OFG BANCORP
Form 10-Q
August 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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 Accelerated Filer ý Non-Accelerated Filer Smaller Reporting Company

(Do not check if a smaller reporting company)

Emerging Growth Company

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

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

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

43,983,195 common shares ($1.00 par value per share) outstanding as of July 31, 2018

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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 "Oriental"), 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 Oriental'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 expr 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 Oriental'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 credit default by the municipalities of the government of Puerto Rico;
- amendments to the fiscal plan approved by the Financial Oversight and Management Board of Puerto Rico;
- determinations in the court-supervised debt-restructuring process under Title III of PROMESA for the Puerto Rico government and all of its agencies, including some of its public corporations;
- the impact of property, credit and other losses in Puerto Rico as a result of hurricanes, earthquakes and other natural disasters;
- the amount of government, private and philanthropic financial assistance for the reconstruction of Puerto Rico's critical infrastructure, which suffered catastrophic damages caused by hurricane Maria;
- the pace and magnitude of Puerto Rico's economic recovery;
- the fiscal and monetary policies of the federal government and its agencies;
- changes in federal bank regulatory and supervisory policies, including required levels of capital;
- the relative strength or weakness of the commercial and consumer credit sectors and the real estate market in Puerto Rico;

- the performance of the stock and bond markets;
- competition in the financial services industry; 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; Oriental's ability to grow its core businesses; decisions to downsize, sell or close units or otherwise change Oriental'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 Oriental as of the date of this report, and other than as required by law, including the requirements of applicable securities laws, Oriental assumes no obligation to update or revise any such forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF JUNE 30, 2018 AND DECEMBER 31, 2017

	June 30, 2018	December 31, 2017
	(In thousands)	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 368,344	$ 478,182
Money market investments	6,991	7,021
Total cash and cash equivalents	**375,335**	**485,203**
Restricted cash	3,030	3,030
Investments:		
Trading securities, at fair value, with amortized cost of $647 (December 31, 2017 - $647)	418	191
Investment securities available-for-sale, at fair value, with amortized cost of $890,308 (December 31, 2017 - $648,800)	872,341	645,797
Investment securities held-to-maturity, at amortized cost, with fair value of $447,947 (December 31, 2017 - $497,681)	465,427	506,064
Federal Home Loan Bank (FHLB) stock, at cost	14,919	13,995
Other investments	3	3
Total investments	**1,353,108**	**1,166,050**
Loans:		
Loans held-for-sale, at lower of cost or fair value	10,215	12,272
Loans held for investment, net of allowance for loan and lease losses of $165,434 (December 31, 2017 - $167,509)	4,305,651	4,044,057
Total loans	**4,315,866**	**4,056,329**
Other assets:		
Foreclosed real estate	40,551	44,174
Accrued interest receivable	34,476	49,969
Deferred tax asset, net	125,141	127,421
Premises and equipment, net	66,174	67,860
Customers' liability on acceptances	30,578	27,663
Servicing assets	10,829	9,821
Derivative assets	1,100	771
Goodwill	86,069	86,069
Other assets	59,305	64,693
Total assets	$ **6,501,562**	$ **6,189,053**

See notes to unaudited consolidated financial statements

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF JUNE 30, 2018 AND DECEMBER 31, 2017 (CONTINUED)

	June 30, 2018	December 31, 2017
	(In thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand deposits	$ 2,176,935	$ 2,039,126
Savings accounts	1,253,451	1,251,398
Time deposits	1,449,815	1,508,958
Total deposits	**4,880,201**	**4,799,482**
Borrowings:		
Securities sold under agreements to repurchase	387,770	192,869
Advances from FHLB	128,114	99,643
Subordinated capital notes	36,083	36,083
Other borrowings	299	153
Total borrowings	**552,266**	**328,748**
Other liabilities:		
Derivative liabilities	679	1,281
Acceptances executed and outstanding	30,578	27,644
Accrued expenses and other liabilities	80,019	86,791
Total liabilities	**5,543,743**	**5,243,946**
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, 2017 - 1,340,000 shares; 1,380,000 shares; and 960,000 shares) $25 liquidation value	92,000	92,000
84,000 shares of Series C issued and outstanding (December 31, 2017 - 84,000 shares); $1,000 liquidation value	84,000	84,000
Common stock, $1 par value; 100,000,000 shares authorized; 52,625,869 shares issued: 43,983,195 shares outstanding (December 31, 2017 - 52,625,869; 43,947,442)	52,626	52,626
Additional paid-in capital	541,734	541,600

Legal surplus		85,249		81,454
Retained earnings		221,441		200,878
Treasury stock, at cost, 8,642,674 shares (December 31, 2017 - 8,678,427 shares)		(103,969)		(104,502)
Accumulated other comprehensive (loss), net of tax of $2,284 (December 31, 2017 $564)		(15,262)		(2,949)
Total stockholders' equity		**957,819**		**945,107**
Total liabilities and stockholders' equity	$	**6,501,562**	$	**6,189,053**

See notes to unaudited consolidated financial statements

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OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE QUARTERS AND SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	Quarter Ended June 30,		Six-Month Period Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Interest income:				
Loans	$ 78,429	$ 77,238	$ 153,041	$ 154,888
Mortgage-backed securities	8,034	7,276	15,085	14,482
Investment securities and other	1,543	1,426	3,050	2,748
Total interest income	**88,006**	**85,940**	**171,176**	**172,118**
Interest expense:				
Deposits	7,651	7,652	14,949	15,005
Securities sold under agreements to repurchase	1,840	1,734	2,918	4,979
Advances from FHLB and other borrowings	448	607	822	1,202
Subordinated capital notes	479	384	905	751
Total interest expense	**10,418**	**10,377**	**19,594**	**21,937**
Net interest income	**77,588**	**75,563**	**151,582**	**150,181**
Provision for loan and lease losses, net	14,747	26,536	30,207	44,190
Net interest income after provision for loan and lease losses	**62,841**	**49,027**	**121,375**	**105,991**
Non-interest income:				
Banking service revenue	11,144	10,458	21,607	21,084
Wealth management revenue	6,262	6,516	12,281	12,731
Mortgage banking activities	988	959	2,745	1,546
Total banking and financial service revenues	**18,394**	**17,933**	**36,633**	**35,361**
FDIC shared-loss benefit, net	-	-	-	1,403
Net gain on:				
Sale of securities	-	6,891	-	6,891
Derivatives	-	22	-	103
Early extinguishment of debt	-	(80)	-	(80)
Other non-interest income	309	120	584	282
Total non-interest income, net	**18,703**	**24,886**	**37,217**	**43,960**

See notes to unaudited consolidated financial statements

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE QUARTERS AND SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017 (CONTINUED)

	Quarter Ended June 30,		Six-Month Period Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Non-interest expense:				
Compensation and employee benefits	18,099	19,317	38,707	39,664
Professional and service fees	3,146	3,225	5,840	6,462
Occupancy and equipment	9,166	8,538	16,934	15,735
Insurance	1,482	1,183	2,960	2,783
Electronic banking charges	5,415	5,450	10,382	10,352
Information technology expenses	2,000	2,069	4,009	4,068
Advertising, business promotion, and strategic initiatives	1,024	1,405	2,371	2,800
Loss on sale of foreclosed real estate and other repossessed assets	392	1,787	1,618	3,113
Loan servicing and clearing expenses	1,227	1,270	2,388	2,459
Taxes, other than payroll and income taxes	2,384	2,393	4,645	4,764
Communication	815	913	1,700	1,828
Printing, postage, stationary and supplies	605	665	1,249	1,303
Director and investor relations	337	274	577	554
Credit related expenses	1,897	2,217	4,316	4,843
Other	4,311	2,110	6,725	3,772
Total non-interest expense	**52,300**	**52,816**	**104,421**	**104,500**
Income before income taxes	**29,244**	**21,097**	**54,171**	**45,451**
Income tax expense	9,595	3,993	17,605	13,197
Net income	**19,649**	**17,104**	**36,566**	**32,254**
Less: dividends on preferred stock	(3,465)	(3,466)	(6,930)	(6,931)
Income available to common shareholders	**$ 16,184**	**$ 13,638**	**$ 29,636**	**$ 25,323**
Earnings per common share:				
Basic	**$ 0.36**	**$ 0.30**	**$ 0.67**	**$ 0.58**
Diluted	**$ 0.35**	**$ 0.30**	**$ 0.65**	**$ 0.57**
Average common shares outstanding and equivalents	**51,226**	**51,100**	**51,157**	**51,093**
Cash dividends per share of common stock	**$ 0.06**	**$ 0.06**	**$ 0.12**	**$ 0.12**

See notes to unaudited consolidated financial statements

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UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE QUARTERS AND SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	Quarter Ended June 30,		Six-Month Period Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Net income	$ **19,649**	$ **17,104**	$ **36,566**	$ **32,254**
Other comprehensive loss before tax:				
Unrealized (loss) gain on securities available-for-sale	(3,638)	3,454	(14,964)	5,319
Realized gain on investment securities included in net income	-	(6,891)	-	(6,891)
Unrealized gain (loss) on cash flow hedges	275	(102)	931	81
Other comprehensive (loss) before taxes	**(3,363)**	**(3,539)**	**(14,033)**	**(1,491)**
Income tax effect	286	(116)	1,720	(412)
Other comprehensive (loss) after taxes	**(3,077)**	**(3,655)**	**(12,313)**	**(1,903)**
Comprehensive income	$ **16,572**	$ **13,449**	$ **24,253**	$ **30,351**

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, 2018 AND 2017

	Six-Month Period Ended June 30,			
	2018		2017	
	(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		52,626
Balance at end of period		**52,626**		**52,626**
Additional paid-in capital:				
Balance at beginning of period		541,600		540,948
Stock-based compensation expense		635		515
Stock-based compensation excess tax benefit recognized in income		(140)		(100)
Lapsed restricted stock units		(361)		(358)
Balance at end of period		**541,734**		**541,005**
Legal surplus:				
Balance at beginning of period		81,454		76,293
Transfer from retained earnings		3,795		3,167
Balance at end of period		**85,249**		**79,460**
Retained earnings:				
Balance at beginning of period		200,878		177,808
Net income		36,566		32,254
Cash dividends declared on common stock		(5,278)		(5,277)
Cash dividends declared on preferred stock		(6,930)		(6,931)
Transfer to legal surplus		(3,795)		(3,167)
Balance at end of period		**221,441**		**194,687**
Treasury stock:				
Balance at beginning of period		(104,502)		(104,860)
Lapsed restricted stock units		533		358
Balance at end of period		**(103,969)**		**(104,502)**
Accumulated other comprehensive (loss), net of tax:				
Balance at beginning of period		(2,949)		1,596
Other comprehensive (loss), net of tax		(12,313)		(1,903)
Balance at end of period		**(15,262)**		**(307)**
Total stockholders' equity	**$**	**957,819**	**$**	**938,969**

See notes to unaudited consolidated financial statements

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	Six-Month Period Ended June 30,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net income	$ **36,566**	$ **32,254**
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan origination fees and fair value premiums on acquired loans	2,296	1,457
Amortization of investment securities premiums, net of accretion of discounts	3,045	4,362
Amortization of core deposit and customer relationship intangibles	659	737
FDIC shared-loss benefit	-	(1,403)
Depreciation and amortization of premises and equipment	4,454	4,231
Deferred income tax expense, net	4,001	7,570
Provision for loan and lease losses	30,207	44,190
Stock-based compensation	635	515
Stock-based compensation excess tax benefit recognized in income	(140)	(100)
(Gain) loss on:		
Sale of mortgage loans held-for-sale	(185)	(517)
Derivatives	-	(103)
Sale of securities	-	(6,891)
Early extinguishment of debt	-	80
Foreclosed real estate	1,436	3,453
Sale of other repossessed assets	(9)	(153)
Sale of other assets	(44)	-
Originations of loans held-for-sale	(47,929)	(74,806)
Proceeds from sale of mortgage loans held-for-sale	11,306	24,020
Net (increase) decrease in:		
Trading securities	(227)	53
Accrued interest receivable	15,493	429
Servicing assets	(1,008)	(8)
Other assets	6,683	12,493
Net (decrease) in:		
Accrued interest on deposits and borrowings	(359)	(370)
Accrued expenses and other liabilities	(18,419)	(45,858)
Net cash provided by operating activities	**48,461**	**5,635**

See notes to unaudited consolidated financial statements

OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017 (CONTINUED)

	Six-Month Period Ended June 30, 2018	2017
	(In thousands)	
Cash flows from investing activities:		
Purchases of:		
Investment securities available-for-sale	(259,665)	(114,595)
FHLB stock	(99,365)	(26,730)
Maturities and redemptions of:		
Investment securities available-for-sale	54,727	57,714
Investment securities held-to-maturity	38,640	41,920
FHLB stock	98,441	20,907
Proceeds from sales of:		
Investment securities available-for-sale	-	212,203
Foreclosed real estate and other repossessed assets, including write-offs	25,059	21,754
Premises and equipment	873	-
Origination and purchase of loans, excluding loans held-for-sale	(693,586)	(384,211)
Principal repayment of loans	382,191	367,834
Repayments to FDIC on shared-loss agreements	-	(10,125)
Additions to premises and equipment	(3,597)	(3,660)
Net cash (used in) provided by investing activities	**(456,282)**	**183,011**
Cash flows from financing activities:		
Net increase (decrease) in:		
Deposits	86,293	(41,900)
Securities sold under agreements to repurchase	194,879	(199,466)
FHLB advances, federal funds purchased, and other borrowings	28,816	32,194
Restricted units lapsed	172	-
Dividends paid on preferred stock	(6,930)	(6,931)
Dividends paid on common stock	(5,277)	(5,674)
Net cash provided (used in) financing activities	**$ 297,953**	**$ (221,777)**
Net change in cash, cash equivalents and restricted cash	**(109,868)**	**(33,131)**
Cash, cash equivalents and restricted cash at beginning of period	**488,233**	**513,469**
Cash, cash equivalents and restricted cash at end of period	**$ 378,365**	**$ 480,338**
Supplemental Cash Flow Disclosure and Schedule of Non-cash Activities:		
Interest paid	$ 19,095	$ 21,386

Income taxes paid	$	8,890	$	15
Mortgage loans securitized into mortgage-backed securities	$	37,618	$	49,648
Transfer from loans to foreclosed real estate and other repossessed assets	$	25,465	$	28,293
Reclassification of loans held-for-investment portfolio to held-for-sale portfolio	$	-	$	33,647
Reclassification of loans held-for-sale portfolio to held-for-investment portfolio	$	1,247	$	112
Financed sales of foreclosed real estate	$	667	$	534
Loans booked under the GNMA buy-back option	$	14,521	$	9,229

See notes to unaudited consolidated financial statements

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OFG BANCORP

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017 (CONTINUED)

OFG BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION, CONSOLIDATION AND BASIS OF PRESENTATION

Nature of Operations

OFG Bancorp (“Oriental”) is a publicly-owned financial holding company incorporated under the laws of the Commonwealth of Puerto Rico. Oriental 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, LLC. (“Oriental Insurance”), a retirement plan administrator, Oriental Pension Consultants, Inc. (“OPC”), and two operating subsidiaries of the Bank, OFG USA, LLC ("OFG USA") and Oriental International Bank, Inc. Through these subsidiaries and their respective divisions, Oriental 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 February 6, 2017, the Bank and the FDIC agreed to terminate the shared-loss agreements related to the Eurobank Acquisition. On December 18, 2012, Oriental 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.” These acquired businesses have been integrated with Oriental’s existing business.

New Accounting Updates Not Yet Adopted

Premium Amortization on Purchased Callable Debt Securities Receivables. In March 2017, the FASB issued ASU No. 2017-08, which requires the amortization of the premium on callable debt securities to the earliest call date. The amortization period for callable debt securities purchased at a discount would not be impacted by the ASU. This ASU will be applied prospectively for annual and interim periods in fiscal years beginning after December 15, 2018. The ASU is not expected to have a material impact on Oriental's consolidated financial position or results of operations. At June 30, 2018, Oriental does not have callable debt securities.

Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting (a consensus of the Emerging Issues Task Force). In February 2017, the FASB issued ASU No. 2017-06, which intended to reduce diversity and improve the usefulness of information provided by employee benefit plans that hold interests in master trusts. This ASU will be applied prospectively for annual and interim periods in fiscal years beginning after December 15, 2018. The ASU is not expected to have a material impact on Oriental's consolidated financial position or results of operations.

Simplifying the Test for Goodwill Impairment. In January 2017, the FASB issued ASU No. 2017-04, which simplifies the measurement of goodwill impairment. An entity will no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. This ASU will be applied prospectively for annual and interim periods in fiscal years beginning after December 15, 2019. We will assess the impact that the adoption of ASU 2017-04 will have on our consolidated financial statements and related disclosures during this year.

Measurement of Credit Losses on Financial Instruments. In June 2016, the FASB issued ASU No. 2016-13, which includes an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. ASU No. 2016-13 is effective for fiscal years, and interim periods, beginning after December 15, 2019. Oriental will implement ASU No. 2016-13 on January 1, 2020. While we continue to assess the impact of ASU No. 2016-13, we have developed a roadmap with time schedules in place from 2016 to implementation date. Oriental's cross-functional implementation team has developed a project plan to ensure we comply with all updates from this ASU at the time of adoption. We recently have selected the software and are in the process of assessing the methodology to be used in order to develop an acceptable model to estimate the expected credit losses. After the model has been developed, reviewed and validated in accordance with our governance policies, Oriental will keep disclosing relevant information of concerning implementation process and impact of ASU No. 2016-13, as well as the updating of policies, procedures and internal controls. Although Oriental expects the allowance for credit losses to increase upon adoption with a corresponding adjustment to retained earnings, the ultimate amount of the increase will depend on the portfolio composition, credit quality, economic conditions and reasonable and supportable forecasts at that time.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Leases. In February 2016, the FASB issued ASU No. 2016-02, the FASB issued ASU No. 2016-02, which requires lessees to recognize a right-of-use asset and related lease liability for leases classified as operating leases at the commencement date that have lease terms of more than 12 months. This ASU retains the classification distinction between finance leases and operating leases. ASU No. 2016-02 is effective for fiscal years, and interim periods, beginning after December 15, 2018. Oriental plans to adopt this guidance effective January 1, 2019 using the required modified retrospective approach, which includes presenting the cumulative effect of initial application along with supplementary disclosures. As a lessor and lessee, we do not anticipate the classification of our leases to change, but we expect to recognize right-of-use assets and lease liabilities for substantially all of our operating lease commitments for which we are the lessee as a lease liability and corresponding right-of-use asset on our consolidated financial statements. Oriental has made substantial progress in reviewing contractual arrangements for embedded leases in an effort to identify Oriental's full lease population and is presently evaluating all of its leases, as well as contracts that may contain embedded leases, for compliance with the new lease accounting rules. Oriental's leases primarily consist of leased office space, and information technology equipment. At June 30, 2018, Oriental had $33.7 million of minimum lease commitments from these operating leases (refer to Note 20). Although Oriental is still evaluating the impact that the adoption of this accounting pronouncement will have on its consolidated financial statements, preliminarily it expects that the amounts to be recognized as right-of-use assets and lease liabilities will be less than 1% of its total assets and is not expected to have a material impact on its regulatory capital.

New Accounting Updates Adopted During the Six-month Period Ended June 30, 2018

Restricted Cash. In November 2016, the FASB issued ASU No. 2016-18, which amends Topic 230 (Statement of Cash Flows) and requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU No. 2016-18 is intended to reduce diversity in practice in how restricted cash or restricted cash equivalents are presented and classified in the statement of cash flows. ASU No. 2016-18 is effective for fiscal years, and interim periods, beginning after December 15, 2017. The standard requires application using a retrospective transition method. The adoption of ASU No. 2016-18 on January 1, 2018, changed the presentation and classification of restricted cash and restricted cash equivalents in our consolidated statements of cash flows.

Revenue from Contracts with Customers. In May 2014, the FASB issued ASU No. 2014-09, which supersedes the revenue recognition requirements Topic 605 (Revenue Recognition), and most industry-specific guidance. ASU No. 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU No. 2014-09 permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). In August 2015, the FASB issued ASU No. 2015-14 to defer the effective date of ASU No.

2014-09 by one year to fiscal years beginning after December 15, 2017. Oriental has adopted this ASU on January 1, 2018 using the modified retrospective method. Oriental's implementation efforts included the identification of revenue streams that are within the scope of the new guidance and the review of related contracts with customers to determine their effect on certain non-interest income items presented in our consolidated statements of operations and the additional presentation disclosures required (refer to note 21). We concluded that substantially all of Oriental's revenues are generated from activities that are outside the scope of this ASU, and the adoption did not have a material impact on our consolidated financial statements. Therefore, there was no cumulative effect adjustment recorded.

NOTE 2 – SIGNIFICANT EVENTS

Hurricanes Irma and Maria

During 2017, Oriental was impacted by hurricanes Irma and Maria, which struck the Island on September 7, 2017 and September 20, 2017, respectively. Hurricane Maria caused catastrophic damages throughout Puerto Rico, including homes, businesses, roads, bridges, power lines, commercial establishments, and public facilities. It caused an unprecedented crisis when it ravaged the Island's electric power grid less than two weeks after hurricane Irma left over a million Puerto Rico residents without power. For several months after the hurricanes, a large part of Puerto Rico was and some areas still remain without electricity, many businesses were unable to operate, and government authorities struggled to deliver emergency supplies and clean drinking water to many communities outside the San Juan metropolitan area. Further, payment and delivery systems, including the U.S. Post Office, were unable to operate for weeks after hurricane Maria.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Almost all of Oriental's operations and clients are located in Puerto Rico. Although Oriental's business operations were disrupted by major damages to Puerto Rico's critical infrastructure, including its electric power grid and telecommunications network, Oriental's digital channels, core banking and electronic funds transfer systems continued to function uninterrupted during and after the hurricanes. Within days after hurricane Maria, and upon securing a continuing supply of diesel fuel for its electric power generators, Oriental was able to open its main offices and many of its branches and ATMs in addition to its digital and phone trade channels.

As a result of this event, and based on current assessments of information available for the impact of the hurricanes on our credit portfolio, 2017 third and fourth quarter results included an additional loan loss provision of $27.0 million and $5.4 million, respectively.

Oriental implemented its disaster response plan as these storms approached its service areas. To operate in disaster response mode, Oriental incurred expenses for, among other things, buying diesel and generators for electric power, debris removal, security matters, property damages, and emergency communication with customers regarding the status of Bank operations. The estimated total non-credit operating costs as of December 31, 2017 amounted to $6.6 million. No additional losses have been incurred at June 30, 2018.

Oriental maintains insurance for casualty losses as well as for disaster response costs and certain revenue lost through business interruption. Management believes that recovery of $2.2 million incurred costs as of December 31, 2017 is probable. Oriental received a $1.0 million partial payment from the insurance company during the quarter ended December 2017 and a $0.7 million payment during the six-month period ended June 30, 2018. Accordingly, a receivable of $0.5 million and $1.2 million was included in other assets at June 30, 2018 and December 31, 2017, respectively, for the expected recovery.

NOTE 3 – RESTRICTED CASH

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

	June 30, 2018	December 31, 2017
	(In thousands)	
Cash pledged as collateral to other financial institutions to secure:		
Derivatives	$ 1,980	$ 1,980

Obligations under agreement of loans sold with recourse		1,050		1,050
	$	**3,030**	**$**	**3,030**

At both June 30, 2018 and December 31, 2017, the Bank's international banking entities, Oriental International Bank Inc. ("OIB") and Oriental Overseas, a division of the Bank, held an unencumbered certificate of deposit and other short-term highly liquid securities in the amount of $300 thousand and $325 thousand, respectively, as the legal reserve required for international banking entities under Puerto Rico law. These instruments cannot be withdrawn or transferred by OIB or Oriental Overseas without prior written approval of the Office of the Commissioner of Financial Institutions of Puerto Rico (the "OCFI").

As part of its derivative activities, Oriental has entered into collateral agreements with certain financial counterparties. At both June 30, 2018 and December 31, 2017, Oriental had delivered approximately $2.0 million of cash as collateral for such derivatives activities.

Oriental has a contract with FNMA which requires collateral to guarantee the repurchase, if necessary, of loans sold with recourse. At both June 30, 2018 and December 31, 2017, Oriental delivered as collateral cash amounting to approximately $1.1 million.

The Bank is required by Puerto Rico law to maintain average weekly reserve balances to cover demand deposits. The amount of those minimum average reserve balances for the week that covered June 30, 2018 was $219.7 million (December 31, 2017 - $189.2 million). At June 30, 2018 and December 31, 2017, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

NOTE 4 – INVESTMENT SECURITIES

Money Market Investments

Oriental 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 both, June 30, 2018 and December 31, 2017, money market instruments included as part of cash and cash equivalents amounted to $7.0 million.

Investment Securities

The amortized cost, gross unrealized gains and losses, fair value, and weighted average yield of the securities owned by Oriental at June 30, 2018 and December 31, 2017 were as follows:

	June 30, 2018				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
			(In thousands)		
Available-for-sale					
Mortgage-backed securities					
FNMA and FHLMC certificates	$ 600,978	$ 266	$ 11,571	$ 589,673	2.58%
GNMA certificates	198,301	459	3,902	194,858	3.03%
CMOs issued by US government-sponsored agencies	74,147	-	2,992	71,155	1.90%
Total mortgage-backed securities	**873,426**	**725**	**18,465**	**855,686**	**2.62%**
Investment securities					
US Treasury securities	10,610	-	161	10,449	1.30%
Obligations of US government-sponsored agencies	2,622	-	81	2,541	1.38%

Obligations of Puerto Rico government and public instrumentalities		2,455		-		-		2,455	5.55%
Other debt securities		1,195		15		-		1,210	2.95%
Total investment securities		**16,882**		**15**		**242**		**16,655**	**2.05%**
Total securities available for sale	**$**	**890,308**	**$**	**740**	**$**	**18,707**	**$**	**872,341**	**2.61%**
Held-to-maturity									
Mortgage-backed securities									
FNMA and FHLMC certificates	**$**	**465,427**	**$**	**-**	**$**	**17,480**	**$**	**447,947**	**2.07%**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31, 2017				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
	(In thousands)				
Available-for-sale					
Mortgage-backed securities					
FNMA and FHLMC certificates	$ 383,194	$ 1,402	$ 2,881	$ 381,715	2.39%
GNMA certificates	166,436	1,486	584	167,338	2.94%
CMOs issued by US government-sponsored agencies	82,026	-	1,955	80,071	1.90%
Total mortgage-backed securities	**631,656**	**2,888**	**5,420**	**629,124**	**2.47%**
Investment securities					
US Treasury securities	10,276	-	113	10,163	1.25%
Obligations of US government-sponsored agencies	2,927	-	48	2,879	1.38%
Obligations of Puerto Rico government and public instrumentalities	2,455	-	362	2,093	5.55%
Other debt securities	1,486	52	-	1,538	2.97%
Total investment securities	**17,144**	**52**	**523**	**16,673**	**2.04%**
Total securities available-for-sale	**$ 648,800**	**$ 2,940**	**$ 5,943**	**$ 645,797**	**2.46%**
Held-to-maturity					
Mortgage-backed securities					
FNMA and FHLMC certificates	**$ 506,064**	**$ -**	**$ 8,383**	**$ 497,681**	**2.07%**

The amortized cost and fair value of Oriental's investment securities at June 30, 2018, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	June 30, 2018			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Mortgage-backed securities				
Due from 1 to 5 years				
FNMA and FHLMC certificates	$ 4,907	$ 4,833	$ -	$ -
Total due from 1 to 5 years	**4,907**	**4,833**	-	-
Due after 5 to 10 years				
CMOs issued by US government-sponsored agencies	$ 65,480	$ 62,680	$ -	$ -
FNMA and FHLMC certificates	227,886	223,185	-	-
Total due after 5 to 10 years	**293,366**	**285,865**	**-**	**-**
Due after 10 years				
FNMA and FHLMC certificates	$ 368,185	$ 361,655	$ 465,427	$ 447,947
GNMA certificates	198,301	194,858	-	-
CMOs issued by US government-sponsored agencies	8,667	8,475	-	-
Total due after 10 years	**575,153**	**564,988**	**465,427**	**447,947**
Total mortgage-backed securities	**873,426**	**855,686**	**465,427**	**447,947**
Investment securities				
Due less than one year				
US Treasury securities	$ 646	$ 646	$ -	$ -
Obligations of Puerto Rico government and public instrumentalities	2,455	2,455	-	-
Total due in less than one year	**3,101**	**3,101**	**-**	**-**
Due from 1 to 5 years				
US Treasury securities	$ 9,964	$ 9,803	$ -	$ -
Obligations of US government and sponsored agencies	2,622	2,541	-	-
Total due from 1 to 5 years	**12,586**	**12,344**	**-**	**-**
Due from 5 to 10 years				
Other debt securities	1,195	1,210	-	-
Total due after 5 to 10 years	**1,195**	**1,210**	**-**	**-**
Total investment securities	**16,882**	**16,655**	**-**	**-**

Total	**$ 890,308**	**$ 872,341**	**$ 465,427**	**$ 447,947**

During the six-month period ended June 30, 2018, Oriental retained securitized GNMA pools totaling $37.6 million, amortized cost, at a yield of 3.45% from its own originations while, during the six-month period ended June 30, 2017, that amount totaled $49.8 million, amortized cost, at a yield of 3.15%.

During the six-month period ended June 30, 2017, Oriental sold $166.0 million of mortgage-backed securities and $39.3 million of US Treasury securities, and recorded a net gain on sale of securities of $6.9 million. During the six-month period ended June 30, 2018, Oriental did not sell any mortgage-backed securities or investment securities.

	Six-Month Period Ended June 30, 2017			
Description	**Sale Price**	**Book Value at Sale**	**Gross Gains**	**Gross Losses**
		(In thousands)		
Sale of securities available-for-sale				
Mortgage-backed securities				
FNMA and FHLMC certificates	$ 107,510	$ 102,311	$ 5,199	$ -
GNMA certificates	$ 65,284	$ 63,704	$ 1,580	$ -
Investment securities				
US Treasury securities	39,409	39,297	112	-
Total mortgage-backed securities	**$ 212,203**	**$ 205,312**	**$ 6,891**	**$ -**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables show Oriental'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, 2018 and December 31, 2017:

	June 30, 2018		
	12 months or more		
	Amortized Cost	Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
CMOs issued by US Government-sponsored agencies	$ 66,298	$ 2,822	$ 63,476
FNMA and FHLMC certificates	101,571	4,296	97,275
Obligations of US Government and sponsored agencies	2,622	81	2,541
GNMA certificates	20,388	1,055	19,333
US Treasury Securities	9,964	161	9,803
	$ 200,843	**$ 8,415**	**$ 192,428**
Securities held to maturity			
FNMA and FHLMC certificates	**$ 324,963**	**$ 13,594**	**$ 311,369**

	Less than 12 months		
	Amortized Cost	Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
CMOs issued by US government-sponsored agencies	$ 7,849	$ 170	$ 7,679
FNMA and FHLMC certificates	413,181	7,275	405,906
GNMA certificates	142,431	2,847	139,584
US Treasury Securities	324	-	324
	$ 563,785	**$ 10,292**	**$ 553,493**
Securities held-to-maturity			
FNMA and FHLMC Certificates	**$ 140,464**	**$ 3,886**	**$ 136,578**

	Total		
	Amortized Cost	Unrealized Loss	Fair Value
	(In thousands)		
Securities available-for-sale			
CMOs issued by US government-sponsored agencies	$ 74,147	$ 2,992	$ 71,155
FNMA and FHLMC certificates	514,752	11,571	503,181
Obligations of US government and sponsored agencies	2,622	81	2,541

GNMA certificates	162,819	3,902	158,917
US Treausury Securities	10,288	161	10,127
	$ 764,628	**$ 18,707**	**$ 745,921**
Securities held-to-maturity			
FNMA and FHLMC certificates	**$ 465,427**	**$ 17,480**	**$ 447,947**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31, 2017 12 months or more		
	Amortized Cost	Unrealized Loss (In thousands)	Fair Value
Securities available-for-sale			
CMOs issued by US Government-sponsored agencies	$ 72,562	$ 1,857	$ 70,705
FNMA and FHLMC certificates	111,635	2,122	109,513
Obligations of US Government and sponsored agencies	2,927	48	2,879
Obligations of Puerto Rico government and public instrumentalities	2,455	362	2,093
GNMA certificates	20,803	499	20,304
US Treasury Securities	9,952	113	9,839
	$ 220,334	**$ 5,001**	**$ 215,333**
Securities available-for-sale			
FNMA and FHLMC certificates	**$ 352,399**	**7,264**	**345,135**

	Less than 12 months		
	Amortized Cost	Unrealized Loss (In thousands)	Fair Value
Securities available-for-sale			
CMOs issued by US Government-sponsored agencies	9,464	98	9,366
FNMA and FHLMC certificates	125,107	759	124,348
GNMA certificates	14,001	85	13,916
US Treasury Securities	324	-	324
	$ 148,896	**$ 942**	**$ 147,954**
Securities held to maturity			
FNMA and FHLMC certificates	**$ 153,665**	**$ 1,119**	**$ 152,546**

	Total		
	Amortized Cost	Unrealized Loss (In thousands)	Fair Value
Securities available-for-sale			
CMOs issued by US Government-sponsored agencies	82,026	1,955	80,071
FNMA and FHLMC certificates	236,742	2,881	233,861
Obligations of Puerto Rico government and public instrumentalities	2,455	362	2,093
	2,927	48	2,879

Obligations of US government and sponsored agencies						
GNMA certificates		34,804		584		34,220
US Treausury Securities		10,276		113		10,163
	$	**369,230**	**$**	**5,943**	**$**	**363,287**
Securities held to maturity						
FNMA and FHLMC certificates	**$**	**506,064**	**$**	**8,383**	**$**	**497,681**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Oriental performs valuations of the investment securities on a monthly basis. Moreover, Oriental 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 Oriental believes that the methodology used to value these exposures is reasonable, the methodology is subject to continuing improvement, 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.

All of the investments ($1.2 billion, amortized cost) with an unrealized loss position at June 30, 2018 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 sole exposure to a Puerto Rico government bond ($2.5 million, amortized cost) at June 30, 2018, consists of an obligation issued by the Puerto Rico Highways and Transportation Authority ("PRHTA") secured by a pledge of toll revenues from the Teodoro Moscoso Bridge operated through a public-private partnership. The PRHTA bond had an aggregate fair value of $2.5 million at June 30, 2018 and matured on July 1, 2018. The full payment was received on July 2, 2018.

NOTE 5 - LOANS

Oriental’s loan portfolio is composed of two segments, loans initially accounted for under the amortized cost method (referred to as "originated and other" loans) and loans acquired (referred to as "acquired" loans). Acquired loans are further segregated between acquired BBVAPR loans and acquired Eurobank loans.

The composition of Oriental’s loan portfolio at June 30, 2018 and December 31, 2017 was as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	June 30, 2018	December 31, 2017
	(In thousands)	
Originated and other loans and leases held for investment:		
Mortgage	$ 678,259	$ 683,607
Commercial	1,507,368	1,307,261
Consumer	339,341	330,039
Auto and leasing	1,014,664	883,985
	3,539,632	**3,204,892**
Allowance for loan and lease losses on originated and other loans and leases	(94,218)	(92,718)
	3,445,414	**3,112,174**
Deferred loan costs, net	7,028	6,695
Total originated and other loans held for investment, net	**3,452,442**	**3,118,869**
Acquired loans:		
Acquired BBVAPR loans:		
Accounted for under ASC 310-20 (Loans with revolving feature and/or acquired at a premium)		
Commercial	2,909	4,380
Consumer	25,736	28,915
Auto	11,283	21,969
	39,928	**55,264**
Allowance for loan and lease losses on acquired BBVAPR loans accounted for under ASC 310-20	(2,726)	(3,862)
	37,202	**51,402**
Accounted for under ASC 310-30 (Loans acquired with deteriorated credit quality, including those by analogy)		
Mortgage	516,934	532,053
Commercial	223,853	243,092
Consumer	495	1,431
Auto	26,937	43,696
	768,219	**820,272**
Allowance for loan and lease losses on acquired BBVAPR loans accounted for under ASC 310-30	(44,176)	(45,755)
	724,043	**774,517**
Total acquired BBVAPR loans, net	**761,245**	**825,919**
Acquired Eurobank loans:		
Loans secured by 1-4 family residential properties	65,637	69,538
Commercial	49,706	53,793
Consumer	935	1,112
Total acquired Eurobank loans	**116,278**	**124,443**
Allowance for loan and lease losses on Eurobank loans	(24,314)	(25,174)
Total acquired Eurobank loans, net	**91,964**	**99,269**

Total acquired loans, net		**853,209**		**925,188**
Total held for investment, net		**4,305,651**		**4,044,057**
Mortgage loans held-for-sale		10,215		12,272
Total loans, net	**$**	**4,315,866**	**$**	**4,056,329**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

As a result of the devastation caused by hurricanes Irma and Maria, Oriental offered an automatic three-month moratorium for the payment due on certain loans. The level of delinquencies for mortgage and auto loans as of December 31, 2017 was impacted by the loan moratorium. Aging of current and early delinquent loans in moratorium were frozen at September 30, 2017, throughout the moratorium period. In addition, although the repayment schedule was modified as part of the moratorium, certain borrowers continued to make payments shortly after the moratorium, having an impact on the respective delinquency status at December 31, 2017. At June 30, 2018, most of the loan moratoriums have expired, and total delinquency levels are returning to pre-hurricane levels.

Originated and Other Loans and Leases Held for Investment

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

The tables below present the aging of the recorded investment in gross originated and other loans held for investment at June 30, 2018 and December 31, 2017, by class of loans. Mortgage loans past due include 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	June 30, 2018						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	Loans 90+ Days Past Due and Still Accruing
	(In thousands)						
Mortgage							
Traditional (by origination year):							
Up to the year 2002	$ 165	$ 1,397	$ 3,539	$ 5,101	$ 38,932	$ 44,033	$ 242
Years 2003 and 2004	83	1,624	5,907	7,614	71,750	79,364	-
Year 2005	-	831	4,125	4,956	37,488	42,444	68
Year 2006	350	1,603	4,783	6,736	52,292	59,028	-
Years 2007, 2008 and 2009	112	1,360	7,443	8,915	56,154	65,069	57
Years 2010, 2011, 2012, 2013	350	719	8,638	9,707	111,791	121,498	366
Years 2014, 2015, 2016, 2017 and 2018	-	132	1,593	1,725	128,731	130,456	-
	1,060	7,666	36,028	44,754	497,138	541,892	733
Non-traditional	-	-	3,131	3,131	12,363	15,494	-
Loss mitigation program	12,147	5,135	18,539	35,821	70,274	106,095	2,726
	13,207	12,801	57,698	83,706	579,775	663,481	3,459
Home equity secured personal loans	-	-	-	-	257	257	-
GNMA's buy-back option program	-	-	14,521	14,521	-	14,521	-
	13,207	**12,801**	**72,219**	**98,227**	**580,032**	**678,259**	**3,459**
Commercial							
Commercial secured by real estate:							

Corporate	-	-	-	-	274,435	274,435	-
Institutional	-	-	-	-	81,019	81,019	-
Middle market	-	-	5,602	5,602	188,671	194,273	-
Retail	1,240	473	9,327	11,040	205,450	216,490	-
Floor plan	-	-	-	-	4,017	4,017	-
Real estate	-	-	-	-	15,157	15,157	-
	1,240	473	14,929	16,642	768,749	785,391	-
Other commercial and industrial:							
Corporate	-	-	-	-	190,414	190,414	-
Institutional	-	-	-	-	113,810	113,810	-
Middle market	7,233	174	881	8,288	86,691	94,979	-
Retail	341	212	709	1,262	283,334	284,596	-
Floor plan	26	-	51	77	38,101	38,178	-
	7,600	386	1,641	9,627	712,350	721,977	-
	8,840	**859**	**16,570**	**26,269**	**1,481,099**	**1,507,368**	**-**

OFG BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	June 30, 2018						
	30-59 Days Past Due	**60-89 Days Past Due**	**90+ Days Past Due**	**Total Past Due**	**Current**	**Total Loans**	**Loans 90+ Days Past Due and Still Accruing**
	(In thousands)						
Consumer							
Credit cards	$ 701	$ 274	$ 875	$ 1,850	$ 26,009	$ 27,859	$ -
Overdrafts	12	1	-	13	145	158	-
Personal lines of credit	72	30	40	142	1,789	1,931	-
Personal loans	4,045	1,704	1,100	6,849	287,099	293,948	-
Cash collateral personal loans	137	87	17	241	15,204	15,445	-
	4,967	2,096	2,032	9,095	330,246	339,341	-
Auto and leasing	45,953	19,870	11,101	76,924	937,740	1,014,664	-
Total	**$ 72,967**	**$ 35,626**	**$ 101,922**	**$ 210,515**	**$ 3,329,117**	**$ 3,539,632**	**$ 3,459**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31, 2017						
	30-59 Days Past Due	**60-89 Days Past Due**	**90+ Days Past Due**	**Total Past Due**	**Current**	**Total Loans**	**Loans 90+ Days Past Due and Still Accruing**
			(In thousands)				
Mortgage							
Traditional (by origination year):							
Up to the year 2002	$ 86	$ 938	$ 3,537	$ 4,561	$ 41,579	$ 46,140	$ 467
Years 2003 and 2004	92	1,077	6,304	7,473	75,758	83,231	-
Year 2005	101	383	3,348	3,832	40,669	44,501	68
Year 2006	242	604	5,971	6,817	55,966	62,783	66
Years 2007, 2008 and 2009	358	1,258	8,561	10,177	58,505	68,682	577
Years 2010, 2011, 2012, 2013	233	978	7,393	8,604	116,674	125,278	1,202
Years 2014, 2015, 2016 and 2017	-	75	1,649	1,724	121,194	122,918	-
	1,112	5,313	36,763	43,188	510,345	553,533	2,380
Non-traditional	-	326	3,543	3,869	14,401	18,270	-
Loss mitigation program	7,233	3,331	18,923	29,487	73,793	103,280	4,981
	8,345	8,970	59,229	76,544	598,539	675,083	7,361
Home equity secured personal loans	-	-	-	-	256	256	-
GNMA's buy-back option program	-	-	8,268	8,268	-	8,268	-
	8,345	**8,970**	**67,497**	**84,812**	**598,795**	**683,607**	**7,361**
Commercial							
Commercial secured by real estate:							

Corporate	-	-	-	-	235,426	235,426	-
Institutional	-	-	118	118	44,648	44,766	-
Middle market	765	-	3,527	4,292	225,649	229,941	-
Retail	352	936	9,695	10,983	235,084	246,067	-
Floor plan	-	-	-	-	3,998	3,998	-
Real estate	-	-	-	-	17,556	17,556	-
	1,117	936	13,340	15,393	762,361	777,754	-
Other commercial and industrial:							
Corporate	-	-	-	-	170,015	170,015	-
Institutional	-	-	-	-	125,591	125,591	-
Middle market	-	-	881	881	84,482	85,363	-
Retail	455	103	1,616	2,174	111,078	113,252	-
Floor plan	9	-	51	60	35,226	35,286	-
	464	103	2,548	3,115	526,392	529,507	-
	1,581	**1,039**	**15,888**	**18,508**	**1,288,753**	**1,307,261**	**-**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31, 2017						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	Loans 90+ Days Past Due and Still Accruing
			(In thousands)				
Consumer							
Credit cards	$ 246	$ 130	$ 1,227	$ 1,603	$ 26,827	$ 28,430	$ -
Overdrafts	20	6	31	57	157	214	-
Personal lines of credit	259	54	87	400	1,820	2,220	-
Personal loans	3,778	1,494	223	5,495	278,982	284,477	-
Cash collateral personal loans	103	59	312	474	14,224	14,698	-
	4,406	**1,743**	**1,880**	**8,029**	**322,010**	**330,039**	**-**
Auto and leasing	**21,760**	**10,399**	**4,232**	**36,391**	**847,594**	**883,985**	**-**
Total	**$ 36,092**	**$ 22,151**	**$ 89,497**	**$ 147,740**	**$ 3,057,152**	**$ 3,204,892**	**$ 7,361**

At both June 30, 2018 and December 31, 2017, Oriental had a carrying balance of $94.9 million in originated and other loans held for investment granted to the Puerto Rico government, including its instrumentalities, public corporations and municipalities as part of the institutional commercial loan segment. All originated and other loans granted to the Puerto Rico government are general obligations of municipalities secured by ad valorem taxation, without limitation as to rate or amount, on all taxable property within the issuing municipalities. The good faith, credit and unlimited taxing power of each issuing municipality are pledged for the payment of its general obligations.

Acquired Loans

Acquired loans were initially measured at fair value and subsequently accounted for under either ASC 310-30 or ASC 310-20 (Non-refundable fees and Other Costs). We have acquired loans in the acquisitions of BBVAPR and Eurobank.

<u>Acquired BBVAPR Loans</u>

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 are accounted for under the guidance of ASC 310-20, which requires that any contractually required loan payment receivable in excess of Oriental'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 Oriental's non-accrual policy, and any accretion of discount or amortization of premium is discontinued. Acquired BBVAPR loans 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables present the aging of the recorded investment in gross acquired BBVAPR loans accounted for under ASC 310-20 as of June 30, 2018 and December 31, 2017, by class of loans:

	June 30, 2018						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	Loans 90+ Days Past Due and Still Accruing
	(In thousands)						
Commercial							
Commercial secured by real estate							
Retail	$ -	$ -	$ 54	$ 54	$ -	$ 54	$ -
Floor plan	-	-	917	917	332	1,249	-
	-	-	971	971	332	1,303	-
Other commercial and industrial							
Retail	22	13	42	77	1,527	1,604	-
Floor plan	-	-	2	2	-	2	-
	22	13	44	79	1,527	1,606	-
	22	**13**	**1,015**	**1,050**	**1,859**	**2,909**	**-**
Consumer							
Credit cards	516	196	584	1,296	22,185	23,481	-
Personal loans	73	8	14	95	2,160	2,255	-
	589	**204**	**598**	**1,391**	**24,345**	**25,736**	**-**
Auto	**726**	**475**	**139**	**1,340**	**9,943**	**11,283**	**-**
Total	**$ 1,337**	**$ 692**	**$ 1,752**	**$ 3,781**	**$ 36,147**	**$ 39,928**	**$ -**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31, 2017						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	Loans 90+ Days Past Due and Still Accruing
	(In thousands)						
Commercial							
Commercial secured by real estate							
Retail	$ -	$ -	$ 119	$ 119	$ -	$ 119	$ -
Floor plan	-	-	928	928	393	1,321	-
	-	-	1,047	1,047	393	1,440	-
Other commercial and industrial							
Retail	36	-	221	257	2,681	2,938	-
Floor plan	-	-	2	2	-	2	-
	36	-	223	259	2,681	2,940	-
	36	**-**	**1,270**	**1,306**	**3,074**	**4,380**	**-**
Consumer							
Credit cards	208	127	1,310	1,645	24,822	26,467	-
Personal loans	139	61	45	245	2,203	2,448	-
	347	**188**	**1,355**	**1,890**	**27,025**	**28,915**	**-**
Auto	**602**	**248**	**179**	**1,029**	**20,940**	**21,969**	**-**
Total	**$ 985**	**$ 436**	**$ 2,804**	**$ 4,225**	**$ 51,039**	**$ 55,264**	**$ -**

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

Acquired BBVAPR loans, 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 Oriental in accordance with ASC 310-30.

The carrying amount corresponding to acquired BBVAPR loans with deteriorated credit quality, including those accounted under ASC 310-30 by analogy, in the statements of financial condition at June 30, 2018 and December 31, 2017 is as follows:

	June 30, 2018	December 31, 2017
	(In thousands)	
Contractual required payments receivable:	$ 1,406,468	$ 1,481,616
Less: Non-accretable discount	350,257	352,431
Cash expected to be collected	1,056,211	1,129,185
Less: Accretable yield	287,992	308,913
Carrying amount, gross	768,219	820,272
Less: allowance for loan and lease losses	44,176	45,755
Carrying amount, net	**$ 724,043**	**$ 774,517**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

At June 30, 2018 and December 31, 2017, Oriental had $50.8 million and $50.3 million, respectively, in loans granted to Puerto Rico municipalities as part of its acquired BBVAPR loans accounted for under ASC 310-30. These loans are primarily secured municipal general obligations.

The following tables describe the accretable yield and non-accretable discount activity of acquired BBVAPR loans accounted for under ASC 310-30 for the quarters and six-month periods ended June 30, 2018 and 2017:

	Quarter Ended June 30, 2018				
	Mortgage	Commercial	Auto	Consumer	Total
			(In thousands)		
Accretable Yield Activity:					
Balance at beginning of period	$ 248,379	$ 45,711	$ 1,726	$ 649	$ 296,465
Accretion	(6,915)	(3,597)	(656)	(194)	(11,362)
Change in expected cash flows	-	2,775	400	73	3,248
Transfer from (to) non-accretable discount	2,439	(2,368)	(399)	(31)	(359)
Balance at end of period	**$ 243,903**	**$ 42,521**	**$ 1,071**	**$ 497**	**$ 287,992**
Non-Accretable Discount Activity:					
Balance at beginning of period	$ 301,107	$ 10,731	$ 23,443	$ 19,309	$ 354,590
Change in actual and expected losses	(2,531)	(1,956)	(197)	(8)	(4,692)
Transfer from accretable yield	(2,439)	2,368	399	31	359
Balance at end of period	**$ 296,137**	**$ 11,143**	**$ 23,645**	**$ 19,332**	**$ 350,257**

	Six-Month Period Ended June 30, 2018				
	Mortgage	Commercial	Auto	Consumer	Total
			(In thousands)		
Accretable Yield Activity:					
Balance at beginning of period	$ 258,498	$ 46,764	$ 2,766	$ 885	$ 308,913
Accretion	(13,988)	(7,282)	(1,525)	(450)	(23,245)
Change in expected cash flows	-	5,931	826	131	6,888

Transfer (to) non-accretable discount		(607)		(2,892)		(996)		(69)		(4,564)
Balance at end of period	**$**	**243,903**	**$**	**42,521**	**$**	**1,071**	**$**	**497**	**$**	**287,992**
Non-Accretable Discount Activity:										
Balance at beginning of period	$	299,501	$	10,596	$	23,050	$	19,284	$	352,431
Change in actual and expected losses		(3,971)		(2,345)		(401)		(21)		(6,738)
Transfer from accretable yield		607		2,892		996		69		4,564
Balance at end of period	**$**	**296,137**	**$**	**11,143**	**$**	**23,645**	**$**	**19,332**	**$**	**350,257**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	Quarter Ended June 30, 2017				
	Mortgage	Commercial	Auto (In thousands)	Consumer	Total
Accretable Yield Activity:					
Balance at beginning of period	$ 276,817	$ 46,902	$ 6,583	$ 3,058	$ 333,360
Accretion	(7,694)	(4,513)	(1,776)	(556)	(14,539)
Change in actual and expected losses	1	15,993	98	50	16,142
Transfer (to) from non-accretable discount	1,024	(2,344)	(52)	(1,066)	(2,438)
Balance at end of period	**$ 270,148**	**$ 56,038**	**$ 4,853**	**$ 1,486**	**$ 332,525**
Non-Accretable Discount Activity:					
Balance at beginning of period	$ 309,993	$ 14,803	$ 22,564	$ 18,159	$ 365,519
Change in actual and expected losses	(2,465)	(280)	1,344	206	(1,195)
Transfer from (to) accretable yield	(1,024)	2,344	52	1,066	2,438
Balance at end of period	**$ 306,504**	**$ 16,867**	**$ 23,960**	**$ 19,431**	**$ 366,762**

	Six-Month Period Ended June 30, 2017				
	Mortgage	Commercial	Auto (In thousands)	Consumer	Total
Accretable Yield Activity:					
Balance at beginning of period	$ 292,115	$ 50,366	$ 8,538	$ 3,682	$ 354,701
Accretion	(15,584)	(9,494)	(3,923)	(1,158)	(30,159)
Change in actual and expected losses	2	16,191	150	86	16,429
Transfer (to) from non-accretable discount	(6,385)	(1,025)	88	(1,124)	(8,446)
Balance at end of period	**$ 270,148**	**$ 56,038**	**$ 4,853**	**$ 1,486**	**$ 332,525**
Non-Accretable Discount Activity:					
Balance at beginning of period	$ 305,615	$ 16,965	$ 22,407	$ 18,120	$ 363,107
Change in actual and expected losses	(5,496)	(1,123)	1,641	187	(4,791)
Transfer from (to) accretable yield	6,385	1,025	(88)	1,124	8,446

Balance at end of period	**$**	**306,504**	**$**	**16,867**	**$**	**23,960**	**$**	**19,431**	**$**	**366,762**

OFG BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Acquired Eurobank Loans

The carrying amount of acquired Eurobank loans at June 30, 2018 and December 31, 2017 is as follows:

	June 30 2018	December 31 2017
	(In thousands)	
Contractual required payments receivable:	$ 165,175	$ 179,960
Less: Non-accretable discount	3,819	5,845
Cash expected to be collected	161,356	174,115
Less: Accretable yield	45,078	49,672
Carrying amount, gross	116,278	124,443
Less: Allowance for loan and lease losses	24,314	25,174
Carrying amount, net	**$ 91,964**	**$ 99,269**

The following tables describe the accretable yield and non-accretable discount activity of acquired Eurobank loans for the quarters and six-month periods ended June 30, 2018 and 2017:

	Quarter Ended June 30, 2018					
	Loans Secured by 1-4 Family Residential Properties	Commercial	Construction & Development Secured by 1-4 Family Residential Properties	Leasing	Consumer	Total
			(In thousands)			
Accretable Yield Activity:						
Balance at beginning of period	$ 39,622	5,616	1,356	-	-	46,594
Accretion	(1,538)	(1,706)	-	(4)	(118)	(3,366)
Change in expected cash flows	(836)	1,832	-	(111)	236	1,121
Transfer (to) from non-accretable discount	2,021	(1,157)	(132)	115	(118)	729
	$ 39,269	**$ 4,585**	**$ 1,224**	**$ -**	**$ -**	**$ 45,078**

Balance at end of period												
Non-Accretable Discount Activity:												
Balance at beginning of period	$	4,479		-		849		-		219		5,547
Change in actual and expected losses		180		(1,157)		-		115		(137)		(999)
Transfer from (to) accretable yield		(2,021)		1,157		132		(115)		118		(729)
Balance at end of period	**$**	**2,638**	**$**	**-**	**$**	**981**	**$**	**-**	**$**	**200**	**$**	**3,819**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	Six-Month Period Ended June 30, 2018					
	Loans Secured by 1-4 Family Residential Properties	Commercial	Construction & Development Secured by 1-4 Family Residential Properties	Leasing	Consumer	Total
	(In thousands)					
Accretable Yield Activity:						
Balance at beginning of year	$ 41,474	$ 6,751	$ 1,447	$ -	$ -	$ 49,672
Accretion	(3,143)	(3,312)	-	(38)	(214)	(6,707)
Change in expected cash flows	(980)	2,730	-	(174)	414	1,990
Transfer from (to) non-accretable discount	1,918	(1,584)	(223)	212	(200)	123
Balance at end of period	**$ 39,269**	**$ 4,585**	**$ 1,224**	**$ -**	**$ -**	**$ 45,078**
Non-Accretable Discount Activity:						
Balance at beginning of year	$ 4,576	$ 276	$ 758	$ -	$ 235	$ 5,845
Change in actual and expected losses	(20)	(1,860)	-	212	(235)	(1,903)
Transfer from (to) accretable yield	(1,918)	1,584	223	(212)	200	(123)
Balance at end of period	**$ 2,638**	**$ -**	**$ 981**	**$ -**	**$ 200**	**$ 3,819**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	Quarter Ended June 30, 2017					
	Loans Secured by 1-4 Family Residential Properties	**Commercial**	**Construction & Development Secured by 1-4 Family Residential Properties**	**Leasing**	**Consumer**	**Total**
	(In thousands)					
Accretable Yield Activity:						
Balance at beginning of period	$ 44,697	$ 12,743	$ 1,871	-	$ -	$ 59,311
Accretion	(1,923)	(4,061)	(5)	(11)	(37)	(6,037)
Change in actual and expected losses	19	543	6	(22)	74	620
Transfer from (to) non-accretable discount	219	(68)	34	33	(37)	181
Balance at end of period	**$ 43,012**	**$ 9,157**	**$ 1,906**	**$ -**	**$ -**	**$ 54,075**
Non-Accretable Discount Activity:						
Balance at beginning of period	$ 7,426	$ 2,471	$ 333	$ -	$ 6	$ 10,236
Change in actual and expected losses	(520)	(529)	-	33	(29)	(1,045)
Transfer (to) from accretable yield	(219)	68	(34)	(33)	37	(181)
Balance at end of period	**$ 6,687**	**$ 2,010**	**$ 299**	**$ -**	**$ 14**	**$ 9,010**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	Six-Month Period Ended June 30, 2017					
	Loans Secured by 1-4 Family Residential Properties	**Commercial**	**Construction & Development Secured by 1-4 Family Residential Properties**	**Leasing**	**Consumer**	**Total**
	(In thousands)					
Accretable Yield Activity:						
Balance at beginning of period	$ 45,839	$ 16,475	$ 2,194	$ -	$ -	$ 64,508
Accretion	(3,827)	(8,571)	(43)	(11)	(195)	(12,647)
Change in expected cash flows	100	1,321	43	(165)	384	1,683
Transfer from (to) non-accretable discount	900	(68)	(288)	176	(189)	531
Balance at end of period	**$ 43,012**	**$ 9,157**	**$ 1,906**	**$ -**	**$ -**	**$ 54,075**
Non-Accretable Discount Activity:						
Balance at beginning of period	$ 8,441	$ 3,880	$ 11	$ -	$ 8	$ 12,340
Change in actual and expected cash flows	(854)	(1,938)	-	176	(183)	(2,799)
Transfer (to) from accretable yield	(900)	68	288	(176)	189	(531)
Balance at end of period	**$ 6,687**	**$ 2,010**	**$ 299**	**$ -**	**$ 14**	**$ 9,010**

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NOTES TO 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, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
	(In thousands)	
Originated and other loans and leases held for investment		
Mortgage		
Traditional (by origination year):		
Up to the year 2002	$ 3,616	$ 3,070
Years 2003 and 2004	6,082	6,380
Year 2005	4,108	3,280
Year 2006	5,004	5,905
Years 2007, 2008 and 2009	7,454	7,984
Years 2010, 2011, 2012, 2013	8,272	6,259
Years 2014, 2015, 2016 and 2017	1,593	1,649
	36,129	34,527
Non-traditional	3,131	3,543
Loss mitigation program	19,675	16,783
	58,935	54,853
Commercial		
Commercial secured by real estate		
Institutional	10,352	118
Middle market	8,533	11,394
Retail	15,906	14,438
	34,791	25,950
Other commercial and industrial		
Middle market	9,781	6,323
Retail	2,828	2,929
Floor plan	51	51
	12,660	9,303
	47,451	**35,253**
Consumer		
Credit cards	875	1,227
Overdrafts	-	31
Personal lines of credit	50	102
Personal loans	1,884	900
Cash collateral personal loans	17	312

		2,826		**2,572**
Auto and leasing		**11,141**		**4,232**
Total non-accrual originated loans	$	**120,353**	$	**96,910**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	June 30, 2018	December 31, 2017
	(In thousands)	
Acquired BBVAPR loans accounted for under ASC 310-20		
Commercial		
Commercial secured by real estate		
Retail	$ 54	$ 119
Floor plan	917	928
	971	1,047
Other commercial and industrial		
Retail	42	221
Floor plan	2	2
	44	223
	1,015	**1,270**
Consumer		
Credit cards	584	1,310
Personal loans	14	45
	598	**1,355**
Auto	**139**	**179**
Total non-accrual acquired BBVAPR loans accounted for under ASC 310-20	**1,752**	**2,804**
Total non-accrual loans	**$ 122,105**	**$ 99,714**

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 or are accounted under the cost recovery method.

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 12 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. In addition, these loans are excluded from the impairment analysis.

At June 30, 2018 and December 31, 2017, loans whose terms have been extended and which are classified as troubled-debt restructurings that are not included in non-accrual loans amounted to $100.5 million and $109.2 million, respectively, as they are performing under their new terms.

At June 30, 2018 and December 31, 2017, loans that are current in their monthly payments, but placed in non-accrual due to credit deterioration amounted to $21.8 million and $20.1 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Impaired Loans

Oriental evaluates all loans, some individually and others as homogeneous groups, for purposes of determining impairment. The total investment in impaired commercial loans that were individually evaluated for impairment was $69.8 million and $72.3 million at June 30, 2018 and December 31, 2017, respectively. The impairments on these 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 allowance for loan and lease losses for these impaired commercial loans amounted to $10.0 million and $10.6 million at June 30, 2018 and December 31, 2017, respectively. The total investment in impaired mortgage loans that were individually evaluated for impairment was $84.5 million and $85.4 million at June 30, 2018 and December 31, 2017, respectively. Impairment on mortgage loans assessed as troubled-debt restructurings was measured using the present value of cash flows. The allowance for loan losses for these impaired mortgage loans amounted to $9.9 million and $9.1 million at June 30, 2018 and December 31, 2017, respectively.

Originated and Other Loans and Leases Held for Investment

Oriental's recorded investment in 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, 2018 and 2017 are as follows:

	June 30, 2018			
	Unpaid Principal	**Recorded Investment**	**Related Allowance**	**Coverage**
		(In thousands)		
Impaired loans with specific allowance:				
Commercial	$ 47,346	$ 43,363	$ 9,906	23%
Residential impaired and troubled-debt restructuring	95,121	84,520	9,862	12%
Impaired loans with no specific allowance:				
Commercial	30,916	25,689	N/A	0%
Total investment in impaired loans	**$ 173,383**	**$ 153,572**	**$ 19,768**	**13%**

	December 31, 2017 (In thousands)			
	Unpaid Principal	Recorded Investment	Related Allowance	Coverage
Impaired loans with specific allowance:				
Commercial	$ 57,922	$ 52,585	$ 10,573	20%
Residential impaired and troubled-debt restructuring	94,971	85,403	9,121	11%
Impaired loans with no specific allowance				
Commercial	22,022	18,953	N/A	0%
Total investment in impaired loans	**$ 174,915**	**$ 156,941**	**$ 19,694**	**13%**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

Oriental's recorded investment in acquired BBVAPR commercial 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, 2018 and December 31, 2017 are as follows:

	June 30, 2018			
	Unpaid Principal	Recorded Investment	Related Allowance	Coverage
	(In thousands)			
Impaired loans with specific allowance				
Commercial	$ 926	$ 747	$ 68	9%
Impaired loans with no specific allowance				
Commercial	$ -	$ -	N/A	0%
Total investment in impaired loans	**$ 926**	**$ 747**	**$ 68**	**9%**

	December 31, 2017			
	Unpaid Principal	Recorded Investment	Specific Allowance	Coverage
	(In thousands)			
Impaired loans with specific allowance				
Commercial	$ 926	$ 747	$ 20	3%
Impaired loans with no specific allowance				
Commercial	$ -	$ -	N/A	0%
Total investment in impaired loans	**$ 926**	**$ 747**	**$ 20**	**3%**

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

Oriental's recorded investment in acquired BBVAPR loan pools accounted for under ASC 310-30 that have recorded impairments and their related allowance for loan and lease losses at June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018						
		Unpaid Principal		Recorded Investment		Allowance	Coverage to Recorded Investment
				(In thousands)			
Impaired loan pools with specific allowance:							
Mortgage	$	525,230	$	516,934	$	14,567	3%
Commercial		230,905		222,202		23,019	10%
Consumer		1,400		495		18	4%
Auto		28,086		26,937		6,572	24%
Total investment in impaired loan pools	**$**	**785,621**	**$**	**766,568**	**$**	**44,176**	6%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	December 31 , 2017			
	Unpaid Principal	Recorded Investment	Allowance	Coverage to Recorded Investment
		(In thousands)		
Impaired loan pools with specific allowance:				
Mortgage	$ 547,064	$ 532,052	$ 14,085	3%
Commercial	250,451	241,124	23,691	10%
Consumer	2,468	1,431	18	1%
Auto	43,440	43,696	7,961	18%
Total investment in impaired loan pools	**$ 843,423**	**$ 818,303**	**$ 45,755**	6%

The tables above only present information with respect to acquired BBVAPR loan pools accounted for under ASC 310-30 if there is a recorded impairment to such loan pools and a specific allowance for loan losses.

Acquired Eurobank Loans

Oriental's recorded investment in acquired Eurobank loan pools that have recorded impairments and their related allowance for loan and lease losses as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018			
	Unpaid Principal	Recorded Investment	Allowance	Coverage to Recorded Investment
		(In thousands)		
Impaired loan pools with specific allowance:				
Loans secured by 1-4 family residential properties	$ 74,185	$ 65,584	$ 15,170	23%
Commercial	51,865	49,758	9,140	18%
Consumer	14	4	4	100%
Total investment in impaired loan pools	**$ 126,064**	**$ 115,346**	**$ 24,314**	21%

	December 31, 2017			
	Unpaid Principal	Recorded Investment	Specific Allowance	Coverage to Recorded Investment
		(In thousands)		
Impaired loan pools with specific allowance				
Loans secured by 1-4 family residential properties	$ 81,132	$ 69,538	$ 15,187	22%
Commercial	58,099	53,793		