

	Policy title:	Categorical Standards for Director Independence
OFG-CP-CORP-002	Revision date:	05/2018

## Introduction

This Policy sets forth the Categorical Standards for Director Independence of the Boards of Directors of OFG Bancorp and Oriental Bank (collectively, “Oriental”).

## Purpose

The Board of Directors has adopted the following categorical standards in determining whether a relationship between the Oriental and a director is material for the purpose of independence determinations.

## Applicability

The Categorical Standards for Director Independence apply to all members of the Boards of Directors of Oriental (hereinafter referred to collectively as the “Board”).

## Revisions

DATE	TYPE	APPROVING/RATIFYING ENTITY
3/2007	Approved	Board of Directors of OFG
6/2008	Ratified	Board of Directors of OFG
10/2011	Revised and Ratified	Boards of Directors of OFG and OBT
11/2014	Approved	Boards of Directors of OFG and OBT
05/2018	Revised	CPO-480

## Definitions

TERM	DEFINITION
1. <b>Family Member</b>	Means any of the Director’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the Director’s home.
2. <b>Immediate Family Member</b>	Means the Director’s spouse and other “family members” who share the Director’s home or who are financially dependent on the Director.
3. <b>Primary Business Affiliation</b>	Means an entity of which the Director is an executive officer, partner or employee, or in which the Director holds at least a 10% equity interest.
4. <b>Executive Officer</b>	Means the president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice president of the entity in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a

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TERM	DEFINITION
	policy-making function, or any other person who performs similar policy-making functions for the entity.

## Policy Statement

The Board of Oriental adopts the categorical standards described below to assist in the evaluation of the independence of the members (each a “Director”). The categorical standards adopted by the Board describe various types of relationships that could potentially exist between a Director and Oriental and sets thresholds at which such relationships would be deemed to be material. If no relationship or transaction exists that would disqualify a Director from being independent under the categorical standards and no other relationships or transactions exist of a type not specifically mentioned in the categorical standards that, in the Board’s opinion taking into account all relevant facts and circumstances, would impair a Director’s ability to exercise his or her independent judgment, the Board will deem such Director to be independent.

These categorical standards shall be deemed to be automatically updated to reflect any changes made to the applicable listing standards of the New York Stock Exchange and the rules and regulations of the Securities and Exchange Commission and of the Federal Deposit Insurance Corporation and shall be interpreted in the same manner as such listing standards and/or rules and regulations.

### A. Advisory, Consulting and Employment Arrangements

During any twelve-month period:

- Within the last three years, neither a Director nor any family member of a Director shall have received from Oriental any compensation, fees or benefits in an amount greater than \$120,000, other than amounts paid (a) for serving as a Director, (b) as deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), or (c) as compensation to a family member for service as an employee (other than an executive officer) of Oriental.

In addition, no member of the Audit and Compensation Committee, nor any immediate family member of such individual, nor any entity in which an Audit and Compensation Committee member is a partner, member or executive officer shall:

- Within the last three years, have received any payment for accounting, consulting, legal, investment banking or financial advisory services provided to Oriental.

### B. Business Relationships

All business relationships, lending relationships, deposits and other banking relationships between Oriental and a Director or a Director’s family member, or between Oriental and a Director’s primary business affiliation or the primary business affiliation of a family member of a Director, must be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

In addition, the aggregate amount of payments for property or services in any of the last three fiscal years by Oriental to, and to Oriental from, any company of which a Director is an executive officer or employee, or where a family member of a Director is an executive officer must not exceed the greater of \$1 million or 2% of such other company’s consolidated gross revenues in any single fiscal year.

Loans may be made or maintained by Oriental to a Director or a Director's immediate family member, or to a Director's primary business affiliation or the primary business affiliation of an immediate family member of a Director, only if:

- the loan is made in the ordinary course of business of Oriental, is of a type that is generally made available to other customers, and is on market terms, or terms that are no more favorable than those offered to other customers;
- the loan complies with the Sarbanes-Oxley Act of 2002, and, as applicable, Regulation O of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation guidelines or regulations, the Puerto Rico Banking Act, and the regulations of the Office of the Commissioner of Financial Institutions of Puerto Rico; and
- the loan when made does not involve more than the normal risk of collectability or present other unfavorable features.

### **C. Charitable Contributions**

Contributions in any of the last three years from Oriental to a foundation, university, or other non-profit organization of which a Director or an immediate family member serves as a director, trustee or executive officer may not exceed the greater of \$1 million or 2% of the annual consolidated gross revenues of any such organization.

### **D. Employment and Affiliations**

A Director shall not:

- be or have been an employee or executive officer of Oriental within the last three years;
- be part of, or within the last three years have been part of, an interlocking directorate in which an executive officer of Oriental serves or has served on the compensation committee of a company that concurrently employs or employed the Director as an executive officer; or
- be a current partner or employee of Oriental's outside auditor, or have been within the last three years (but is no longer) a partner or employee of Oriental's outside auditor and personally worked on Oriental's audit within that time.

A Director shall not have a family member who:

- is or has been within the last three years an executive officer of Oriental;
- is, or within the last three years has been, part of an interlocking directorate in which an executive officer of Oriental serves or has served on the compensation committee of a company that concurrently employs or employed such family member as an executive officer; or
- is a current partner of Oriental's outside auditor, or a current employee of Oriental's outside auditor and participates in the auditor's audit, assurance or tax compliance (but not tax planning) practice, or was within the last three years (but is no longer) a partner or employee of Oriental's outside auditor and personally worked on Oriental's audit within that time.



## **E. Immaterial Relationships**

The Board may determine that a Director is independent notwithstanding the existence of an immaterial transaction, relationship or arrangement between the Director and Oriental that does not fit within these categorical standards; provided, however, that Oriental's proxy statement includes a specific description of such transaction, relationship or arrangement as well as the basis for the Board's determination that it does not preclude a determination that the Director is independent.