

ORIENTAL FINANCIAL SERVICES

Important information about our services, fees, charges, other compensation, and Conflict of interest

This document provides retail customers (referred to as “you” or “your”) with important information regarding your relationship with Oriental Financial Services, LLC (referred to as “OFS,” “we,” “us,” or “our”), a broker-dealer registered with the U.S. Securities and Exchange Commission (“SEC”), and a member of the Financial Industry Regulatory Authority (“FINRA”), and Securities Investor Protection Corporation (“SIPC”). Within this document, you will find information regarding the products and services we offer, including their material limitations and risks. In addition, this document describes the conflicts of interest that arise in our business, including those conflicts that arise from compensation received by us, our affiliates and our registered representatives (“brokers”), and how we address and seek to reduce those conflicts.

When providing brokerage services to you, OFS is required to:

- Have reasonable grounds to believe that any security, investment strategy, or account type that we specifically recommend to you is in your best interest after taking into account factors relevant to your personal circumstances, such as your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other financial information you have disclosed to us (your “Investment Profile”) and the cost associated with our recommendation, (this is our “best interest obligation”);
- Ensure that your trades are executed with diligence and competence and seek to provide best execution in light of prevailing market conditions.
- Treat you in a manner consistent with principles of fair dealing and high standards of honesty and integrity; and
- Not be obligated to provide recommendations to you, or to update recommendations made previously, and not doing so should not be viewed as a recommendation to hold an investment.

When developing a recommendation that is in your best interest, we consider your Investment Profile as well as the potential risks, rewards, and costs associated with the investment, strategy or account recommendation. Please note that when making recommendations to you we only recommend from among certain products and services that we offer. Although cost is a factor, we consider in making recommendations to you, it is only one of several factors. As a result, we do not necessarily recommend the lowest-cost investment option, and lower-cost alternatives might be available with similar or different risk and return characteristics. We are not obligated to provide recommendations to you, or to update recommendations previously made, and not doing so should not be viewed as a recommendation to hold any investment.

TYPE OF ACCOUNTS AND SERVICES

You should carefully consider which types of accounts and services are right for you. Depending on your needs and investment objectives, we can provide you with services in a brokerage account, investment advisory account, or both at the same time.

The minimum investment amount for establishing an account is \$25,000, except for Keogh, Retirement Plans, and Trusts. Exceptions to this minimum may be granted at our discretion. For more details, please review the New Account documents.

If you open a brokerage account, you pay us a *transaction- based fee*, generally referred to as a commission, when you buy or sell an investment: stocks, bonds, mutual funds, annuity contracts and other investment products, as well as trading and exercising options. The compensation to us includes commissions, transactions fees, loads and sales charges which are in the purchase price of the investment. We may also earn other compensation from third parties. We recommend investments, or you may select investments on your own, but you will make the ultimate investment decision regarding the investment strategy and the purchase or sale of investments. We have no discretion or control over your account. Brokerage accounts may also charge **annual maintenance fees, service fees, custodial and inactive fees**.

We offer brokerage services through either a cash brokerage account or a margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, Pershing LLC. The portion of the purchase price that is loaned to you is secured by securities in your account. You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.

Retirement and Other Tax-Advantaged Accounts We offer a variety of retirement and other tax-advantaged accounts (including IRAs, 401(k) plan accounts, and other similar accounts, collectively “Retirement Accounts”). While we have a best interest obligation when we provide a recommendation to a retirement account, unless we agree in writing, we are not a fiduciary as defined by the Employee Retirement Income Security Act (ERISA) or Internal Revenue Code.

Brokers may have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.

Investment advisory services offered by OFS include access to the *Envestnet Private Wealth Management Program*, a wrap fee program whose principal sponsor is Envestnet Asset Management, Inc., a third-party registered investment adviser independent of OFS. You pay a fee based on a percentage of the assets in the advisory account, including cash and investments, according to an agreement. **The third-party investment adviser exercises discretion in your account.**

You pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time.

Commissions and Fees earned by OFS

Products and Services

Customers may purchase many of our products and services in either transaction-based or fee-based accounts, or a combination of both. The costs of a brokerage account versus an advisory account will vary depending on several factors such as: size and value of your account, service and product preferences, trading frequency, among others.

It is difficult to compare transaction-based and fee-based options solely based on price. You may pay more or less in a fee-based program than you would pay if you purchased the products and services separately in a transaction-based account, depending on the factors mentioned such as the frequency in which you trade investments, the size of your accounts, and the investment time horizon of certain investments you purchase. Your broker can provide you detailed orientation on your options.

Please consider the costs and services associated with each option carefully and speak with your broker about which approach is most appropriate for you.

Revenue received from customers

In general, our firm receives revenue from customers in the following ways:

1. Commissions charged to customers in connection with the purchase or sale of investment products,
2. Markups (increases) and markdowns (reductions) on the price of equities and fixed income products, where the firm acts as principal in purchasing or selling securities,
3. Asset-based and other fees for our investment advisory programs and services,
4. Interest on margin,
5. Administrative fees such as account maintenance fees, and
6. Sales loads, commissions, or fees for various financial products, such as mutual funds, unit investment trusts (UITs), Exchange Traded Funds, and Variable Annuities.

Revenues received are debited from your accounts.

Revenue from third parties

In addition to revenue that we receive from customers, OFS earns revenue from third parties in the following ways:

1. Mutual fund and insurance companies pay us for offering and placing their products, and many of them also pay us for marketing support, known as revenue sharing, which is based on our total sales of and/or total customer assets in their products.
2. Third parties providing investment advisory or investment management services pay us fees in the form of a recurring fee, a one-time fee, a portion of the third party's fees or revenues or as otherwise agreed with the third party, for solicitations, referrals or customer services.
3. Companies that issue investment products (e.g., mutual funds, UITs, exchange traded funds (ETFs), insurance companies, investment advisers and other third parties) may pay for educational programs and seminars for employees and customers. Issuers or underwriters of new issue securities pay us fees and/or offer underwriting discounts or share fees with us in certain cases.
4. Issuers or underwriters of new issue securities pay us fees and/or offer underwriting discounts or share fees with us in certain cases.

Revenues from or to Affiliates

Currently OFS may receive referral fees for selling the Oriental Bank's CD, and IRA's, and insurance products from Oriental Insurance. Our affiliates are: Oriental Bank, Oriental Insurance LLC, Oriental

Pension Consultants, Inc.; Oriental Financial (PR) Statutory Trust II; OFG Ventures, LLC; Oriental International Bank, Inc. and OFG USA, LLC. Our parent is OFG Bancorp.

FEES

Additional Fees

The fees below will apply automatically or if you select certain services for your accounts.

<i>Service</i>	<i>Fee</i>
Automatic outgoing account transfer	125.00
Manual account transfer	125.00
Insufficient Funds	30.00
Payment Stop Error	20.00
Stop Check fee	20.00
Uncollected fund error	20.00
Void Check error	30.00
Inactive account fee MF	175.00
Inactive account fee Mixed	175.00
Clearance fee ACATS	75.00
Safekeeping (physical certificates)	2.00
Register and ship certificate	100.00
Corp Muni Bond Transfer and Ship	100.00
Transfer and ship	100.00
Gold Account Fee	175.00
Confirm Paper Surcharge	1.00
Year End Account Report	5.00
Annual Account fee	125.00

Interest on Margin loans

The use of margin involves borrowing money to buy securities. If you use margin to buy eligible securities in your accounts, you will pay interest on the amount you borrow. Retirement accounts are not typically eligible for margin. Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt, and is not suitable for all investors or all securities. Please assess your financial circumstances and risk tolerance before trading on margin. If the market value of the securities in your margin account declines, you may be required to deposit more money or securities in order to maintain your line of credit. If you are unable to do so, we may be required to sell all or a portion of your pledged assets. Your broker can provide you detailed orientation on the risks and benefits of using margin.

CONFLICTS OF INTEREST

Conflicts of interest arise because we offer a variety of products and services. The products and services we offer have different costs to you and different levels of compensation earned by us, our affiliates, and our brokers. Conflict of interest is defined as an interest that might incline OFS or your broker to make a recommendation, consciously or unconsciously, that is not disinterested. You should understand and ask us about these conflicts because they can affect the recommendations and investment recommendations, we provide you. Here are some examples to help you understand what this means. As in any business, OFS has a financial incentive to offer or recommend certain products because they are sponsored by us, an affiliate of ours or third parties who compensate us or the brokers when you purchase those products.

For example:

- 1) OFS receives 12-b1 fees from the sale of mutual funds from different sponsors. (Only in brokerage accounts.)
- 2) OFS may act as principal by buying from a retail investor and selling to another retail investor, earning a profit in these trades. (Only in brokerage accounts.)
- 3) OFG Bancorp, our parent company, trades its own common and preferred stock, which we may recommend to you.
- 4) Oriental Bank, a Puerto Rico depository institution, is our affiliate and we may have an interest to sell their bank CD's or IRAs for which the bank pays a referral fee.
- 5) We may recommend mutual funds or products that offer classes of shares that carry different fees. You should understand why your broker recommends one class of shares instead of a different one in the same product.
- 6) Our brokers may offer insurance products of our affiliate Oriental Insurance, LLC.

To understand our conflicts better, consider that our brokers will receive compensation from the sale of investments and services. If the broker's compensation based on transactional commissions is higher than what they would receive if you participated in an investment advisory program, they could potentially have a financial incentive to recommend a strategy or investment that results in higher fees. Similarly, keep in mind

that some of our brokers are also insurance agents. As insurance agents, they may recommend insurance-related products for you, for which they will receive separate and additional compensation.

When OFS provides any service to you, we must treat you fairly and disclose to you all material information regarding our recommendations and your transactions. When acting as a broker dealer, unless we agree otherwise, OFS is not required to monitor your accounts or investments on an ongoing basis.

We seek to identify, address, and eliminate any conflicts. We primarily use standardized methodologies and tools to provide advice so that recommendations made for your accounts are in your best interest, based on your needs and financial circumstances. We train, compensate, and supervise our brokers appropriately to provide you with the best client experience, which includes offering products and services that are in your best interest based on your financial situation and needs. We will also tell you about conflicts to reduce incentives that affect you and disclose information about any important conflicts of interest that are associated with a recommendation in advance of providing you with a recommendation so that you can make an informed decision. In any event, our brokers may not disclaim their obligations to act in your best interest at all times. You are under no obligation to purchase securities or insurance products through OFS.

Brokers' compensation

OFS pays our brokers cash compensation based on the production payout. The production payout is a percentage of the revenue generated during that month with respect to customers like you, minus certain adjustments that are specified by our Compensation Guide. The payout rate is generally based on production levels and may range from 25% – 50%. When production level near the next payout breakpoint for a higher percentage, the Supervisor will closely review those transactions quarterly, if applicable.

Our brokers and OFS may have the incentive to sell products with higher commissions. OFS maintains policies and procedures addressing these conflicts with disclosure to customers and supervision for suitability of services and products recommended.

Asset-based fee programs pays the firm a percentage of the fee charged to customer. The firm credits the broker the payout rate applicable to their level of production. The same payout rate applies to the Commission on transaction-based program and variable annuities revenues.

Products recommended

Please note that your broker may only recommend or refer you to investments and products that are offered for sale by OFS or through the Pershing platform. For most products that are offered by OFS you will receive a trade confirmation and these investments will be reflected on your statement of account (except for variable annuities which is confirmed by an insurance company). Confirmations that indicate "Solicited" represents transactions that were recommended by your broker. Please review your trade confirmations and account statements promptly to ensure they are accurate and consistent with your instructions and investment objectives. If you do not receive a trade confirmation or have any questions or concerns about a product or service offered by OFS, please contact our office at 787-474-1993

Revenue sharing

OFS may receive revenue sharing compensation or distribution support from mutual fund companies, UITs and other products we offer. In order to reduce conflicts of interest, these payments are not shared with the broker. Therefore, we intend your broker not to have an incentive to recommend products for which OFS receive revenue sharing payments. Please refer to mutual fund product description below.

Mutual funds and Annuities companies may contribute toward training and educational programs for OFS. Brokers may receive non-cash compensation such as occasional gifts, meals or attendance to educational conferences which may lead brokers to recommend those companies' product.

COMMISSIONS AND FEES BY PRODUCT

Equity securities and Exchange Traded Funds (ETF)

Equity securities include common stock, preferred stocks, and American Depository Receipts (ADRs).

More information on products is available at <https://www.finra.org/investors/learn-to-invest/types-investments>.

Exchange Traded Funds combine aspects of mutual funds and conventional stocks. Like a mutual fund, an ETF is a pooled investment fund that offers an investor interest in a professionally managed, portfolio of investments that may be targeted or diversified. But unlike mutual funds, ETF shares trade like stocks on stock exchanges and can be bought or sold throughout the trading day at fluctuating prices.

Customers pay a commission based on the quantity of shares purchased or sold and their corresponding stock prices. The minimum charge is \$55, and it may fluctuate to a maximum charge of 5% of the total principal amount. Ask your broker to estimate the charge for your purchase or sale prior to its execution.

Additional disclosures

General Investment Risks All investments involve risk of financial loss, and there is no guarantee that you will reach your investment goals. Historically, investments with a higher return potential also have a greater risk potential. Events that disrupt global economies and financial markets, such as war, acts of terrorism, the spread of infectious illness or other public health issues, and recessions, can magnify an investment's inherent risks. Discuss with your broker the specific risks of any investment recommended to you. Detailed information regarding a specific investment's risks is also provided in other disclosure and legal documents we make available to you, including prospectuses, term sheets, offering circulars, and offering and distribution memoranda, quarterly reports, and fact sheets. As stated previously, you are responsible for deciding whether and how to invest in the securities, strategies, products, and services offered by OFS. You should carefully consider your investment objectives and the risks, fees, expenses, and other charges associated with an investment product or service before making an investment decision. The investments held in your Account are not deposits in a bank and are not insured or guaranteed by the FDIC or any other government agency and are not guaranteed by any affiliate of OFS.

When you place a purchase or sale order for individual stocks or bonds through your broker, OFS typically will route the order to its clearing firm Pershing, LLC, which in turn either executes the order from its own account or sends the order to various exchanges or market centers for execution. Any order executed for your OFS accounts is subject to a “best execution” obligation. If Pershing, LLC or OFS execute the order from its own account (a “principal trade”), Pershing, LLC or we can earn compensation on the transaction. This creates an incentive to execute stock or bond trades with OFS or Pershing, LLC’s own account. Your broker’s compensation is not affected by OFS’s or Pershing, LLC’s order-routing practices or whether we execute transactions on a principal basis.

AVAILABLE SECURITIES, INVESTMENTS, AND INSURANCE PRODUCTS

Bonds

A bond is a loan an investor makes a corporation, government, federal agency, or other organization in exchange for interest payments over a specified term plus repayment of principal at the bond’s maturity date. There are a wide variety of bonds including Treasuries, agency bonds, corporate bonds, and municipal bonds.

The bond market is volatile and fixed income securities carry interest rate risk (as interest rates rise, bond prices usually fall, and vice versa). Interest rate risk is generally more pronounced for longer-term fixed income securities. Very low or negative interest rates can magnify interest rate risks. Changing interest rates, including rates that fall below zero, can also have unpredictable effects on markets and can result in heightened market volatility. Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Tax code changes can impact the municipal bond market. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign fixed income investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Fixed income securities sold or redeemed prior to maturity are subject to loss.

US Treasuries bills, notes, and bonds, and government agency bonds

US Treasuries are issued by the federal government. Agency bonds are issued by federal agencies.

Municipal securities

Municipal securities are bonds issued by states, cities, counties, and other governmental entities to raise money, typically for general governmental needs or special projects, such as building roads, schools, and a host of other projects for the public good.

For new issues, customers pay the initial offering price disclosed in the applicable offering document and not a commission. The offering price includes underwriting discounts paid to underwriters and distributors.

For fixed income securities purchased or sold in the secondary market, customers pay a markup (an increase in the case of a purchase) or a markdown (a decrease in the case of a sale), which generally consists of the broker sales credit that varies depending on the bond type and duration and/or The markup and markdown

ranges from 0.18% to 3.50%. Trade confirmations are sent to you disclosing the markup and markdowns charged. Ask your broker to estimate your charges and fees prior to execution.

Mutual Funds

A mutual fund is an investment company that pools money from many investors and invests it based on specific investment goals. The mutual fund raises money by selling its own shares to investors. The money is used to purchase a portfolio of stocks, bonds, short-term money market instruments, other securities or assets, or some combination of these investments. Each share represents an ownership slice of the fund and gives the investor a proportional right based on the number of shares he or she owns, to income and capital gains that the fund generates from its investments.

Before investing in a mutual fund, you should read the prospectus for mutual fund information details, including investment strategy, risk profile, performance history, management, and fees. Your broker will provide you the prospectus.

Open End Funds

Open End Funds are the most common type of mutual funds. Some funds are actively managed, but open-end funds also include passive index funds. Open-end mutual funds typically do not limit the number of shares they can offer and are bought and sold on demand. When an investor purchases shares in an open-end fund, the fund issues those shares and when someone sells shares, they are bought back by the fund itself. When shares are sold (known as a redemption), the fund pays the investor using cash on hand or it may have to sell some of its investments in order to pay the investor.

Open-end mutual funds are also priced differently from closed-end mutual funds, which often trade on a market similar to a stock. Shares of open-end funds are bought and sold directly from the fund at a price per share that is based on the value of the fund's underlying securities. On each trading day, typically at the end of the day, the net asset value (NAV) is calculated by dividing the market value of the fund's assets (less expenses) by the number of shares held by investors.

Customers will pay sales charges called loads, which is the commission pay for buying the shares. Depending on the class of shares, the customer may pay front end load, back end load, or level loads. Sales charges may range from 1% to 5.75%. These charges may be reduced or waived according to the prospectus. Sometimes funds offer volume discounts for higher investments amounts, including other investments within the same fund family.

OFS receives these sales charges as commissions and the broker receives a percentage based on their applicable payout rate. Mutual funds may charge customers a redemption fee, upon sale or redemptions of shares within a period. OFS will not receive these fees.

Many mutual funds pay a 12b-1 fee to OFS for servicing, distribution, and marketing costs over time. This fee will be charge to the mutual fund shareholder as other fees and expenses which will reduce the investment return over time. The applicable fee is disclosed in the fund prospectus.

Closed-End Funds

Closed-end funds raise money only once in a single offering, much the way a stock issue raises money for the company only once at its initial public offering, or IPO. After the shares are sold, the closed-end fund uses the money to buy a portfolio of underlying investments, and any further growth in the size of the fund depends on the return on its investments, not new investments dollars. The fund is then listed on an exchange, the way an individual stock is, and shares trade throughout the day. However, some closed-end funds, including Puerto Rico closed-end funds, are not traded on an exchange. This causes increased liquidity risks.

For initial offerings, customers pay the initial offering price and are not charged a commission. OFS will receive a fee or selling concession from the underwriter which is built into the offering price paid by the customer.

For secondary markets transactions, customers pay a commission based on the quantity of shares purchased or sold and their corresponding fund prices. The price of closed-end fund shares that trade on a secondary market after their initial public offering is determined by the market and may be greater or less than the shares' net asset value (NAV).

The investment portfolios of closed-end funds generally are managed by investment management firms. Annual fees and expenses will be charged to shareholders.

Unit Investment Trusts (UITs)

A “unit investment trust,” commonly referred to as a “UIT,” is one of three basic types of investment company. The other two types are mutual funds and closed-end funds discussed above. A UIT issues redeemable securities (or “units”), like a mutual fund, which means that the UIT will buy back an investor’s “units,” at the investor’s request, at their approximate net asset value (or NAV). UITs make a one-time “public offering” of only a specific, fixed number of units (like closed-end funds). Many UIT sponsors, however, will maintain a secondary market, which allows owners of UIT units to sell them back to the sponsors and allows other investors to buy UIT units from the sponsors. UITs have a termination date (a date when the UIT will terminate and dissolve) that is established when the UIT is created. When a UIT terminates, any remaining investment portfolio securities are sold and the proceeds are paid to the investors, which may result in a loss compared to initial investment without considering distributions during the holding period. UITs do not actively trade their investment portfolios. That is, a UIT buys a relatively fixed portfolio of securities and holds them with little or no change for the life of the UIT. Because the investment portfolio of a UIT generally is fixed, investors know what they are investing in for the duration of their investment. Investors will find the portfolio securities held by the UIT listed in its prospectus.

Customers pay the UIT sponsor a deferred sales charge, or a combination of upfront and deferred sales as described in the prospectus. Sales charges range between 1.50% to 3.95%.

Annuities

An annuity is a contract between you and an insurance company in which the insurance company promises to make periodic payments to you, starting immediately or at some future time. You buy an annuity either with a single charge or a series of charges called “premiums”. The fees and charges for these products vary

depending on the type of product purchased, any available options selected, and surrender charges incurred, if any. Any explicit fees are disclosed in the respective prospectus, contract, and/or marketing materials. OFS or its affiliates receive a commission from the issuing insurance companies for sales of their insurance and annuity products. Life insurance and annuities are subject to risks, including the claims-paying ability of the issuing insurance company, which are detailed in the prospectus, contract, and/or marketing materials. Certain brokers are compensated in connection with your purchase of insurance and annuity products. This compensation is not affected by the type of insurance or annuity product you purchase or whether you purchase a proprietary or third-party product, but this compensation may be higher than the compensation received in connection with the sale of other less complex types of investments offered by OFS.

Some annuity contracts provide a way to save for retirement. Others can turn your savings into a stream of retirement income, and others may accomplish both. If you use an annuity as a savings vehicle and the insurance company delays your pay-out to the future, you have a deferred annuity. If you use the annuity to create a source of retirement income and your payments start right away, you have an immediate annuity.

Annuities come in a few varieties: fixed, variable, and indexed. You should discuss your options with your broker before entering into an annuity contract.

Variable Annuities

A typical variable annuity offers three basic features not commonly found in mutual funds:

1. tax-deferred treatment of earnings.
2. a death benefit; and
3. annuity payout options that can provide guaranteed income for life.

While a variable annuity has the benefit of tax-deferred growth, its annual expenses are likely to be much higher than the expenses on a typical mutual fund. And, unlike a fixed annuity, variable annuities do not provide any guarantee that you will earn a return on your investment. Instead, there is a risk that you could actually lose money.

In general, variable annuities have two phases: (1) the “accumulation” phase, when the premiums you pay are allocated among investment portfolios, or subaccounts, and your earnings on these investments accumulate; and (2) the “distribution” phase, when the insurance company guarantees a minimum payment to you based on the principle and investment returns (positive or negative).

Fees and Expenses

Variable annuities typically have high annual fees and expenses, in addition to potential sales and surrender charges and early withdrawal penalties. These annual fees and expenses can include:

- Mortality and expense risk charges, which the insurance company charges for the insurance to cover guaranteed death benefits, annuity payout options that can provide guaranteed income for life or guaranteed caps on administrative charges.
- Administrative fees, for record-keeping and other administrative expenses.
- Underlying fund expenses, relating to the investment subaccounts.
- Charges for special features, such as stepped-up death benefits, guaranteed minimum income benefits, long-term health insurance or principal protection.

OFS receives commission from the insurance company issuing the annuity. These commission may range from 1% to 7% in the first year of the client initial investment. Annual trailing commissions could be from 0.25% to 1.25%. Financial Consultant will receive compensation based on his payout rate.

Please make sure you understand all the fees, expenses and other charges related to the variable annuity before you purchase. Your broker will provide the prospectus. For more information on annuities is available at: <https://www.finra.org/investors/learn-to-invest/types-investments/annuities/variable-annuities>.

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