

**QUARTERLY EARNINGS**  
**4Q16 Conference Call**  
**January 31, 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, 2015, 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 4Q16 Financial Supplement for reconciliation of GAAP to non-GAAP Measures and Calculations at [www.ofgbancorp.com](http://www.ofgbancorp.com).

# 4Q16: Strong, Steady Performance

## Earnings

- **Net Income:** \$12.1 million
- **Diluted EPS:** \$0.27
- **Dividends:** Common \$0.06 per share, Preferred paid as stated

## Business Volume

- **New Loan Originations:** \$258 million, highest quarterly level for 2016
- **Customer Deposits:** \$4.09 billion, up 3.9% year over year
- **Net New Customers:** Up 5% 2016 vs. 2015

## Credit Quality

- **Loan Delinquencies:** Early 3.31% and total 6.49%, down from 3Q16 and 4Q15
- **NPL Rate:** 3.46%, lowest in the last five quarters
- **OREO/Repo:** \$50.7 million, down 20.8% year over year

## Performance Metrics

- **Core NIM:** 4.89% vs. 4.70% in 3Q16
- **Efficiency Ratio:** 55.36%, best level in the last five quarters
- **ROATCE:** 7.31%, highest in the last five quarters

## Capital Metrics

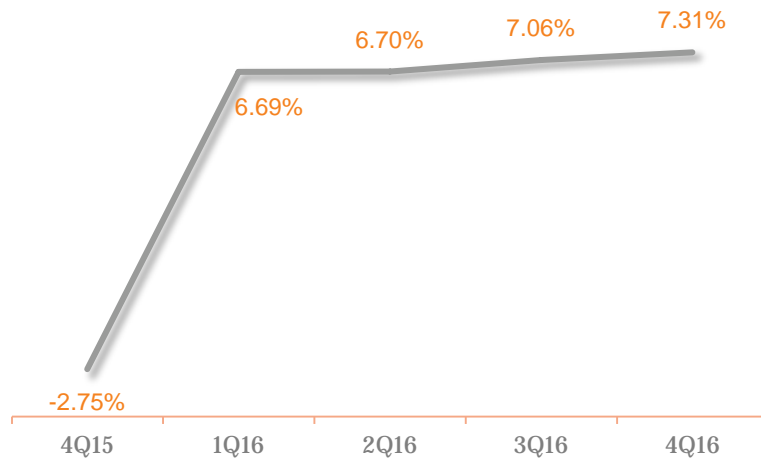
- **Leverage Ratio:** 12.99%, highest in the last five quarters
- **TCE:** 10.33% , highest in the last five quarters
- **TBV Per Share:** \$15.08 , up 3.8% year over year

# 2016: Year of Consistent Quarterly Performance

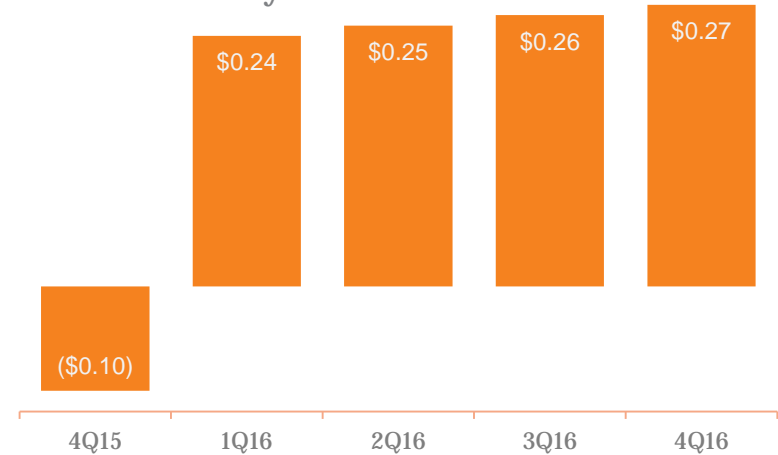
## Highlights

- Increased NIM
- Maintained credit and pricing discipline
- Reduced credit costs
- Optimized non-interest expenses
- Improved ROAA and other ratios
- Further solidified capital

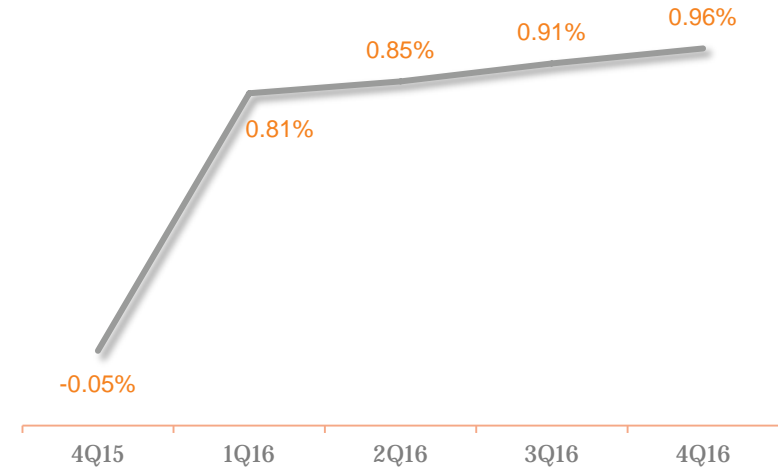
### Return on Average Tangible Common Equity



### GAAP EPS Fully Diluted



### Return on Average Assets

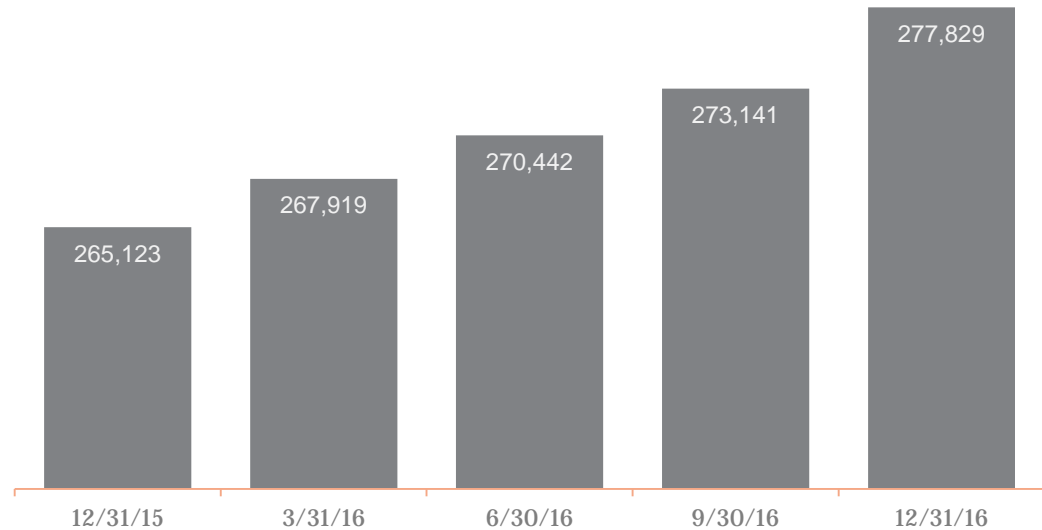


# 2016: Service Differentiation Producing Results

## Investments in Market Leading Innovations

- 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

Increased Retail Customer Base 5% 2016 vs. 2015



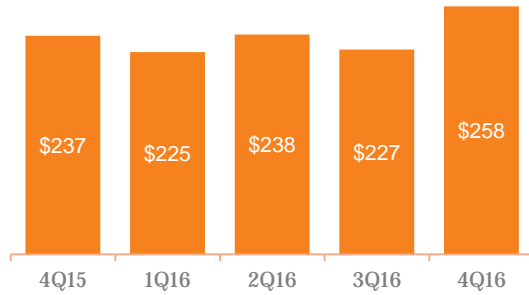
## Current Market Share Position<sup>1</sup>

- #2 in Branches with 48
- #2 in IRAs with 16% share
- #2 in Consumer Loans (ex credit cards) with 14% share
- #3 in Auto Loans with 24% share
- #3 in Mortgage Originations with 13% share
- #3 in Deposits with 11% share
- #4 in Commercial Loans 12% share

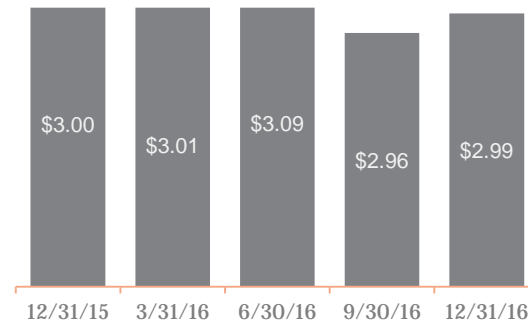
(1) Sources: Office of the Commissioner of Financial Institutions of Puerto Rico Schedules RC-E and Loans and Leases, and Non-Depository Financing Institutions Report, all for 3Q16

# 2016: Business Trends

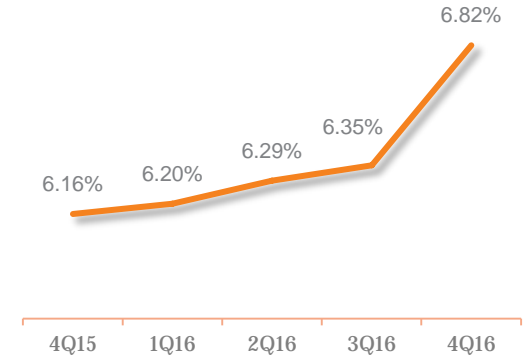
**New Loan Production (\$M)**



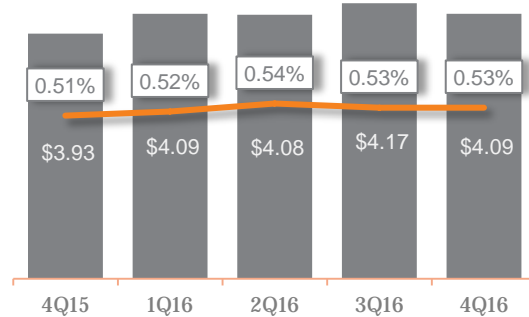
**Originated Loan Balances (\$B)**



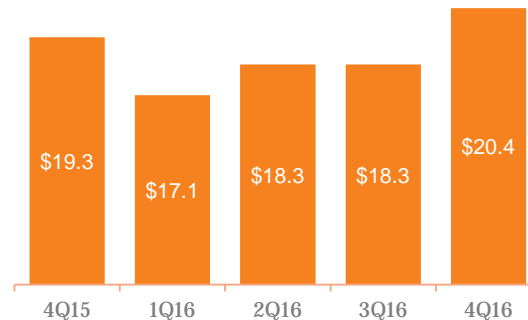
**Originated Loan Average Yield**



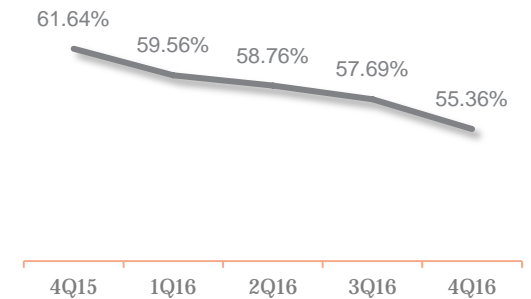
**Customer Deposits (\$B)  
Cost (%)**



**Fee Revenues (\$M)**



**Efficiency Ratio**



## Production: 4Q16 vs. 3Q16 (\$ in millions)

New Loan Originations	4Q16	Δ	Comment
Auto	\$77.6	+11.6%	<ul style="list-style-type: none"> <li>• New auto sales up 5.8% 2016 vs. 2015</li> <li>• Continued positive results working closely with dealers</li> </ul>
Mortgage	\$51.2	+	<ul style="list-style-type: none"> <li>• Maintained average of \$52M per quarter</li> <li>• Focus on conforming mortgages with relatively higher FICO scores</li> </ul>
Consumer	\$42.3	-3.1%	<ul style="list-style-type: none"> <li>• Up 11.5% year over year</li> <li>• Growth due to increased emphasis on this segment</li> </ul>
Commercial	\$86.8	+38.6%	<ul style="list-style-type: none"> <li>• Strong performance vs. average of \$74M in earlier quarters</li> <li>• Continuing stringent credit standards and pricing</li> </ul>

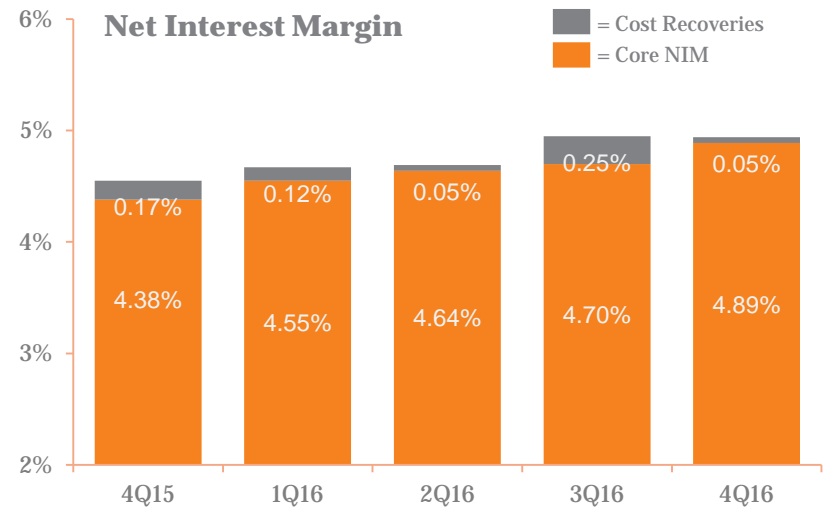
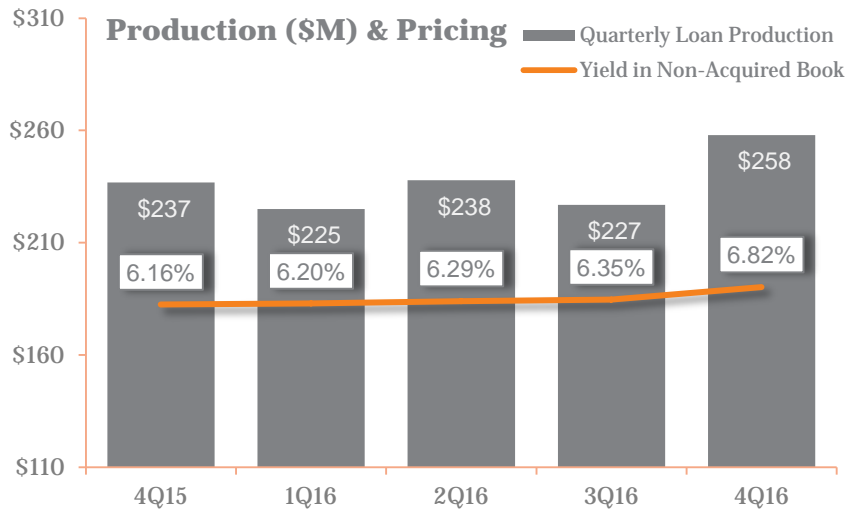
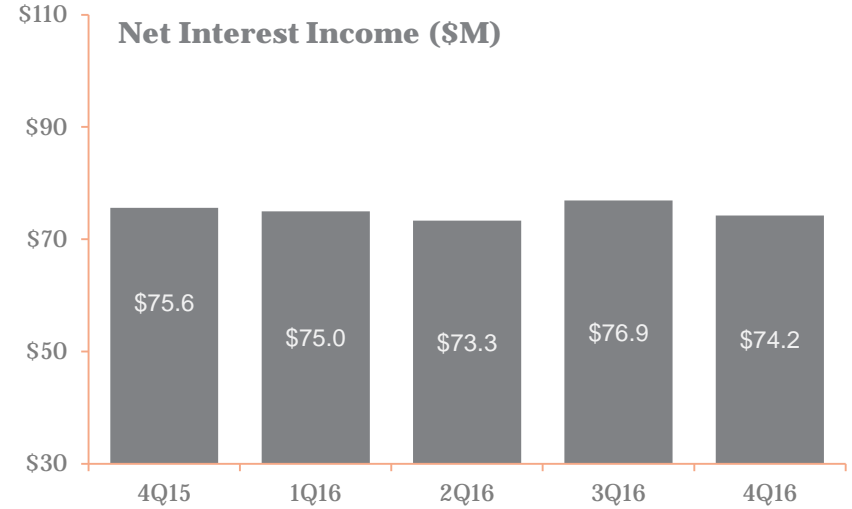
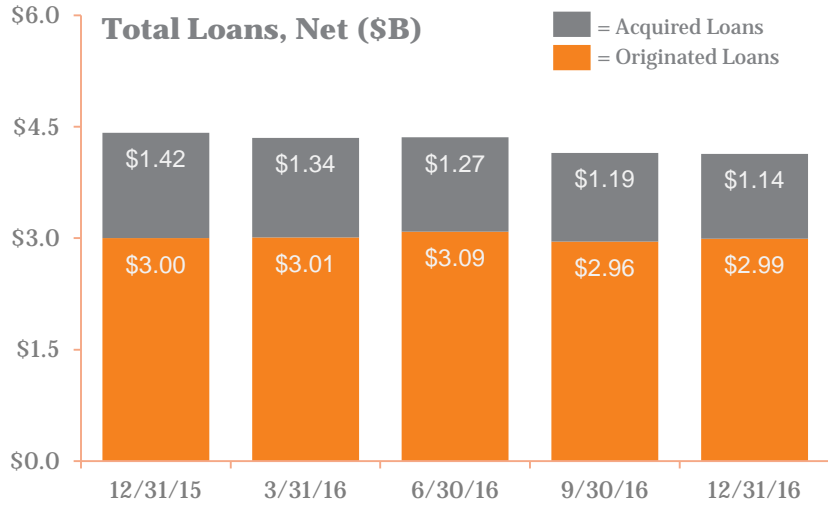
Fee Revenues	4Q16	Δ	Comment
Banking	\$11.0	+6.3%	<ul style="list-style-type: none"> <li>• Higher seasonal electronic banking transaction volume</li> </ul>
Wealth Management	\$7.7	+18.2%	<ul style="list-style-type: none"> <li>• Includes annual insurance revenues</li> </ul>
Mortgage Banking Activities	\$1.7	+21.1%	<ul style="list-style-type: none"> <li>• Higher mortgage servicing asset valuation</li> </ul>

## Income Statement: 4Q16 vs. 3Q16 (\$ in millions)

	4Q16	3Q16	Δ	Comment
Interest Income				
• Originated Loans	\$51.6	\$50.6	\$1.0	• Yields higher due to growing proportion of retail loans
• Acquired Loans	26.9	32.0	(5.1)	• Lower cost recoveries after \$2.2M in 3Q16
• Investment Securities	8.3	8.0	0.3	• Lower premium amortization, additions to securities portfolio
Interest Expense	12.6	13.7	(1.1)	• Full effect of 3Q16 reductions of \$200.5M in FHLB advances and \$67M in subordinated capital notes
Total Provision for Loan and Lease Losses	(13.4)	(23.5)	(10.1)	• 3Q16 included provisions for two PR government related loans and a single commercial loan
Total Banking & Financial Service Revenues	20.4	18.3	2.1	• Explained on prior slide
FDIC Shared-Loss Expense, Net	(2.8)	(3.3)	(0.5)	• Declined to levels from prior quarters in 2016
Total Non-Interest Expenses	(52.4)	(54.9)	(2.5)	• Most operating expenses lower due to tight controls • Credit expenses fell \$1.6M after property taxes paid in 3Q16
Income Tax Expense	(10.8)	(3.6)	(7.2)	• ETR increased to 41.1% due to year end adjustments • For 2016, ETR was 30.5%

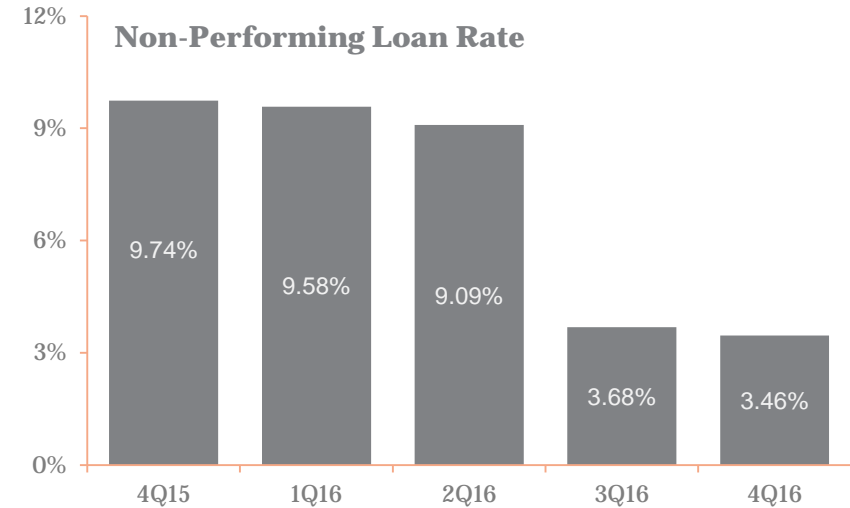
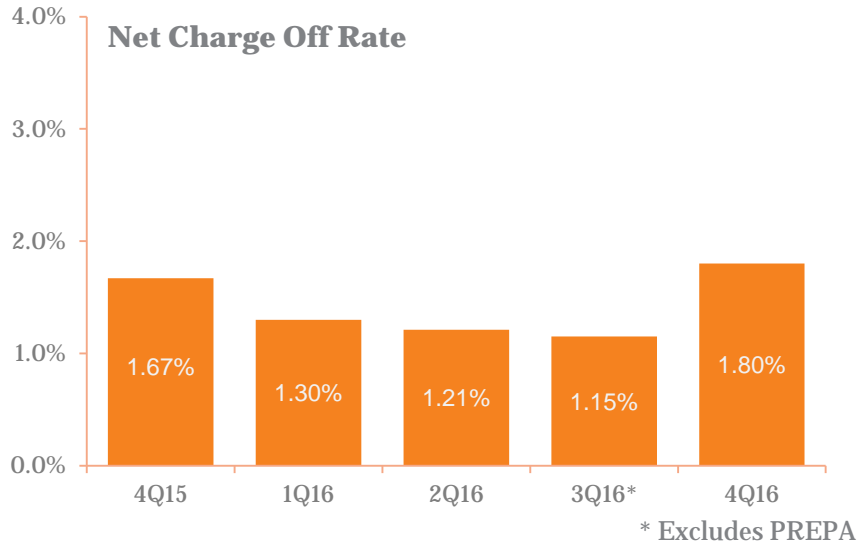


# 2016: Loan Book Transition & NIM / NII Evolution



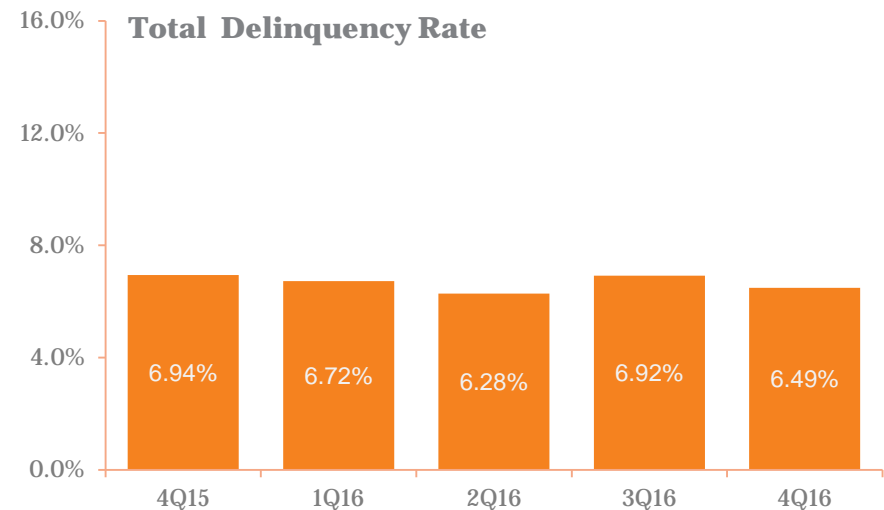
# 2016: Credit Quality: Continues to Improve

(excludes acquired loans)



## Highlights

- 4Q16 net charge offs include \$3.0M commercial loan provisioned for in 3Q16
- 4Q16 NPL rate fell from 3Q16 due to improvements in commercial, consumer and auto
- 4Q16 early and total delinquencies below 3Q16 and 4Q15 levels

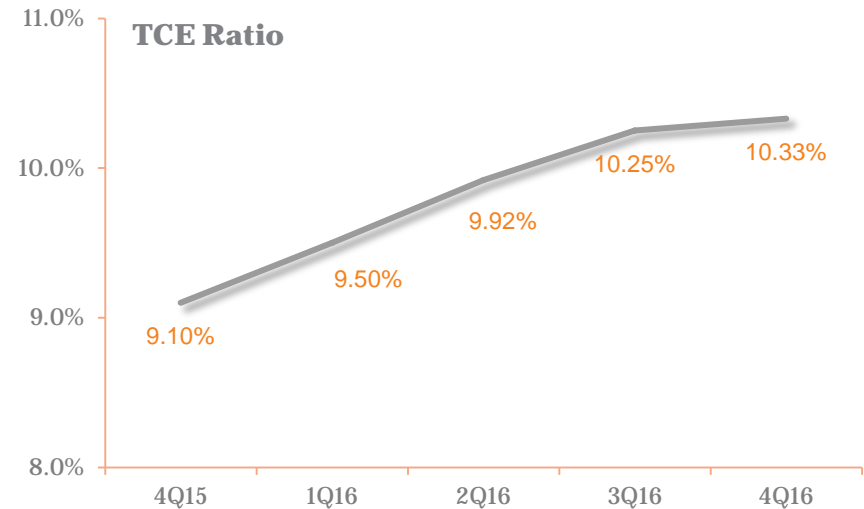
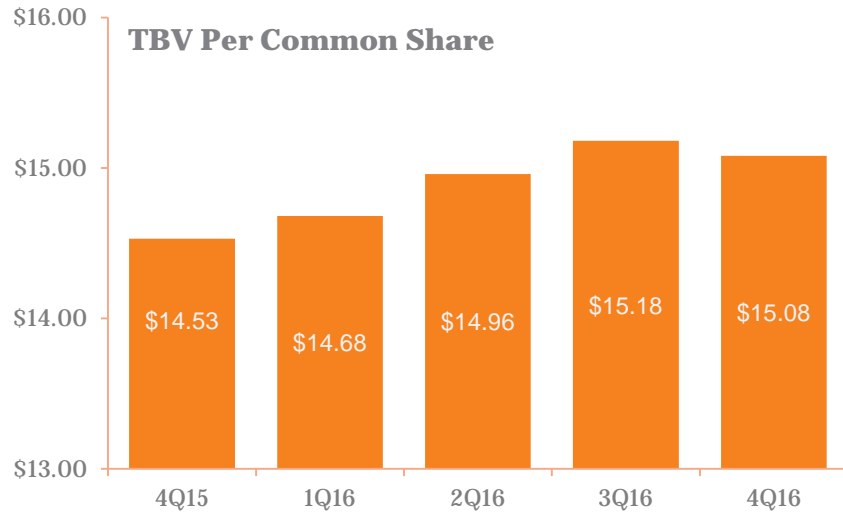


## Capital Ratios: Substantially Exceed Requirements

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

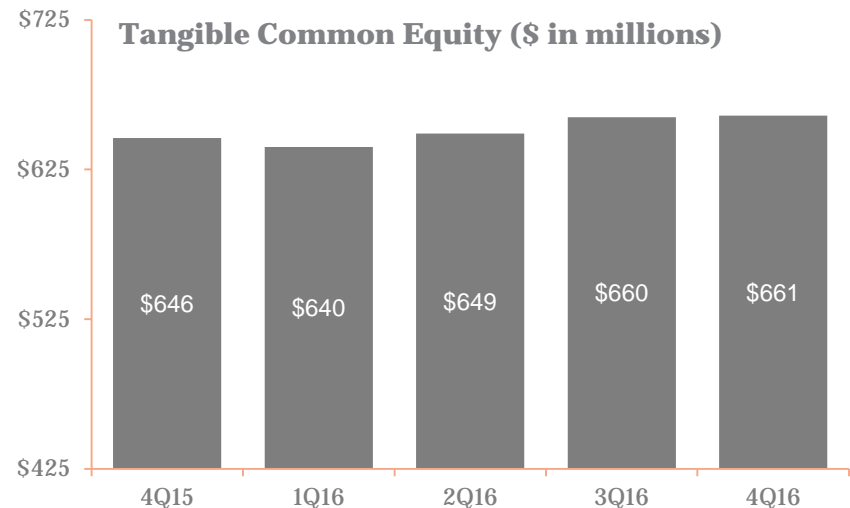
(1) Under Basel III methodology

# Tangible Common Equity: Capital Continues to Grow



## Highlights

- Regulatory capital ratios continued to be significantly above requirements for a well-capitalized institution
- This positive trend expected to continue as we show consistent quarterly results



## 5-Quarter Trend

\$ in thousands, except per share data	4Q16	3Q16	2Q16	1Q16	4Q15
Average interest earning assets	\$5,972,163	\$6,169,251	\$6,270,042	\$6,437,255	\$6,600,614
Average loans	\$4,195,966	\$4,398,032	\$4,445,658	\$4,484,410	\$4,552,234
Net interest income	\$74,213	\$76,927	\$73,312	\$74,975	\$75,622
Net interest margin	4.94%	4.95%	4.69%	4.67%	4.55%
Total provision for loan and lease losses, net	\$13,373	\$23,469	\$14,445	\$13,789	\$52,190
Non-interest income, net (core)	\$20,415	\$18,277	\$18,284	\$17,125	\$19,349
Non-interest expense	\$52,382	\$54,926	\$53,825	\$54,857	\$58,542
Operating Efficiency ratio	55.36%	57.69%	58.76%	59.56%	61.64%
Net income (loss) available to common stockholders	\$12,090	\$11,655	\$10,873	\$10,706	(\$4,442)
GAAP Diluted EPS	\$0.27	\$0.26	\$0.25	\$0.24	(\$0.10)

# Outlook

## Puerto Rico

- Look forward to PROMESA board instilling fiscal discipline and providing a path toward consensual resolution among all stakeholders
- We assume economy will remain stagnant near-term due to political and fiscal uncertainty

## OFG

- We promised consistency and delivered consistency
- Our business trends continue to look good
- For the first half of 2017, performance should continue at consistent rate

Q&A

**O**FGBankcorp