

**QUARTERLY EARNINGS**  
**1Q17 Conference Call**  
**April 21, 2017**

**OFGBancorp**

# 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) a credit default by the government of Puerto Rico; (iv) the fiscal and monetary policies of the federal government and its agencies; (v) changes in federal bank regulatory and supervisory policies, including required levels of capital; (vi) the relative strength or weakness of the consumer and commercial credit sectors and of the real estate market in Puerto Rico; (vii) the performance of the stock and bond markets; (viii) competition in the financial services industry; and (ix) 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 1Q17 Financial Supplement for reconciliation of GAAP to non-GAAP Measures and Calculations at [www.ofgbancorp.com](http://www.ofgbancorp.com).

# 1Q17: Another Quarter of Steady Performance

Comparisons to 4Q16 unless otherwise stated

## Earnings

- **Net Income Available to Common Shareholders:** \$11.7 million
- **Diluted EPS:** \$0.26
- **Dividends:** Common \$0.06 per share, Preferred paid as stated

## Retail Franchise

- **New Loan Originations:** \$172.4 million, highest in the last five quarters
- **Customer Deposits:** \$4.14 billion, up 1.3%
- **Net New Customers:** Continued growth

## Credit Quality

- **NCO Rate:** 1.40%, down 40 basis points
- **NPL Rate:** 3.17%, down 29 basis points
- **Total Delinquency Rate:** 6.34%, down 15 basis points

## Performance Metrics

- **Core NIM:** 5.00%, up 11 basis points
- **Efficiency Ratio:** 56.15%, up 79 basis points due to seasonal change in fee revenue
- **ROATCE:** 7.00%, down 31 basis points due to seasonal change in fee revenue

## Capital Metrics

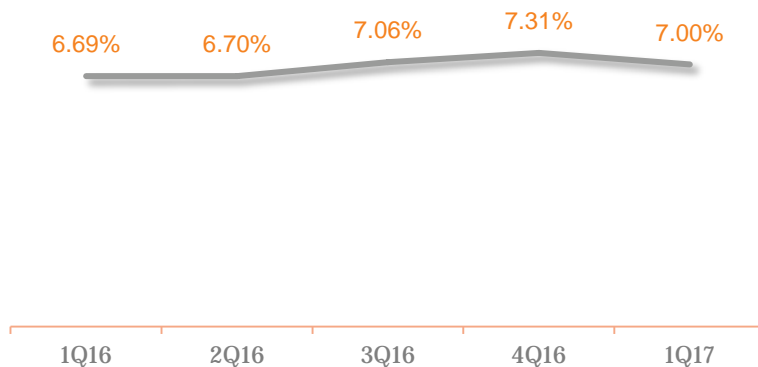
- **Leverage Ratio:** 13.20%, highest in the last five quarters
- **TCE:** 10.66%, highest in the last five quarters
- **TBV Per Share:** \$15.33, up 4.4% year over year

# Consistent Quarterly Results

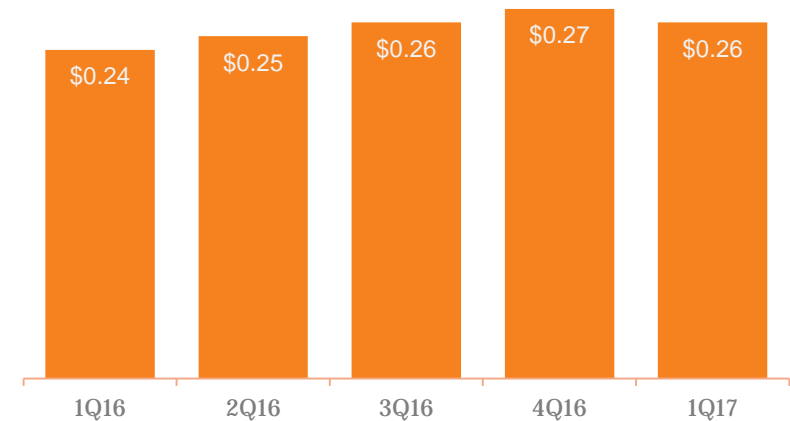
## Strategy

- Build retail franchise
- Achieve consistent operating results
- Optimize efficiency
- Maintain credit and pricing discipline
- Reduce credit costs
- Strengthen capital position

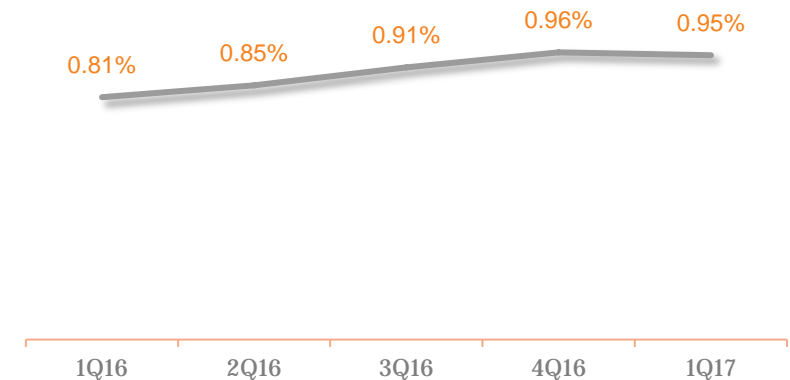
## Return on Average Tangible Common Equity



## GAAP EPS Fully Diluted



## Return on Average Assets



# Effective Service Differentiation

## New Market Leading Innovations

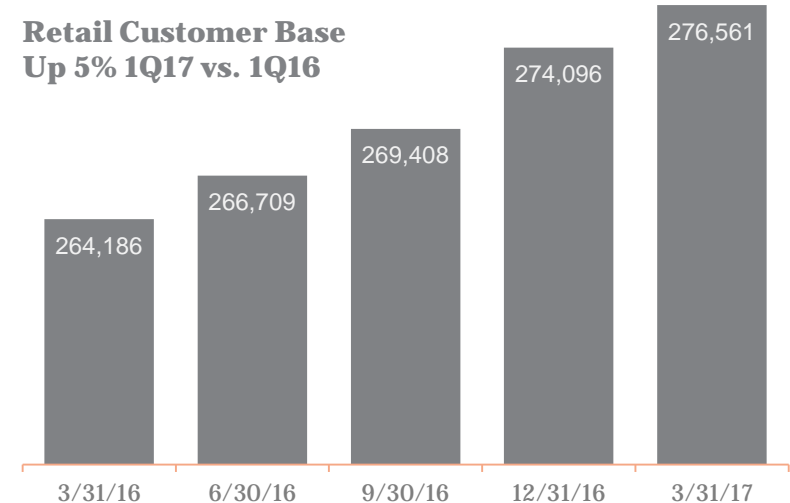
- Online/mobile personal loan applications
- Online/mobile appointment scheduling

## Already Introduced

- Mobile business banking
- Cardless ATM withdrawal
- Enhanced ATM kiosks
- Mobile mortgage status
- Mobile check deposit
- ATM surcharge-free account
- Mobile P2P payment
- Online account opening

## Market Share\*

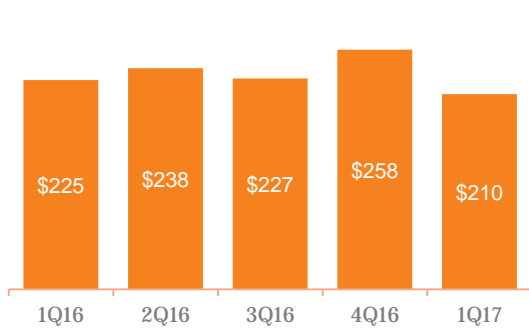
- #2 in Branches, IRAs, Consumer Loans (ex credit cards)
- #3 in Auto Loans, Mortgage Originations
- #4 in Deposits, Commercial Loans



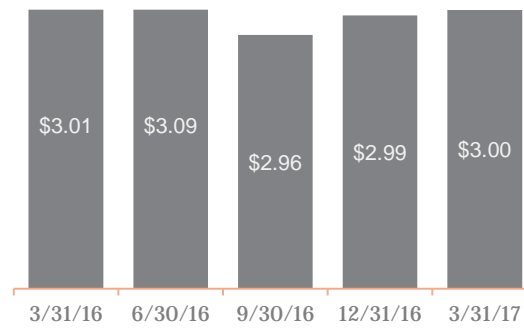
\* Sources: Office of the Commissioner of Financial Institutions of Puerto Rico Schedules RC-E and Loans and Leases, and Non-Depository Financing Institutions Report, all for 4Q16

# Business Trends

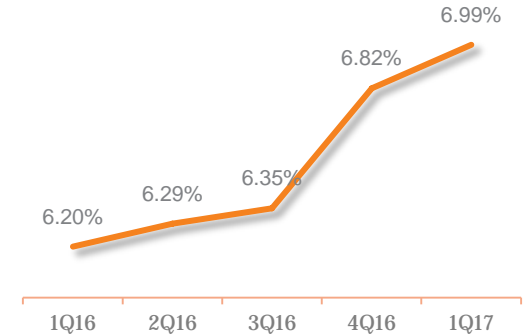
**New Loan Production (\$M)**



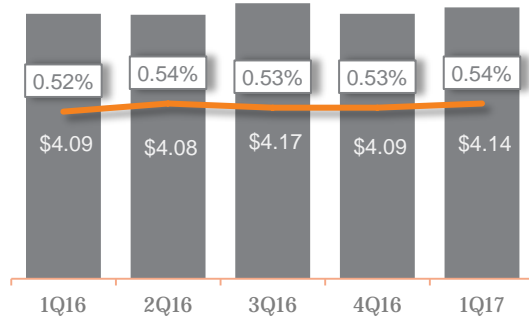
**Originated Loan Balances (\$B)**



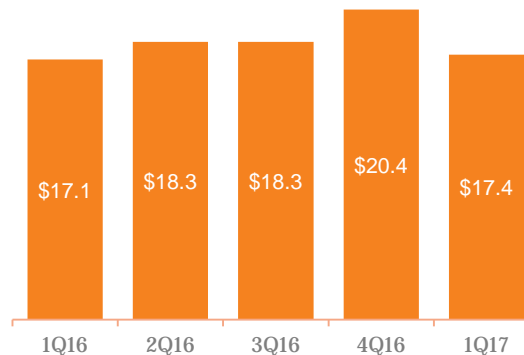
**Originated Loan Average Yield**



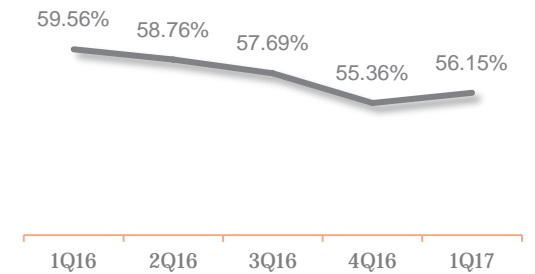
**Customer Deposits (\$B)  
Cost (%)**



**Fee Revenues (\$M)**



**Efficiency Ratio**



## Production: 1Q17 vs. 4Q16 (\$ in millions)

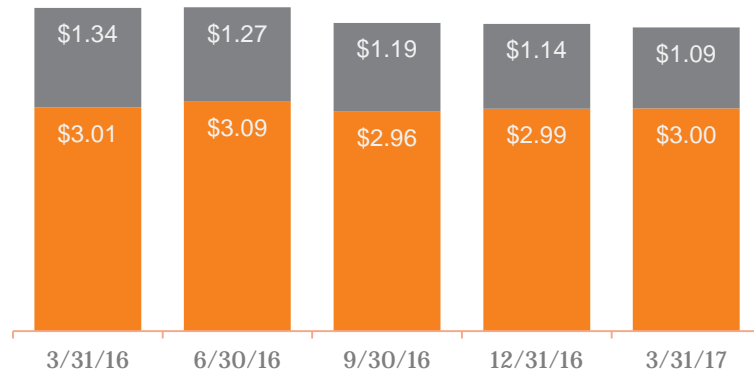
New Loan Originations	1Q17	Δ	Comment
Auto	\$86.8	+11.8%	<ul style="list-style-type: none"> <li>Continued momentum working closely with floor plan dealers</li> </ul>
Consumer	\$42.1	-0.3%	<ul style="list-style-type: none"> <li>Up 23.0% year over year</li> <li>Growth due to increased emphasis on this segment</li> </ul>
Mortgage	\$43.5	-15.1%	<ul style="list-style-type: none"> <li>Down due to market contraction</li> <li>Focus on conforming mortgages with relatively higher FICO scores</li> </ul>
Commercial	\$37.7	-56.6%	<ul style="list-style-type: none"> <li>Seasonally soft quarter</li> </ul>

Fee Revenues	1Q17	Δ	Comment
Banking	\$10.6	(\$0.4)	<ul style="list-style-type: none"> <li>Seasonal drop in electronic banking transaction volumes</li> </ul>
Wealth Management	\$6.2	(\$1.5)	<ul style="list-style-type: none"> <li>4Q16 included annual insurance revenues</li> </ul>
Mortgage Banking Activities	\$0.6	(\$1.1)	<ul style="list-style-type: none"> <li>Lower secondary market activity and servicing asset valuation</li> </ul>

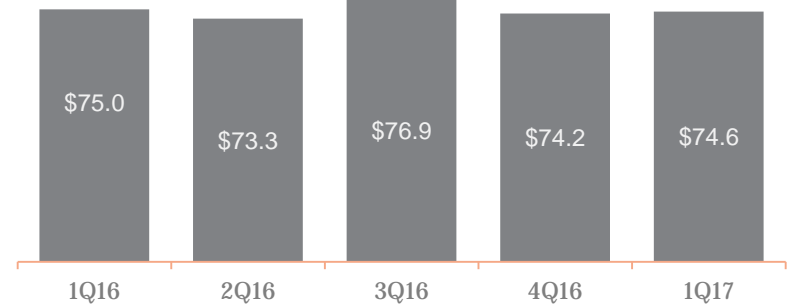
# Loan Book Transition & NIM / NII Evolution

**Total Loans, Net (\$B)**

■ = Acquired Loans  
 ■ = Originated Loans

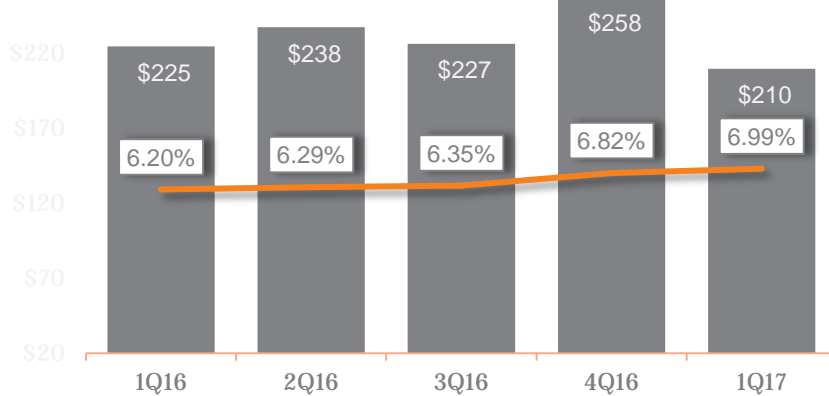


**Net Interest Income (\$M)**



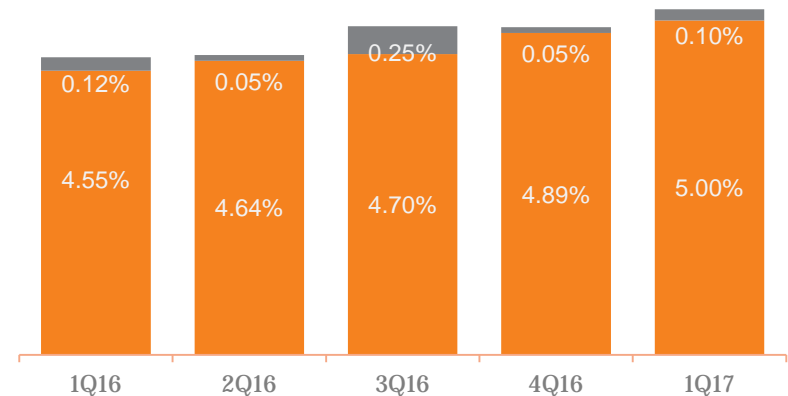
**Production (\$M) & Pricing**

■ Loan Production  
 — Yield in Non-Acquired Book



**Net Interest Margin**

■ = Cost Recoveries  
 ■ = Core NIM

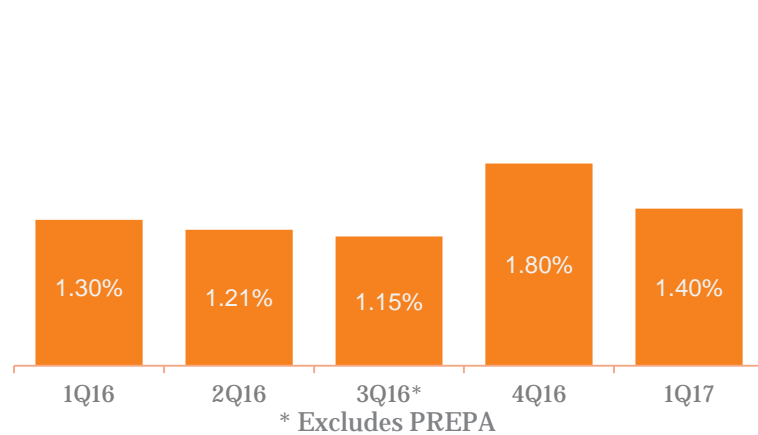




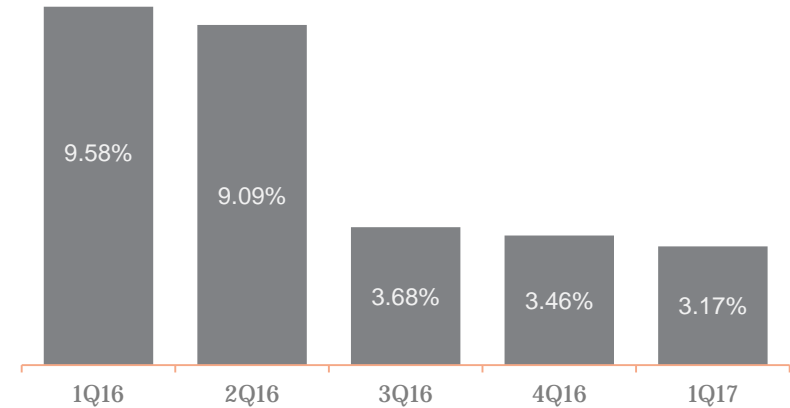
# Credit Quality: Continues to Improve

(excludes acquired loans)

## Net Charge Off Rate



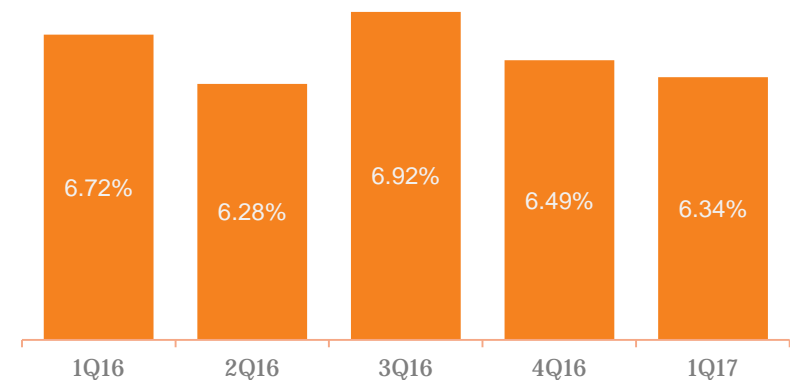
## Non-Performing Loan Rate



## 1Q17 Highlights

- NCO rate reflects improvements in commercial, auto and consumer lending, partially offset by mortgage lending
- Continued improvements in NPL and total delinquency rates
- Significant reduction in mortgage NPLs

## Total Delinquency Rate



## Income Statement Highlights (\$ in millions)

	1Q17	4Q16	Δ	Comment
Interest Income				
• Originated Loans	\$52.0	\$51.6	\$0.4	• Yields higher due to growing proportion of retail loans
• Acquired Loans	25.7	26.9	(1.2)	• Yields higher, but lower balances
• Investment Securities	8.5	8.3	0.2	• Higher interest rates on cash balances
Interest Expense	11.6	12.6	(1.0)	• \$232.0M repurchase agreement at 4.78% repaid early March 2017
Total Provision for Loan and Lease Losses	(17.7)	(13.4)	(4.3)	• Provision for originated loans \$1.1M higher due to continued growth of the portfolio • Provision for acquired loans increased \$3.2M due periodic assessment of remaining loans in the portfolios
Total Banking & Financial Service Revenues	17.4	20.4	(3.0)	• Explained on prior slide
FDIC Shared-Loss Benefit (Expense), Net	1.4	(2.8)	4.2	• February 2017 termination of the FDIC shared loss agreement related to the FDIC assisted acquisition of Eurobank in 2010
Total Non-Interest Expenses	(51.7)	(52.4)	(0.7)	• Generally lower costs, but higher seasonal compensation expense • Higher credit costs due to semi-annual payment of property taxes
Income Tax Expense	(9.2)	(10.8)	(1.6)	• ETR of 38.3% versus 41.1% in 4Q16

## Capital Ratios: Substantially in Excess of Regulatory Requirements

	1Q17	2016	2015	2014	2013	2012
Leverage Ratio	13.20%	12.99%	11.18%	10.61%	9.06%	6.55%
Common Equity Tier 1 <sup>1</sup>	14.30%	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	18.77%	18.35%	15.99%	16.02%	14.38%	13.18%
Total Risk-based Capital Ratio	20.05%	19.62%	17.29%	17.57%	16.16%	15.40%
Tangible Common Equity (TCE) Ratio	10.66%	10.33%	9.10%	9.25%	7.71%	6.55%

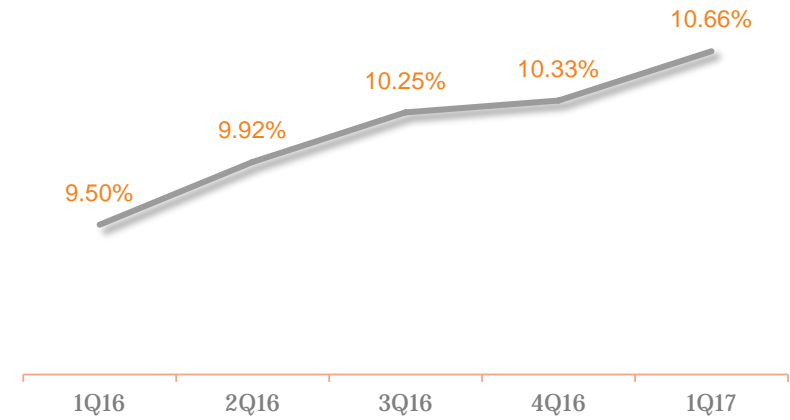
(1) Under Basel III methodology

# Tangible Common Equity: Capital Continues to Grow

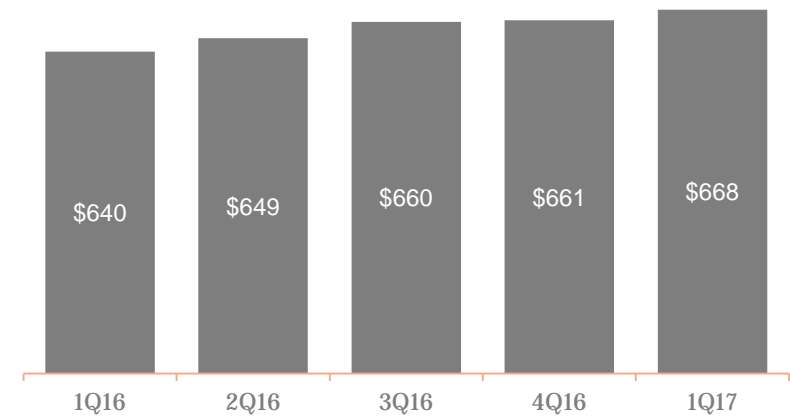
## TBV Per Common Share



## TCE Ratio



## Average Tangible Common Equity (\$ in millions)



## 5-Quarter Trend

\$ in thousands, except per share data	1Q17	4Q16	3Q16	2Q16	1Q16
Average interest earning assets	\$5,932,923	\$5,972,163	\$6,169,251	\$6,270,042	\$6,437,255
Average loans	\$4,141,628	\$4,195,966	\$4,398,032	\$4,445,658	\$4,484,410
Net interest income	\$74,618	\$74,213	\$76,927	\$73,312	\$74,975
Net interest margin	5.10%	4.94%	4.95%	4.69%	4.67%
Total provision for loan and lease losses, net	\$17,654	\$13,373	\$23,469	\$14,445	\$13,789
Non-interest income, net (core)	\$17,428	\$20,415	\$18,277	\$18,284	\$17,125
Non-interest expense	\$51,684	\$52,382	\$54,926	\$53,825	\$54,857
Operating Efficiency ratio	56.15%	55.36%	57.69%	58.76%	59.56%
Net income available to common stockholders	\$11,685	\$12,090	\$11,655	\$10,873	\$10,706
GAAP Diluted EPS	\$0.26	\$0.27	\$0.26	\$0.25	\$0.24

# Outlook

## Puerto Rico

- Look forward to further concrete and constructive steps by all stakeholders to resolve Puerto Rico's fiscal situation
- Assume economy will remain stagnant near-term
- Hope all stakeholders will act with utmost responsibility to stabilize the situation

## OFG

- We promised consistency and are delivering consistency
- Our business trends continue to look good
- While optimistic, we will continue to monitor local economic conditions closely

Q&A

**O**FGBankcorp