



QUARTERLY EARNINGS
3Q18 Conference Call
October 19, 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.

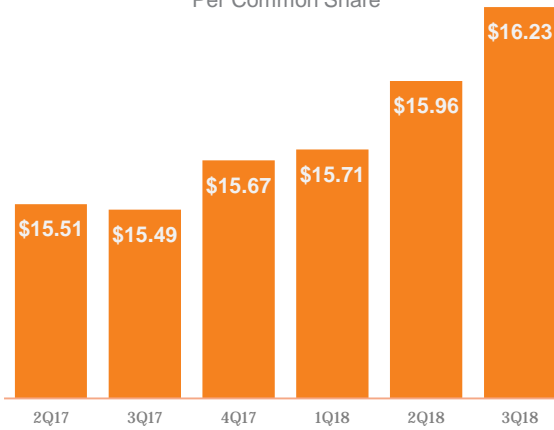
3Q18 Performance Highlights

EPS



TBV

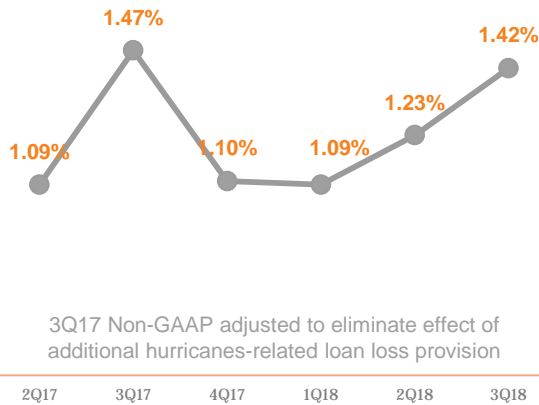
Per Common Share



Key Points

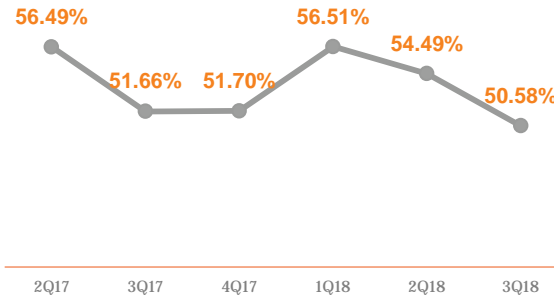
- Our differentiation strategy continues to succeed
- We are focused on delivering superior customer service through innovative technology, easy and fast processes, and personal attention
- All core financial metrics confirm the effectiveness of our strategy, people and technology

ROAA



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

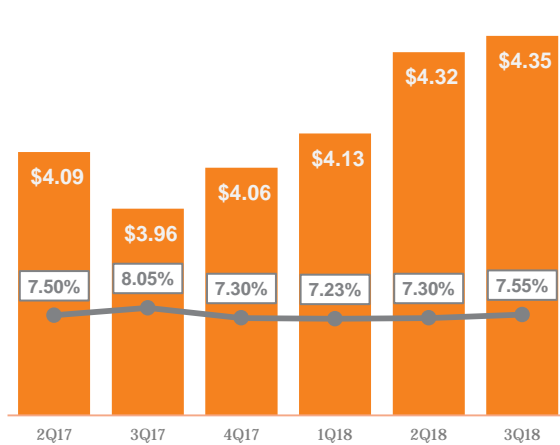
Efficiency Ratio



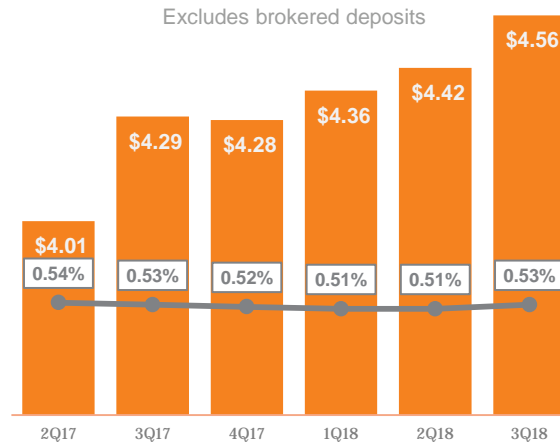
Live the **DIFFERENCE**™

3Q18 Operational Highlights

Total Loans (\$B) & Yield



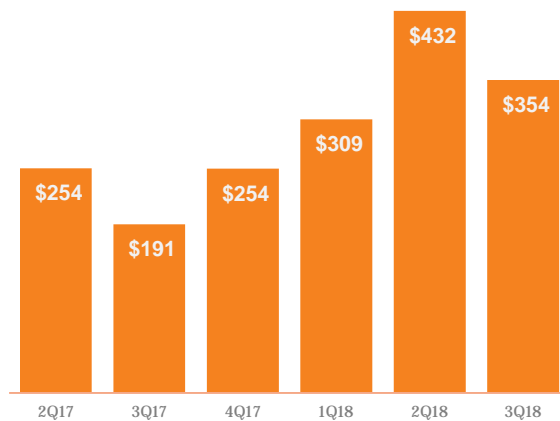
Core Deposits (\$B) & Cost



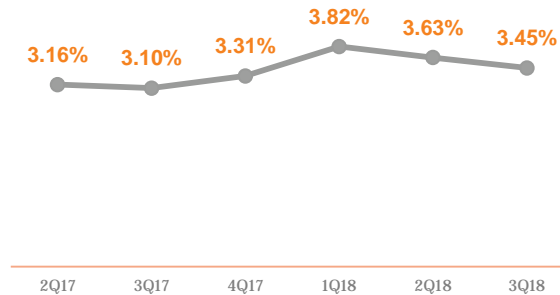
Strategic Initiatives

- Customer count – up 4% vs. 3Q17
- Achieving growth and servicing more customers in part through increased customer adoption of lower cost ATM / ITM, online and mobile channels

Loan Generation (\$M)



Non-Performing Loan Rate



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

The Opportunity Ahead

13 Months Post-Maria

OFG Leading the Way

- Core results demonstrate strong momentum and success of our strategy
- Developing new commercial relationships in Puerto Rico and US
- Looking at additional ways to optimize internal processes
- Implementing more technology to service customers better, easier and faster

Transition from Recovery to Economic Growth

- Funds from US Government, insurers and private sources flowing
- Growing optimism among business leaders and entrepreneurs to invest and expand
- We are excited about our ability to grow and help Puerto Rico expand

Still Waiting for...

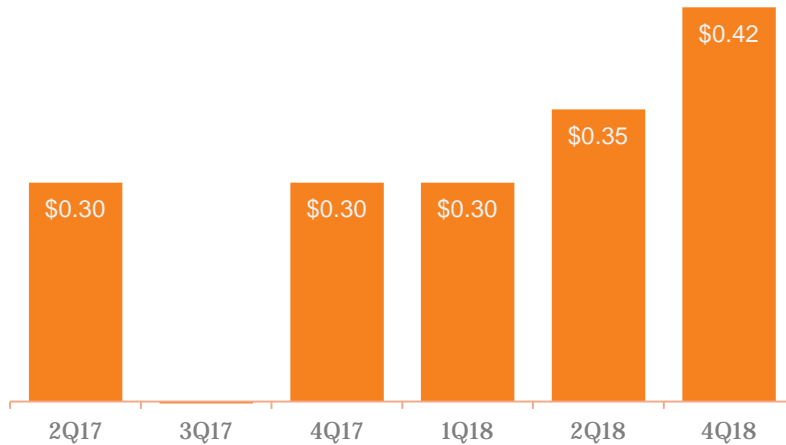
- Lasting solution for PREPA, but we are encouraged by pending legislation to privatize, depoliticize, regulate and diversify electric power
- Permanently resolve the island's fiscal problems
- Reduced regulation, taxes, and electricity costs to enable small business to become engine of economic growth

Appendix

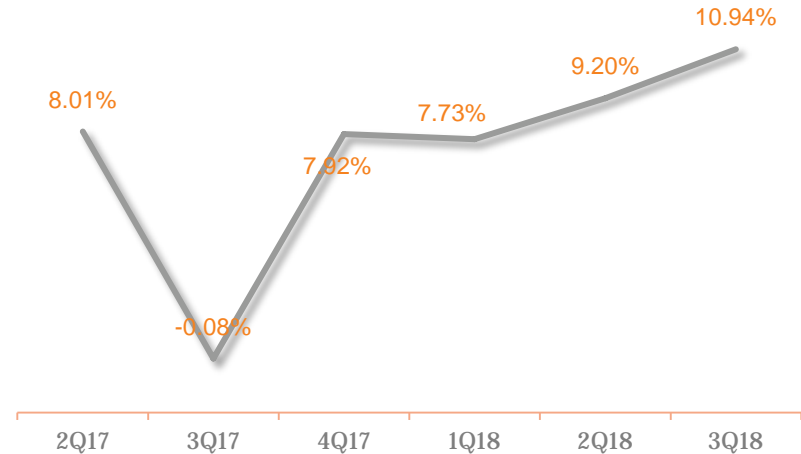
OFGBankcorp

Higher Level of Earnings & Performance

GAAP EPS Fully Diluted



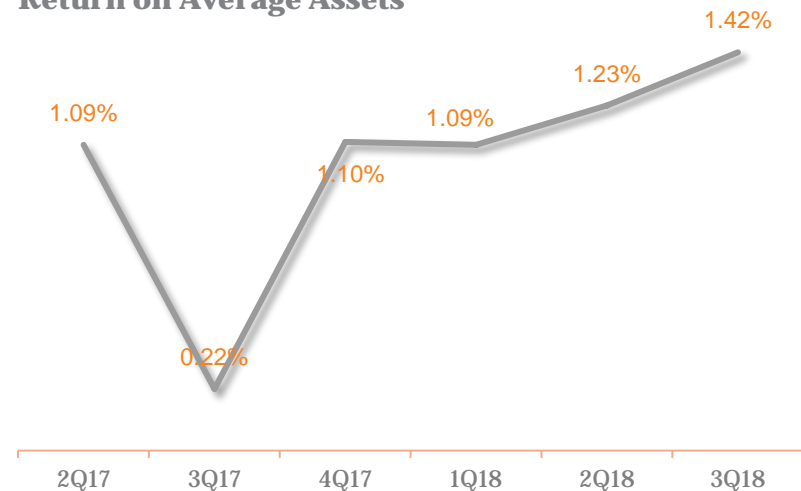
Return on Average Tangible Common Equity



3Q18 Highlights

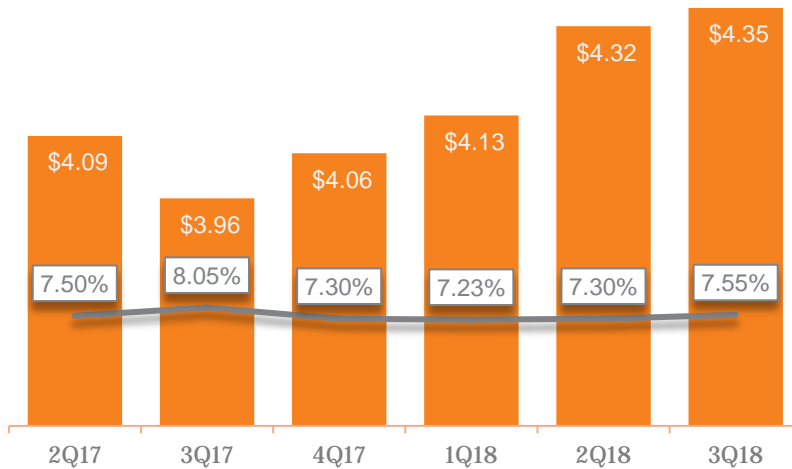
- Results demonstrate strong, core growth
- Quarterly EPS range has moved up to \$0.40 from \$0.30
- ROATCE in double digit percentages
- ROAA comfortably above 1% for four consecutive quarters

Return on Average Assets

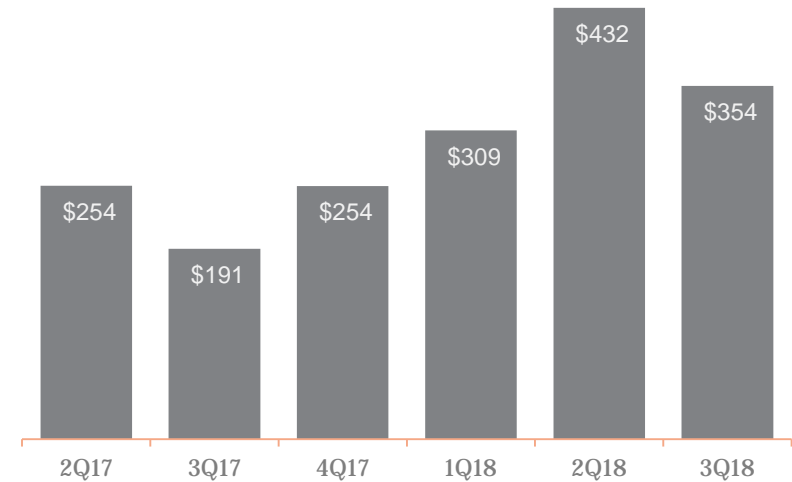


Originated Loans Outpacing Acquired Loan Runoff

Total Loans, Net (\$B) & Yield



New Production (\$M)



3Q18 Highlights

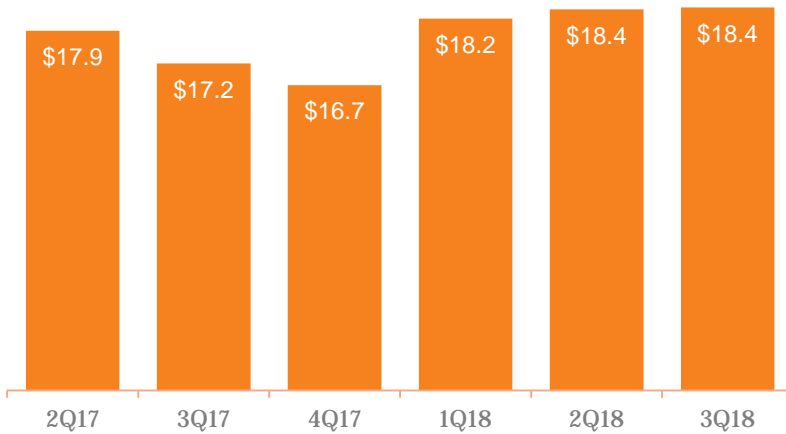
- Net loans grew 10% or \$388M year over year
- Originated loans grew 18% or \$543M year over year
- New production 2nd highest level for recent quarters
- Core NIM up due to general effect of Fed rate hikes plus higher yield on originated loans

Net Interest Margin

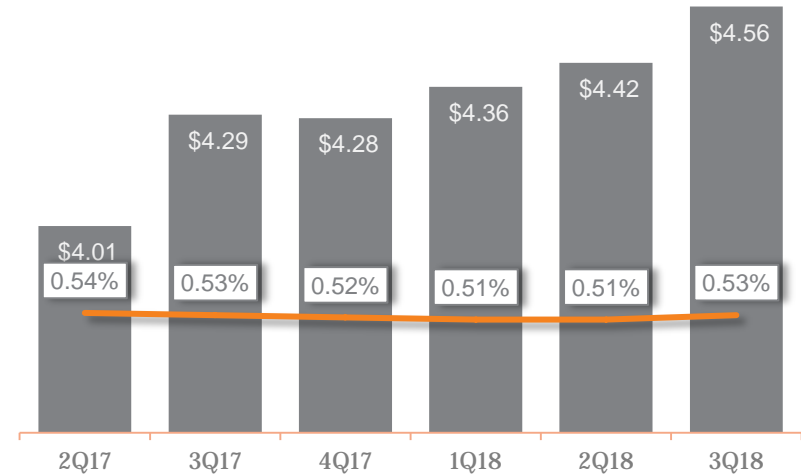


Other Business Trends Strong

Fee Revenues (\$M)



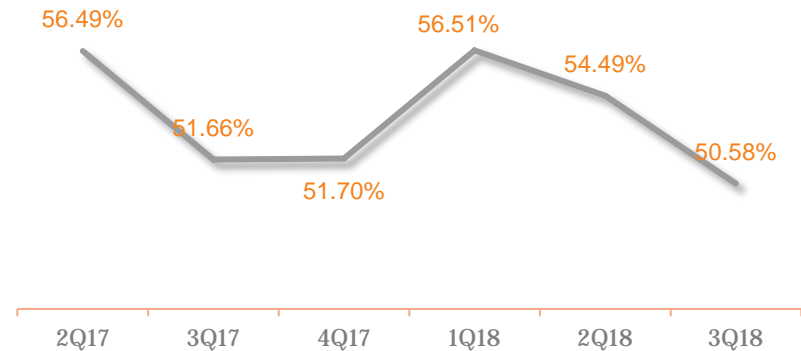
Customer Deposits (\$B) & Cost (%)



3Q18 Highlights

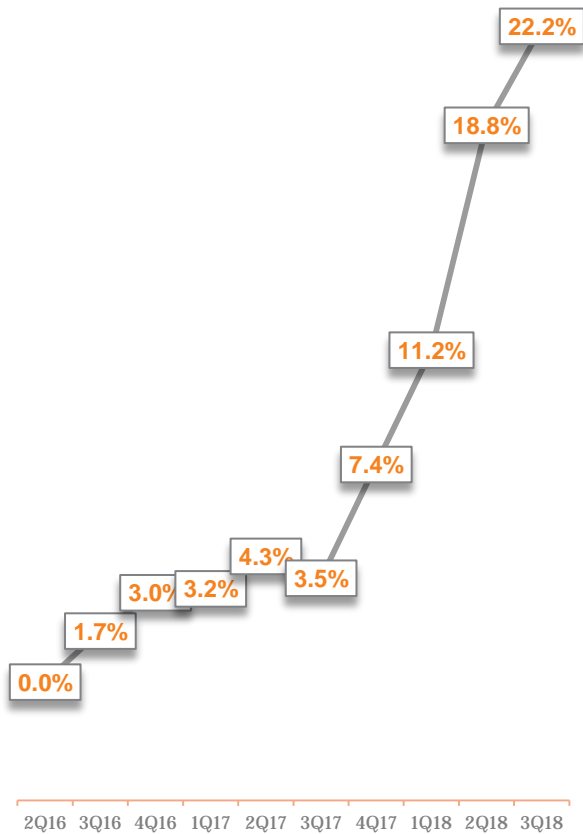
- Fee revenues remained high
- Customer deposits (ex-brokered) up 3.2% sequentially with non-interest bearing continuing at \$1.1B
- Efficiency ratio lowest in five trailing quarters

Efficiency Ratio

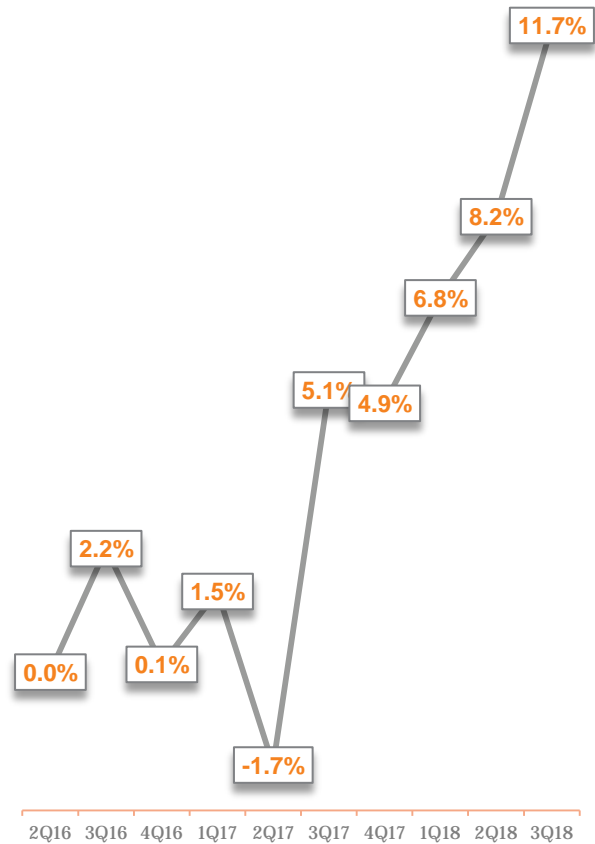


Operations Gaining Traction

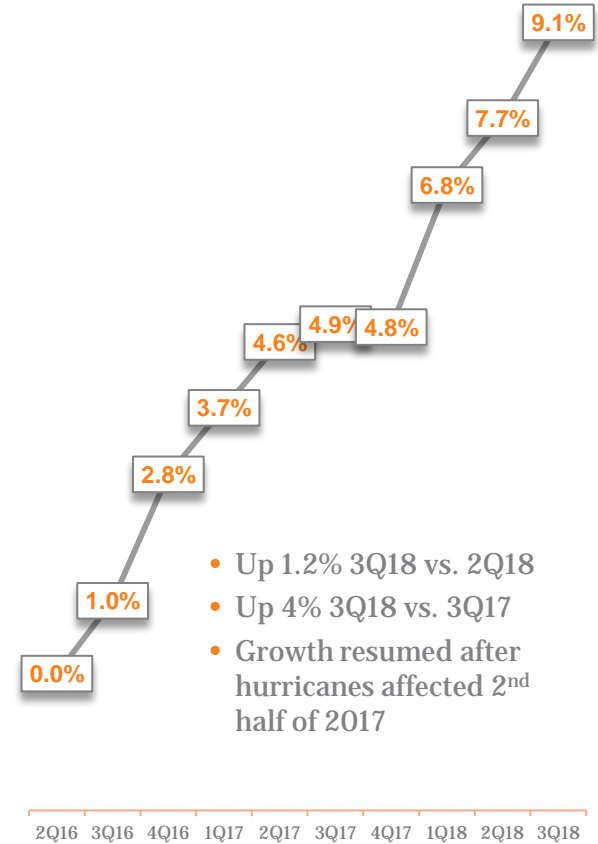
Originated Loans



Core Deposits



Customers



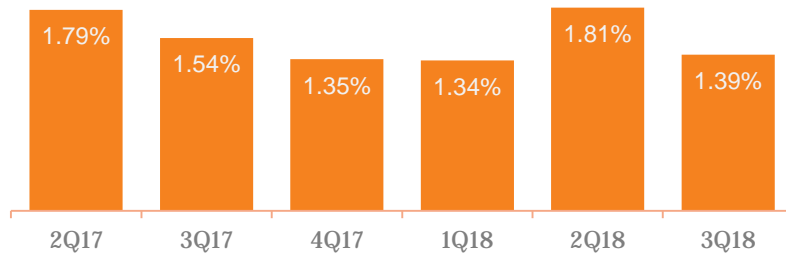
- Up 1.2% 3Q18 vs. 2Q18
- Up 4% 3Q18 vs. 3Q17
- Growth resumed after hurricanes affected 2nd half of 2017

Graphs show sequential growth since 2Q16

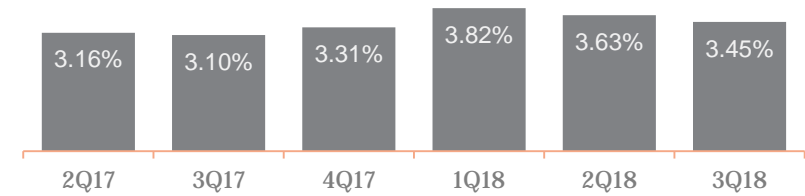
Credit Quality Remains Stable

(Excludes acquired loans)

Net Charge Off Rate



Non-Performing Loan Rate

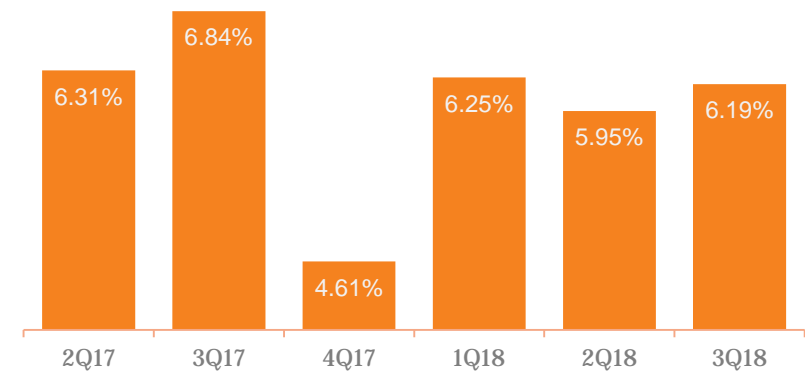


3Q18 Highlights

- NCO: Decreased from 2Q18 when hurricanes-related auto lending losses were charged off
- NPL: Declined primarily reflecting drop in the commercial NPL rate
- Delinquency Rates: Both Early and Total rates up from 2Q18 but in line with pre-hurricanes levels

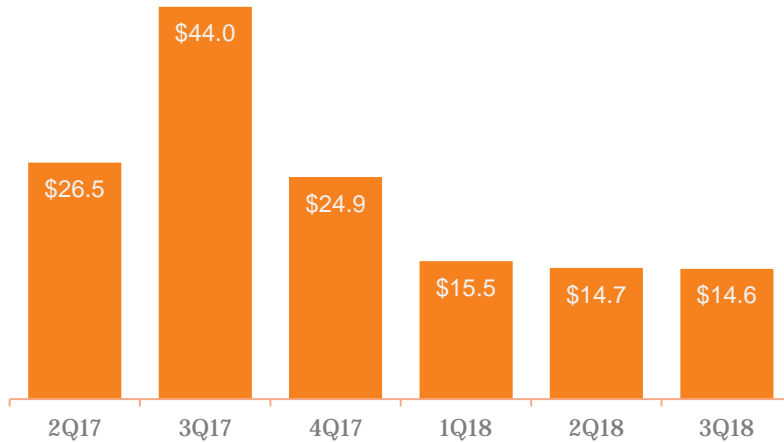
Total Delinquency Rate

4Q17 affected by hurricanes-related loan moratoriums

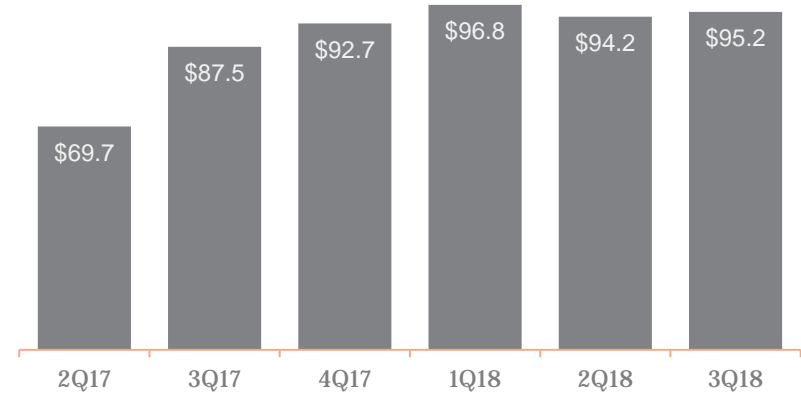


Loan Loss Provision Remains Stable

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
- 3Q18 Provision declined 1.0% or \$0.1M from 2Q18
 - Provision for originated loans increased \$0.6M due to portfolio growth
 - Provision for acquired loans declined
- 3Q18 Allowance for Loan and Lease Losses increased 1.1% or \$1.0M from 2Q18
 - Primarily reflects growth of originated loans

Capital Ratios Strong

	3Q18	2Q18	1Q18	2017	2016	2015	2014	2013
Leverage Ratio	13.93%	13.92%	14.07%	13.92%	12.99%	11.18%	10.61%	9.06%
Common Equity Tier 1 Capital Ratio	14.38%	14.14%	14.52%	14.59%	14.05%	12.14%	N/A	N/A
Tier 1 Risk-Based Capital Ratio	18.55%	18.38%	19.00%	19.05%	18.35%	15.99%	16.02%	14.38%
Total Risk-Based Capital Ratio	19.84%	19.67%	20.29%	20.34%	19.62%	17.29%	17.57%	16.16%
Tangible Common Equity Ratio	10.88%	10.95%	11.22%	11.29%	10.33%	9.10%	9.25%	7.71%

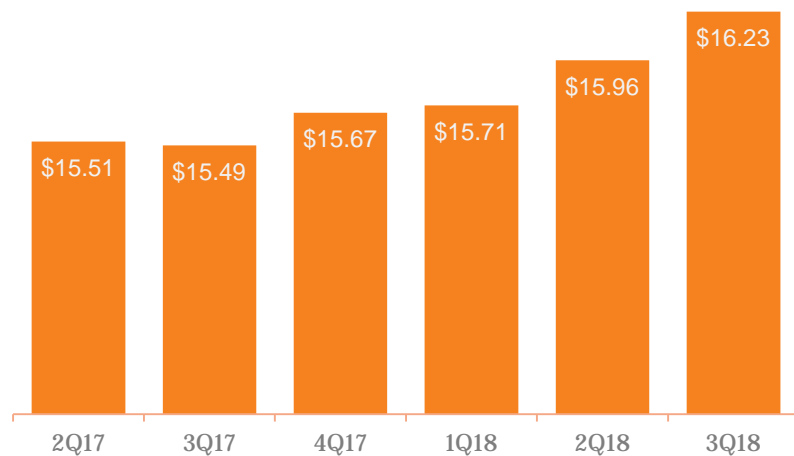
- Regulatory capital to benefit by \$84.0M from the previously announced mandatory conversion on October 22, 2018 of the Series C 8.750% Non-Cumulative Convertible Perpetual Preferred Stock

Income Statement Highlights

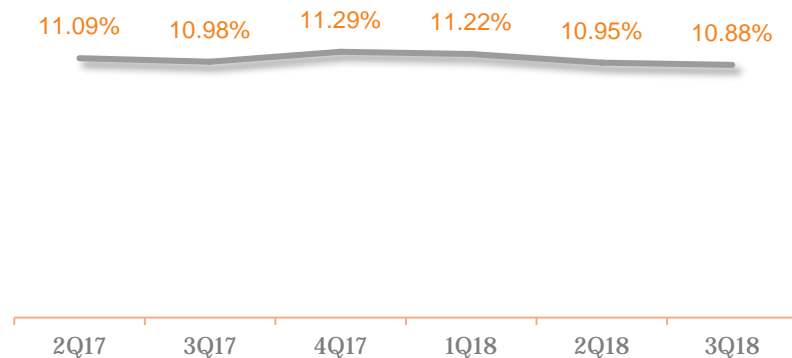
\$ in millions	3Q18	2Q18	Δ	Comment
Interest Income:				
• Originated Loans	\$66.8	\$61.2	\$5.6	• Continued growth of originated loans
• Acquired Loans	17.2	17.3	(0.1)	• Continued pay down of acquired loans mostly offset by cost recoveries
• Investment Securities	10.1	9.6	0.5	• Higher average cash balances and higher yields
Interest Expense	11.9	10.4	1.5	• Higher average balances of deposits and borrowings • Higher rate primarily on borrowings
Total Provision for Loan & Lease Losses	14.6	14.7	(0.1)	• Provision for originated loans increased \$0.6M due to portfolio growth • Provision for acquired loans declined
Total Banking & Financial Service Revenues	18.4	18.4	0.0	• Increases in Mortgage Banking and Wealth Management more than offset a small decline in Banking Services
Total Non-Interest Expenses	50.9	52.3	(1.4)	• Primarily reflects absence of 2Q18 lease cancellation expenses to bring more offices into Oriental Center and reduce occupancy costs in 2019
Income Tax Expense	12.3	9.6	2.7	• 3Q18 ETR of 34.7% in line with ~33.7% rate now expected for 2018 due to increased proportion of profits from lending vs. securities

Tangible Common Equity

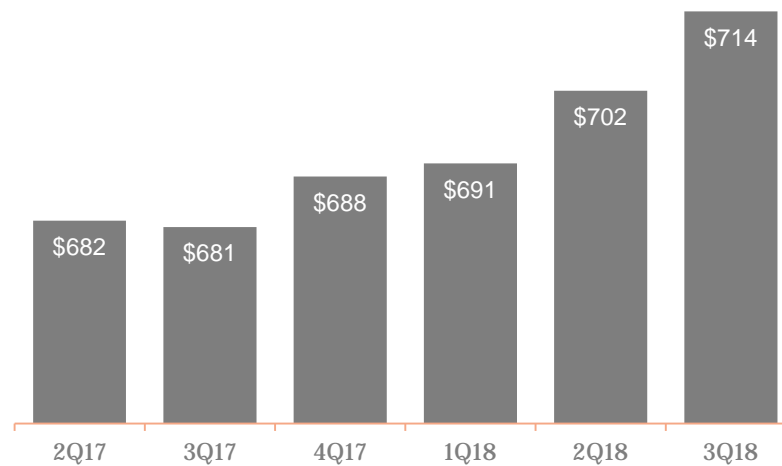
TBV Per Common Share



TCE Ratio



Tangible Common Equity (\$M)



6-Quarter Trend

\$ in thousands, except per share data	3Q18	2Q18	1Q18	4Q17 ⁽¹⁾	3Q17 ⁽²⁾	2Q17
Average interest earning assets	\$6,066,821	\$5,933,775	\$5,751,783	\$5,735,593	\$5,658,953	\$5,848,525
Average loans	\$4,414,583	\$4,310,206	\$4,183,775	\$4,081,427	\$4,062,042	\$4,129,550
Net interest income	\$82,277	\$77,588	\$73,994	\$ 73,513	\$80,478	\$75,563
Net interest margin	5.38%	5.24%	5.22%	5.08%	5.64%	5.18%
Total provision for loan and lease losses, net	\$14,601	\$14,747	\$15,460	\$24,907	\$44,042	\$26,536
Non-interest income, net (core)	\$18,446	\$18,394	\$18,239	\$16,734	\$17,213	\$17,933
Non-interest expense	\$50,941	\$52,300	\$52,121	\$46,662	\$50,469	\$52,816
Operating Efficiency ratio	50.58%	54.49%	56.51%	51.70%	51.66%	56.49%
Net income (loss) available to common stockholders	\$19,634	\$16,184	\$13,452	\$13,608	(\$146)	\$13,638
Diluted EPS	\$0.42	\$0.35	\$0.30	\$0.30	\$0.00	\$0.30

(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

Contacts

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