



QUARTERLY EARNINGS
4Q18 Conference Call
January 22, 2019

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) changes to the financial condition of 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.

2018: Year of Major Accomplishments

Strong core growth based on continued success of our strategy of differentiation

Operational	Financial
<ul style="list-style-type: none">• Originated loans up 17%• Average customer deposits up 6%• Customer count up 4.6%• Core NIM up 10 basis points• Improved credit quality	<ul style="list-style-type: none">• EPS up 73%• ROAA up 47 bps• ROATCE up 431 bps• Converted Series C Preferred to common• Increased quarterly dividend 17%• Capital metrics at multi-year highs

Live the
DIFFERENCE[™]

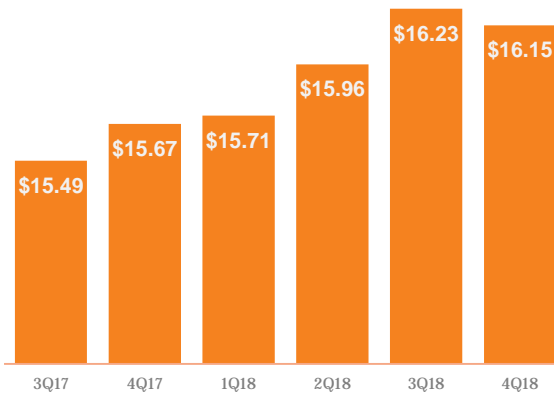
4Q18 Performance Highlights

EPS



TBV

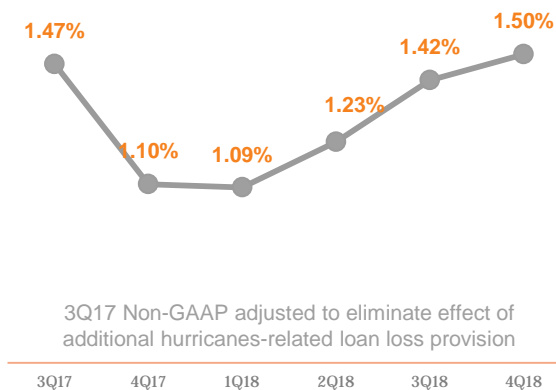
Per Common Share



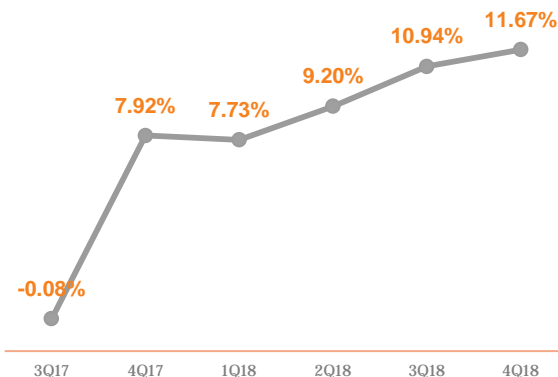
Key Points

- 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

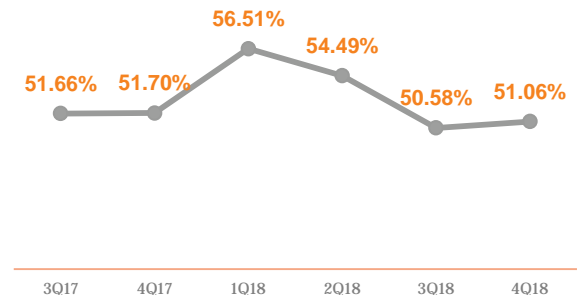
ROAA



ROATCE

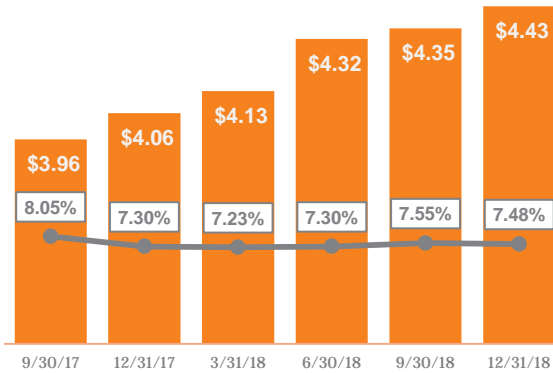


Efficiency Ratio



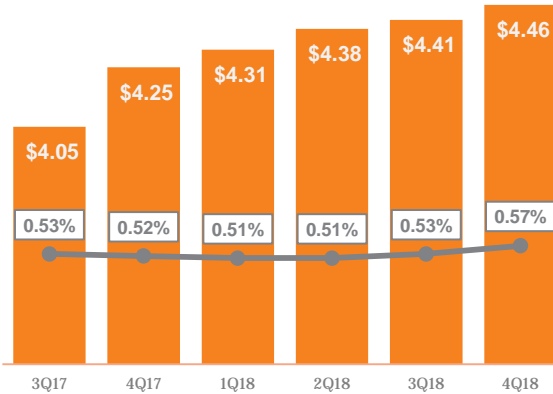
4Q18 Operational Highlights

Total Loans (\$B) & Yield



Core Deposits (\$B) & Cost

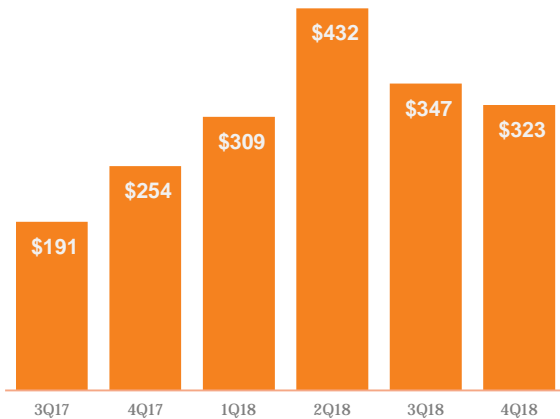
Excludes brokered deposits



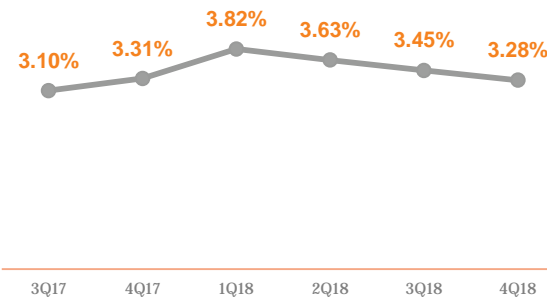
Strategic Initiatives

- Customer count – up 4.6% YoY
- 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 Opportunities Ahead: 2019

OFG

- Continue to focus on growth
- Capitalize on our momentum
- Ongoing internal and external improvements
- Continued deployment of technology to benefit customers

Local Economy

- Industry and sector specific transition from recovery to emerging growth
- Medium-term, economy expected to expand with influx of ~\$80B in federal and private funds
- Short-term, lower pace of funds coming to island could potentially reduce the rate of expected growth

Puerto Rico Still Needs to...

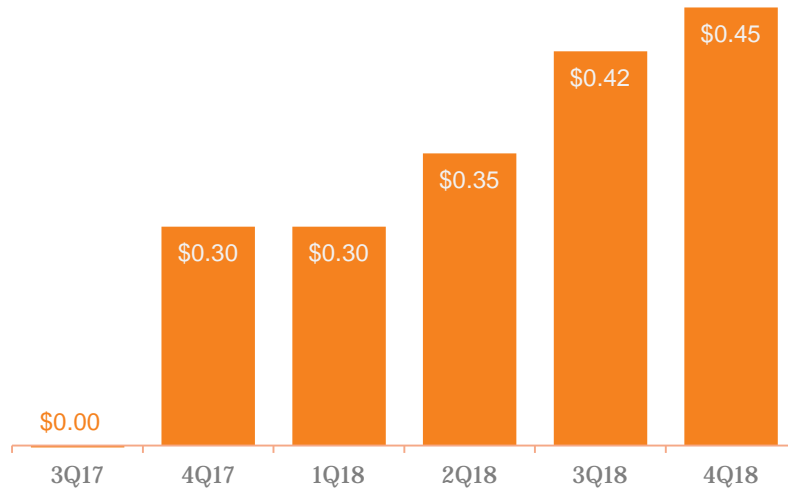
- Fix PREPA
- Resolve the island's fiscal and financial challenges
- Execute on a long-term plan for economic growth
- Reduce regulation, taxes, and electricity costs to help small business and entrepreneurs drive growth

Appendix

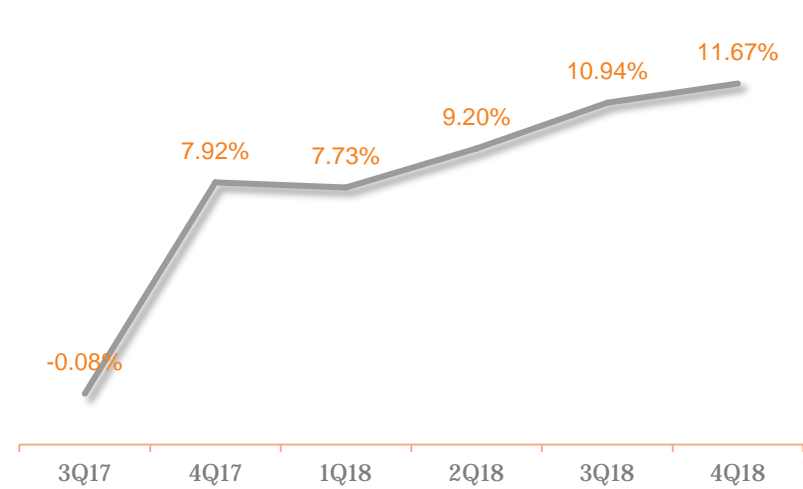
OFGBanCorp

Higher Level of Earnings & Performance

GAAP EPS Fully Diluted



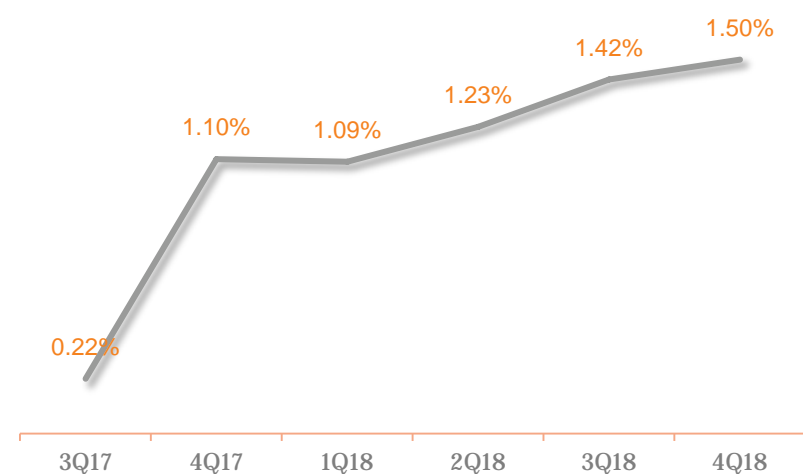
Return on Average Tangible Common Equity



4Q18 Highlights

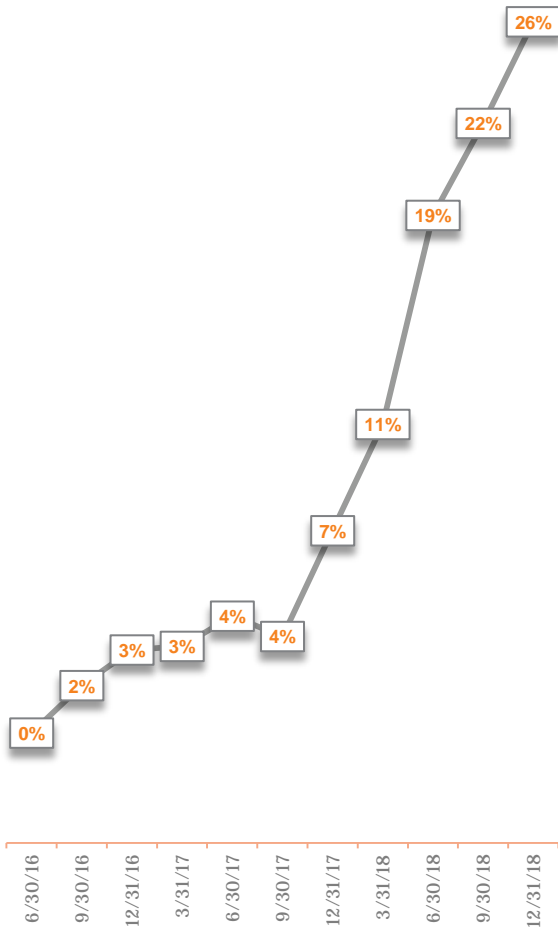
- Results demonstrate strong, core growth
- EPS in the plus-\$0.40 range for two consecutive quarters
- ROATCE in double digit % range for two consecutive quarters
- ROAA comfortably above 1% for five consecutive quarters

Return on Average Assets



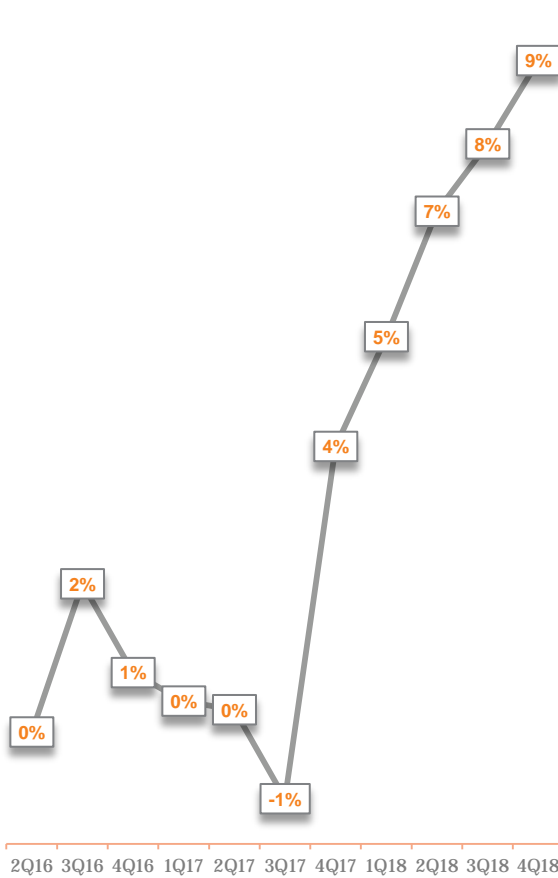
Strong Core Operating Trends

Originated Loans

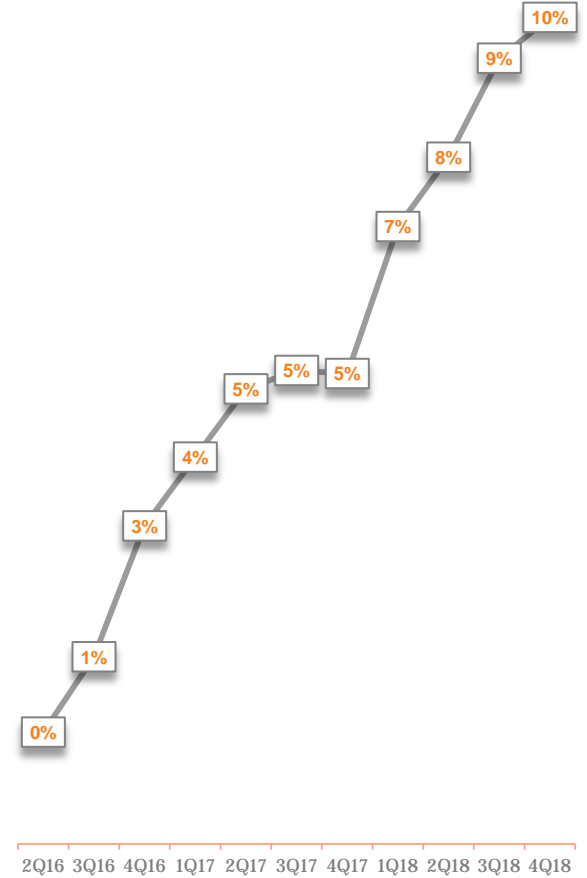


Core Deposits

Graphs show sequential growth since 2Q16

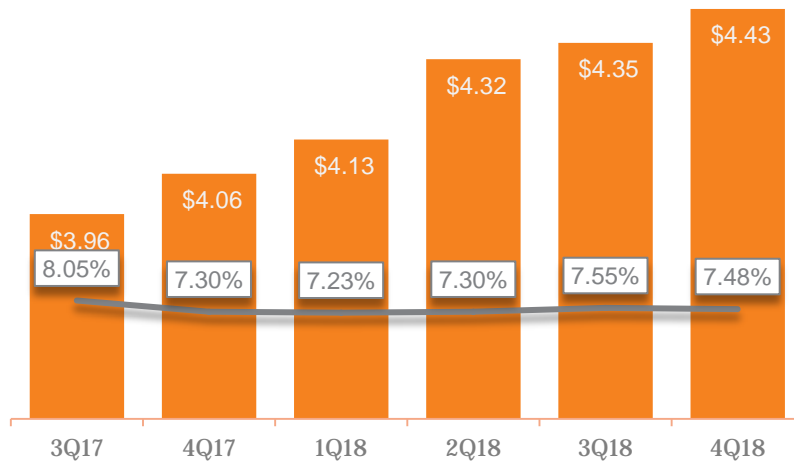


Customers

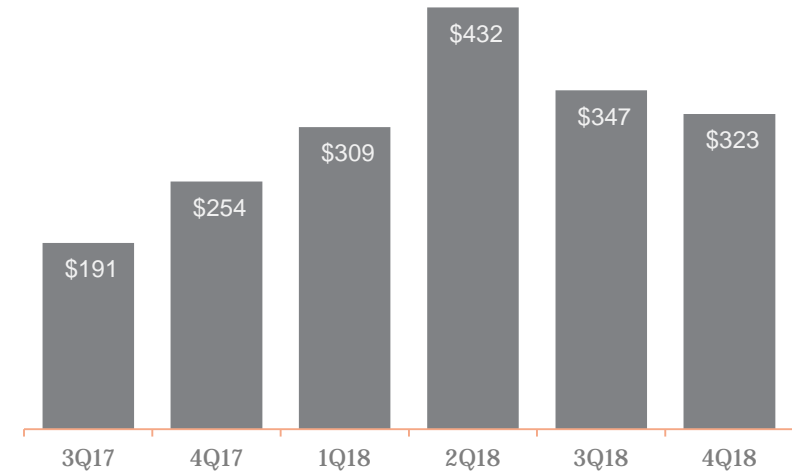


Originated Loans Outpacing Acquired Loan Runoff

Total Loans, Net (\$B) & Yield



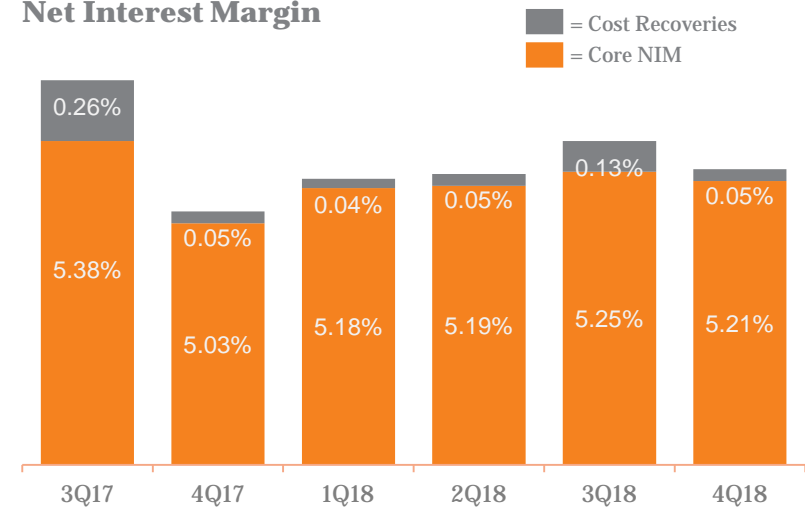
New Production (\$M)



4Q18 Highlights

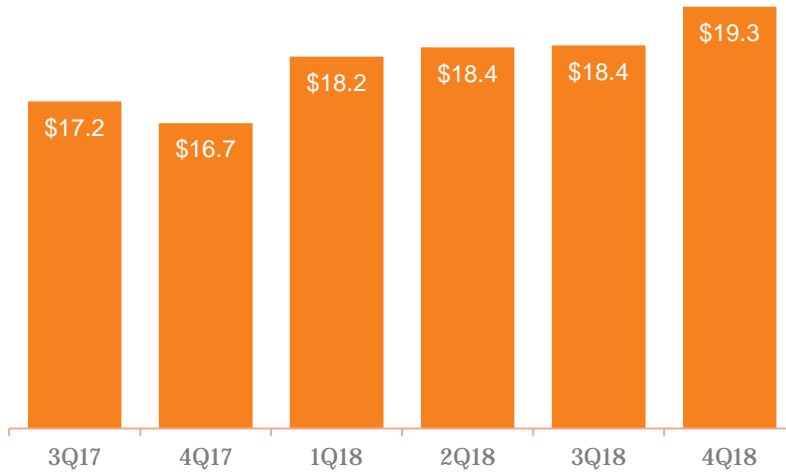
- Net loans grew 9.3% or \$375M YoY
- Originated loans grew 17.3% or \$539M YoY
- New production above \$300M for four consecutive quarters
- Core NIM remained strong due to general effect of Fed rate hikes plus higher yield on originated loans due to favorable mix

Net Interest Margin

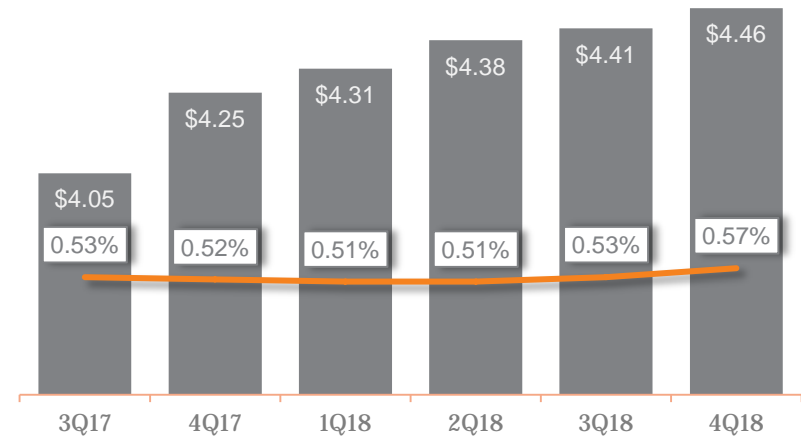


Other Business Trends Strong

Fee Revenues (\$M)



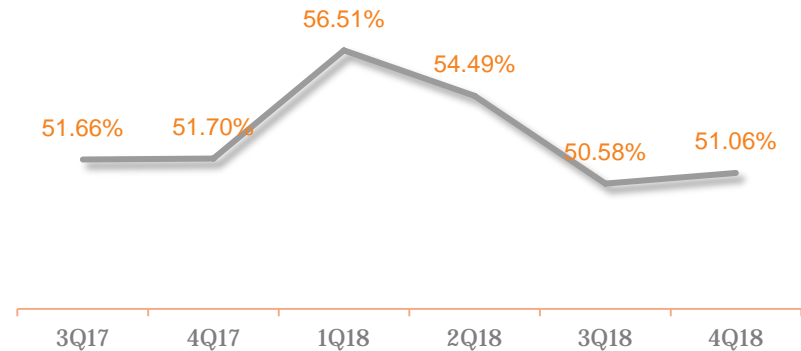
Customer Deposits (\$B) & Cost (%)



4Q18 Highlights

- Fee revenues remained high as well as benefitting from seasonal factors
- Customer deposits (ex-brokered) up 5.0% YoY with non-interest bearing up 19.6% to \$1.1B
- Efficiency ratio remained low

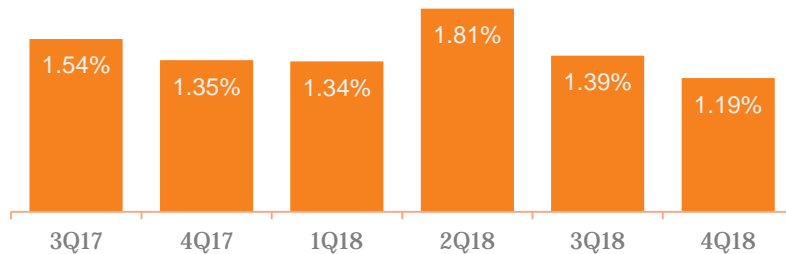
Efficiency Ratio



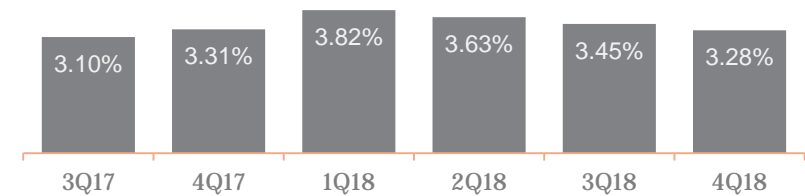
Credit Quality Remains Strong

(Excludes acquired loans)

Net Charge Off Rate



Non-Performing Loan Rate

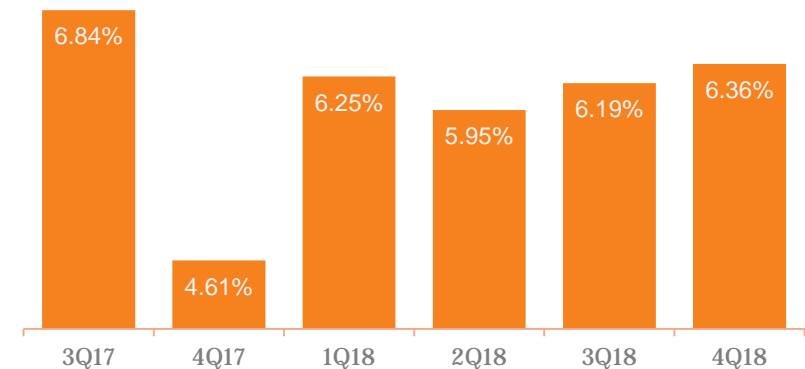


4Q18 Highlights

- **NCO Rate:** Decreased organically and through \$1.8M recovery of previously charged-off loans
- **NPL Rate:** Declined primarily reflecting drop in the commercial and mortgage lending NPL rate
- **Delinquency Rates:** Both Early and Total rates up from 3Q18 but lower than pre-hurricanes levels

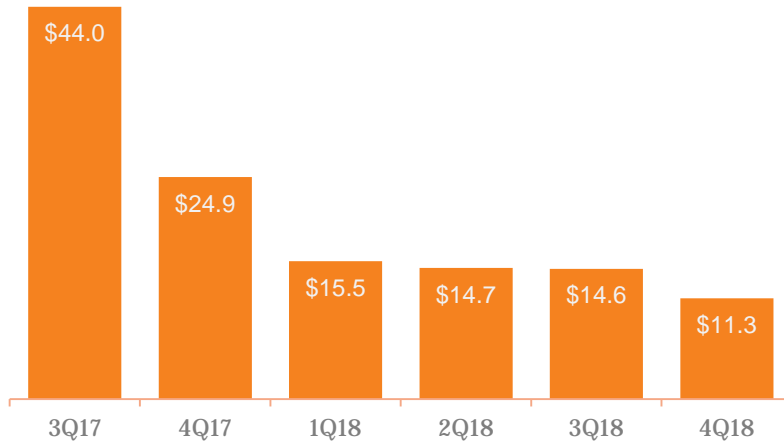
Total Delinquency Rate

4Q17 affected by hurricanes-related loan moratoriums

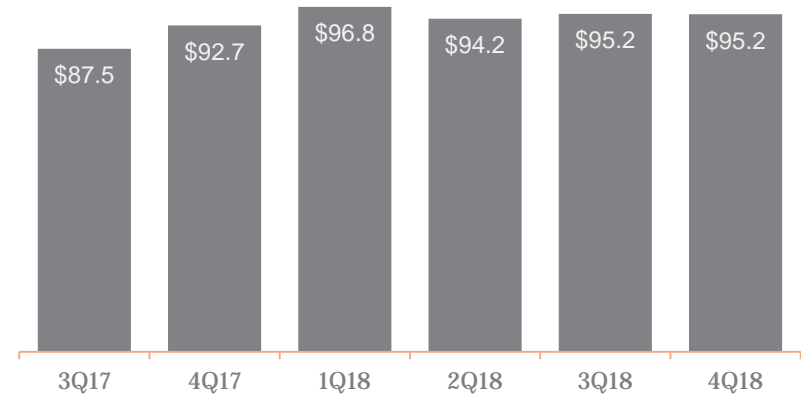


Loan Loss Provision Remains Stable

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
- 4Q18 Provision declined \$3.3M from 3Q18
 - Provision for originated loans declined \$2.6M in part due to \$1.8M recovery on previously charged-off loans
 - Acquired loans declined \$0.7M due to better performance of former BBVA PR commercial loans
- 4Q18 Allowance for Loan and Lease Losses was level with 3Q18
 - Primarily reflects growth of originated loans offset by lower NCOs

Capital Ratios Strong

	2018	2017	2016	2015	2014	2013
Leverage	14.22%	13.92%	12.99%	11.18%	10.61%	9.06%
CET1 Capital	16.78%	14.59%	14.05%	12.14%	N/A	N/A
Tier 1 Risk-Based Capital	19.20%	19.05%	18.35%	15.99%	16.02%	14.38%
Total Risk-Based Capital	20.48%	20.34%	19.62%	17.29%	17.57%	16.16%
Tangible Common Equity	12.76%	11.29%	10.33%	9.10%	9.25%	7.71%

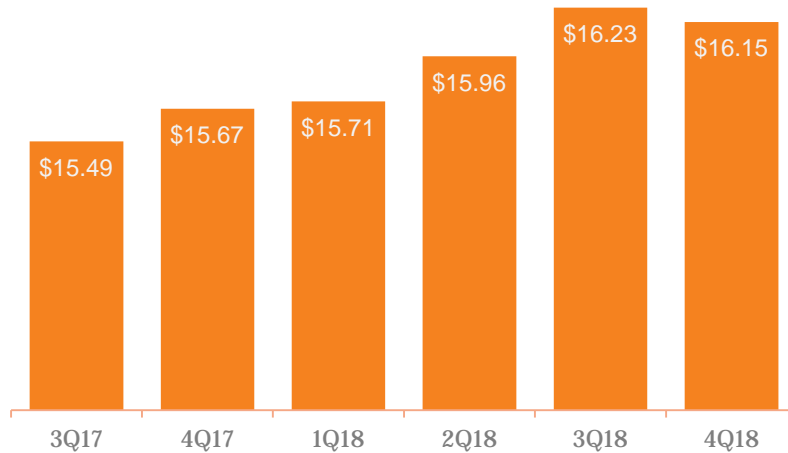
- Regulatory capital benefited by \$84.0M from the previously announced mandatory conversion on October 22, 2018 of the Series C 8.750% Non-Cumulative Convertible Perpetual Preferred Stock

Income Statement Highlights

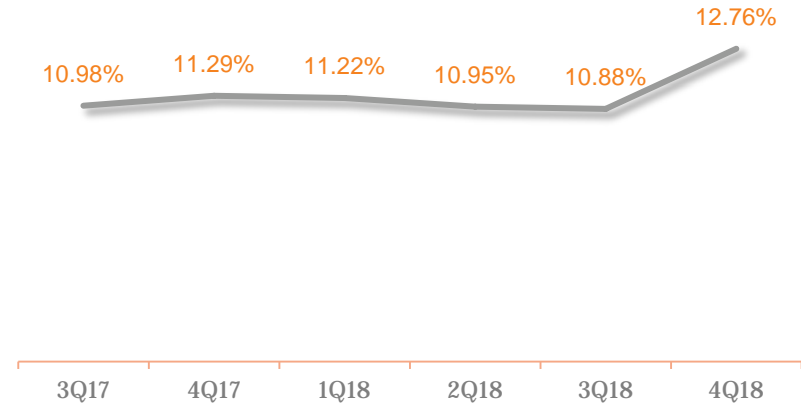
\$ in millions	4Q18	3Q18	Δ	Comment
Interest Income:				
• Originated Loans	\$69.2	\$66.8	\$2.4	• Continued growth of originated loans
• Acquired Loans	15.1	17.2	(2.1)	• Continued pay down of acquired loans and \$1.2M lower cost recoveries
• Investment Securities	10.8	10.1	0.7	• Higher average cash balances and cash yields
Interest Expense	13.1	11.9	1.2	• Higher average deposit and borrowing balances and rates
Total Provision for Loan & Lease Losses:				
• Originated Loans Provision	12.6	13.4	(0.8)	• Improved performance of originated loans
• Originated Loans Recovery	(1.8)	--	(1.8)	• Recovery on previously charged-off originated loans
• Acquired Loans Provision	0.5	1.2	(0.7)	• Improved performance of former BBVA PR commercial loans
Total Banking & Financial Service Revenues	19.3	18.5	0.8	• Seasonal increases in Banking and Wealth Management • Small decline in Mortgage Banking due to MSR valuation
Other Income, Net	\$5.0	0.2	\$4.8	• Insurance payment for Hurricane Maria's impact on operations
Total Non-Interest Expenses	51.7	50.9	0.8	• One additional payroll day and year-end performance accrual • Lower appraisal of foreclosed real estate • Lower rent and occupancy costs • No municipal tax payments, which were made in 3Q18
Income Tax Expense	18.5	12.3	6.2	• \$4.1M additional expense for net impact of PR tax law changes • 2018 ETR was 33.6%
Net Income Available to Common Shareholders	\$23.1	\$19.6	\$3.5	• No longer paying \$1.8M in Series C preferred quarterly dividends • \$0.4M net after tax benefit from above-mentioned recovery on charged-off loans, insurance payment, and additional tax expense

Tangible Common Equity

TBV Per Common Share



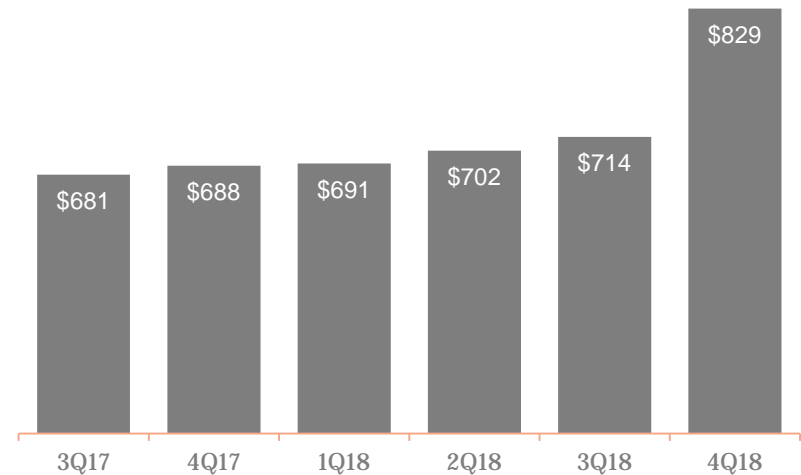
TCE Ratio



4Q18 Highlights

- TCE benefited from core growth and \$84M from mandatory conversion of the Series C 8.750% Non-Cumulative Convertible Perpetual Preferred Stock
- TBV per Common Share reflects core growth and impact of 7.3M additional common shares as a result of the Series C conversion

Tangible Common Equity (\$M)



6-Quarter Trend

\$ in thousands, except per share data	4Q18	3Q18	2Q18	1Q18	4Q17 ⁽¹⁾	3Q17 ⁽²⁾
Average interest earning assets	\$6,183,567	\$6,066,821	\$5,933,775	\$5,751,783	\$5,735,593	\$5,658,953
Average loans	\$4,473,114	\$4,414,583	\$4,310,206	\$4,183,775	\$4,081,427	\$4,062,042
Net interest income	\$82,035	\$82,277	\$77,588	\$73,994	\$73,513	\$80,478
Net interest margin	5.26%	5.38%	5.24%	5.22%	5.08%	5.64%
Total provision for loan and lease losses, net	\$11,300	\$14,601	\$14,747	\$15,460	\$24,907	\$44,042
Non-interest income, net (core)	\$19,260	\$18,446	\$18,394	\$18,239	\$16,734	\$17,213
Non-interest expense	\$51,719	\$50,941	\$52,300	\$52,121	\$46,662	\$50,469
Operating Efficiency ratio	51.06%	50.58%	54.49%	56.51%	51.70%	51.66%
Net income (loss) available to common stockholders	\$23,116	\$19,634	\$16,184	\$13,452	\$13,608	(\$146)
Diluted EPS	\$0.45	\$0.42	\$0.35	\$0.30	\$0.30	\$0.00

(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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