes.

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 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; liabilities resulting from litigation and regulatory investigations; changes in accounting standards, rules and interpretations; increased competition; the Company's ability to grow its core businesses; decisions to downsize, sell or close units or otherwise change the Company'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 the Company as of the date of this report, and other than as required by law, including the requirements of applicable securities laws, the Company 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.

ITEM 1. FINANCIAL STATEMENTS

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF JUNE 30, 2015 AND DECEMBER 31, 2014

ASSETS

Cash and cash equivalents:

Cash and due from banks

Money market investments

Total cash and cash equivalents

Restricted cash

Investments:

Trading securities, at fair value, with amortized cost of \$1,327 (December 31, 2014 - \$2,419)

Investment securities available-for-sale, at fair value, with amortized cost of \$1,023,573 (December 31, 2014 - \$1,187,679)

Investment securities held-to-maturity, at amortized cost, with fair value of \$547,776 (December 31, 2014 - \$164,154)

Federal Home Loan Bank (FHLB) stock, at cost

Other investments

Total investments

Loans:

Mortgage loans held-for-sale, at lower of cost or fair value

Non-covered loans, net of allowance for loan and lease losses of \$102,877 (December 31, 2014 - \$69,517)

Covered loans, net of allowance for loan and lease losses of \$71,452 (December 31, 2014 - \$64,245)

Total loans, net

Other assets:

FDIC indemnification asset

Foreclosed real estate covered under shared-loss agreements with the FDIC

Foreclosed real estate not covered under shared-loss agreements with the FDIC

Accrued interest receivable

Deferred tax asset, net

Premises and equipment, net

Customers' liability on acceptances

Servicing assets

Derivative assets

Goodwill

Other assets

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits:

Demand deposits

Savings accounts

Time deposits

Total deposits

Borrowings:

Securities sold under agreements to repurchase

Advances from FHLB

Subordinated capital notes

Other borrowings

Total borrowings

Other liabilities:

Derivative liabilities

Acceptances executed and outstanding

Accrued expenses and other liabilities

Total liabilities

Commitments and contingencies (See Note 20)

Stockholders' equity:

Preferred stock; 10,000,000 shares authorized;

1,340,000 shares of Series A, 1,380,000 shares of Series B, and 960,000 shares of Series D

issued and outstanding, (December 31, 2014 - 1,340,000; 1,380,000; and 960,000) \$25 liquidation value

84,000 shares of Series C issued and outstanding (December 31, 2014 - 84,000); \$1,000 liquidation value

Common stock, \$1 par value; 100,000,000 shares authorized; 52,625,869 shares issued:

44,367,909 shares outstanding (December 31, 2014 - 52,625,869; 44,613,615)

Additional paid-in capital

Legal surplus

Retained earnings

Treasury stock, at cost, 8,257,960 shares (December 31, 2014 - 8,012,254 shares)

Accumulated other comprehensive income, net of tax of -\$185 (December 31, 2014 \$447)

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 JUNE 30, 2015 AND 2014

	Quarter Ended June 30,		Six-Month Period Ended June 30,	
	2015	2014	2015	2014
	(In thousands, except per share data)		(In thousands, except per share data)	
Interest income:				
Non-covered loans	\$ 77,746	\$ 88,064	\$ 159,725	\$ 173,307
Covered loans	12,758	24,879	28,262	48,267
Total interest income from loans	90,504	112,943	187,987	221,574
Mortgage-backed securities	7,998	11,984	16,587	24,400
Investment securities and other	911	973	1,840	3,000
Total interest income	99,413	125,900	206,414	248,974
Interest expense:				
Deposits	6,604	9,165	13,708	18,143
Securities sold under agreements to repurchase	7,394	7,372	14,558	14,784
Advances from FHLB and other borrowings	2,248	2,289	4,483	4,583
Subordinated capital notes	875	996	1,738	1,988
Total interest expense	17,121	19,822	34,487	39,498
Net interest income	82,292	106,078	171,927	209,476
Provision for non-covered loan and lease losses	15,644	13,220	53,027	23,282
(Recovery) Provision for covered loan and lease losses	(105)	1,595	4,705	3,224
Total provision for loan and lease losses	15,539	14,815	57,732	26,506
Net interest income after provision for loan and lease losses	66,753	91,263	114,195	182,970
Non-interest income:				
Banking service revenue	10,212	9,995	20,417	20,552
Wealth management revenue	7,285	7,336	14,440	14,203
Mortgage banking activities	1,862	1,554	3,725	3,249
Total banking and financial service revenues	19,359	18,885	38,582	38,004
FDIC shared-loss expense, net:				
FDIC indemnification asset expense	(22,512)	(17,499)	(34,733)	(35,121)
Change in true-up payment obligation	(733)	(856)	(1,596)	(1,721)
	(23,245)	(18,355)	(36,329)	(36,842)
Net gain (loss) on:				
Sale of securities	-	-	2,572	4,366
Derivatives	77	(247)	(13)	(470)
Other non-interest (loss) income	(847)	224	(2,587)	678
Total non-interest (loss) income, net	(4,656)	507	2,225	5,736
Non-interest expense:				
Compensation and employee benefits	19,260	20,707	39,440	42,494
Professional and service fees	4,143	3,512	8,324	7,719
Occupancy and equipment	8,883	8,605	17,519	16,914
Insurance	2,251	2,333	4,204	4,407
Electronic banking charges	5,851	4,796	11,218	9,449
Information technology expenses	1,543	1,485	2,997	3,300

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Advertising, business promotion, and strategic initiatives	1,558	1,669	3,186	3,450
Foreclosure, repossession and other real estate expenses	10,337	6,656	15,783	13,043
Loan servicing and clearing expenses	2,594	1,669	4,947	3,728
Taxes, other than payroll and income taxes	2,703	3,776	4,182	7,511
Communication	770	813	1,460	1,770
Printing, postage, stationary and supplies	582	645	1,219	1,200
Director and investor relations	289	293	583	544
Other	3,673	2,889	5,707	5,723
Total non-interest expense	64,437	59,848	120,769	121,252
(Loss) income before income taxes	(2,340)	31,922	(4,349)	67,454
Income tax expense	769	10,613	1,748	22,398
Net (loss) income	(3,109)	21,309	(6,097)	45,056
Less: dividends on preferred stock	(3,466)	(3,466)	(6,931)	(6,931)
Net (loss) income available to common shareholders	\$ (6,575)	\$ 17,843	\$ (13,028)	\$ 38,125
(Loss) earnings per common share:				
Basic	\$ (0.15)	\$ 0.40	\$ (0.29)	\$ 0.84
Diluted	\$ (0.15)	\$ 0.38	\$ (0.29)	\$ 0.80
Average common shares outstanding and equivalents	51,774	52,352	51,876	52,476
Cash dividends per share of common stock	\$ 0.10	\$ 0.08	\$ 0.20	\$ 0.16

See notes to unaudited consolidated financial statements.

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
FOR THE QUARTERS AND SIX-MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

	Quarter Ended June 30,		Six-Month Period Ended June 30,	
	2015	2014	2015	2014
	(In thousands)		(In thousands)	
Net (loss) income	\$ (3,109)	\$ 21,309	\$ (6,097)	\$ 45,056
Other comprehensive (loss) income before tax:				
Unrealized (loss) gain on securities available-for-sale	(12,916)	14,941	(5,541)	24,504
Realized (loss) gain on investment securities included in net income	-	-	(2,572)	(4,366)
Unrealized (loss) gain on cash flow hedges	2,016	14	2,071	391
Other comprehensive (loss) income before taxes	(10,900)	14,955	(6,042)	20,529
Income tax effect	877	(1,221)	632	(1,965)
Other comprehensive (loss) income after taxes	(10,023)	13,734	(5,410)	18,564
Comprehensive (loss) income	\$ (13,132)	\$ 35,043	\$ (11,507)	\$ 63,620

See notes to unaudited consolidated financial statements.

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

	Six-Month Period Ended June 30,	
	2015	2014
	(In thousands)	
Preferred stock:		
Balance at beginning of period	\$ 176,000	\$ 176,000
Balance at end of period	176,000	176,000
Common stock:		
Balance at beginning of period	52,626	52,707
Exercised stock options	-	23
Balance at end of period	52,626	52,730
Additional paid-in capital:		
Balance at beginning of period	539,311	538,071
Stock-based compensation expense	794	946
Exercised stock options	-	242
Lapsed restricted stock units	(436)	(323)
Balance at end of period	539,669	538,936
Legal surplus:		
Balance at beginning of period	70,467	61,957
Transfer (to) from retained earnings	(533)	4,481
Balance at end of period	69,934	66,438
Retained earnings:		
Balance at beginning of period	181,152	133,629
Net (loss) income	(6,097)	45,056
Cash dividends declared on common stock	(8,920)	(7,218)
Cash dividends declared on preferred stock	(6,931)	(6,931)
Transfer from (to) legal surplus	533	(4,481)
Balance at end of period	159,737	160,055
Treasury stock:		
Balance at beginning of period	(97,070)	(80,642)
Stock repurchased	(4,238)	(10,393)
Lapsed restricted stock units	640	323
Balance at end of period	(100,668)	(90,712)
Accumulated other comprehensive income, net of tax:		
Balance at beginning of period	19,711	3,191
Other comprehensive (loss) income, net of tax	(5,410)	18,564
Balance at end of period	14,301	21,755
Total stockholders' equity	\$ 911,599	\$ 925,202

See notes to unaudited consolidated financial statements.

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

	Six-Month Period	
	Ended June 30,	
	2015	2014
	(In thousands)	
Cash flows from operating activities:		
Net (loss) income	\$ (6,097)	\$ 45,056
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Amortization of deferred loan origination fees, net of costs	1,813	1,330
Amortization of fair value premiums, net of discounts, on acquired loans	2,766	6,884
Amortization of investment securities premiums, net of accretion of discounts	5,931	203
Amortization of core deposit and customer relationship intangibles	953	1,085
Amortization of fair value premiums on acquired deposits	478	2,908
FDIC shared-loss expense, net	36,329	36,842
Depreciation and amortization of premises and equipment	5,930	4,826
Deferred income tax (benefit) expense, net	(1,316)	13,211
Provision for covered and non-covered loan and lease losses, net	57,732	26,506
Stock-based compensation	794	946
(Gain) loss on:		
Sale of securities	(2,572)	(4,366)
Sale of mortgage loans held-for-sale	(2,010)	(2,447)
Derivatives	(113)	646
Foreclosed real estate	(706)	5,052
Sale of other repossessed assets	3,427	3,305
Sale of premises and equipment	10	(10)
Originations of loans held-for-sale	(111,433)	(86,058)
Proceeds from sale of loans held-for-sale	46,678	47,834
Net (increase) decrease in:		
Trading securities	808	256
Accrued interest receivable	2,091	(3,774)
Servicing assets	1,216	146
Other assets	(19,813)	11,651
Net increase (decrease) in:		
Accrued interest on deposits and borrowings	(608)	(932)
Accrued expenses and other liabilities	24,219	(16,247)
Net cash provided by operating activities	46,507	94,853
Cash flows from investing activities:		
Purchases of:		
Investment securities available-for-sale	(1,671)	(217,974)
Investment securities held-to-maturity	(399,206)	(26,707)
FHLB stock	-	(76,725)
Maturities and redemptions of:		
Investment securities available-for-sale	121,121	295,013

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Investment securities held-to-maturity	10,725	-
FHLB stock	343	76,794
Proceeds from sales of:		
Investment securities available-for-sale	103,831	163,235
Foreclosed real estate and other repossessed assets	34,136	22,991
Premises and equipment	10	20
Mortgage servicing rights	5,927	-
Origination and purchase of loans, excluding loans held-for-sale	(414,725)	(347,691)
Principal repayment of loans, including covered loans	491,330	339,102
Reimbursements from the FDIC on shared-loss agreements	31,657	18,700
Additions to premises and equipment	(1,838)	(4,100)
Net change in securities purchased under agreements to resell	-	60,000
Net change in restricted cash	2,321	67,029
Net cash (used) provided by investing activities	(16,039)	369,687

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2015 AND 2014 – (CONTINUED)

	Six-Month Period Ended June 30,	
	2015	2014
	(In thousands)	
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	(209,272)	(235,062)
Securities sold under agreements to repurchase	181,129	(255,000)
FHLB advances, federal funds purchased, and other borrowings	(2,845)	24,279
Subordinated capital notes	525	787
Exercise of stock options and restricted units lapsed, net	204	265
Purchase of treasury stock	(4,238)	(10,393)
Dividends paid on preferred stock	(6,931)	(6,931)
Dividends paid on common stock	(8,932)	(7,269)
Net cash used in financing activities	(50,360)	(489,324)
Net change in cash and cash equivalents	(19,892)	(24,784)
Cash and cash equivalents at beginning of period	573,427	621,269
Cash and cash equivalents at end of period	\$ 553,535	\$ 596,485
Supplemental Cash Flow Disclosure and Schedule of Non-cash Activities:		
Interest paid	\$ 34,403	\$ 42,667
Income taxes paid	6,730	\$ 319
Mortgage loans securitized into mortgage-backed securities	\$ 61,854	\$ 46,505
Transfer from loans to foreclosed real estate and other repossessed assets	\$ 15,390	\$ 47,852
Reclassification of loans held-for-investment portfolio to held-for-sale portfolio	\$ 1,473	\$ 473
Reclassification of loans held-for-sale portfolio to held-for-investment portfolio	\$ 156	\$ 26,376

See notes to unaudited consolidated financial statements.

OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION, CONSOLIDATION AND BASIS OF PRESENTATION

Nature of Operations

OFG Bancorp (the “Company”) is a publicly-owned financial holding company incorporated under the laws of the Commonwealth of Puerto Rico. The Company operates through various subsidiaries including, a commercial bank, Oriental Bank (the “Bank”), a securities broker-dealer, Oriental Financial Services Corp. (“Oriental Financial Services”), an insurance agency, Oriental Insurance, Inc. (“Oriental Insurance”) and a retirement plan administrator, Oriental Pension Consultants, Inc. (“OPC”), formerly known as Caribbean Pension Consultants, Inc. Through these subsidiaries and their respective divisions, the Company provides a wide range of banking and financial services such as commercial, consumer and mortgage lending, auto loans, financial planning, insurance sales, money management and investment banking and brokerage services, as well as corporate and individual trust services.

On April 30, 2010, the Bank acquired certain assets and assumed certain deposits and other liabilities of Eurobank, a Puerto Rico commercial bank, in an FDIC-assisted acquisition. On December 18, 2012, the Company acquired a group of Puerto Rico-based entities that included Banco Bilbao Vizcaya Argentaria Puerto Rico (“BBVAPR”), a Puerto Rico commercial bank, as well as a securities broker-dealer and an insurance agency, which is referred to herein as the “BBVAPR Acquisition.” The businesses acquired in these acquisitions have been integrated with the Company’s existing business.

Recent Accounting Developments

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). ASU 2015-03 requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability rather than as an asset. The standard does not affect the recognition and measurement of debt issuance costs; therefore, the amortization of such costs shall continue to be reported as interest expense. ASU 2015-03 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permissible for financial statements that have not been previously issued. The new guidance is to be applied on a retrospective basis to all prior periods. The Company does not expect the adoption of ASU 2015-03 to have a material impact on its consolidated financial statements.

Other than the accounting pronouncement disclosed above, there were no other new accounting pronouncements issued during the second quarter of 2015 that could have a material impact on the Company's financial position, operating results or financials statement disclosures.

OFG BANCORP**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****NOTE 2 – RESTRICTED CASH**

The following table includes the composition of the Company's restricted cash:

	June 30, 2015		December 31, 2014
	(In thousands)		
Cash pledged as collateral to other financial institutions to secure:			
Derivatives	\$ 2,980	\$	2,980
Obligations under agreement of loans sold with recourse	3,106		5,427
	\$ 6,086	\$	8,407

At June 30, 2015 and December 31, 2014, the Bank's international banking entities, Oriental International Bank Inc. ("OIB") and Oriental Overseas, each held unencumbered certificates of deposit in the amount of \$300 thousand as the legal reserve required for international banking entities under Puerto Rico law. Each certificate of deposit cannot be withdrawn by OIB or Oriental Overseas without prior written approval of the Office of the Commissioner of Financial Institutions ("OCFI").

As part of its derivative activities, the Company has entered into collateral agreements with certain financial counterparties. At June 30, 2015 and December 31, 2014, the Company had delivered \$3.0 million of cash as collateral for such derivatives activities.

As part of the BBVA Acquisition, the Company assumed a contract with FNMA which required collateral to guarantee the repurchase, if necessary, of loans sold with recourse. At June 30, 2015 and December 31, 2014, the Company delivered as collateral cash amounting to \$3.1 million and \$5.4 million, respectively.

The Bank is required by Puerto Rico law to maintain average weekly reserve balances to cover government demand deposits. The amount of those minimum average reserve balances for the week that covered June 30, 2015 was \$152.7 million (December 31, 2014 - \$141.5 million). At June 30, 2015 and December 31, 2014, the Bank complied with the 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

The Company 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 June 30, 2015 and December 31, 2014, money market instruments included as part of cash and cash equivalents amounted to \$5.8 million and \$4.7 million, respectively.

OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Investment Securities

The amortized cost, gross unrealized gains and losses, fair value, and weighted average yield of the securities owned by the Company at June 30, 2015 and December 31, 2014 were as follows:

	June 30, 2015				Weighted Average Yield
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
(In thousands)					
Available-for-sale					
Mortgage-backed securities					
FNMA and FHLMC certificates	\$ 832,127	\$ 30,638	\$ 1,192	\$ 861,573	3.01%
GNMA certificates	3,625	249	-	3,874	5.03%
CMOs issued by US government-sponsored agencies	157,884	83	2,921	155,046	1.83%
Total mortgage-backed securities	993,636	30,970	4,113	1,020,493	2.83%
Investment securities					
Obligations of US government-sponsored agencies	6,114	14	-	6,128	1.36%
Obligations of Puerto Rico government and political subdivisions	20,988	-	6,259	14,729	5.41%
Other debt securities	2,835	134	-	2,969	2.99%
Total investment securities	29,937	148	6,259	23,826	4.35%
Total securities available for sale	\$ 1,023,573	\$ 31,118	\$ 10,372	\$ 1,044,319	2.87%
Held-to-maturity					
Mortgage-backed securities					
FNMA and FHLMC certificates	525,504	978	3,757	522,725	2.28%
Investment securities					
US Treasury securities	25,049	6	4	25,051	0.49%
Total securities held to maturity	550,553	984	3,761	547,776	2.20%
Total	\$ 1,574,126	\$ 32,102	\$ 14,133	\$ 1,592,095	2.64%

	December 31, 2014				Weighted Average Yield
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
(In thousands)					
Available-for-sale					
Mortgage-backed securities					
FNMA and FHLMC certificates	\$ 972,836	\$ 37,876	\$ 1,203	\$ 1,009,509	3.12%
GNMA certificates	4,473	288	8	4,753	4.94%

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CMOs issued by US government-sponsored agencies	179,146	136	3,153	176,129	1.81%
Total mortgage-backed securities	1,156,455	38,300	4,364	1,190,391	2.92%
Investment securities					
Obligations of US government-sponsored agencies	7,148	33	-	7,181	1.34%
Obligations of Puerto Rico government and public instrumentalities	20,939	-	5,267	15,672	5.41%
Other debt securities	3,137	157	-	3,294	2.95%
Total investment securities	31,224	190	5,267	26,147	4.23%
Total securities available-for-sale	\$ 1,187,679	\$ 38,490	\$ 9,631	\$ 1,216,538	2.96%
Held-to-maturity					
Mortgage-backed securities FNMA and FHLMC certificates	162,752	1,402	-	164,154	2.48%
Total	\$ 1,350,431	\$ 39,892	\$ 9,631	\$ 1,380,692	2.90%

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The amortized cost and fair value of the Company's investment securities at June 30, 2015, by contractual maturity, are shown in the next table. 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.

	June 30, 2015			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)		(In thousands)	
Mortgage-backed securities				
Due after 5 to 10 years				
FNMA and FHLMC certificates	\$ 18,125	\$ 18,401	\$ -	\$ -
Total due after 5 to 10 years	18,125	18,401	-	-
Due after 10 years				
FNMA and FHLMC certificates	814,002	843,172	525,504	522,725
GNMA certificates	3,625	3,874	-	-
CMOs issued by US government-sponsored agencies	157,884	155,046	-	-
Total due after 10 years	975,511	1,002,092	525,504	522,725
Total mortgage-backed securities	993,636	1,020,493	525,504	522,725
Investment securities				
Due from 1 to 5 years				
US Treasury securities	-	-	25,049	25,051
Obligations of Puerto Rico government and political subdivisions	10,521	8,444	-	-
Total due from 1 to 5 years	10,521	8,444	25,049	25,051
Due after 5 to 10 years				
Obligations of US government and sponsored agencies	6,114	6,128	-	-
Total due after 5 to 10 years	6,114	6,128	-	-
Due after 10 years				
Obligations of Puerto Rico government and political subdivisions	10,467	6,285	-	-
Other debt securities	2,835	2,969	-	-
Total due after 10 years	13,302	9,254	-	-
Total investment securities	29,937	23,826	25,049	25,051
Total securities available-for-sale	\$ 1,023,573	\$ 1,044,319	\$ 550,553	\$ 547,776

OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company, as part of its asset/liability management, may purchase U.S. Treasury securities and U.S. government-sponsored agency discount notes close to their maturities as alternatives to cash deposits at correspondent banks or as a short term vehicle to reinvest the proceeds of sale transactions until investment securities with attractive yields can be purchased. During the six-month period ended June 30, 2015 and 2014, the Company sold \$63.5 million and \$48.1 million, respectively, of available-for-sale Government National Mortgage Association (“GNMA”) certificates that were sold as part of its recurring mortgage loan origination and securitization activities. These sales did not realize any gains or losses during such periods.

For the six-month periods ended June 30, 2015 and 2014, the Company recorded a net gain on sale of securities of \$2.6 million and \$4.4 million, respectively. The table below presents the gross realized gains by category for such periods:

<u>Description</u>	Six-Month Period Ended June 30, 2015				Gross Losses
	Sale Price	Book Value at Sale	Gross Gains		
	(In thousands)				
Sale of securities available-for-sale					
Mortgage-backed securities					
FNMA and FHLMC certificates	\$ 40,307	\$ 37,735	\$ 2,571	\$ -	
GNMA certificates	63,524	63,523	1	-	
Total	\$ 103,831	\$ 101,258	\$ 2,572	\$ -	

<u>Description</u>	Six-Month Period Ended June 30, 2014				Gross Losses
	Sale Price	Book Value at Sale	Gross Gains		
	(In thousands)				
Sale of securities available-for-sale					
Mortgage-backed securities					
FNMA and FHLMC certificates	\$ 115,158	\$ 110,792	\$ 4,366	\$ -	
GNMA certificates	48,077	48,077	-	-	
Total mortgage-backed securities	\$ 163,235	\$ 158,869	\$ 4,366	\$ -	

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables show the Company's gross unrealized losses and fair value of investment securities available-for-sale and held-to-maturity, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position at June 30, 2015 and December 31, 2014:

	June 30, 2015		
	12 months or more		
	Amortized Cost	Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
CMOs issued by US government-sponsored agencies	\$ 115,483	\$ 2,807	\$ 112,676
Obligations of Puerto Rico government and political subdivisions	20,988	6,259	14,729
	\$ 136,471	\$ 9,066	\$ 127,405
	Less than 12 months		
	Amortized Cost	Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
CMOs issued by US Government-sponsored agencies	\$ 28,596	\$ 114	\$ 28,482
FNMA and FHLMC certificates	163,733	1,192	162,541
	192,329	1,306	191,023
Securities held-to-maturity			
FNMA and FHLMC Certificates	358,591	3,757	354,834
US Treasury Securities	10,024	4	10,020
	368,615	3,761	364,854
	\$ 560,944	\$ 5,067	\$ 555,877
	Amortized Cost	Total Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
CMOs issued by US government-sponsored agencies	\$ 144,079	\$ 2,921	\$ 141,158
FNMA and FHLMC certificates	163,733	1,192	162,541
Obligations of Puerto Rico government and political subdivisions	20,988	6,259	14,729
	328,800	10,372	318,428
Securities held-to-maturity			
FNMA and FHLMC Certificates	358,591	3,757	354,834
US Treasury Securities	10,024	4	10,020
	368,615	3,761	364,854
	\$ 697,415	\$ 14,133	\$ 683,282

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31, 2014		
	12 months or more		
	Amortized	Unrealized	Fair
	Cost	Loss	Value
	(In thousands)		
Securities available-for-sale			
Obligations of Puerto Rico government and political subdivisions	\$ 20,939	\$ 5,267	\$ 15,672
CMOs issued by US government-sponsored agencies	143,928	3,086	140,842
FNMA and FHLMC certificates	113,376	1,172	112,204
GNMA certificates	77	8	69
	\$ 278,320	\$ 9,533	\$ 268,787
	Less than 12 months		
	Amortized	Unrealized	Fair
	Cost	Loss	Value
	(In thousands)		
Securities available-for-sale			
CMOs issued by US government-sponsored agencies	15,172	67	15,105
FNMA and FHLMC certificates	63,736	31	63,705
	\$ 78,908	\$ 98	\$ 78,810
	Amortized	Total	Fair
	Cost	Unrealized	Value
	(In thousands)		
Securities available-for-sale			
CMOs issued by US government-sponsored agencies	159,100	3,153	155,947
FNMA and FHLMC certificates	177,112	1,203	175,909
Obligations of Puerto Rico government and political subdivisions	20,939	5,267	15,672
GNMA certificates	77	8	69
	\$ 357,228	\$ 9,631	\$ 347,597

OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company performs valuations of the investment securities on a monthly basis. Moreover, the Company conducts quarterly reviews to identify and evaluate each investment in an unrealized loss position for other-than-temporary impairment. Any portion of a decline in value associated with credit loss is recognized in the statements of operations with the remaining noncredit-related component recognized in other comprehensive income (loss). A credit loss is determined by assessing whether the amortized cost basis of the security will be recovered by comparing the present value of cash flows expected to be collected from the security, discounted at the rate equal to the yield used to accrete current and prospective beneficial interest for the security. The shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis is considered to be the “credit loss.”

Other-than-temporary impairment analysis is based on estimates that depend on market conditions and are subject to further change over time. In addition, while the Company believes that the methodology used to value these exposures is reasonable, the methodology is subject to continuing refinement, including those made as a result of market developments. Consequently, it is reasonably possible that changes in estimates or conditions could result in the need to recognize additional other-than-temporary impairment charges in the future.

Most of the investments (\$676.4 million, amortized cost, or 97%) with an unrealized loss position at June 30, 2015 consist of securities issued or guaranteed by the U.S. Treasury or U.S. government-sponsored agencies, all of which are highly liquid securities that have a large and efficient secondary market. Their aggregate losses and their variability from period to period are the result of changes in market conditions, and not due to the repayment capacity or creditworthiness of the issuers or guarantors of such securities.

The remaining investments (\$21.0 million, amortized cost, or 3%) with an unrealized loss position at June 30, 2015 consist of obligations issued or guaranteed by the government of Puerto Rico and its political subdivisions or instrumentalities. The decline in the market value of these securities is mainly attributed to an increase in volatility as a result of changes in market conditions that reflect the significant economic and fiscal challenges that Puerto Rico is facing, including a protracted economic recession, sizable government debt-service obligations and structural budget deficits, high unemployment and a shrinking population. Moreover, the negative rating decisions taken by the credit rating agencies have affected the market value and liquidity of these securities.

As of June 30, 2015, the Company applied a discounted cash flow analysis to the Puerto Rico government bonds to calculate the cash flows expected to be collected and determine if any portion of the decline in market value of these investments was considered an other-than-temporary impairment. The analysis derives an estimate of value based on the present value of risk-adjusted future cash flows of the underlying investments, and included the following components:

- The contractual future cash flows of the bonds are projected based on the key terms as set forth in the official statements for each investment. Such key terms include among others the interest rate, amortization schedule, if any, and maturity date.

- The risk-adjusted cash flows are calculated based on a monthly default probability and recovery rate assumptions based on the credit rating of each investment. Constant monthly default rates are assumed throughout the life of the bonds which are based on the respective security's credit rating as of the date of the analysis.
- The adjusted future cash flows are then discounted at the original effective yield of each investment based on the purchase price and expected risk-adjusted future cash flows as of the purchase date of each investment.

The discounted cash flow analysis for the investments showed a cumulative default probability at maturity in the range of 5.953% to 38.650%, thus reflecting that it is more likely than not that the bonds will not default at all during their remaining terms (range between 61.349% and 94.046%). Based on this analysis, the Company determined that it is more likely than not that it will recover all interest and principal invested in the Puerto Rico government bonds and is therefore not required to recognize a credit loss as of June 30, 2015.

Also, the Bank's conclusion is based on the assessment of the specific source of repayment of each outstanding bond, and the bonds continue to perform. No principal is due on the bonds until July 1st, 2017, except for PRHTA that started the principal repayments on July 1st 2014 and was paid as scheduled. All scheduled interest payments are being collected from the three different issuers. The Bank has cash flow capacity, sufficient liquidity and a strong capital position to maintain the bonds and does not need to sell them in a loss position.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

NOTE 4 - LOANS

The Company's loan portfolio is composed of covered loans and non-covered loans. Covered loans are subject to loss sharing agreements with the FDIC and non-covered loans are not subject to FDIC loss sharing agreements. The risks of covered loans are different from the risks of non-covered loans because of the loss protection provided by the FDIC to covered loans. Loans acquired in the BBVAPR Acquisition are included as non-covered loans in the unaudited consolidated statements of financial condition. Non-covered loans are further subdivided between originated and other loans, acquired loans accounted for under ASC 310-20 (loans with revolving feature and/or acquired at a premium), and acquired loans accounted for under ASC 310-30 (loans acquired with deteriorated credit quality, including those by analogy).

The composition of the Company's loan portfolio at June 30, 2015 and December 31, 2014 was as follows:

	June 30, 2015	December 31, 2014
	(In thousands)	
Non-covered loans:		
Originated and other loans and leases held for investment:		
Mortgage	\$ 757,187	\$ 791,751
Commercial	1,363,851	1,289,732
Consumer	212,629	186,760
Auto and leasing	623,198	575,582
	2,956,865	2,843,825
Acquired loans:		
Accounted for under ASC 310-20 (Loans with revolving feature and/or acquired at a premium)		
Commercial	8,448	12,675
Consumer	41,505	45,344
Auto	142,570	184,782
	192,523	242,801
Accounted for under ASC 310-30 (Loans acquired with deteriorated credit quality, including those by analogy)		
Mortgage	631,807	656,122
Commercial	406,447	452,201
Construction	93,263	106,361
Consumer	18,869	29,888
Auto	195,891	247,233
	1,346,277	1,491,805
	4,495,665	4,578,431
Deferred loan cost, net	3,877	4,282
Loans receivable	4,499,542	4,582,713

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Allowance for loan and lease losses on loans not accounted for under ASC 310-30	(102,877)	(69,517)
Loans receivable, net	4,396,665	4,513,196
Mortgage loans held-for-sale	20,768	14,539
Total non-covered loans, net	4,417,433	4,527,735
Covered loans:		
Loans secured by 1-4 family residential properties	117,840	117,171
Construction and development secured by 1-4 family residential properties	19,152	19,562
Commercial and other construction	153,199	221,917
Consumer	3,295	4,506
Total covered loans	293,486	363,156
Allowance for loan and lease losses on covered loans	(71,452)	(64,245)
Total covered loans, net	222,034	298,911
Total loans, net	\$ 4,639,467	\$ 4,826,646

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

*Non-covered Loans*Originated and Other Loans and Leases Held for Investment

The Company's originated and other loans held for investment are encompassed within four portfolio segments: mortgage, commercial, consumer, and auto and leasing.

The following tables present the aging of the recorded investment in gross originated and other loans held for investment as of June 30, 2015 and December 31, 2014 by class of loans. Mortgage loans past due included delinquent loans in the GNMA buy-back option program. 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.

	June 30, 2015							
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current in Non- Accrual	Current Accruing	Total Loans	Loans 90+ Days Past Due and Still Accruing
Mortgage								
Traditional (by origination year):								
Up to the year 2002	\$ 4,342	\$ 2,258	\$ 3,076	\$ 9,676	\$ -	\$ 51,533	\$ 61,209	\$ 42
Years 2003 and 2004	8,460	4,616	6,260	19,336	-	84,968	104,304	-
Year 2005	5,338	2,012	3,926	11,276	-	45,881	57,157	-
Year 2006	6,496	3,315	7,601	17,412	170	64,292	81,874	-
Years 2007, 2008								
and 2009	4,781	2,359	10,757	17,897	-	75,309	93,206	1,025
Years 2010, 2011, 2012, 2013	3,399	1,528	9,063	13,990	-	205,934	219,924	168
2014 and 2015	32,816	16,088	40,683	89,587	170	527,917	617,674	1,235
Non-traditional	1,450	543	3,784	5,777	-	27,705	33,482	-

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Loss mitigation program	11,542	6,076	14,627	32,245	5,016	61,389	98,650	3,547
	45,808	22,707	59,094	127,609	5,186	617,011	749,806	4,782
Home equity secured personal loans	-	-	-	-	-	420	420	-
GNMA's buy-back option program	-	-	6,961	6,961	-	-	6,961	-
	45,808	22,707	66,055	134,570	5,186	617,431	757,187	4,782
Commercial								
Commercial secured by real estate:								
Corporate	-	-	-	-	-	201,251	201,251	-
Institutional	-	-	-	-	-	35,113	35,113	-
Middle market	3,929	-	2,180	6,109	8,216	183,736	198,061	-
Retail	611	153	7,280	8,044	2,048	193,319	203,411	-
Floor plan	-	-	50	50	-	3,047	3,097	-
Real estate	-	-	-	-	-	16,646	16,646	-
	4,540	153	9,510	14,203	10,264	633,112	657,579	-
Other commercial and industrial:								
Corporate	-	-	-	-	-	65,344	65,344	-
Institutional	-	-	-	-	197,559	207,661	405,220	-
Middle market	-	-	225	225	479	102,281	102,985	-
Retail	325	284	772	1,381	930	92,935	95,246	-
Floor plan	153	77	23	253	-	37,224	37,477	-
	478	361	1,020	1,859	198,968	505,445	706,272	-
	5,018	514	10,530	16,062	209,232	1,138,557	1,363,851	-

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

June 30, 2015

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current in Non- Accrual	Current Accruing	Total Loans	Loans 90+ Days Past Due and Still Accruing
(In thousands)								
Consumer								
Credit cards	303	120	319	742	-	19,381	20,123	-
Overdrafts	22	2	-	24	-	293	317	-
Personal lines of credit	97	17	63	177	22	2,083	2,282	-
Personal loans	1,532	858	716	3,106	320	170,202	173,628	-
Cash collateral personal loans	87	51	-	138	-	16,141	16,279	-
	2,041	1,048	1,098	4,187	342	208,100	212,629	-
Auto and leasing	47,451	18,593	7,420	73,464	365	549,369	623,198	-
Total	\$ 100,318	\$ 42,862	\$ 85,103	\$ 228,283	\$ 215,125	\$ 2,513,457	\$ 2,956,865	\$ 4,782

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OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31, 2014							Loans 90+ Days Past Due and Still Accruing
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current in Non- Accrual	Current Accruing	Total Loans	
	(In thousands)							
Mortgage								
Traditional (by origination year):								
Up to the year 2002	\$ 4,128	\$ 3,157	\$ 4,395	\$ 11,680	\$ -	\$ 54,064	\$ 65,744	\$ 134
Years 2003 and 2004	10,484	4,735	6,489	21,708	455	87,506	109,669	-
Year 2005	3,824	2,205	4,454	10,483	131	49,858	60,472	-
Year 2006	5,706	3,298	8,667	17,671	548	67,331	85,550	89
Years 2007, 2008 and 2009	5,283	1,809	7,646	14,738	761	77,990	93,489	-
Years 2010, 2011, 2012, 2013 and 2014	3,684	2,992	6,900	13,576	-	190,848	204,424	365
Non-traditional Loss mitigation program	33,109	18,196	38,551	89,856	1,895	527,597	619,348	588
Home equity secured personal loans GNMA's buy-back option program	1,477	584	3,223	5,284	-	30,916	36,200	-
	8,199	7,106	14,114	29,419	6,358	57,666	93,443	2,766
	42,785	25,886	55,888	124,559	8,253	616,179	748,991	3,354
	-	-	-	-	-	517	517	-
	-	-	42,243	42,243	-	-	42,243	-
	42,785	25,886	98,131	166,802	8,253	616,696	791,751	3,354
Commercial								
Commercial secured by real estate:								
Corporate	-	-	-	-	-	133,076	133,076	-
Institutional	-	-	-	-	-	36,611	36,611	-
Middle market	-	645	396	1,041	8,494	154,515	164,050	-
Retail	330	561	7,275	8,166	1,445	166,017	175,628	-
Floor plan	-	-	-	-	-	1,650	1,650	-
Real estate	-	-	-	-	-	12,628	12,628	-
	330	1,206	7,671	9,207	9,939	504,497	523,643	-
Other commercial and industrial:								
Corporate	-	-	-	-	-	63,746	63,746	-
Institutional	-	-	-	-	-	478,935	478,935	-
Middle market	-	-	618	618	-	91,716	92,334	-
Retail	866	412	1,061	2,339	1,047	86,785	90,171	-
Floor plan	-	-	-	-	-	40,903	40,903	-
	866	412	1,679	2,957	1,047	762,085	766,089	-

1,196 1,618 9,350 12,164 10,986 1,266,582 1,289,732 -

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2014

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current in Non- Accrual	Current Accruing	Total Loans	Loans 90+ Days Past Due and Still Accruing
(In thousands)								
Consumer								
Credit cards	360	139	375	874	-	18,197	19,071	-
Overdrafts	20	-	-	20	-	287	307	-
Personal lines of credit	102	25	102	229	9	1,962	2,200	-
Personal loans	1,822	743	678	3,243	337	144,359	147,939	-
Cash collateral personal loans	275	39	9	323	-	16,920	17,243	-
	2,579	946	1,164	4,689	346	181,725	186,760	-
Auto and leasing	47,658	16,916	7,420	71,994	145	503,443	575,582	-
Total	\$ 94,218	\$ 45,366	\$ 116,065	\$ 255,649	\$ 19,730	\$ 2,568,446	\$ 2,843,825	\$ 3,354

At June 30, 2015 and December 31, 2014, the Company had \$347.5 million and \$450.2 million, respectively, in loans granted to the Puerto Rico government, including its instrumentalities, public corporations and municipalities as part of the institutional commercial loan segment. All loans granted to Puerto Rico government were current at June 30, 2015 and December 31, 2014. We, as part of the bank syndicate, agreed in August 2014 to extend our credit facilities with PREPA to March 31, 2015, and are currently extended to September 15, 2015. After the first extension, the Company classified the credit as substandard and a troubled-debt restructuring. The Company conducted an impairment analysis considering the probability of collection of principal and interest, which included a financial model to project the future liquidity status of PREPA under various scenarios and its capacity to service its financial obligations, and concluded that the PREPA had sufficient cash flows for the repayment of the line of credit. Despite the Company's analysis showing PREPA's capacity to repay the line of credit, the Company placed its participation in non-accrual and recorded a \$24 million provision during the first quarter of 2015. The impairment analysis was updated for the second quarter with no change in provision. For the quarter ended June 30, 2015, interest payments are being applied to principal

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Acquired Loans Accounted for under ASC 310-20 (Loans with revolving feature and/or acquired at a premium)

Credit cards, retail and commercial revolving lines of credits, floor plans and performing auto loans with FICO scores over 660 acquired at a premium as part of the non-covered portfolio are accounted for under the guidance of ASC 310-20, which requires that any contractually required loan payment receivable in excess of the Company's initial investment in the loans be accreted into interest income on a level-yield basis over the life of the loan. Loans accounted for under ASC 310-20 are placed on non-accrual status when past due in accordance with the Company's non-accrual policy and any accretion of discount or amortization of premium is discontinued. Loans acquired in the non-covered portfolio that were accounted for under the provisions of ASC 310-20 are removed from the acquired loan category at the end of the reporting period upon refinancing, renewal or normal re-underwriting.

The following tables present the aging of the recorded investment in gross acquired loans accounted for under ASC 310-20 as of June 30, 2015 and December 31, 2014, by class of loans:

	June 30, 2015							Loans 90+ Days Past Due and Still Accruing
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current in Non- Accrual	Current Accruing	Total Loans	
(In thousands)								
Commercial								
Commercial secured by real estate								
Retail	\$ -	\$ -	\$ 344	\$ 344	\$ -	\$ -	\$ 344	\$ -
Floor plan	-	-	496	496	-	2,267	2,763	-
	-	-	840	840	-	2,267	3,107	-
Other commercial and industrial								
Retail	145	32	173	350	2	3,608	3,960	-
Floor plan	87	130	26	243	4	1,134	1,381	-
	232	162	199	593	6	4,742	5,341	-
	232	162	1,039	1,433	6	7,009	8,448	-
Consumer								
Credit cards	1,005	361	1,023	2,389	-	35,870	38,259	-
Personal loans	104	19	52	175	-	3,071	3,246	-
	1,109	380	1,075	2,564	-	38,941	41,505	-
Auto	9,364	3,209	1,075	13,648	65	128,857	142,570	-

Total	\$ 10,705	\$ 3,751	\$ 3,189	\$ 17,645	\$ 71	\$ 174,807	\$ 192,523	\$ -
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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2014

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current in Non- Accrual	Current Accruing	Total Loans	Loans 90+ Days Past Due and Still Accruing
(In thousands)								
Commercial								
Commercial secured by real estate								
Retail	\$ -	\$ -	\$ 351	\$ 351	\$ -	\$ -	\$ 351	\$ -
Floor plan	-	62	345	407	-	3,724	4,131	-
	-	62	696	758	-	3,724	4,482	-
Other commercial and industrial								
Retail	155	67	192	414	2	3,705	4,121	-
Floor plan	202	134	223	559	10	3,503	4,072	-
	357	201	415	973	12	7,208	8,193	-
	357	263	1,111	1,731	12	10,932	12,675	-
Consumer								
Credit cards	1,376	654	1,399	3,429	-	38,419	41,848	-
Personal loans	151	47	77	275	-	3,221	3,496	-
	1,527	701	1,476	3,704	-	41,640	45,344	-
Auto	11,003	3,453	1,262	15,718	76	168,988	184,782	-
Total	\$ 12,887	\$ 4,417	\$ 3,849	\$ 21,153	\$ 88	\$ 221,560	\$ 242,801	\$ -

Acquired Loans Accounted for under ASC 310-30 (including those accounted for under ASC 310-30 by analogy)

Acquired loans that are part of the non-covered portfolio, except for credit cards, retail and commercial revolving lines of credits, floor plans and performing auto loans with FICO scores over 660 acquired at a premium, are accounted for by the Company in accordance with ASC 310-30.

The carrying amount corresponding to non-covered loans acquired with deteriorated credit quality, including those accounted under ASC 310-30 by analogy, in the statements of financial condition at June 30, 2015 and December 31, 2014 is as follows:

	June 30, 2015	December 31, 2014
	(In thousands)	
Contractual required payments receivable	\$2,208,242	\$2,394,378
Less: Non-accretable discount	\$449,917	\$456,627
Cash expected to be collected	1,758,325	1,937,751
Less: Accretable yield	412,048	445,946
Carrying amount, gross	1,346,277	1,491,805
Less: allowance for loan and lease losses	18,359	13,481
Carrying amount, net	\$1,327,918	\$1,478,324

At June 30, 2015 and December 31, 2014, the Company had \$167.8 million and \$168.8 million, respectively, in loans granted to the Puerto Rico government, including its instrumentalities, public corporations and municipalities as part of its non-covered acquired loans accounted for under ASC 310-30. This entire amount was current at June 30, 2015 and December 31, 2014.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables describe the accretible yield and non-accretible discount activity of acquired loans accounted for under ASC 310-30 for the quarters and six-month periods ended June 30, 2015 and 2014, excluding covered loans:

	Quarter Ended June 30, 2015					
	Mortgage	Commercial	Construction	Auto	Consumer	Total
	(In thousands)					
Accretible Yield Activity:						
Balance at beginning of period	\$ 284,612	\$ 57,330	\$ 19,390	\$ 47,097	\$ 5,601	\$ 414,030
Accretion	(8,813)	(9,597)	(2,143)	(6,163)	(1,287)	(28,003)
Change in Expected Cash Flows	-	23,695	9,867	-	-	33,562
Transfer (to) from non-accretible discount	81	135	(2,501)	(9,403)	4,147	(7,541)
Balance at end of period	\$ 275,880	\$ 71,563	\$ 24,613	\$ 31,531	\$ 8,461	\$ 412,048
Non-Accretible Discount Activity:						
Balance at beginning of period	\$ 392,609	\$ 15,826	\$ 3,957	\$ 14,543	\$ 23,576	\$ 450,511
Change in actual and expected losses	(3,421)	(4,921)	536	(256)	(73)	(8,135)
Transfer from (to) accretible yield	(81)	(135)	2,501	9,403	(4,147)	7,541
Balance at end of period	\$ 389,107	\$ 10,770	\$ 6,994	\$ 23,690	\$ 19,356	\$ 449,917
Six- Month Period Ended June 30, 2015						
	Mortgage	Commercial	Construction	Auto	Consumer	Total
	(In thousands)					
Accretible Yield Activity:						
Balance at beginning of period	\$ 298,364	\$ 61,196	\$ 25,829	\$ 53,998	\$ 6,559	\$ 445,946
Accretion	(17,800)	(20,356)	(5,953)	(13,151)	(2,213)	(59,473)
Change in Expected Cash Flows	-	23,695	9,867	-	-	33,562
Transfer (to) from non-accretible discount	(4,684)	7,028	(5,130)	(9,316)	4,115	(7,987)
Balance at end of period	\$ 275,880	\$ 71,563	\$ 24,613	\$ 31,531	\$ 8,461	\$ 412,048
Non-Accretible Discount Activity:						
Balance at beginning of period	\$ 389,839	\$ 23,069	\$ 3,486	\$ 16,215	\$ 24,018	\$ 456,627
Change in actual and expected losses	(5,416)	(5,271)	(1,622)	(1,841)	(547)	(14,697)
Transfer from (to) accretible yield	4,684	(7,028)	5,130	9,316	(4,115)	7,987
Balance at end of period	\$ 389,107	\$ 10,770	\$ 6,994	\$ 23,690	\$ 19,356	\$ 449,917

OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Quarter Ended June 30, 2014

	Mortgage	Commercial	Construction	Auto	Consumer	Total
	(In thousands)					
Accretable Yield Activity:						
Balance at beginning of period	\$ 278,468	\$ 82,637	\$ 35,005	\$ 74,635	\$ 11,256	\$ 482,001
Accretion	(9,363)	(12,217)	(5,973)	(10,593)	(1,568)	(39,714)
Transfer (to) from non-accretable discount	-	71	1,640	578	30	2,319
Balance at end of period	\$ 269,105	\$ 70,491	\$ 30,672	\$ 64,620	\$ 9,718	\$ 444,606
Non-Accretable Discount Activity:						
Balance at beginning of period	\$ 458,648	\$ 41,551	\$ 7,248	\$ 29,328	\$ 26,519	\$ 563,294
Change in actual and expected losses	(2,859)	(430)	(220)	(1,471)	(1,271)	(6,251)
Transfer from (to) accretable yield	-	(71)	(1,640)	(578)	(30)	(2,319)
Balance at end of period	\$ 455,789	\$ 41,050	\$ 5,388	\$ 27,279	\$ 25,218	\$ 554,724

Six- Month Period Ended June 30, 2014

	Mortgage	Commercial	Construction	Auto	Consumer	Total
	(In thousands)					
Accretable Yield Activity:						
Balance at beginning of period	\$ 287,841	96,139	42,993	77,845	12,735	517,553
Accretion	(18,732)	(24,934)	(10,459)	(22,418)	(3,440)	(79,983)
Transfer (to) from non-accretable discount	(4)	(714)	(1,862)	9,193	423	7,036
Balance at end of period	\$ 269,105	70,491	30,672	64,620	9,718	444,606
Non-Accretable Discount Activity:						
Balance at beginning of period	\$ 463,166	42,515	5,851	39,645	28,410	579,587
Change in actual and expected losses	(7,381)	(2,179)	(2,325)	(3,173)	(2,769)	(17,827)
Transfer from (to) accretable yield	4	714	1,862	(9,193)	(423)	(7,036)
Balance at end of period	\$ 455,789	41,050	5,388	27,279	25,218	554,724

Covered Loans

The carrying amount of covered loans at June 30, 2015 and December 31, 2014 is as follows:

June 30 2015	December 31 2014
(In thousands)	

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Contractual required payments receivable	\$	419,259	\$	535,425
Less: Non-accretable discount		21,132		62,410
Cash expected to be collected		398,127		473,015
Less: Accretable yield		104,641		109,859
Carrying amount, gross		293,486		363,156
Less: Allowance for covered loan and lease losses		71,452		64,245
Carrying amount, net	\$	222,034	\$	298,911

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables describe the accretable yield and non-accretable discount activity of covered loans for the quarters and six-month periods ended June 30, 2015 and 2014:

	Quarter Ended June 30, 2015						Total
	Loans Secured by 1-4 Family Residential Properties	Commercial and Other Construction	Construction & Development Secured by 1-4 Family Residential Properties	Leasing	Consumer	(In thousands)	
Accretable Yield Activity:							
Balance at beginning of period	\$ 58,332	\$ 33,481	\$ 20,806	\$ 1,665	\$ 2,004	\$ 116,288	
Accretion	(3,276)	(8,047)	(405)	(937)	(93)	(12,758)	
Transfer from (to) non-accretable discount	750	2,039	(2,052)	375	(1)	1,111	
Balance at end of period	\$ 55,806	\$ 27,473	\$ 18,349	\$ 1,103	\$ 1,910	\$ 104,641	
Non-Accretable Discount Activity:							
Balance at beginning of period	\$ 12,557	\$ 10,493	\$ -	\$ -	\$ 9,662	\$ 32,712	
Change in actual and expected losses	(405)	(8,454)	(2,052)	375	67	(10,469)	
Transfer from (to) accretable yield	(750)	(2,039)	2,052	(375)	1	(1,111)	
Balance at end of period	\$ 11,402	\$ -	\$ -	\$ -	\$ 9,730	\$ 21,132	

	Six- Month Period Ended June 30, 2015						Total
	Loans Secured by 1-4 Family Residential Properties	Commercial and Other Construction	Construction & Development Secured by 1-4 Family Residential Properties	Leasing	Consumer	(In thousands)	
Accretable Yield Activity:							
Balance at beginning of period	\$ 47,636	\$ 37,919	\$ 20,753	\$ 2,479	\$ 1,072	\$ 109,859	
Accretion	(6,794)	(17,902)	(1,024)	(2,329)	(213)	(28,262)	
Transfer from (to) non-accretable discount	14,964	7,456	(1,380)	953	1,051	23,044	
Balance at end of period	\$ 55,806	\$ 27,473	\$ 18,349	\$ 1,103	\$ 1,910	\$ 104,641	
Non-Accretable Discount Activity:							

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Balance at beginning of period	\$ 27,348	\$ 24,464	\$ -	\$ -	\$ 10,598	\$ 62,410
Change in actual and expected losses	(982)	(17,008)	(1,380)	953	183	(18,234)
Transfer from (to) accretable yield	(14,964)	(7,456)	1,380	(953)	(1,051)	(23,044)
Balance at end of period	\$ 11,402	\$ -	\$ -	\$ -	\$ 9,730	\$ 21,132

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OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Quarter Ended June 30, 2014

Construction
&

Development

Secured

by 1-4

Family

Residential

Properties

Leasing

Consumer

Total

Loans
Secured
by 1-4
Family
Residential
PropertiesCommercial
and Other
ConstructionFamily
Residential
Properties

Leasing

Consumer

Total

(In thousands)

Accretable Yield Activity:

Balance at beginning of period	\$ 54,619	\$ 83,200	\$ 209	\$ 7,332	\$ 2,407	\$ 147,767
Accretion	(4,033)	(17,141)	(1,070)	(2,377)	(259)	(24,880)
Transfer from (to) non-accretable discount	-	4,168	861	145	-	5,174
Balance at end of period	\$ 50,586	\$ 70,227	\$ -	\$ 5,100	\$ 2,148	\$ 128,061

Non-Accretable Discount Activity:

Balance at beginning of period	\$ 31,340	\$ 67,136	\$ -	\$ -	\$ 8,847	\$ 107,323
Change in actual and expected losses	(1,481)	(16,372)	861	145	(78)	(16,925)
Transfer (to) from accretable yield	-	(4,168)	(861)	(145)	-	(5,174)
Balance at end of period	\$ 29,859	\$ 46,596	\$ -	\$ -	\$ 8,769	\$ 85,224

Six- Month Period Ended June 30, 2014

Construction
&

Development

Secured

by 1-4

Family

Residential

Properties

Leasing

Consumer

Total

Loans
Secured
by 1-4
Family
Residential
PropertiesCommercial
and Other
ConstructionFamily
Residential
Properties

Leasing

Consumer

Total

(In thousands)

Accretable Yield Activity:

Balance at beginning of period	\$ 53,250	\$ 95,093	\$ 1,690	\$ 10,238	\$ 2,688	\$ 162,959
Accretion	(8,197)	(31,993)	(2,150)	(5,388)	(540)	(48,268)
Transfer from (to) non-accretable discount	5,533	7,127	460	250	-	13,370
Balance at end of period	\$ 50,586	\$ 70,227	\$ -	\$ 5,100	\$ 2,148	\$ 128,061

Non-Accretable Discount Activity:

Balance at beginning of period	\$ 39,182	\$ 81,092	\$ -	\$ -	\$ 9,203	\$ 129,477
Change in actual and expected losses	(3,790)	(27,369)	460	250	(434)	(30,883)
Transfer (to) from accretable yield	(5,533)	(7,127)	(460)	(250)	-	(13,370)
Balance at end of period	\$ 29,859	\$ 46,596	\$ -	\$ -	\$ 8,769	\$ 85,224

OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Non-accrual Loans

The following table presents the recorded investment in loans in non-accrual status by class of loans as of June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014
	(In thousands)		
<u>Originated and other loans and leases held for investment</u>			
Mortgage			
Traditional (by origination year):			
Up to the year 2002	\$ 3,104	\$	4,427
Years 2003 and 2004	6,317		7,042
Year 2005	3,926		4,585
Year 2006	7,861		9,274
Years 2007, 2008 and 2009	9,991		8,579
Years 2010, 2011, 2012, 2013, 2014 and 2015	9,183		7,365
	40,382		41,272
Non-traditional	3,784		3,224
Loss mitigation program	19,504		20,934
	63,670		65,430
Commercial			
Commercial secured by real estate			
Middle market	14,325		9,534
Retail	9,557		9,000
	23,882		18,534
Other commercial and industrial			
Institutional	197,559		-
Middle market	703		618
Retail	1,797		2,527
Floor plan	23		-
	200,082		3,145
	223,964		21,679
Consumer			
Credit cards	319		375
Personal lines of credit	86		110
Personal loans	1,107		1,092
Cash collateral personal loans	-		13
	1,512		1,590
Auto and leasing	8,587		8,668
Total Non-accrual originated loans	\$ 297,733	\$	97,367

OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	June 30, 2015	December 31, 2014
	(In thousands)	
<u>Acquired loans accounted under ASC 310-20</u>		
Commercial		
Commercial secured by real estate		
Retail	\$ 344	\$ 351
Floor plan	496	407
	840	758
Other commercial and industrial		
Retail	178	195
Floor plan	30	234
	208	429
	1,048	1,187
Consumer		
Credit cards	1,023	1,399
Personal loans	52	77
	1,075	1,476
Auto	1,277	1,512
Total non-accrual acquired loans accounted under ASC 310-20	3,400	4,175
Total non-accrual loans	\$ 301,183	\$ 101,542

Loans accounted for under ASC 310-30 are excluded from the above table as they are considered to be performing due to the application of the accretion method, in which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analyses.

Delinquent residential mortgage loans insured or guaranteed under applicable FHA and 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 18 months or more past due, since they are insured loans. Therefore, these loans are included as non-performing loans but excluded from non-accrual loans.

During the quarter ended March 31, 2015, the revolving line of credit to PREPA was classified as non-accrual. At June 30, 2015, this line of credit had an unpaid principal balance of \$197.6 million. For the quarter ended June 30, 2015, interest payments received were applied to principal. As of June 30, 2015, the specific reserve was maintained at \$24 million.

At June 30, 2015 and December 31, 2014, loans whose terms have been extended and which are classified as troubled-debt restructurings that are not included in non-accrual loans amounted to \$88.8 million and \$274.4 million, respectively, as they are performing under their new terms. At December 31, 2014, the balance included the revolving

line of credit to PREPA.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Impaired Loans

The Company evaluates all loans, some individually and others as homogeneous groups, for purposes of determining impairment. The total investment in impaired commercial loans was \$243.4 million and \$236.9 million at June 30, 2015 and December 31, 2014, respectively. Impaired commercial loans at June 30, 2015 and December 31, 2014 included the PREPA line of credit with an unpaid principal balance of \$197.6 million and \$200.0 million, respectively. The impaired commercial loans were measured based on the fair value of collateral or the present value of cash flows, including those identified as troubled-debt restructurings. The valuation allowance for impaired commercial loans amounted to \$27.4 million and \$841 thousand at June 30, 2015 and December 31, 2014, respectively. The valuation allowance for impaired commercial loans amounted to \$27.4 million including \$24.0 million of PREPA allowance placed during Q1 2015. The total investment in impaired mortgage loans was \$89.3 million and \$94.2 million at June 30, 2015 and December 31, 2014, respectively. Impairment on mortgage loans assessed as troubled-debt restructurings was measured using the present value of cash flows. The valuation allowance for impaired mortgage loans amounted to approximately \$8.3 million and \$9.0 million at June 30, 2015 and December 31, 2014, respectively.

Originated and Other Loans and Leases Held for Investment

The Company's recorded investment in non-covered commercial and mortgage loans categorized as originated and other loans and leases held for investment that were individually evaluated for impairment and the related allowance for loan and lease losses at June 30, 2015 and December 31, 2014 are as follows:

	Unpaid Principal	June 30, 2015		Related Allowance	Coverage
		Recorded Investment	(In thousands)		
Impaired loans with specific allowance:					
Commercial	\$ 215,139	\$ 211,186	\$ 27,401		13%
Residential troubled-debt restructuring	95,881	89,303	8,268		9%
Impaired loans with no specific allowance:					
Commercial	34,305	30,786	N/A		N/A
Total investment in impaired loans	\$ 345,325	\$ 331,275	\$ 35,669		11%

	Unpaid Principal	December 31, 2014		Related Allowance	Coverage
		Recorded Investment	(In thousands)		

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Impaired loans with specific allowance						
Commercial	\$	6,349	\$	6,226	\$ 841	14%
Residential troubled-debt restructuring		99,947		94,185	8,968	10%
Impaired loans with no specific allowance						
Commercial		237,806		230,044	N/A	N/A
Total investment in impaired loans	\$	344,102	\$	330,455	\$ 9,809	3%

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OFG BANCORP

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Acquired Loans Accounted for under ASC 310-20 (Loans with revolving feature and/or acquired at a premium)

The Company's recorded investment in non-covered commercial loans categorized as non-covered acquired loans accounted for under ASC 310-20 that were individually evaluated for impairment and the related allowance for loan and lease losses at June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015				
	Unpaid Principal	Recorded Investment	Related Allowance	Coverage	
	(In thousands)				
Impaired loans with no specific allowance					
Commercial	\$ 1,435	\$ 1,429	N/A		N/A
Total investment in impaired loans	\$ 1,435	\$ 1,429	\$ -		-

	December 31, 2014				
	Unpaid Principal	Recorded Investment	Specific Allowance	Coverage	
	(In thousands)				
Impaired loans with no specific allowance					
Commercial	\$ 672	\$ 672	N/A		N/A
Total investment in impaired loans	\$ 672	\$ 672	\$ -		-

Non-covered Acquired Loans Accounted for under ASC 310-30 (including those accounted for under ASC 310-30 by analogy)

The Company's recorded investment in non-covered acquired loan pools accounted for under ASC 310-30 and their related allowance for non-covered loan and lease losses at June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015			
	Unpaid Principal	Recorded Investment	Allowance	Coverage to Recorded Investment
	(In thousands)			
Impaired non-covered loan pools:				
Mortgage	\$ 22,901	\$ 23,676	\$ 557	2%
Commercial	230,196	208,083	5,752	3%
Construction	87,488	88,575	9,188	10%
Auto	187,569	195,891	2,862	1%

Total investment in impaired non-covered loan pools	\$	528,154	\$	516,225	\$	18,359	4%
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	December 31 , 2014			Coverage to Recorded Investment
	Unpaid Principal	Recorded Investment	Allowance (In thousands)	
Impaired non-covered loan pools:				
Commercial	289,228	255,619	5,506	2%
Construction	90,786	83,751	7,970	10%
Consumer	35,812	29,888	5	0%
Total investment in impaired non-covered loan pools	\$ 415,826	\$ 369,258	\$ 13,481	4%

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The tables above only present information with respect to non-covered loans and pools accounted for under ASC 310-30 if there is a recorded impairment to such loans or loan pools and a specific allowance for loan losses. As of June 30, 2015, the Company eliminated the specific allowance of \$5 thousand maintained on impaired non-covered acquired consumer loan pool accounted under ASC 310-30 because there was an increase in the net present value of cash flows expected to be collected from such pool when compared with the recorded investment. Likewise, the increase in mortgage and auto loan pools from December 31, 2014 to June 30, 2015 was caused by the establishment of a specific reserve with respect to impaired mortgage and auto loan pools that were required based on the net present value of the cash flows expected to be collected.

The following table presents the interest recognized in non-covered commercial and mortgage loans that were individually evaluated for impairment, excluding loans accounted for under ASC 310-30, for the quarters and six-month periods ended June 30, 2015 and 2014:

	Quarter Ended June 30,			
	2015		2014	
	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment
	(In thousands)			
Originated and other loans held for investment:				
Impaired loans with specific allowance				
Commercial	\$ 45	\$ 212,414	\$ 39	\$ 7,200
Residential troubled-debt restructuring	781	89,041	663	90,445
Impaired loans with no specific allowance				
Commercial	316	30,015	77	21,951
	1,142	331,470	779	119,596
Acquired loans accounted for under ASC 310-20:				
Impaired loans with no specific allowance				
Commercial	11	1,446	-	-
Total interest income from impaired loans	\$ 1,153	\$ 332,916	\$ 779	\$ 119,596

	Six-Month Period Ended June 30,			
	2015		2014	
	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment
	(In thousands)			
Originated and other loans held for investment:				
Impaired loans with specific allowance				
Commercial	\$ 90	\$ 146,144	\$ 78	\$ 6,729
Residential troubled-debt restructuring	1,563	91,216	1,270	88,749

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Impaired loans with no specific allowance					
Commercial	631	95,791	154	21,790	
	\$ 2,284	\$ 333,151	\$ 1,502	\$ 117,268	
Acquired loans accounted for under ASC 310-20:					
Impaired loans with no specific allowance					
Commercial	21	1,923	-	-	
Total interest income from impaired loans	\$ 2,305	\$ 335,074	\$ 1,502	\$ 117,268	