



QUARTERLY EARNINGS
2Q18 Conference Call
July 20, 2018

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.

2Q18 Performance Highlights

EPS



TBV

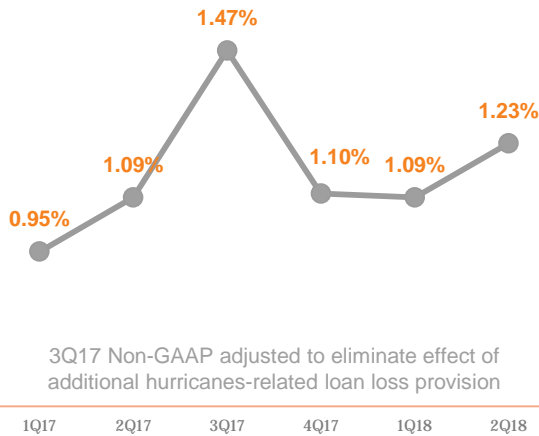
Per Common Share



Key Points

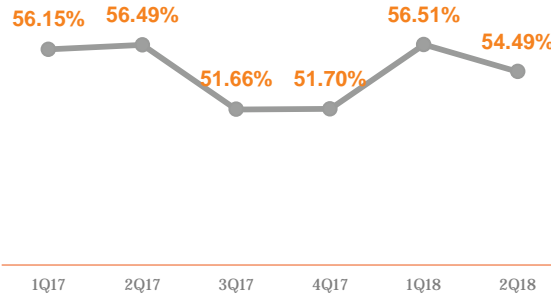
- Our strategy of differentiation continues to be successful
- We are focused on delivering superior customer service through innovative technology, speedy processes, and personal attention
- Virtually every one of our metrics confirms the success of this strategy, our people and our technology

ROAA



3Q17 Non-GAAP adjusted to eliminate effect of additional hurricanes-related loan loss provision

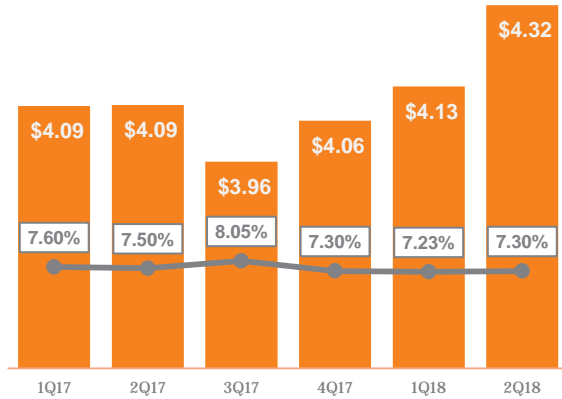
Efficiency Ratio



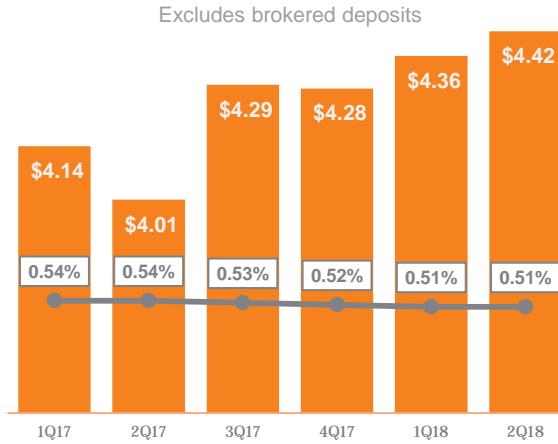
Live the **DIFFERENCE**™

2Q18 Operational Highlights

Total Loans (\$B) & Yield



Core Deposits (\$B) & Cost



Strategic Initiatives

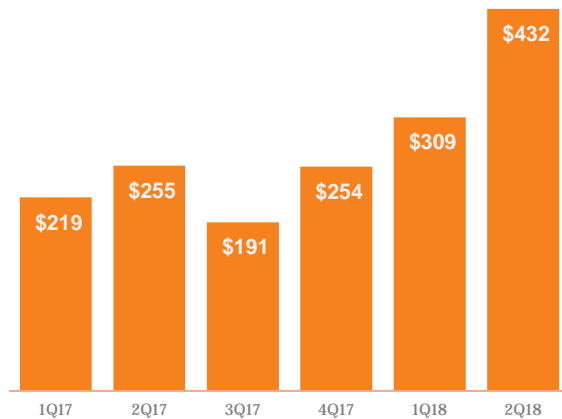
Oriental SmallBiz

- Apply online for commercial loans – another Puerto Rico banking first
- Similar to retail process for applying for personal loans

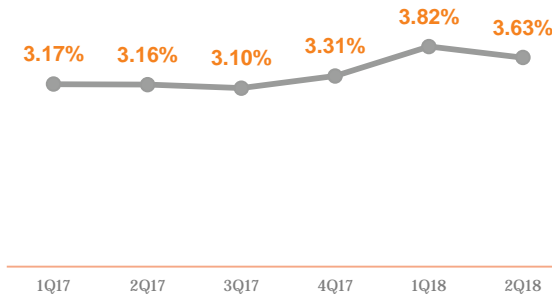
Mis Pagos (My Payments)

- Retail loan customers without Oriental Bank accounts can pay online with accounts or credit cards from other banks
- Eliminates standing in line at branches

Loan Generation (\$M)



Non-Performing Loan Rate



Fácil. Rápido. Hecho.
Easy. Fast. Done.

The Opportunity Ahead

10 Months Post-Maria

OFG Leading the Way

- Results showing strong momentum
- Developing new commercial relationships in Puerto Rico and US
- Looking at additional ways to optimize internal processes
- Implementing more technology to service customers better and faster
- Increasingly confident in our ability to grow, expand and help Puerto Rico recover

Economic Rebound Starting

- Revival of business activity as reconstruction of homes, businesses and public infrastructure has started
- Funds from insurers, FEMA and other government and private sources starting to flow
- Growing optimism among business leaders and entrepreneurs

But Still Waiting for...

- Permanent solution resolving the PREPA operational disaster
- Political will to execute PROMESA Board approved fiscal plans without delay

Appendix

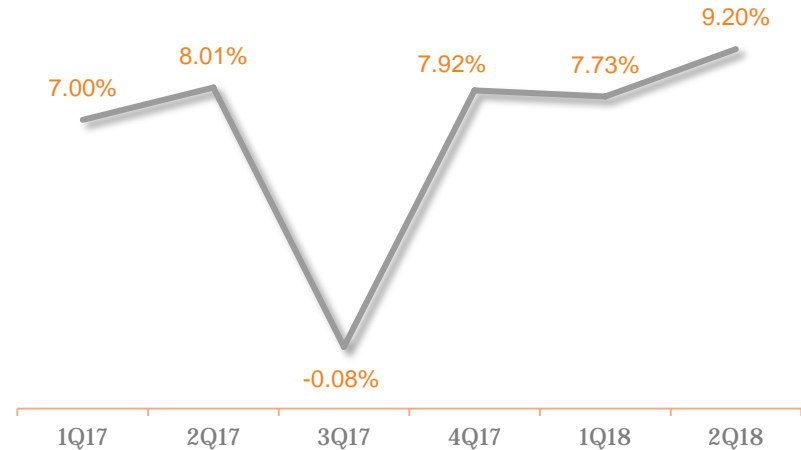
OFGBankcorp

Higher Level of Earnings & Performance

GAAP EPS Fully Diluted



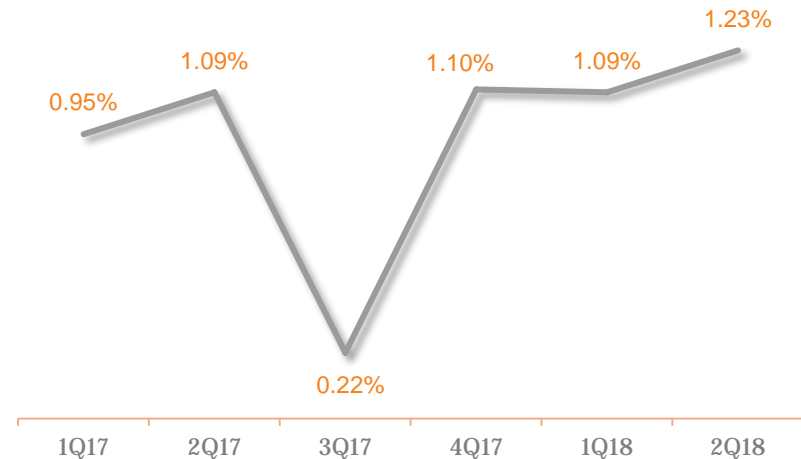
Return on Average Tangible Common Equity



2Q18 Highlights

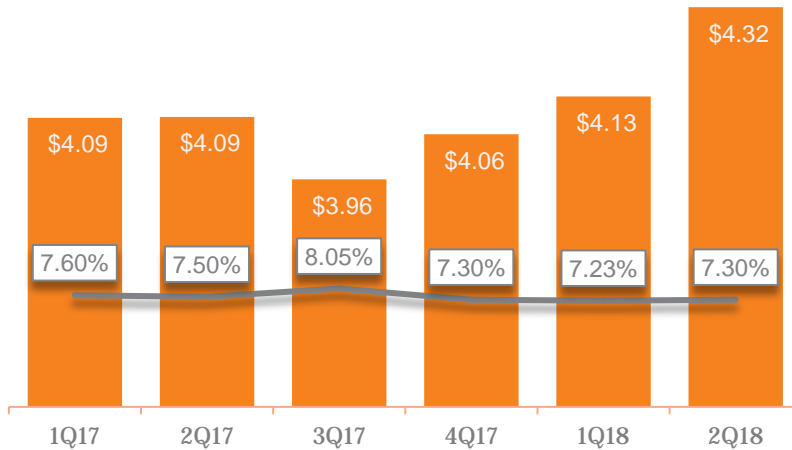
- Success of our strategies
- Puerto Rico's recovery
- Oriental helping to make it happen
- Strong momentum despite political and fiscal environment

Return on Average Assets

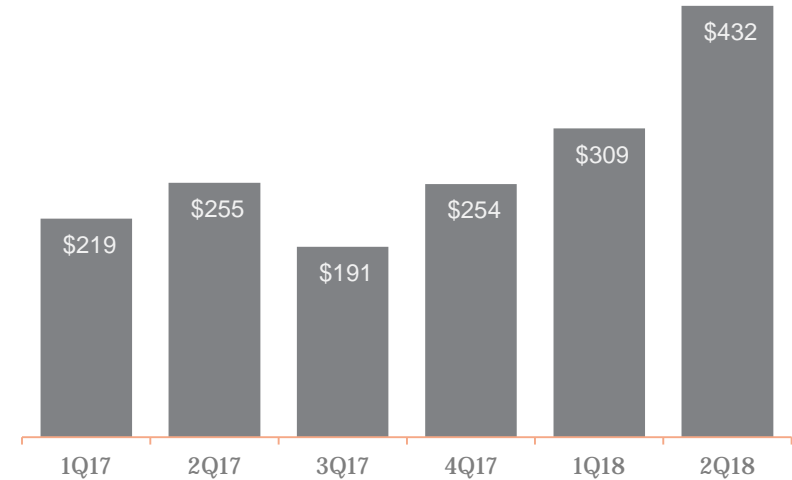


Originated Loans Outpacing Acquired Loan Runoff

Total Loans, Net (\$B) & Yield



New Production (\$M)



2Q18 Highlights

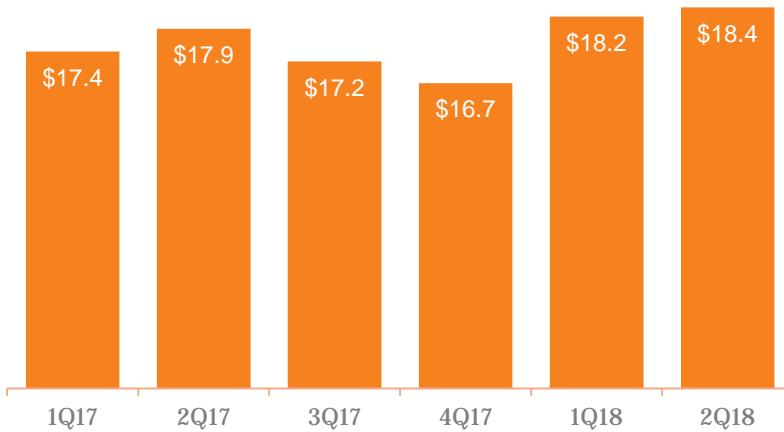
- Originated loans grew 6.6% sequentially and 14.5% year over year
- Net loans grew 4.4% from 3/31/18 and 6.4% from 12/31/17
- New production up 40% from 1Q18 led by record auto lending, commercial lending rebound, and \$100M in OFG USA C&I participations

Net Interest Margin

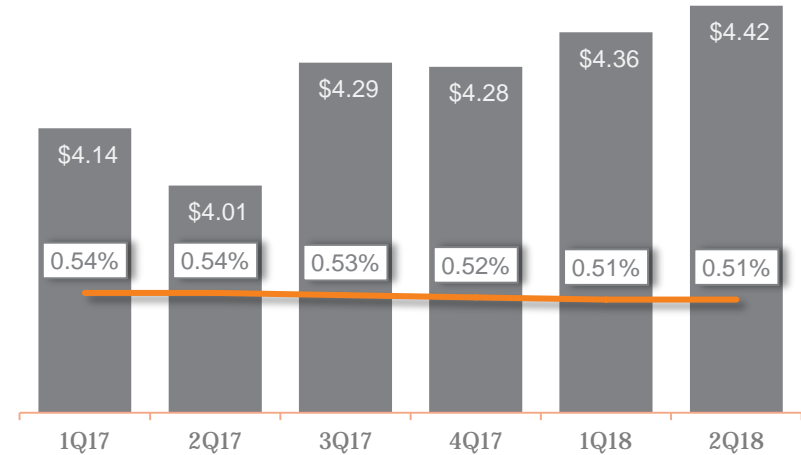


Other Business Trends Strong

Fee Revenues (\$M)



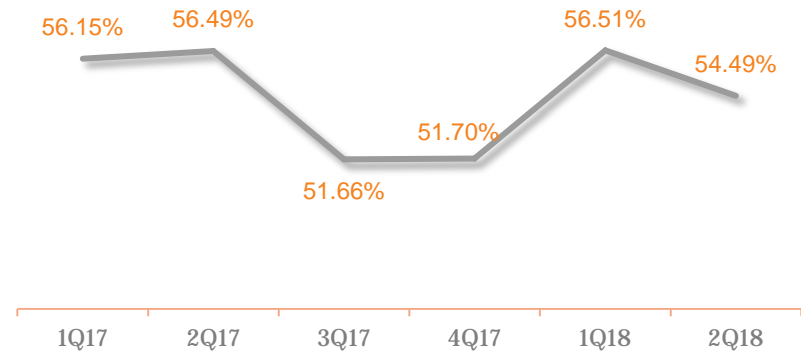
Customer Deposits (\$B) & Cost (%)



2Q18 Highlights

- Fee revenues remained high due to increased electronic banking activity
- Customer deposits (ex-brokered) up 1.4% sequentially with non-interest bearing at a record high \$1.1B
- Efficiency ratio improved even with expense to cancel leases to move more people to Oriental Center and reduce 2019 occupancy costs

Efficiency Ratio

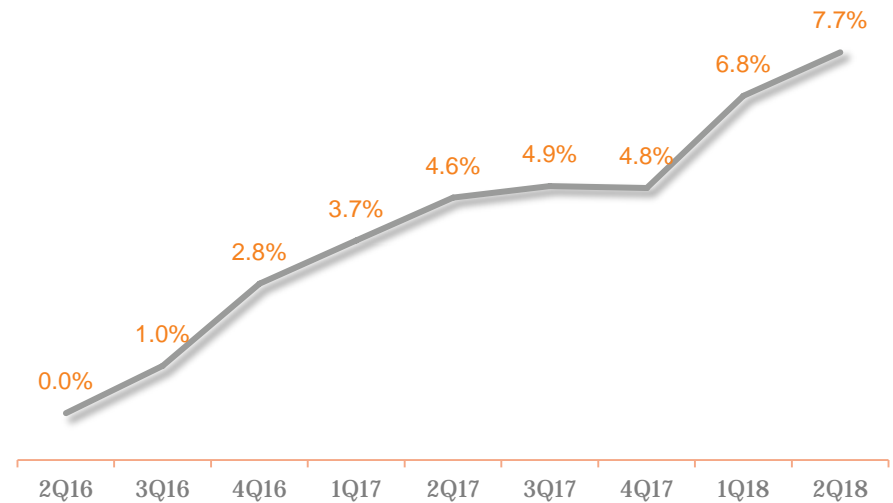


Customer Count Continues to Climb

2Q18 Highlights

- Up 1% sequentially and 3% year over year
- Continued growth since hurricanes-affected 2017 second half
- New Commercial Service: Oriental SmallBiz
 - Clients can apply online for commercial loans – another Puerto Rico banking first
 - Similar to previously introduced online process enabling retail customer to apply online for personal loans
- New Retail Service: *Mis Pagos* (My Payments)
 - Retail loan customers who don't have Oriental Bank accounts can pay online using accounts or credit cards from other institutions
 - Eliminates need to stand in line at branches

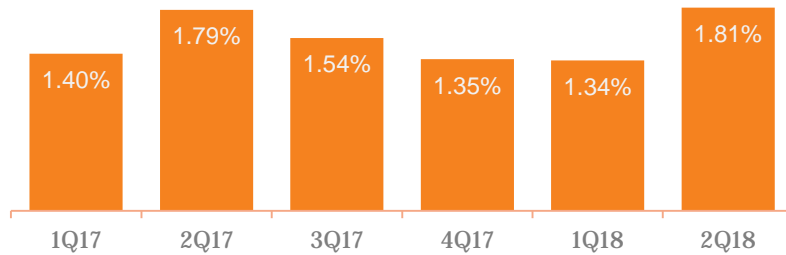
Customer Growth Since 2Q16



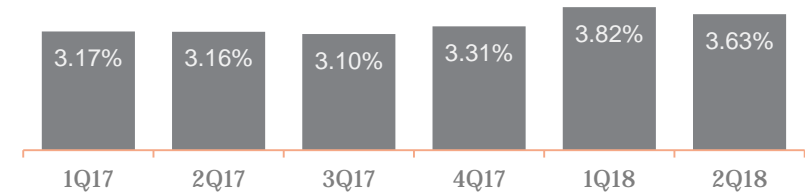
Credit Quality Remains Stable

(Excludes acquired loans)

Net Charge Off Rate



Non-Performing Loan Rate

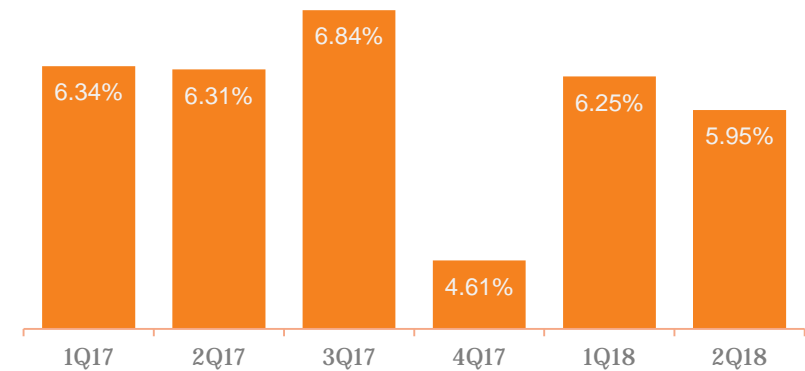


2Q18 Highlights

- NCO: Increased primarily due to auto lending as hurricanes-related losses were charged off
- NPL: Declined with commercial and auto lending down and mortgage and consumer lending up
- Delinquency Rates: Both Early and Total rates fell below pre-hurricanes levels

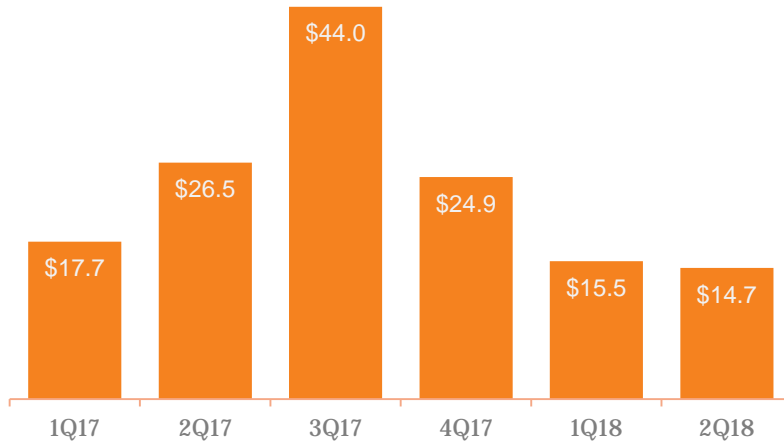
Total Delinquency Rate

4Q17 affected by hurricanes-related loan moratoriums

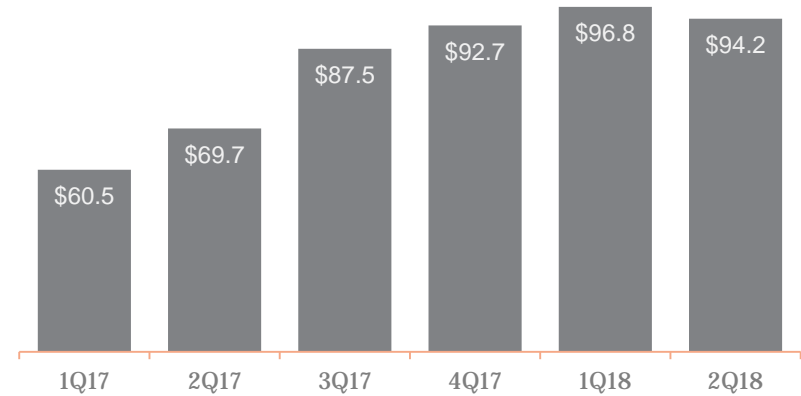


Loan Loss Provision Continues to Decline

Provision for Loan Losses (\$M)



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



Notes

- Virtually all loan hurricanes-related moratoriums ended early 2Q18
 - 3Q17-4Q17 included incremental provisions to increase the allowance for hurricanes-related impact on loans
- 2Q18 Provision declined 4.6% or \$0.7M from 1Q18
 - Provision for originated loans declined \$2.1M, more than offsetting \$1.4M increase for acquired loans
- 2Q18 Allowance for Loan and Lease Losses decreased 2.7% or \$2.6M from 1Q18
 - Primarily due to charge-off of a commercial loan provisioned for in 1Q18

Capital Ratios Strong

	2Q18	1Q18	2017	2016	2015	2014	2013
Leverage Ratio	13.92%	14.07%	13.92%	12.99%	11.18%	10.61%	9.06%
Common Equity Tier 1	14.14%	14.52%	14.59%	14.05%	12.14%	N/A	N/A
Tier 1 Common Ratio	N/A	N/A	N/A	N/A	N/A	11.88%	10.46%
Tier 1 Risk-based Capital Ratio	18.38%	19.00%	19.05%	18.35%	15.99%	16.02%	14.38%
Total Risk-based Capital Ratio	19.67%	20.29%	20.34%	19.62%	17.29%	17.57%	16.16%
Tangible Common Equity (TCE) Ratio	10.95%	11.22%	11.29%	10.33%	9.10%	9.25%	7.71%

Income Statement Highlights

\$ in millions	2Q18	1Q18	Δ	Comment
Interest Income:				
• Originated Loans	\$61.2	\$56.8	\$4.4	<ul style="list-style-type: none"> • Continued growth of originated loans • Continued pay down of acquired loans • Full impact of new, higher-yielding MBS purchased in 1Q18
• Acquired Loans	17.2	17.8	(0.6)	
• Investment Securities	9.6	8.6	1.0	
Interest Expense	(10.4)	(9.2)	(1.2)	<ul style="list-style-type: none"> • Growth of interest-bearing deposits • Increased wholesale funding to acquire new MBS
Total Provision for Loan & Lease Losses	\$14.7	\$15.5	0.7	<ul style="list-style-type: none"> • No incremental provisions after most loan moratoriums ended • Provision for originated loans declined \$2.1M (most of the incremental commercial, consumer and auto charge-offs were previously reserved) • Provision for acquired loans increased \$1.4M
Total Banking & Financial Service Revenues	18.4	18.2	0.2	<ul style="list-style-type: none"> • Banking Services grew primarily due to increased electronic banking activity
Total Non-Interest Expenses	(52.3)	(52.1)	0.2	<ul style="list-style-type: none"> • G&A increased due to higher electronic banking activity • Occupancy increased due to lease cancellations to bring more offices into Oriental Center and reduce occupancy costs in 2019 • Compensation declined due to seasonal factors • Credit related expenses fell
Income Tax Expense	(9.6)	(8.0)	(1.6)	<ul style="list-style-type: none"> • 2Q18 ETR of 32.8% in line with ~32% rate expected for 2018

Tangible Common Equity

TBV Per Common Share



TCE Ratio



Tangible Common Equity (\$M)



6-Quarter Trend

\$ in thousands, except per share data	2Q18	1Q18	4Q17 ⁽¹⁾	3Q17 ⁽²⁾	2Q17	1Q17
Average interest earning assets	\$5,933,775	\$5,751,783	\$5,735,593	\$5,658,953	\$5,848,525	\$5,932,924
Average loans	\$4,310,206	\$4,183,775	\$4,081,427	\$4,062,042	\$4,129,550	\$4,141,628
Net interest income	\$77,588	\$73,994	\$ 73,513	\$80,478	\$75,563	\$74,618
Net interest margin	5.24%	5.22%	5.08%	5.64%	5.18%	5.10%
Total provision for loan and lease losses, net	\$14,747	\$15,460	\$24,907	\$44,042	\$26,536	\$17,654
Non-interest income, net (core)	\$18,394	\$18,239	\$16,734	\$17,213	\$17,933	\$17,428
Non-interest expense	\$52,300	\$52,121	\$46,662	\$50,469	\$52,816	\$51,684
Operating Efficiency ratio	54.49%	56.51%	51.70%	51.66%	56.49%	56.15%
Net income (loss) available to common stockholders	\$16,184	\$13,452	\$13,608	(\$146)	\$13,638	\$11,685
Diluted EPS	\$0.35	\$0.30	\$0.30	\$0.00	\$0.30	\$0.26

(1) Includes additional \$5.4 million provision due to Hurricanes Irma and Maria

(2) Includes additional \$27.0 million provision due to Hurricanes Irma and Maria

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