

Live the  
**DIFFERENCE**

Investor Presentation  
Second Quarter 2018

**O**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, 2017, 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 Supplements for reconciliation of GAAP to non-GAAP Measures and Calculations at [www.ofgbancorp.com](http://www.ofgbancorp.com).

# 11 Things You Need to Know about OFG

## Who We Are

1. Strong track record of profitability and capital growth since the start of Puerto Rico's recession and fiscal problems
2. Expanded organically and through two highly accretive acquisitions, going from #9 to #3 in market share
3. Experienced management team has worked a long time together
4. Survived the ultimate stress test (Hurricanes Irma and Maria in 2017), growing capital and asset quality

## Where We Are Going

5. Well-positioned to grow retail and commercial loans as \$60B public/private cash inflows expected 2018-2023 to rebuild the island
6. Winning local customers through service, innovation and digital banking
7. Building mainland business, starting with loan participations

## Why We Are Different

8. Our Oriental Bank is the challenger brand, asking customers to Live the Difference (*Vive la Diferencia*)
9. Client friendly, proactive, agile approach to everything we do
10. Focus on core products and services to maximize efficiency and profits

## What's Our Goal

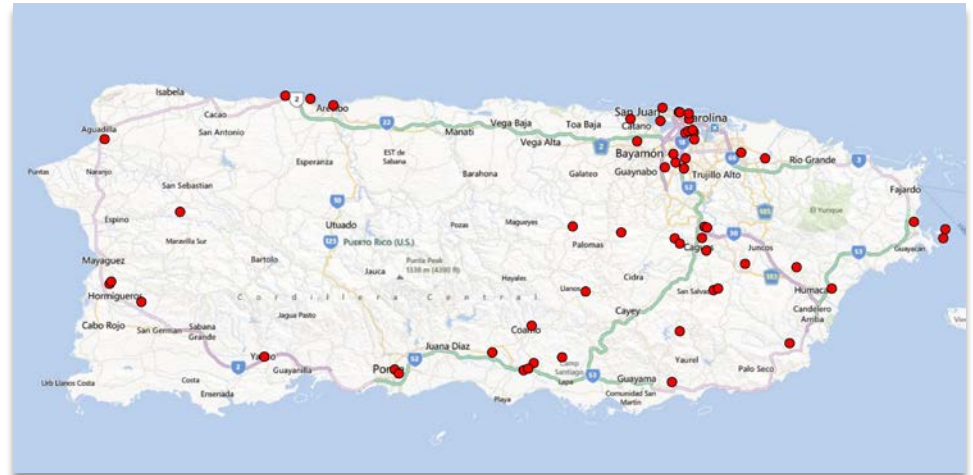
11. Continue growing capital to support lending and earnings growth and ultimately increase shareholder value

# Financial Snapshot

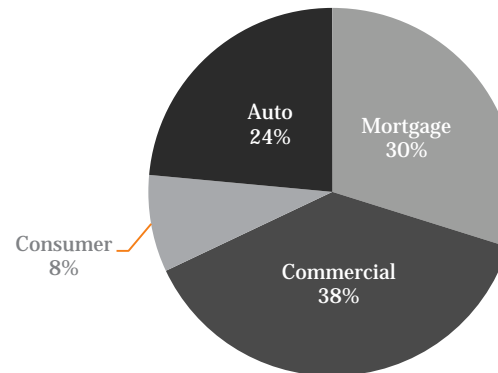
## At March 31, 2018

- Assets: \$6.2 billion
- Loans: \$4.1 billion
  - 22% under purchase accounting
- Deposits: \$4.8 billion
  - \$4.4 billion core (ex-brokered) deposits
  - \$1.0 billion non-interest bearing
- Wealth Management AUM
  - BD: \$2.2 billion
  - Trust: \$2.9 billion
- Market Cap: ~\$460 million compared to:
  - Tangible Common Equity: \$691 million

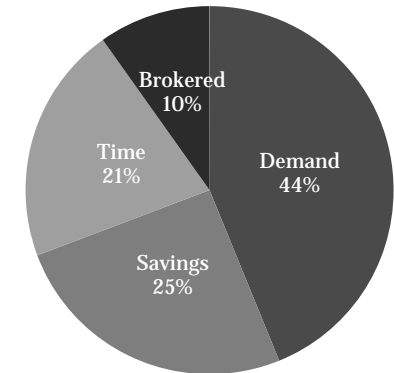
## 37 Branches, 357 ATMs in All Major Markets



## Loans



## Deposits



# Service & Innovations Building Customer Base

Oriental — The Challenger Brand	
<b>Proposition</b>	We ask customers to <i>Vive la Diferencia</i> (Live the Difference)
<b>Delivery</b>	We make service <i>Fácil, Rápido, Hecho</i> (Easy, Fast, Done)
<b>Technology</b>	Enhanced through customer-facing digital banking technology

Market Leading Innovations	
<b>ATMs</b>	Cardless withdrawal Surcharge-free access Quick Deposit ATMs Video Interactive ATMs
<b>Mobile</b>	Business banking Mortgage status Check deposit P2P payment Debit & credit card security
<b>Online/Mobile</b>	Online account opening Online/mobile scheduling Online/mobile personal loan app Online loan payment

Customer Base	
<b>1Q18</b>	Up 8% annualized from 4Q17
<b>2017</b>	Up 2% (affected by hurricanes)
<b>2016</b>	Up 5%

# Experienced Executive Team



**José Rafael Fernández**

President, CEO,  
Vice Chairman

Joined OFG in 1991



**Ganesh Kumar**

SEVP - Chief Operating  
Officer, Head of Retail  
Banking & Business  
Development

Joined OFG in 2004



**Maritza Arizmendi**

EVP - Chief Financial Officer

Joined OFG in 2012 with  
acquisition of BBVA Puerto  
Rico operations

Joined BBVA PR in 1998  
with its acquisition of  
Poncebank



**Carlos Souffront**

General Counsel (since  
2008) & Secretary Board of  
Directors (since 1996)

# The Challenge Ahead

Seven Months Post-Maria

## Recovery Continues

- Day-to-day life stabilizing for business and consumers
- Early benefits of insurance money and federal spending
- Emerging sense of revitalization among business leaders and entrepreneurs

## But Still Waiting for...

- Insurance and federal money to really start flowing
- Permanent solution resolving the PREPA operational disaster
- Political will to execute PROMESA Board approved fiscal plans without delay
- Plan for Economic Growth

## OFG Leading the Way

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

**Recent Performance**

**FGBanCorp**



# 1Q18 Highlights

## Earnings

- **Diluted EPS:** \$0.30 vs. \$0.30 in 4Q17 and \$0.26 in 1Q17

## Performance (vs. 4Q17)

- **Loans Balance:** \$4.1B – up \$77M
- **New Loan Generation:** \$309M – up 22%
- **NIM:** 5.22% – up 14 bps
- **Credit:** Most metrics better than, or returning to, pre-hurricanes levels
- **Fee Revenues:** Banking Services up 24%, Mortgage Banking up 43%
- **Customer Deposits (ex-brokered):** \$4.4B – up \$78M

## Capital (vs. 1Q17)

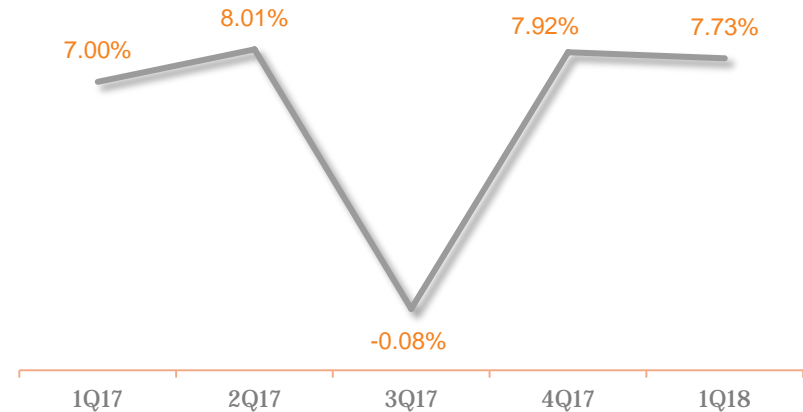
- **TBVPS:** \$15.71 – Up 2.5%
- **TCE Ratio:** 11.22% – Up 56 bps
- **Common Equity Tier 1:** 14.62% – Up 32 bps
- **Total Risk-Based:** 20.31% – Up 26 bps

# Continued Strong Post-Hurricanes Recovery

## GAAP EPS Fully Diluted



## Return on Average Tangible Common Equity



## 1Q18 Highlights

- Confirms success of our strategies
- Demonstrates Puerto Rico's emerging recovery
- Economy benefitting from:
  - Loan moratoriums, return of electric power and telecom, more day-to-day stability
  - FEMA spending, insurance payments, and prospect of growing federal funds

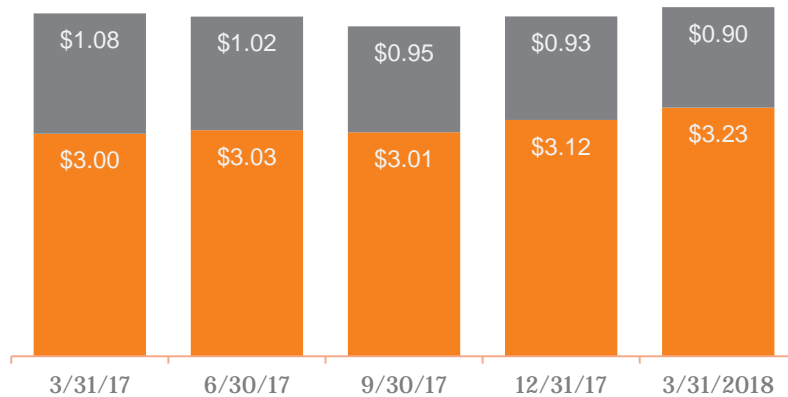
## Return on Average Assets



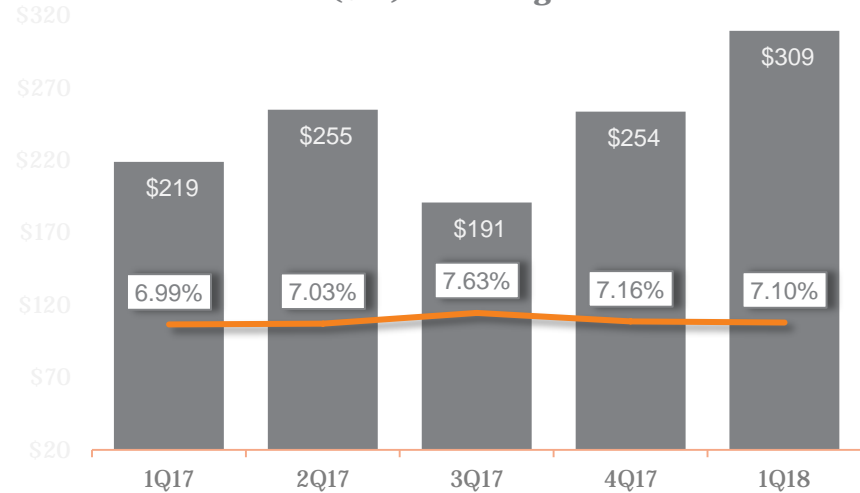
# Loan Book, Production & NIM Growth

## Total Loans, Net (\$B)

■ = Acquired Loans  
■ = Originated Loans



## New Production (\$M) & Pricing

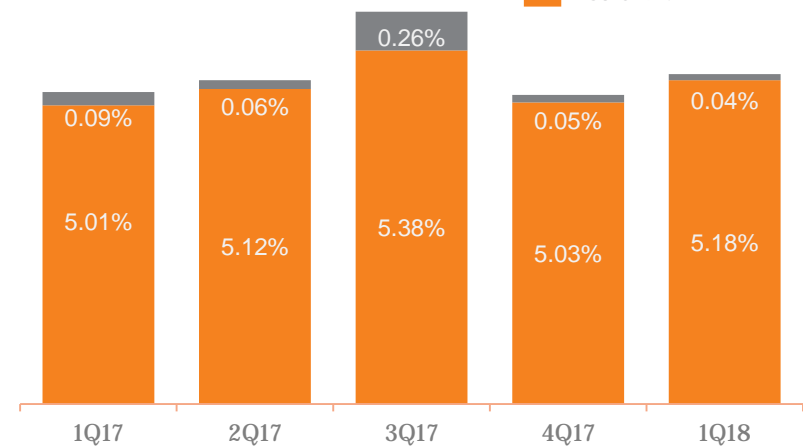


## 1Q18 Highlights

- Originated loan growth continued to outpace acquired loan pay downs
- Net loans grew 8% annualized from 12/31/17
- New production up 22% from 4Q17 led by record auto lending
- OFG USA added \$74M in C&I participations

## Net Interest Margin

■ = Cost Recoveries  
■ = Core NIM

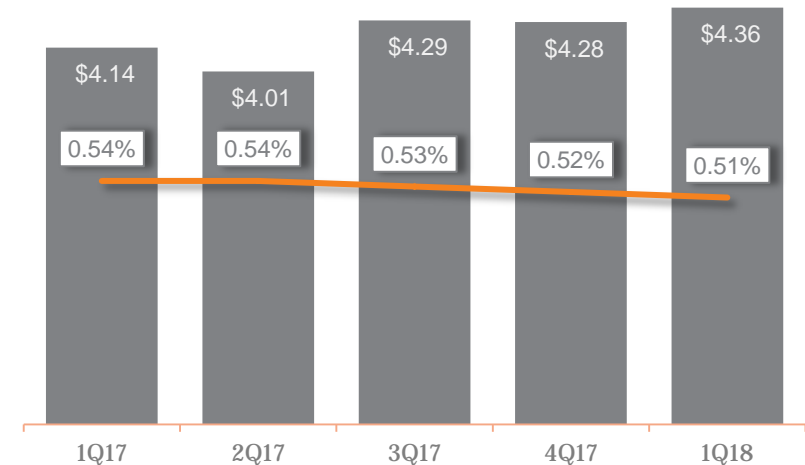


# Other Business Trends Positive

### Fee Revenues (\$M)



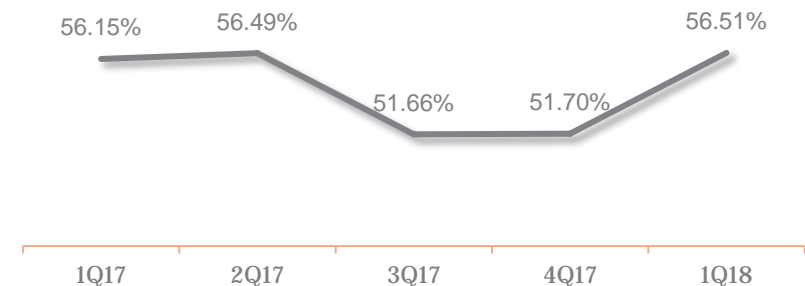
### Customer Deposits (\$B) & Cost (%)



## 1Q18 Highlights

- Fee revenues rebounded: Banking Services up 24%, Mortgage Banking up 43%, core Wealth Management steady
- Customer deposits (ex-brokered) up 2% with non-interest bearing at \$1B record
- Efficiency ratio returned to pre-hurricanes levels—1Q18 included higher seasonal compensation and credit related expenses

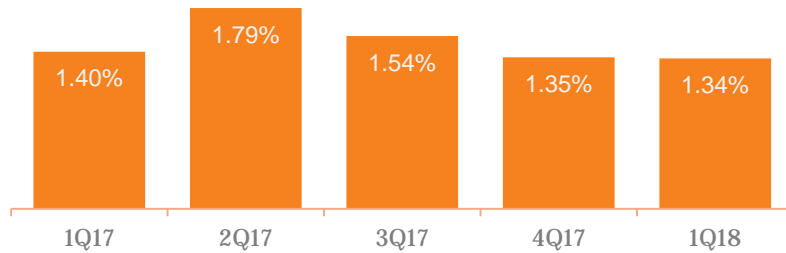
### Efficiency Ratio



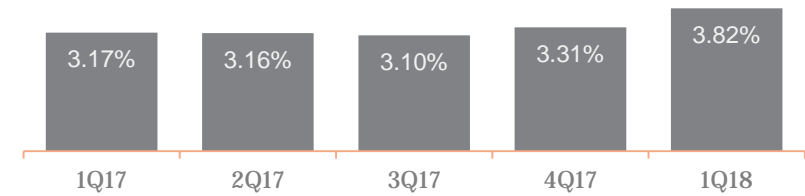
# Credit Quality Remains Stable

(Excludes acquired loans)

## Net Charge Off Rate



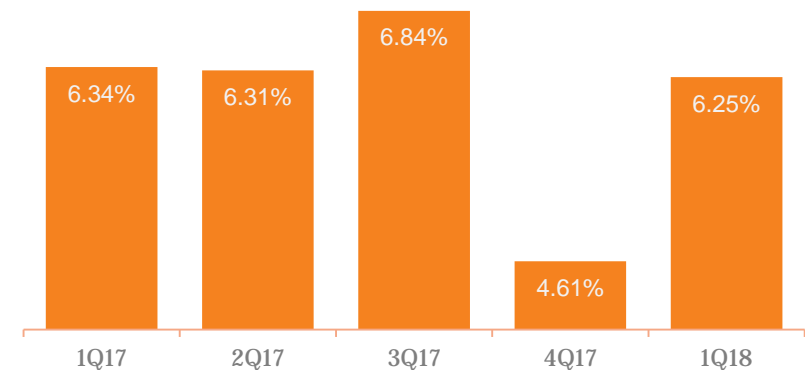
## Non-Performing Loan Rate



## 1Q18 Highlights

- NCO: Remained flat as consumer lending rate returned to pre-hurricanes levels, while others remained flat/declined
- NPL: Increased 51 bps due to one commercial loan and auto loans coming off moratoriums
- Total Delinquency: Returned to pre-hurricanes levels

## Total Delinquency Rate

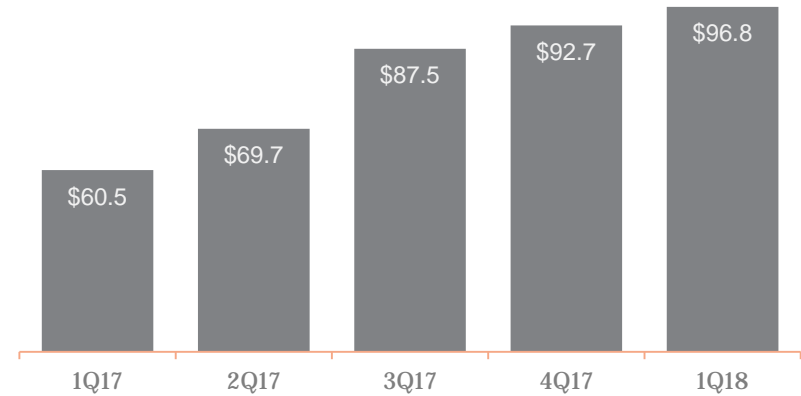


# Loan Loss Provision Declines

Provision for Loan Losses (\$M)



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



## Notes

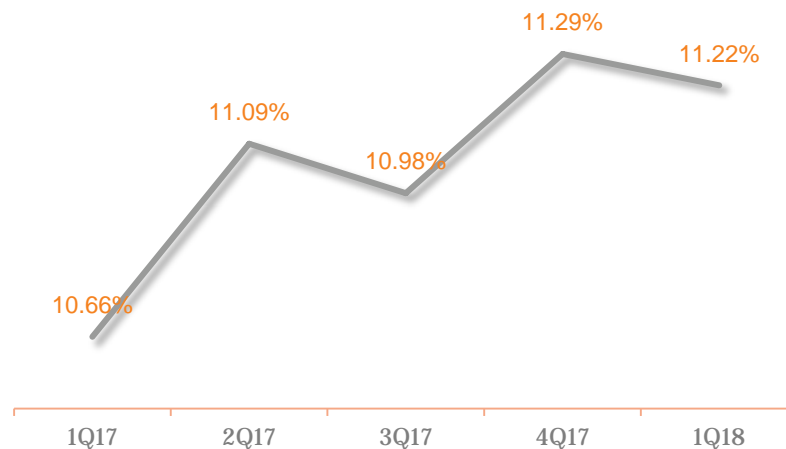
- 3Q17 and 4Q17 included incremental provisions to increase the allowance for hurricanes-related impact on loans
- Most loan moratoriums ended in 1Q18
- 1Q18 provision of \$15.5M included:
  - \$8.6M to replenish the allowance for retail loan charge-offs of \$8.2M related to the hurricanes
  - Increase in the allowance related to auto loan portfolio growth and one commercial loan placed in non-accrual

# Tangible Common Equity

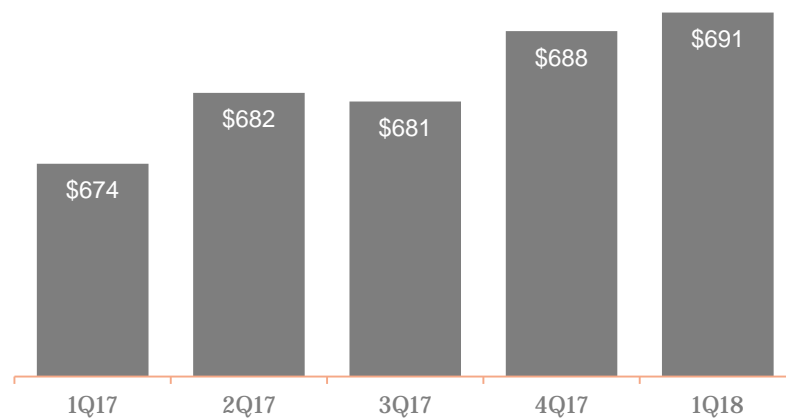
## TBV Per Common Share



## TCE Ratio



## Tangible Common Equity (\$M)



Appendix

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# The OFG Story

1964

- Founded as small S&L in eastern Puerto Rico (Oriental means “East” in Spanish)
- Created niche offering innovative investment and retirement products

2004-2008

- Built large, profitable investment securities portfolio
- Navigated PR financial crisis (2006) and industry crisis (2008) without defensive capitalization or bailouts

2010-2012

- Acquired Eurobank through FDIC assisted transaction -- \$1.5B in assets
- Acquired local operations of BBVA -- \$5.7B in assets
- Began replacing investment securities portfolio with loans

2008-2016

- Began positioning Oriental as local, digitally enhanced Challenger Brand
- TBV outpaced KBW’s SMID Cap Model Portfolio

2017

- Quickly recovered after hurricanes Irma and Maria devastated Puerto Rico
- Launched U.S. Loan Program for diversification and growth purposes

# Income Statement Highlights

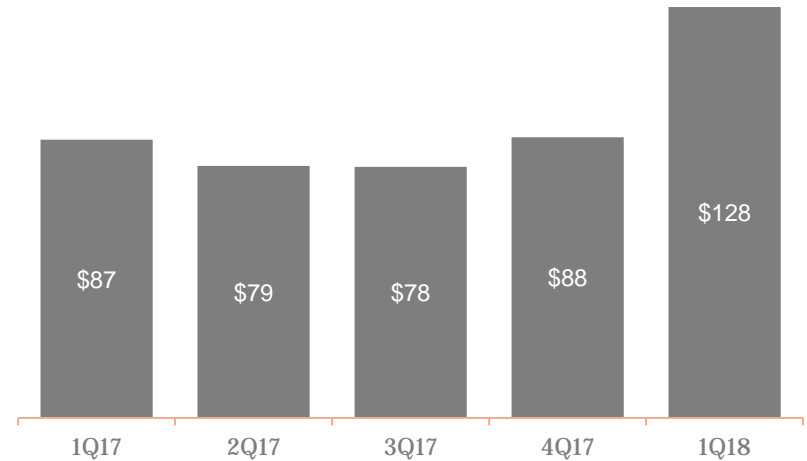
\$ in millions	1Q18	4Q17	Δ	Comment
Interest Income:				
• Originated Loans	\$56.8	\$56.2	\$0.6	<ul style="list-style-type: none"> <li>• Continued growth of originated loans</li> <li>• Continued pay down of acquired loans</li> <li>• Purchase of new, higher-yielding MBS</li> </ul>
• Acquired Loans	17.8	18.9	(1.1)	
• Investment Securities	8.6	8.1	0.5	
Interest Expense	(9.2)	(9.7)	(0.5)	<ul style="list-style-type: none"> <li>• Reduced balance of higher cost FHLB borrowings</li> <li>• Growth of non-interest bearing deposits</li> </ul>
Total Provision for Loan and Lease Losses:				
• Hurricanes Related	–	(5.4)	(5.4)	<ul style="list-style-type: none"> <li>• No incremental provisions after most loan moratoriums ended</li> <li>• 1Q18 to increase allowance (i) to replenish for hurricane related, (ii) for auto loan growth, and (iii) for commercial loan placed in non-accrual</li> </ul>
• Regular Provision	(15.5)	(19.5)	(4.0)	
Total Banking & Financial Service Revenues	18.2	16.7	1.5	<ul style="list-style-type: none"> <li>• Banking services up \$2M w/increased electronic banking activity</li> <li>• Wealth Mgmt. fell \$1M w/absence of annual insurance fees in 4Q17</li> <li>• Mortgage banking up \$0.5M w/increased business</li> </ul>
Total Non-Interest Expenses	(52.1)	(46.7)	(5.5)	<ul style="list-style-type: none"> <li>• 4Q17 included \$3.8M in items that temporarily lowered costs</li> <li>• 1Q18 included higher expenses (i) related to seasonal compensation (\$0.5M), (ii) credit related (\$0.6M OREO property taxes), and (iii) sale of foreclosed assets returning to pre-hurricanes levels</li> </ul>
Income Tax Expense	(8.0)	(1.7)	(6.3)	<ul style="list-style-type: none"> <li>• 4Q17 ETR of 8.99% reflected final year-end tax accounting</li> <li>• 1Q18 ETR of 32% based on full year 2018 rate</li> </ul>

# Auto Loans (\$ in millions)

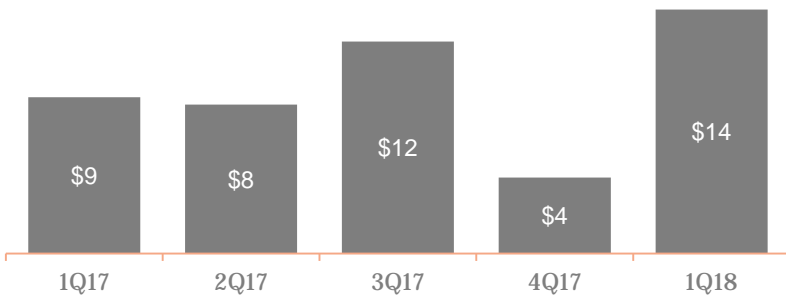
**Portfolio (originated and acquired)**



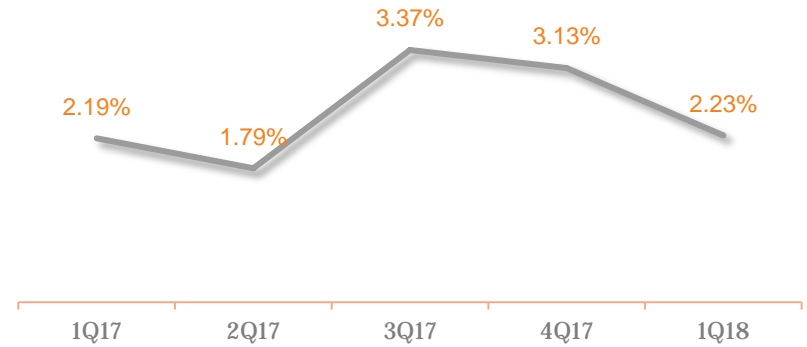
**New Production**



**Non-Performing Loans (originated)**



**NCO Rate (originated)**

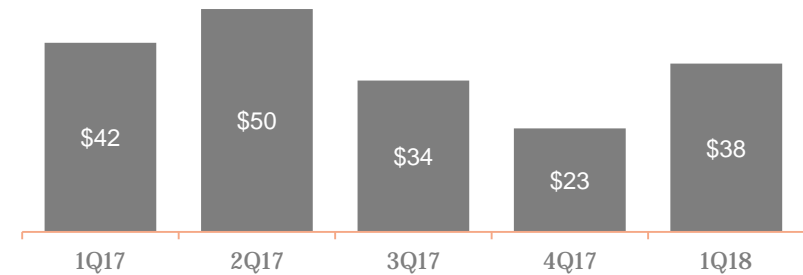


# Consumer Loans (\$ in millions)

**Portfolio** (originated and acquired)



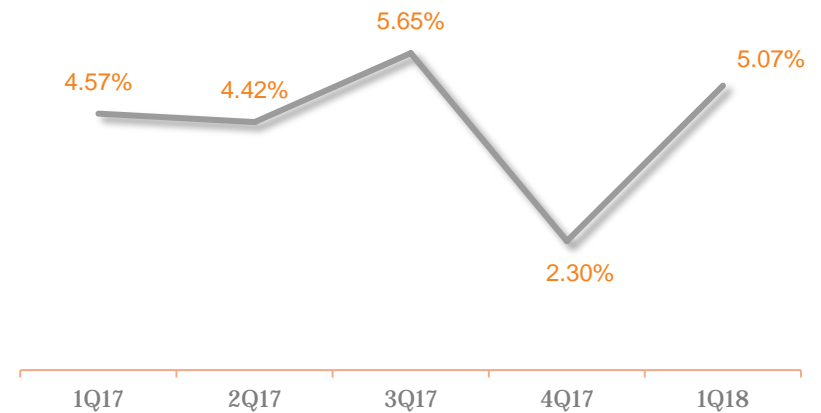
**New Production**



**Non-Performing Loans** (originated)

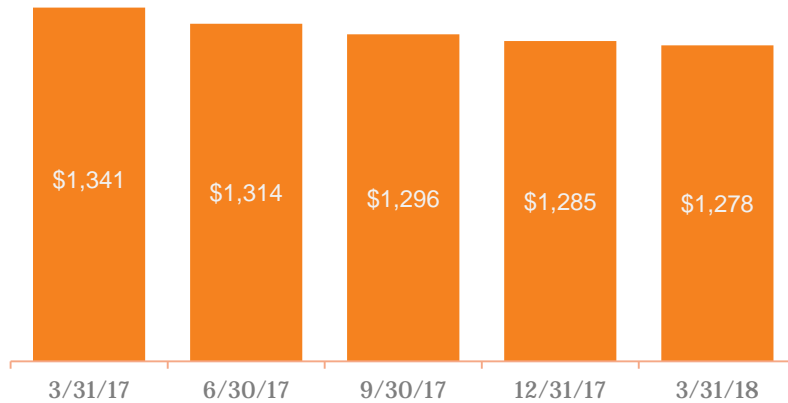


**NCO Rate** (originated)



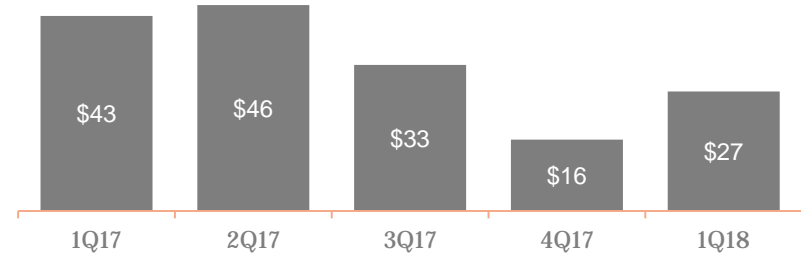
# Residential Mortgages (\$ in millions)

**Portfolio** (originated and acquired)

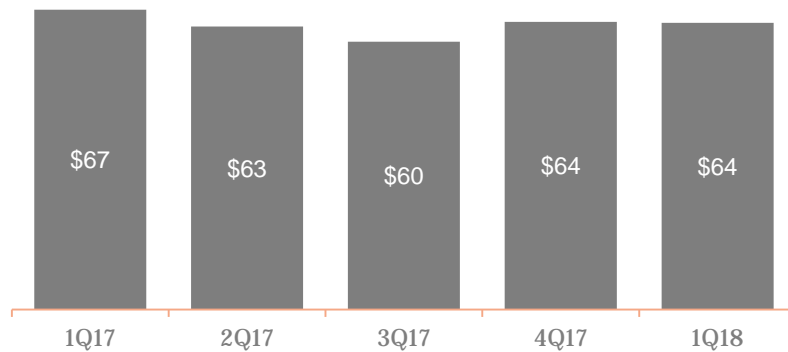


**New Production**

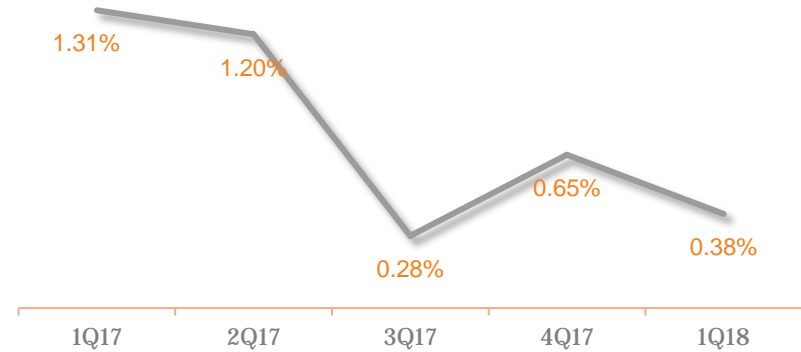
*Since 2007, most production, which focuses on conforming product, is sold into the secondary market*



**Non-Performing Loans** (originated)



**NCO Rate** (originated)

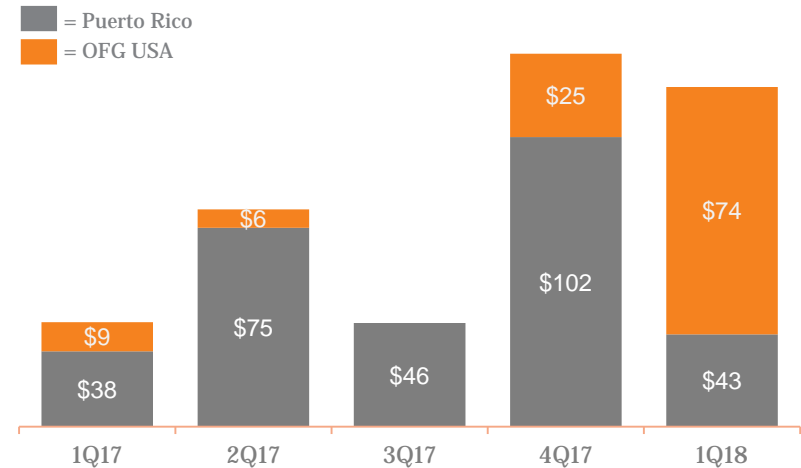


# Commercial Loans (\$ in millions)

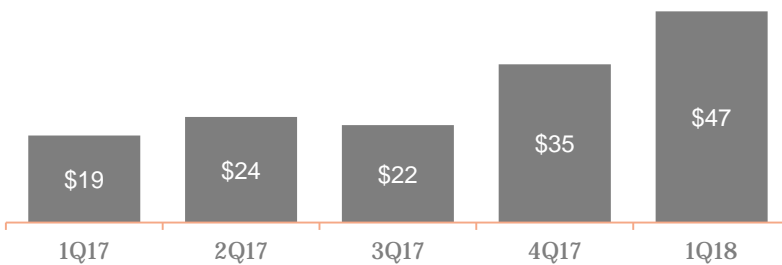
## Portfolio (originated and acquired)



## New Production

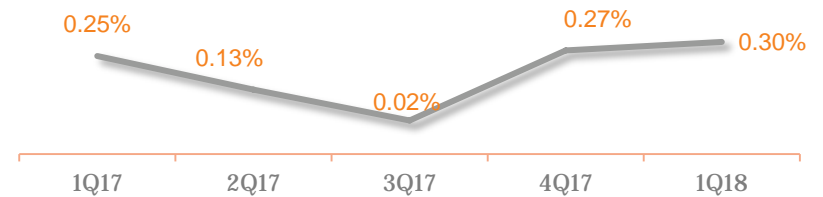


## Non-Performing Loans (originated)

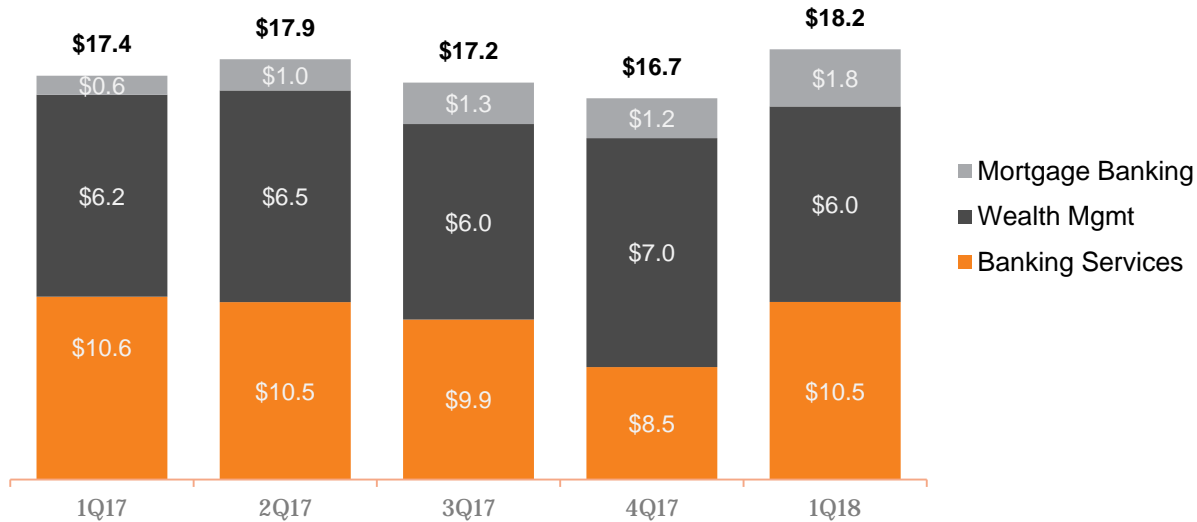


## NCO Rate (originated)\*

\* Excludes impact of 2Q17 sale of municipality loan that made GAAP NCO Rate 1.50%



## Core Non-Interest Income (\$ in millions)



### Notes

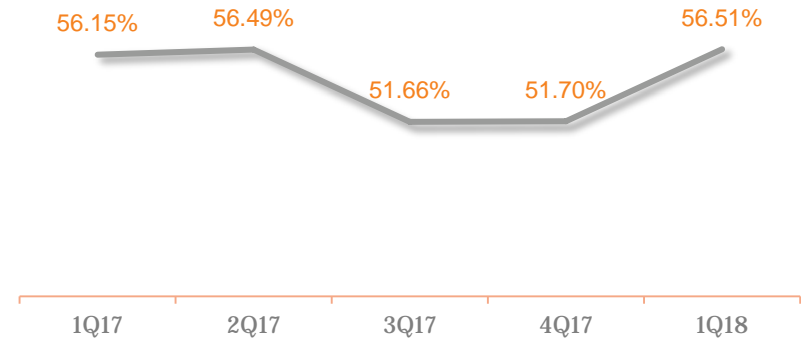
- Banking services enhanced through financial technology offerings
- Wealth management reflects decline in brokerage offset by increase in insurance
- Mortgage banking reflects production levels and amounts sold into the secondary market

# Non-Interest Expenses (\$ in millions)

## Non-Interest Expenses



## Efficiency Ratio



## Notes

- Continuing to invest in branding, customer facing capabilities, service innovation
- 4Q17 included non-recurring items that lowered expenses ~\$4.0M
- 2018 quarterly expenses should average ~\$50M
- 1Q18 included higher seasonal compensation expenses and expenses related to the sale of foreclosed assets returned to pre-hurricanes levels



## 5-Quarter Trend

\$ in thousands, except per share data	1Q18	4Q17 <sup>(1)</sup>	3Q17 <sup>(2)</sup>	2Q17	1Q17
Average interest earning assets	\$5,751,783	\$5,735,593	\$5,658,953	\$5,848,525	\$5,932,924
Average loans	\$4,183,775	\$4,081,427	\$4,062,042	\$4,129,550	\$4,141,628
Net interest income	\$73,994	\$ 73,513	\$80,478	\$75,563	\$74,618
Net interest margin	5.22%	5.08%	5.64%	5.18%	5.10%
Total provision for loan and lease losses, net	\$15,460	\$24,907	\$44,042	\$26,536	\$17,654
Non-interest income, net (core)	\$18,239	\$16,734	\$17,213	\$17,933	\$17,428
Non-interest expense	\$52,121	\$46,662	\$50,469	\$52,816	\$51,684
Operating Efficiency ratio	56.51%	51.70%	51.66%	56.49%	56.15%
Net income (loss) available to common stockholders	\$13,452	\$13,608	(\$146)	\$13,638	\$11,685
Diluted EPS	\$0.29	\$0.30	\$0.00	\$0.30	\$0.26

(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

## Capital Ratios Remain at High Levels

	1Q18	2017	2016	2015	2014	2013
Leverage Ratio	14.09%	13.92%	12.99%	11.18%	10.61%	9.06%
Common Equity Tier 1	14.62%	14.59%	14.05%	12.14%	N/A	N/A
Tier 1 Common Ratio	N/A	N/A	N/A	N/A	11.88%	10.46%
Tier 1 Risk-based Capital Ratio	19.01%	19.05%	18.35%	15.99%	16.02%	14.38%
Total Risk-based Capital Ratio	20.31%	20.34%	19.62%	17.29%	17.57%	16.16%
Tangible Common Equity (TCE) Ratio	11.22%	11.29%	10.33%	9.10%	9.25%	7.71%

# Contacts

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- IR Coordinator: Steven Anreder ([sanreder@ofgbancorp.com](mailto:sanreder@ofgbancorp.com)) at 212-532-3232