



QUARTERLY EARNINGS
4Q17 Conference Call
January 30, 2018

FGBanCorp

Forward Looking Statements

The information included in this document contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and involve certain risks and uncertainties that may cause actual results to differ materially from those expressed in the forward-looking statements.

Factors that might cause such a difference include, but are not limited to (i) the rate of growth in the economy and employment levels, as well as general business and economic conditions; (ii) changes in interest rates, as well as the magnitude of such changes; (iii) the credit default by the government of Puerto Rico; (iv) amendments to the fiscal plan approved by the Financial Oversight and Management Board of Puerto Rico; (v) 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; (vi) the impact of property, credit and other losses in Puerto Rico as a result of hurricanes Irma and Maria; (vii) 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; (viii) the pace and magnitude of Puerto Rico's economic recovery; (ix) the potential impact of damages from future hurricanes and natural disasters in Puerto Rico; (x) the fiscal and monetary policies of the federal government and its agencies; (xi) changes in federal bank regulatory and supervisory policies, including required levels of capital; (xii) the relative strength or weakness of the commercial and consumer credit sectors and the real estate market in Puerto Rico; (xiii) the performance of the stock and bond markets; (xiv) competition in the financial services industry; and (xv) possible legislative, tax or regulatory changes.

For a discussion of such factors and certain risks and uncertainties to which OFG is subject, see OFG's annual report on Form 10-K for the year ended December 31, 2016, as well as its other filings with the U.S. Securities and Exchange Commission. Other than to the extent required by applicable law, including the requirements of applicable securities laws, OFG assumes no obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

Non-GAAP Financial Measures

In addition to our financial information presented in accordance with GAAP, management uses certain "non-GAAP financial measures" within the meaning of the SEC Regulation G, to clarify and enhance understanding of past performance and prospects for the future. See Tables 9-1 and 9-2 in OFG's Financial Supplement for reconciliation of GAAP to non-GAAP Measures and Calculations at www.ofgbancorp.com.

4Q17 Highlights

Comparisons to 3Q17 unless otherwise stated

Earnings

- **Net Income Available to Common Shareholders:** \$13.6M vs. (\$146K)
- **Diluted EPS:** \$0.30 vs. \$0.00
- **4Q17 Includes:** \$5.4M pre-tax in additional provision related to hurricanes

Performance Highlights

- **Customer Deposits:** \$4.28B – up \$267M from pre-hurricane levels
- **New Loan Generation:** \$254M – up 33%
- **Originated Loan Balances:** \$3.12B – up \$112M
- **NIM:** 5.08% – up 14 bps YoY

Capital Metrics

- **TBVPS:** \$15.67 – up 1.2% QoQ and 3.9% YoY
- **TCE Ratio:** 11.29% – up 31 bps QoQ and 96 bps YoY
- **Common Equity Tier 1:** 14.59% – down 30 bps QoQ and up 54 bps YoY
- **Total Risk-Based:** 20.34% – down 48 bps QoQ and up 72 bps YoY

2017 Accomplishments Despite Hurricanes

| | |
|-------------------------------------|---|
| Five New Digital Channel Services | 2% Net New Customer Growth |
| Increased Originated Loans \$126M | Increased Customer Deposits \$193M |
| Reduced Borrowings \$467M | Expanded Core NIM 41bps |
| Launched US Commercial Loan Program | Eliminated All Central Gov't Related Debt |

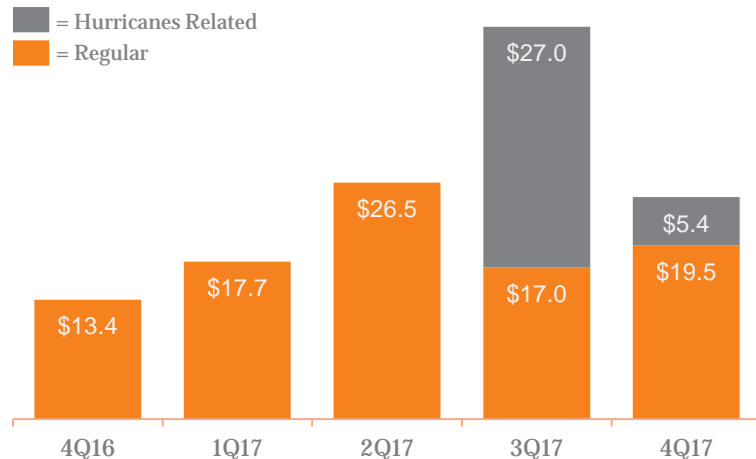


Another Oriental Puerto Rico "First" – Roll Out of Video Interactive ATMs

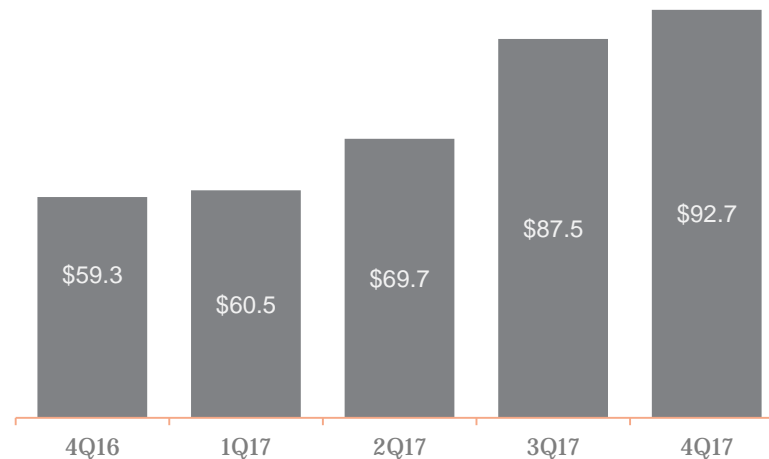
Additional Hurricanes Loan Loss Provision

5

Provision for Loan Losses (\$M)



Allowance for Loan Losses (ex-acquired) (\$M)



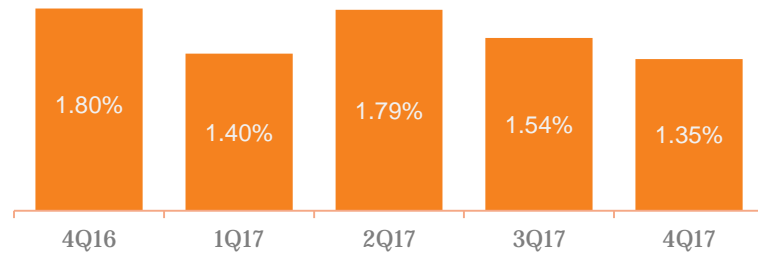
4Q17 Highlights

- \$5.4M pre-tax additional hurricanes provision
 - Based on most available information on potential payment behavior as moratoriums start to expire, depending on cycle payments of the portfolios
 - \$0.4M or 1 bps for originated book of \$3.11B. Total allowance coverage ratio now is 2.89% or \$92.7M
 - \$5.0M or 54 bps for acquired loan book of \$0.93B (carried at 90% of the unpaid principal balance)
- Regular provision increased \$2.5M vs. 3Q17 reflecting growth of the originated loans book

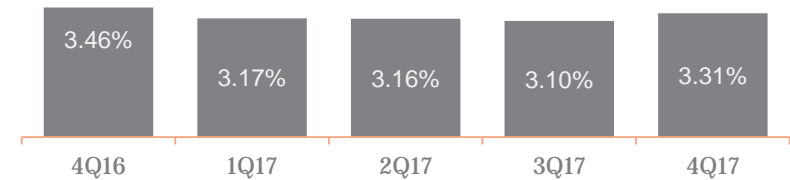
Credit Quality

(Excludes acquired loans)

Net Charge Off Rate



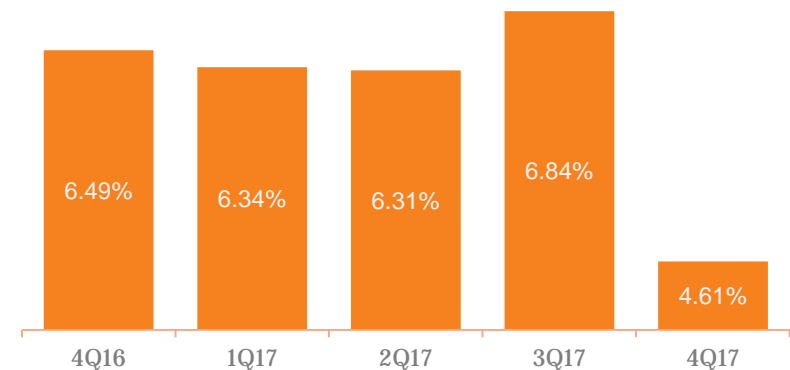
Non-Performing Loan Rate



4Q17 Highlights

- **NCO rate declined:** Lower consumer loan charge-offs due to moratorium
- **NPL rate increased:** Current commercial loans placed in non-accrual status due to deteriorating financials
- **Total delinquency fell:** Inflows reduced due to automatic moratoriums and payments received on moratorium loans

Total Delinquency Rate

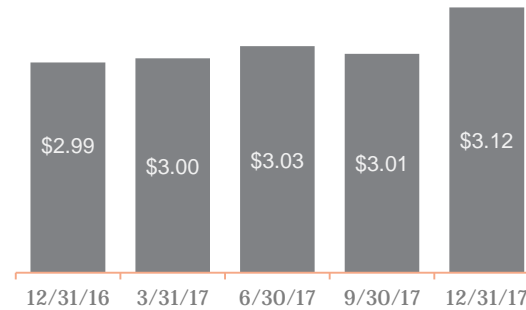


Business Trends

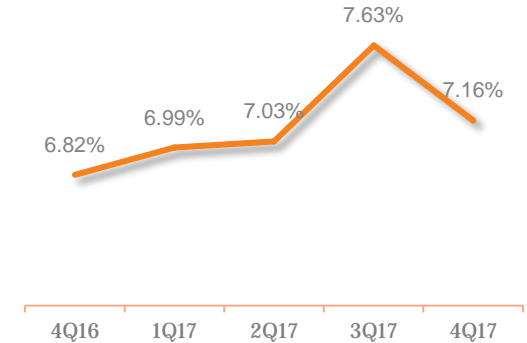
New Loan Production (\$M)



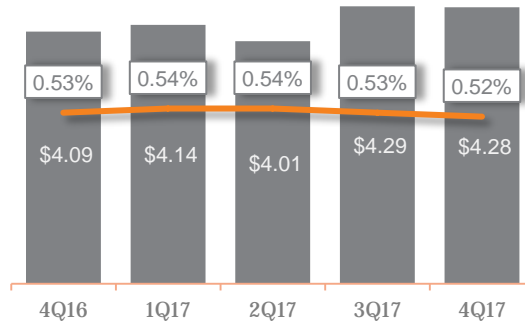
Originated Loan Balances (\$B)



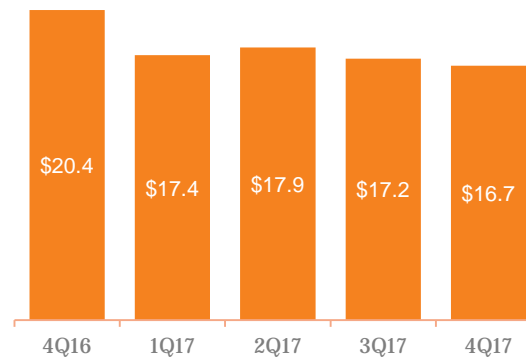
Originated Loan Average Yield



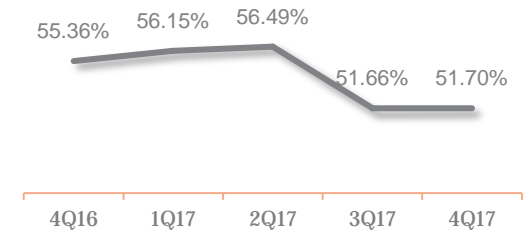
Customer Deposits (\$B) Cost (%)



Fee Revenues (\$M)



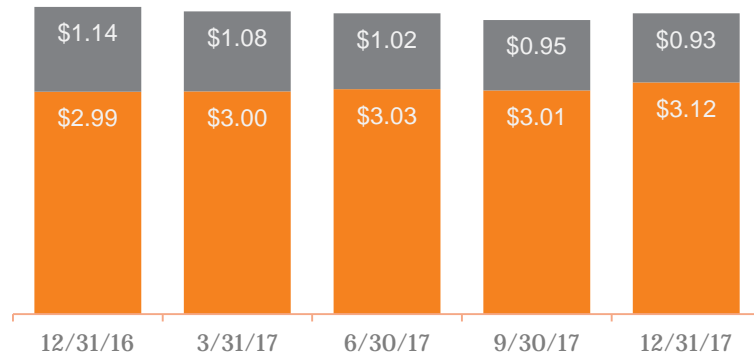
Efficiency Ratio



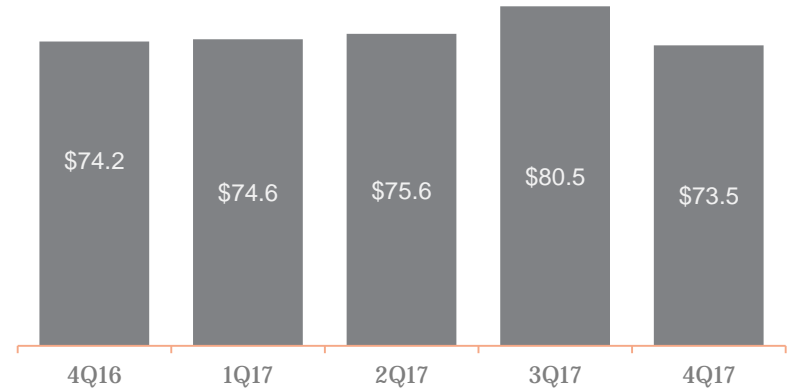
Loan Book Transition & NIM / NII Evolution

Total Loans, Net (\$B)

■ = Acquired Loans
 ■ = Originated Loans

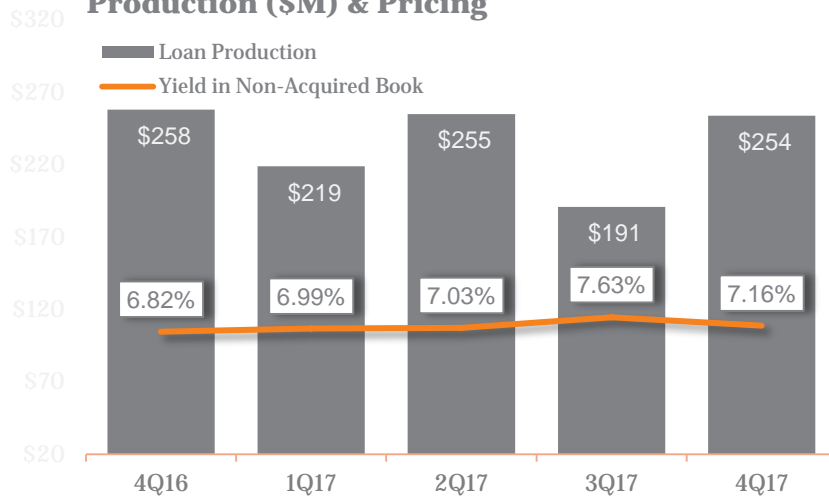


Net Interest Income (\$M)



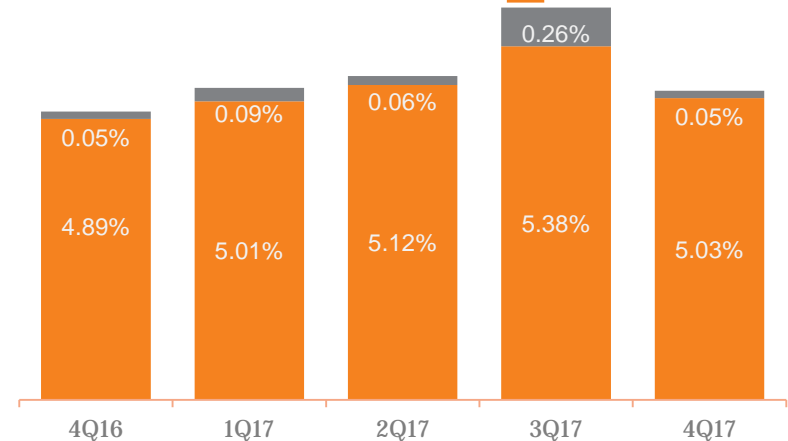
Production (\$M) & Pricing

■ Loan Production
 — Yield in Non-Acquired Book



Net Interest Margin

■ = Cost Recoveries
 ■ = Core NIM



Income Statement Highlights

| \$ in millions | 4Q17 | 3Q17 | Δ | Comment |
|--|--------|--------|---------|--|
| Interest Income: | | | | |
| • Originated Loans | \$56.2 | \$58.9 | (\$2.7) | • 3Q17 included \$4.1M from early pay-off of loan in non-accrual |
| • Acquired Loans | 18.9 | 23.5 | (4.6) | • 3Q17 included \$3.1M PRHFA loan recovery |
| Interest Expense | (9.7) | (9.9) | (0.2) | • Lower borrowings due to unwinding of \$80.0M repo at no cost |
| Total Provision for Loan and Lease Losses: | | | | |
| • Hurricanes Related | (5.4) | (27.0) | 21.6 | • 3Q17 reflected initial hurricanes related provisioning |
| • Regular Provision | (19.5) | (17.0) | (2.5) | • 4Q17 regular provision reflected growth of the originated loans book |
| Total Banking & Financial Service Revenues | 16.7 | 17.2 | (0.5) | • Lower banking volumes as lack of electricity affected activity • 3Q17 banking revenue included \$0.4M in prepayment penalties • Wealth management included \$1.0M in annual insurance fees |
| Other Non-Interest Income | 0.1 | 0.7 | (0.6) | • 3Q17 included \$0.6M final settlement gain from 2009 claim |
| Total Non-Interest Expenses | (46.7) | (50.5) | (3.8) | • Settlement of outstanding claims below previous reserves (\$1.4M) • Gains on sale and lower OREO write downs (net \$1.3M) • Reduced electronic banking expenses due to reduced activity (\$1.0M) |
| Income Tax Expense | (1.7) | (0.6) | (1.1) | • 4Q17 ETR was 8.99% due to final year-end tax accounting • FY17 ETR was 23.73% due to higher proportion of exempt income and income subject to preferential rates and expiration of tax contingency |

Capital Ratios: Highest Levels in Last 5 Years

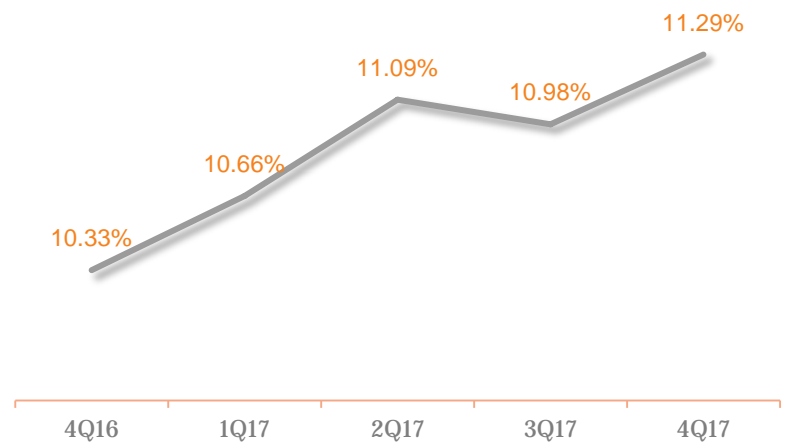
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------------------|--------|--------|--------|--------|--------|--------|
| Leverage Ratio | 13.92% | 12.99% | 11.18% | 10.61% | 9.06% | 6.55% |
| Common Equity Tier 1 | 14.59% | 14.05% | 12.14% | N/A | N/A | N/A |
| Tier 1 Common Ratio | N/A | N/A | N/A | 11.88% | 10.46% | 8.76% |
| Tier 1 Risk-based Capital Ratio | 19.05% | 18.35% | 15.99% | 16.02% | 14.38% | 13.18% |
| Total Risk-based Capital Ratio | 20.34% | 19.62% | 17.29% | 17.57% | 16.16% | 15.40% |
| Tangible Common Equity (TCE) Ratio | 11.29% | 10.33% | 9.10% | 9.25% | 7.71% | 6.55% |

Tangible Common Equity

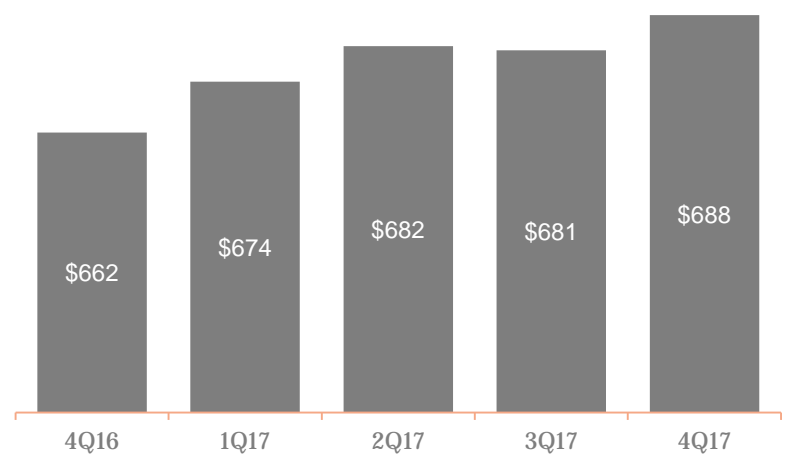
TBV Per Common Share



TCE Ratio



Tangible Common Equity (\$ in millions)



5-Quarter Trend

| \$ in thousands, except per share data | 4Q17 ⁽¹⁾ | 3Q17 ⁽²⁾ | 2Q17 | 1Q17 | 4Q16 |
|--|---------------------|---------------------|-------------|-------------|-------------|
| Average interest earning assets | \$5,735,593 | \$5,658,953 | \$5,848,525 | \$5,932,924 | \$5,972,163 |
| Average loans | \$4,081,427 | \$4,062,042 | \$4,129,550 | \$4,141,627 | \$4,195,966 |
| Net interest income | \$ 73,513 | \$80,478 | \$75,563 | \$74,618 | \$74,213 |
| Net interest margin | 5.08% | 5.64% | 5.18% | 5.10% | 4.94% |
| Total provision for loan and lease losses, net | \$24,907 | \$44,042 | \$26,536 | \$17,654 | \$13,373 |
| Non-interest income, net (core) | \$ 16,734 | \$17,213 | \$17,933 | \$17,428 | \$20,415 |
| Non-interest expense | \$46,662 | \$50,469 | \$52,816 | \$51,684 | \$52,382 |
| Operating Efficiency ratio | 51.70% | 51.66% | 56.49% | 56.15% | 55.36% |
| Net income (loss) available to common stockholders | \$13,608 | (\$146) | \$13,368 | \$11,685 | \$12,090 |
| Diluted EPS | \$0.30 | \$0.00 | \$0.30 | \$0.26 | \$0.27 |

(1) Additional \$5.4 million provision included due to Hurricanes Irma and Maria

(2) Additional \$27.0 million provision included due to Hurricanes Irma and Maria

The Challenge Ahead

Four Months Post Maria

Recovery Continues

- More electricity and telecom available
- Businesses and consumers moving toward “new” normal
- Day to day life is starting to stabilize

But Still Waiting for...

- Short-term
 - Insurance funds to start flowing
 - Washington to decide how much funding it will provide
 - Complete restoration of electricity and telecom
- Longer-term
 - Lasting PREPA solution
 - Resolution of PR fiscal situation
 - Plan for economic growth

OFG is Leading the Way

- Implementing more technology to service customers faster
- Developing new commercial relationships in PR and US
- Looking at new ways to optimize internal processes
- Proud to be front and center of rebuilding efforts – as we have in the past



Oriental hosted a free Thanksgiving lunch for the Cantera section of San Juan (near Hato Rey) when it was still without power

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