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**QUARTERLY EARNINGS**  
**3Q17 Conference Call**  
**October 25, 2017**

**FGBankcorp**

# 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 2Q17 Financial Supplement for reconciliation of GAAP to non-GAAP Measures and Calculations at [www.ofgbancorp.com](http://www.ofgbancorp.com).

# 3Q17: Hurricane Provision Affected Strong Quarter

Comparisons to 2Q17 unless otherwise stated

## Earnings

- **Net (Loss) Income Available to Common Shareholders:** (\$146K) vs. \$ 13.6M
- **Diluted EPS:** \$0.00 vs. \$0.30
- **Includes:** \$27.0M pre-tax in additional provision related to Irma and Maria

## Capital Metrics

- **TBVPS:** \$15.49 vs. \$15.51 with TCE of 10.98% vs. 11.09%
- **Common Equity Tier 1:** 14.89% vs. 14.66%
- **Total Risk-Based:** 20.82% vs. 20.42%

## Performance Metrics

- **NIM (excluding cost recoveries):** 5.38% vs. 5.12%
- **Efficiency Ratio:** 51.66% vs. 56.49%

## Adjusted Results\*

- **Net Income Available to Common Shareholders:** \$18.8M or \$0.40 per share
- **ROAA:** 1.47% vs. 1.09%
- **ROATCE:** 10.90% vs 8.01%

\* Excluding hurricane provision (non-GAAP)

# Impact of Hurricanes on Puerto Rico

## Overview

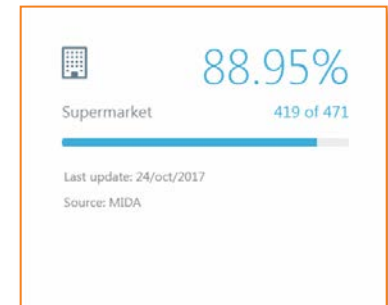
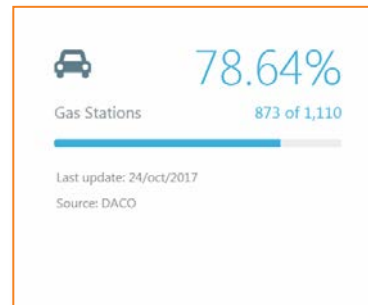
- Irma struck 9/7/17, Maria 9/20/17
- Devastating impact on the Island's infrastructure

## Recovery Slow to Date (data as of this week)

- PREPA running at 24.4% of electricity generation capacity
- 33.9% of cell sites working; overall telecom situation a mess still
- Generators are hard to find, diesel costs 2-3 times the normal price
- 88.9% of the grocery stores are open, but common items hard to find



Images from the Status.PR central government website



# OFG's Response

## Operations

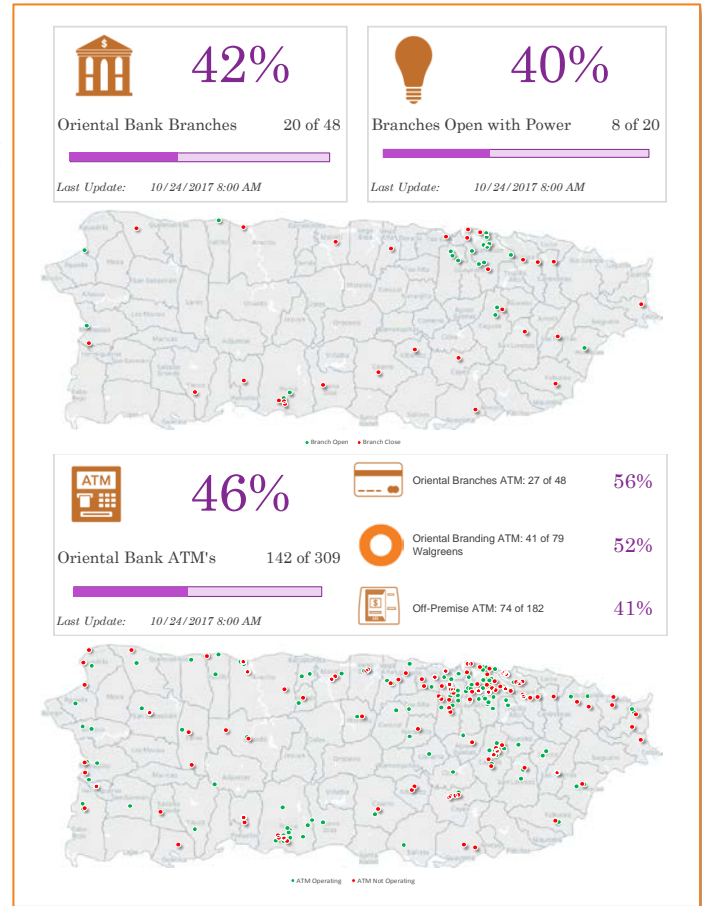
- Reopened branches and ATMs within days
- All centralized, internal and back office operations running
- Deposits holding steady, new business demand tame, but commercial and auto lending starting to pick up

## Technology

- Digital, core banking, EFT systems continued to function
- Our full service ATMs can take deposits and issue cash
- Experience has convinced us to invest more in technology

## Oriental Bank's "Relief When You Need It Most"

- Waived late fees on loan payments soon after Irma
- Retail Loans: 3-month payment deferral and maturity extension. On request for mortgage. Other categories automatic
- Commercial Loans: Extensions on principal and interest payments depending on need
- Eliminated ATM fees for all: Our customers and others
- Deposit withdrawals with no limits and increased limits from ATMs
- Served customers in all open branches regardless of where they normally visit



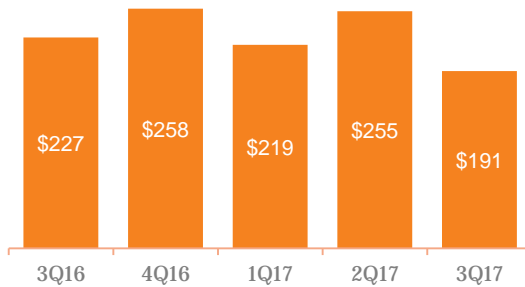
## 3Q17 Hurricane Impact Additional Loan Loss Provision <sup>6</sup>

Provision for Loan and Lease Losses (\$ in millions)	3Q17 Regular	3Q17 Additional	3Q17 Total	2Q17 Total
Originated Loans	\$12.9	\$16.8	\$29.7	\$22.8
Acquired Loans	\$4.1	\$10.2	\$14.3	\$3.7
<b>Total</b>	<b>\$17.0</b>	<b>\$27.0</b>	<b>\$40.0</b>	<b>\$26.5</b>

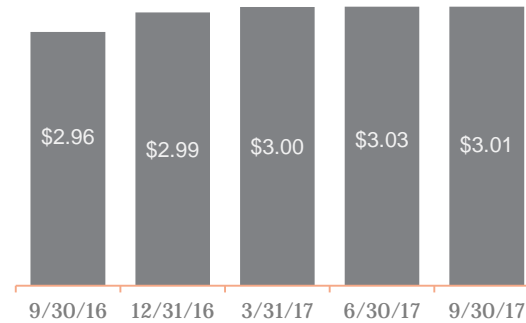
- Assessment based on currently available data
- Total 3Q17 provision included \$27.0M pre-tax in addition to regular provision
  - \$16.8M or 54 bps for originated book of \$3.00B. Total allowance coverage ratio now is 2.83%
  - \$10.2M for acquired loan book of \$0.96B (carried at 89% of the unpaid principal balance)
- 2Q17 included \$10.2M from loss on municipality loan sale and allowance for loans to four other municipalities

# Business Trends

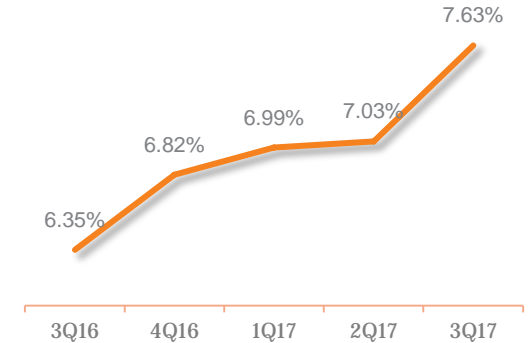
### New Loan Production (\$M)



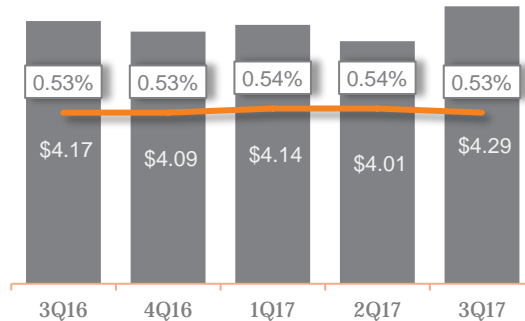
### Originated Loan Balances (\$B)



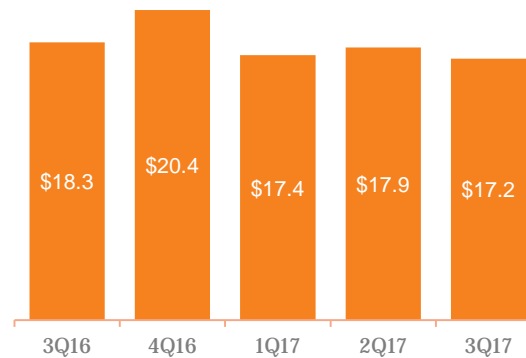
### Originated Loan Average Yield



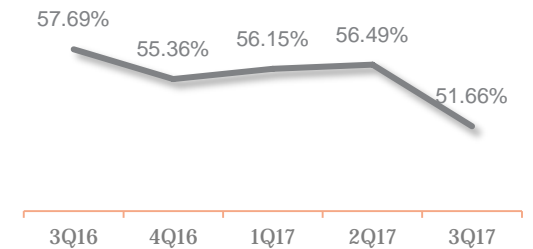
### Customer Deposits (\$B) Cost (%)



### Fee Revenues (\$M)



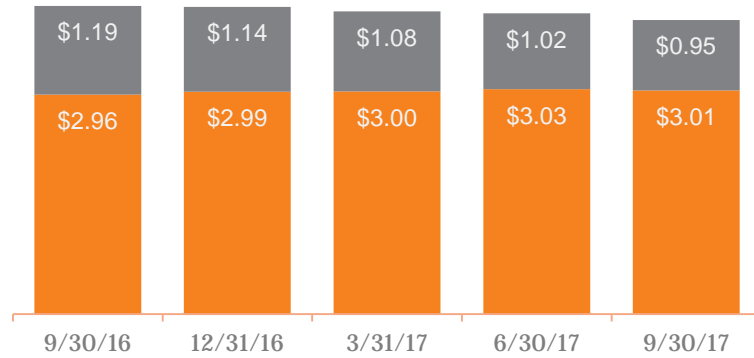
### Efficiency Ratio



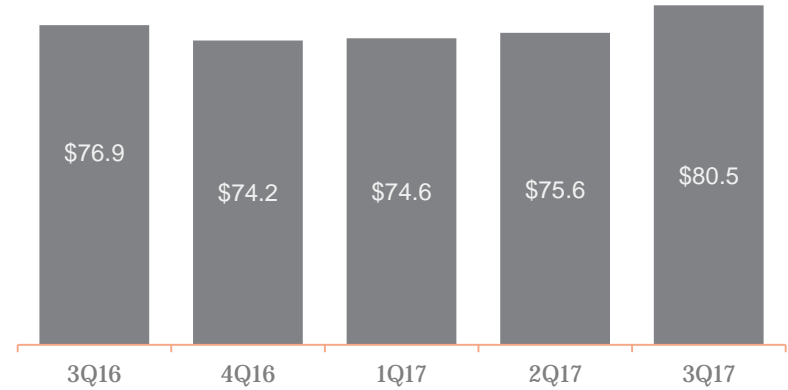
# Loan Book Transition & NIM / NII Evolution

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

■ = Acquired Loans  
 ■ = Originated Loans

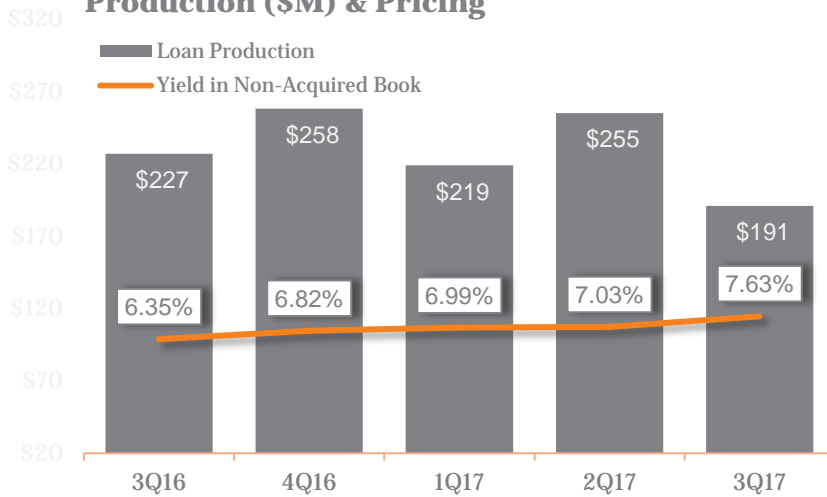


**Net Interest Income (\$M)**



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

■ Loan Production  
 — Yield in Non-Acquired Book



**Net Interest Margin**

■ = Cost Recoveries  
 ■ = Core NIM

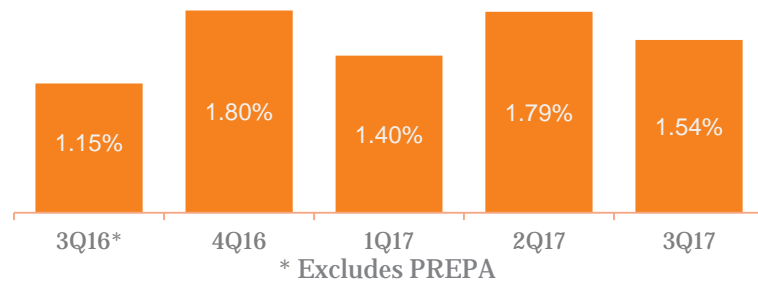




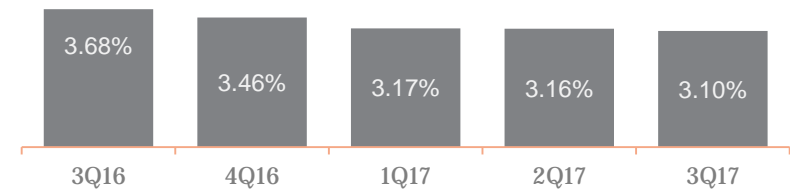
# Credit Quality

(excludes acquired loans)

## Net Charge Off Rate



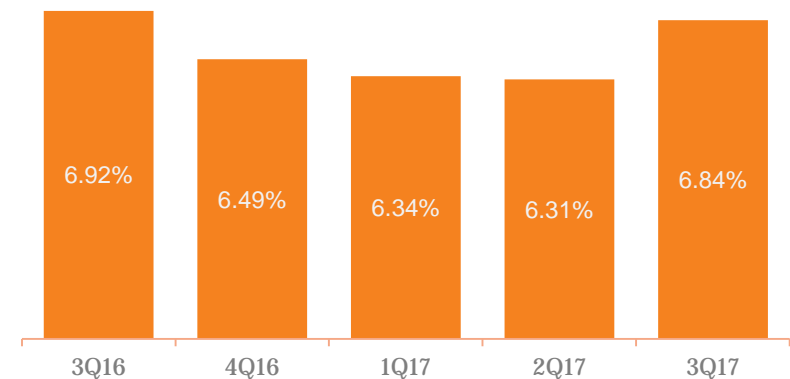
## Non-Performing Loan Rate



## 3Q17 Highlights

- NCO and NPL rates improved
- Delinquency rates increased 53 basis points as the hurricanes affected collections in all loan categories in September
- Allowance (excluding related to hurricanes) increased \$1.1 million due to the mix of loans in the originated book

## Total Delinquency Rate



## Income Statement Highlights (\$ in millions)

	3Q17	2Q17	Δ	Comment
<b>Interest Income:</b>				
• Originated Loans	\$58.9	\$53.4	\$5.5	<ul style="list-style-type: none"> <li>• Benefitted \$4.1M from early pay-off of commercial loan in non-accrual</li> <li>• Continued pay downs offset by \$3.1M PRHFA loan recovery</li> <li>• Lower balances partially offset by higher yields on cash</li> </ul>
• Acquired Loans	23.5	23.8	(0.3)	
• Investment Securities	7.9	8.7	(0.8)	
Interest Expense	9.9	10.4	(0.5)	<ul style="list-style-type: none"> <li>• Reflects lower borrowings due to maturities of a short-term repo and FHLB advances</li> </ul>
Total Provision for Loan and Lease Losses (non-GAAP, excludes hurricane provision)	(17.0)	(26.5)	9.5	<ul style="list-style-type: none"> <li>• 2Q17 included \$10.2M from loss on municipality loan sale and allowance for other loans to municipalities</li> </ul>
Total Banking & Financial Service Revenues	17.2	17.9	(0.7)	<ul style="list-style-type: none"> <li>• Lower banking and wealth mgmt volumes as hurricanes affected activity</li> <li>• Increased mortgage servicing asset valuation</li> <li>• Prepayment penalty income from above mentioned commercial loan</li> </ul>
Other Non-Interest Income	0.7	7.0	(6.3)	<ul style="list-style-type: none"> <li>• 2Q17 included net gain of \$6.8M on the sale of MBS</li> </ul>
Total Non-Interest Expenses	(50.5)	(52.8)	2.3	<ul style="list-style-type: none"> <li>• 2Q17 included cost of consolidating offices and reduced credit expenses</li> </ul>
Income Tax Expense	(0.6)	(4.0)	(3.4)	<ul style="list-style-type: none"> <li>• 3Q17 reflects 2017 ETR of 29.77%</li> <li>• 3Q17 included \$0.9M benefit from resolution of a contingent tax position</li> <li>• 2Q17 included \$2.1M benefit from adjustment for 1Q17's higher ETR</li> </ul>

# Capital Ratios

	3Q17	2016	2015	2014	2013	2012
Leverage Ratio	14.07%	12.99%	11.18%	10.61%	9.06%	6.55%
Common Equity Tier 1 <sup>1</sup>	14.89%	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	19.53%	18.35%	15.99%	16.02%	14.38%	13.18%
Total Risk-based Capital Ratio	20.82%	19.62%	17.29%	17.57%	16.16%	15.40%
Tangible Common Equity (TCE) Ratio	10.98%	10.33%	9.10%	9.25%	7.71%	6.55%

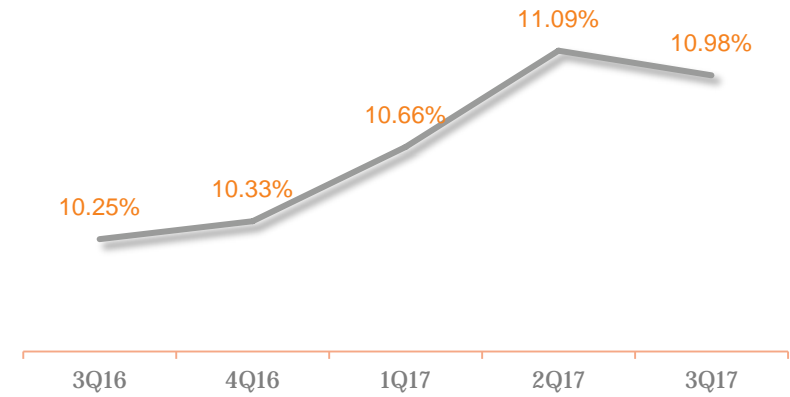
(1) Under Basel III methodology

# Tangible Common Equity

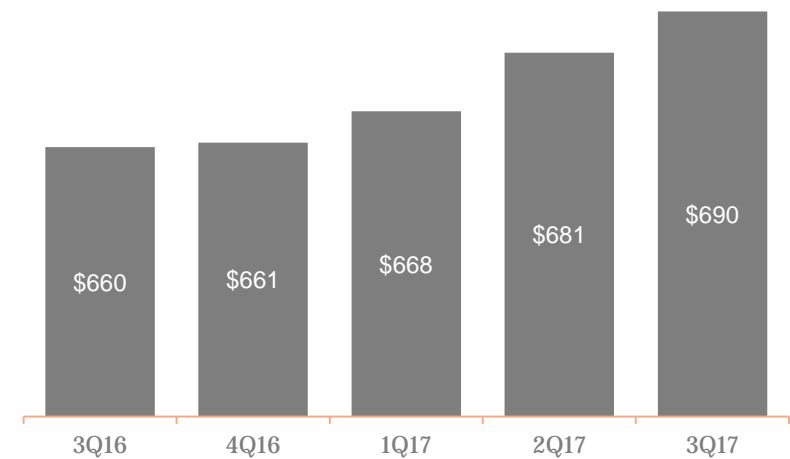
## TBV Per Common Share



## TCE Ratio



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



## 5-Quarter Trend

\$ in thousands, except per share data	3Q17 <sup>(1)</sup>	2Q17	1Q17	4Q16	3Q16
Average interest earning assets	\$5,659,179	\$5,848,525	\$5,932,924	\$5,972,163	\$6,169,251
Average loans	\$4,062,269	\$4,129,550	\$4,141,628	\$4,195,966	\$4,398,032
Net interest income	\$80,478	\$75,563	\$74,618	\$74,213	\$76,927
Net interest margin	5.64%	5.18%	5.10%	4.94%	4.95%
Total provision for loan and lease losses, net	\$44,042	\$26,536	\$17,654	\$13,373	\$23,469
Non-interest income, net (core)	\$17,213	\$17,933	\$17,428	\$20,415	\$18,277
Non-interest expense	\$50,469	\$52,816	\$51,684	\$52,382	\$54,927
Operating Efficiency ratio	51.66%	56.49%	56.15%	55.36%	57.69%
Net income (loss) available to common stockholders	(\$146)	\$13,368	\$11,685	\$12,090	\$11,654
Diluted EPS	\$0.00	\$0.30	\$0.26	\$0.27	\$0.26

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

# The Challenge Ahead

## Puerto Rico Will Recover

- Initial Crisis: We still need to get through this
- The Road Back: Likely to be long

## Talk on The Ground

- Potential Upside: Money from Washington, big reconstruction contracts, infrastructure modernization
- Potential Downside: People leaving, manufacturers cutting production

## Market Paradigms Will Change

- OFG has to be ready to adapt
  - Potential new opportunities in Puerto Rico
  - Exploring flow relationships stateside
- We are proud to be front and center of rebuilding efforts – as we have in the past
- With our strong capital position, we can be instrumental in Puerto Rico's recovery



*The Oriental Team volunteered to help Boys & Girls Club Puerto Rico. After Maria, the club served as a collection center for Bayamón, Santurce and Isabela*

Q&A

**O**FGBankcorp