OFG Bancorp

OFG Bancorp Reports 2Q20 Results

SAN JUAN, Puerto Rico, July 24, 2020 – OFG Bancorp (NYSE: OFG) today reported results for the second quarter ended June 30, 2020.

2Q20 Financial Highlights

- Net income available to common shareholders totaled $20.2 million or $0.39 per share fully diluted. This compares to 1Q20 net income available to common shareholders of $173 thousand or break-even per share and 2Q19 net income available to shareholders of $22.4 million or $0.43 per share fully diluted.

- Total core revenues were $128.2 million compared to $131.3 million in 1Q20 and $99.2 million in 2Q19. 2Q20 revenues included $6.0 million in one-time interest recoveries from acquired SOP Scotiabank loans.

- Provision of $17.7 million included a $5.0 million increase to 1Q20's $34.1 million provision based on additional data available to forecast the effects of the Covid-19 pandemic.

- Net interest margin was 4.78%. Loan production totaled $503.4 million, including $286.4 million in Paycheck Protection Plan (PPP) commercial loans.

- Total assets of $9.93 billion increased 7.5% from 1Q20 primarily due to a $574.1 million increase in cash and a $198.1 million increase in loans. Customer deposits of $8.32 billion increased $760.0 million or 10.0% from 1Q20.

- All regulatory capital ratios increased and continue to be significantly above requirements for a well-capitalized institution with the CET1 ratio at 12.03% on June 30, 2020.

Conference Call

A conference call to discuss 2Q20 results, outlook and related matters will be held today at 10:00 AM Eastern Time. Phone (888) 562-3356 or (973) 582-2700. Conference ID: 807-1129. The call can also be accessed live on www.ofgbancorp.com. Webcast replay will be available shortly thereafter.

CEO Comment

José Rafael Fernández, President, Chief Executive Officer, and Vice Chairman of the Board, said:

"As other banks did, we faced a number of Covid-19 pandemic related challenges during the second quarter, but acting promptly and with foresight, we generated excellent results. We are extremely proud and thankful of our team's accomplishments.

“Governments in Puerto Rico and U.S. Virgin Islands shut down their respective economies in mid-March. Restrictions eased in late May, but recent spikes in contagiousness have forced Puerto Rico to scale down the flexibility. Results were also impacted by the Federal Reserve Bank 150 bps rate cut in March. All of this followed the Puerto Rico earthquakes in January and occurred while we are in the process of integrating the Scotiabank acquisition.

“Our commitment and preparation enabled us to successfully manage these challenges *fácil, rápido, hecho.* During the quarter, our team worked mostly remotely. Branches operated safely assisted by our enhanced technology platform. Full-service ATMs and ITMs, mobile app, and online bill paying tools facilitated routine transactions in a contactless manner. Online/mobile appointment scheduling helped make possible Covid-19 safe meetings with customers at branches.

“The results speak for themselves. Loan production totaled more than $500 million, including $286 million in PPP loans, exceeding our Puerto Rico market share. We deployed a 100% digital, client-friendly application and funds disbursement process for PPP loans. Our PPP results enabled us to help more than 4,000 small businesses save more than 50,000 jobs. It also enabled us to attract new accounts in this strategically important customer base. Our online loan deferral tool and call centers processed relief for more than 44,000 retail customers. During the quarter, we also maintained a strong level of net interest margin, added to our Covid-19 related provisioning, reduced higher-cost wholesale funding, and increased liquidity and capital.

“Looking ahead, we expect to complete the integration of Scotiabank operations as planned by the end of the year, improve efficiencies, and continue to invest for the future to further simplify our operations and enhance our ability to serve customers. While we still face much uncertainty regarding Covid-19 and its impact on the economy, we are in a strong financial position, ready to assist our customers during these trying times.”

Income Statement

Unless otherwise noted, the following compares data for the second quarter 2020 to the second quarter 2019. Balances are quarterly averages. The Scotiabank acquisition closed on December 31, 2019.

- Total interest income of $121.7 million increased $27.4 million. This was primarily due to a 46.6% increase in interest earning assets partially offset by a 73 bps decline in yield. The increase in interest income from loans more than offset declines from increased cash due to significantly lower rates and lower investment securities balances. 2Q20 also included the previously-mentioned $6.0 million in interest recoveries.

- Total interest expense of $16.6 million increased $3.5 million. This was primarily due to a 54.4% increase in interest bearing liabilities and an 18 bps decline in rate. Rate declined due to the increase in lower-cost core deposits and the reduction in higher-cost balances of brokered CDs and borrowings.

- Provision for credit losses of $17.7 million was level with last year. 2Q20 included $5.0 million to incorporate the expected economic effects of the Covid-19 pandemic, while 2Q19 included $8.8 million for loans transferred to held for sale.

- Total banking and financial service revenues of $23.1 million increased $5.0 million. This was primarily due to our increased customer base and our larger mortgage servicing portfolio.

- All other non-interest income of $4.0 million declined $0.8 million. 2Q20 included a $3.5 million bargain purchase gain from the Scotiabank acquisition, while 2Q19 included a $4.8 million gain on sales of mortgage backed securities (MBS).

- Total non-interest expense of $85.5 million increased $34.0 million primarily due to the Scotiabank acquisition. 2Q20 also included $3.0 million in merger and restructuring charges, $2.4 million in legal claims, and $2.0 million in expenses necessary to deal with Covid-19's impact on operations.

- The effective tax rate (ETR) was 25.0% compared to 31.2%. 2Q20 reflected a 24.2% full year ETR based on the mix of exempt income and income taxed at preferential rates.

Balance Sheet

Unless otherwise noted, the following compares data at June 30, 2020 to June 30, 2019. Balances are end-of-period. The purchase of Scotiabank closed on December 31, 2019.

- Net loans of $6.7 billion increased $2.3 billion primarily due to the Scotiabank acquisition. Compared to March 31, 2020, loans increased $198.1 million. This reflected increases from PPP and other commercial loans partially offset by paydown of retail loans.

- Loan production of $503.4 million increased $176.9 million. This reflected increases from PPP and other commercial loans and declines in the mortgage, auto and consumer categories due to the Covid-19 pandemic. Compared to 1Q20, production increased $222.9 million.

- Cash and cash equivalents of $1.9 billion increased $1.2 billion. Compared to March 31, 2020, they increased $574.1 million primarily because of the influx of both commercial and retail deposits.

- Total investments of $549.7 million declined $321.0 million. Compared to March 31, 2020, they declined $119.1 million, reflecting Treasury maturities and MBS repayments.

- Customer deposits, excluding brokered, of $8.3 billion increased $3.8 billion. Compared to March 31, 2020, customer deposits increased $760.0 million, reflecting commercial deposits from existing and new clients, and in retail accounts from increased liquidity in the economy.

- Brokered deposits of $218.2 million declined $170.2 million year-over-year and $37.3 million quarter-over-quarter. Borrowings of $104.4 million declined $252.4 million year-over-year and $59.4 million quarter-over-quarter.

- Total stockholder's equity of $1.04 billion declined $3.6 million. Compared to March 31, 2020, it was $18.7 million higher due to the increase in retained earnings.

- Book value per common share of $18.69 declined $0.07 from a year-ago and increased $0.36 from March 31, 2020. Tangible book value per share of $16.01 declined $1.02 year-over-year and increased $0.41 from March 31, 2020.

Credit Quality

Unless otherwise noted, the following compares data at June 30, 2020 to June 30, 2019.

- Loans under 1-4 month deferral programs totaled $2.1 billion or 30% of total loans. Retail loans under deferral totaled $1.4 billion or 32% of such loans. Commercial loans under deferral totaled $685 million or 27% of such loans.

- The allowance for loan and lease losses of $232.7 million increased $70.1 million and as a percentage of loans held for investment was 3.35%, a decline of 17 bps. Compared to March 31, 2020, the allowance increased $1.9 million and as a percentage of loans declined 6 bps.

- Net charge offs of $15.8 million increased $2.8 million due to higher loan balances. The NCO rate of 0.92% declined 23 bps. Compared to March 31, 2020, NCOs declined $8.3 million and the NCO rate declined 52 bps.

- The early delinquency loan rate of 2.64% was down 86 bps year-over-year and 52 bps quarter-over-quarter. The total delinquency rate of 5.56% was down 51 bps year-over-year and 82 bps quarter-over-quarter. The declines reflect increased payments from customers and deferral programs.

- Total non-performing loans of $90.2 million declined $23.4 million year-over-year and $8.4 million quarter-over-quarter. The NPL rate of 1.81% declined 113 bps year-over-year and 26 bps quarter-over-quarter. The sequential decline in NPLs and rate reflects loan paydowns and deferrals.

Capital Position

June 30, 2020 regulatory capital ratios increased from March 31, 2020 and continue to be significantly above requirements for a well-capitalized institution: Leverage ratio was 10.16%, up 2 bps; common equity Tier 1 capital ratio (CET1) was 12.03%, up 34 bps; Tier 1 risk-based capital ratio was 13.71%, up 35 bps; and total risk-based capital ratio was 14.96%, up 34 bps.

Financial Supplement & Conference Call Presentation

OFG's Financial Supplement, with full financial tables for the quarter ended June 30, 2020, and the 2Q20 Conference Call Presentation, can be found on the Webcasts, Presentations & Other Files page, on OFG's Investor Relations website at www.ofgbancorp.com.

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. Please refer to Tables 8-1, 8-2 and 8-3 in OFG's above-mentioned Financial Supplement for a reconciliation of GAAP to non-GAAP measures and calculations.

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 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; (vii) the pace and magnitude of Puerto Rico's economic recovery; (viii) the potential impact of damages from future hurricanes, earthquakes and other natural disasters in Puerto Rico; (ix) the fiscal and monetary policies of the federal government and its agencies; (x) changes in federal bank regulatory and supervisory policies, including required levels of capital; (xi) the relative strength or weakness of the commercial and consumer credit sectors and the real estate market in Puerto Rico; (xii) the performance of the stock and bond markets; (xiii) competition in the financial services industry; (xiv) possible legislative, tax or regulatory changes; and (xv) the severity, magnitude and duration of the Covid-19 pandemic, including impacts of the pandemic and of responses of federal, state and local governments on our branches, operations and personnel, and on our customers and their businesses.

For a discussion of such factors and certain risks and uncertainties to which OFG is subject, please refer to OFG's annual report on Form 10-K for the year ended December 31, 2019, 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.

About OFG Bancorp

Now in its 56th year in business, OFG Bancorp is a diversified financial holding company that operates under U.S., Puerto Rico and U.S. Virgin Islands banking laws and regulations. Its three principal subsidiaries, Oriental Bank, Oriental Financial Services and Oriental Insurance, provide a wide range of retail and commercial banking, lending and wealth management products, services, and technology, primarily in Puerto Rico and U.S. Virgin Islands. Visit us at www.ofgbancorp.com.

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Financial Supplement

The information contained in this Financial Supplement is preliminary and based on data available at the time of the earnings presentation, and investors should refer to our June 30, 2020 Quarterly Report on Form 10-Q once it is filed with the Securities and Exchange Commission.

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OFG Bancorp (NYSE: OFG)

Table 1: Financial and Statistical Summary - Consolidated

(Dollars in thousands, except per share data) (unaudited)		**2020 Q2**	2020 Q1	2019 Q4	2019 Q3	2019 Q2	**2020 YTD**	2019 YTD
Statement of Operations								
Net interest income		**$ 105,060**	$ 105,101 (e)	$ 79,209	$ 80,710	$ 81,085	**$ 210,161**	$ 162,874
Non-interest income, net (core)	(2)	**23,106**	26,233 (e)	19,196	18,542	18,074	**49,339**	35,627
Total core revenues	(2)	**128,166**	131,334 (e)	98,405	99,252	99,159	**259,500**	198,501
Non-interest expense		**85,481**	87,322 (e)	78,913 (e)	50,727	51,452	**172,803**	103,604
Pre-provision net revenues	(22)	**46,731**	49,229	20,007	52,161	52,581	**95,960**	99,874
Total provision for credit losses	(22)	**17,696**	47,131 (c)(d)	23,068 (g)	43,770 (g)(h)	17,705 (h)	**64,827**	29,954
Net income (loss) before income taxes		**29,035**	2,098	(3,061)	8,391	34,876	**31,133**	69,920
Income tax expense (benefit)		**7,248**	297	(2,070)	1,008	10,897	**7,545**	22,471
Net income (loss) available to common stockholders		**$ 20,159**	173	(2,619)	5,755	22,351	**20,332**	44,193
Common Share Statistics								
Earnings (loss) per common share - basic	(3)	**$ 0.39**	-	(0.05)	0.11	0.44	**0.40**	0.86
Earnings (loss) per common share - diluted	(4)	**$ 0.39**	-	(0.05)	0.11	0.43	**0.39**	0.86
Average common shares outstanding		**51,336**	51,404	51,360	51,345	51,330	**51,370**	51,317
Average common shares outstanding and equivalents		**51,470**	51,713	51,791	51,772	51,680	**51,584**	51,652
Cash dividends per common share		**$ 0.07**	$ 0.07	$ 0.07	$ 0.07	$ 0.07	**$ 0.14**	$ 0.14
Book value per common share (period end)		**$ 18.69**	$ 18.33 (c)	$ 18.75	$ 18.84	$ 18.76	**$ 18.69**	$ 18.76
Tangible book value per common share (period end)	(5)	**$ 16.01**	$ 15.60 (c)	$ 15.96	$ 17.11	$ 17.03	**$ 16.01**	$ 17.03
Balance Sheet (Average Balances)								
Loans	(6)	**$ 6,840,650 (a)**	$ 6,687,875	$ 4,500,071	$ 4,539,045	$ 4,514,030	**$ 6,764,263**	$ 4,509,403
Interest-earning assets		**8,845,744 (a)**	8,556,421	5,886,379	5,981,756	6,034,338	**8,701,083**	6,092,944
Total assets		**9,512,129 (a)**	9,326,627	6,325,334	6,433,658	6,496,423	**9,419,378**	6,550,575
Core deposits		**7,852,495**	7,516,438	4,582,872	4,563,187	4,467,729	**7,684,466**	4,430,331
Total deposits		**8,088,106**	7,752,446	4,850,979	4,921,317	4,880,112	**7,920,275**	4,885,344
Borrowings		**157,669**	271,800	304,365	340,194	459,802	**214,735**	510,694
Stockholders' equity		**1,037,195**	1,043,481 (c)	1,062,720	1,061,541	1,037,057	**1,040,338**	1,027,356
Common stockholders' equity		**955,325**	961,611 (c)	980,850	979,671	955,187	**958,468**	945,486
Performance Metrics								
Net interest margin	(7)	**4.78%**	4.94%	5.34%	5.35%	5.39%	**4.84%**	5.39%
Return on average assets	(8)	**0.92%**	0.08%	-0.06%	0.46%	1.48%	**0.50%**	1.45%
Return on average tangible common stockholders' equity	(9)	**9.88%**	0.08%	-1.17%	2.58%	10.32%	**4.97%**	10.32%
Efficiency ratio	(10)	**66.70%**	66.49%	80.19%	51.11%	51.89%	**66.59%**	52.19%
Full-time equivalent employees, period end		**2,373**	2,449	2,455	1,436	1,417	**2,373**	1,417
Credit Quality Metrics	(1)(21)							
Allowance for loan and lease losses		**$ 232,701**	$ 230,755 (c)(d)	$ 116,539	$ 154,343	$ 162,642	**$ 232,701**	$ 162,642
Allowance as a % of loans held for investment		**3.35% (a)**	3.41%	1.73%	3.41%	3.52%	**3.35% (a)**	3.52%
Net charge-offs		**$ 15,750**	$ 24,034	$ 14,395	$ 34,486 (f)(g)	$ 12,982	**$ 39,784**	$ 25,050
Net charge-off rate	(11)	**0.92%**	1.44%	1.28%	3.04% (f)(g)	1.15%	**1.18%**	1.11%
Early delinquency rate (30 - 89 days past due)		**2.64%**	3.16%	3.07%	3.63%	3.50%	**2.64%**	3.50%
Total delinquency rate (30 days and over)		**5.56%**	6.38%	5.85%	5.40%	6.07%	**5.56%**	6.07%
Capital Ratios (Non-GAAP)	(12)(20)							
Leverage ratio		**10.16%**	10.14% (b)(c)	9.24%	15.41%	15.20%	**10.16%**	15.20%
Common equity Tier 1 capital ratio		**12.03% (a)**	11.69% (b)(c)	10.91%	17.98%	17.48%	**12.03%**	17.48%
Tier 1 risk-based capital ratio		**13.71% (a)**	13.36% (b)(c)	12.64%	20.43%	19.87%	**13.71%**	19.87%
Total risk-based capital ratio		**14.96% (a)**	14.62% (b)(c)	13.91%	21.71%	21.14%	**14.96%**	21.14%
Tangible common equity ("TCE") ratio		**8.39%**	8.80%	8.96%	14.07%	13.71%	**8.39%**	13.71%

(a) In response to the Coronavirus (COVID-19) pandemic, CARES Act created funding for the Small Business Administration (SBA) Paycheck Protection Program (PPP), which provides loans to small businesses to keep their employees on payroll and make other eligible payments. The original funding for the PPP was fully allocated by mid-April 2020, with additional funding made available on April 24, 2020 under the Paycheck Protection Program and Health Care Enhancement Act. During 2Q 2020, the Company participated in this program originating 4,342 PPP loans. At June 30, 2020, Oriental had PPP loans amounting to $278.1 million. These loans are fully guaranteed by the SBA and risk-weighted at 0%.

(b) During 1Q 2020, the Company decided to early implement Simplifications to the Capital Rule, which simplified the regulatory capital treatment for mortgage servicing assets (MSA) and certain deferred tax assets arising from temporary differences (temporary difference DTAs). It Increased common equity tier 1 (CET1) capital threshold deductions from 10 percent to 25 percent and removes the aggregate 15 percent CET1 threshold deduction. However, it retains the 250 percent risk weight applicable to non-deducted amounts of MSAs and temporary difference DTAs.

(c) On January 1, 2020, the Company implemented ASU No. 2016-13: Measurement of Credit Losses on Financial Instruments "(CECL)" using the modified retrospective approach. As a result, a $39.2 million allowance for credit losses was recorded for Non-PCD loans and $0.2 million for unused commitments with the corresponding adjustment reducing retained earnings, net of a $13.9 million deferred tax effect. For PCD loans, including BBVA and Eurobank acquired book plus the recently acquired Scotiabank, the adjustment amounting to $50.5 million was made through the allowance and loan balances with no impact in capital. As disclosed in the Company's 2019 Form 10-K, the Company had initially elected to phase-in the January 1, 2020 ("day 1") impact to retained earnings to regulatory capital, over a three-year transition period beginning in 2020. As part of its response to the impact of COVID-19, in March 2020, the Federal Reserve, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency issued an interim final rule that provided the option to temporarily delay the effects of CECL on regulatory capital for two years, followed by a three-year transition period. In addition, for the first two years, a uniform 25% "scaling factor" is introduced to approximate the portion of the post day-one allowance attributable to CECL relative to the incurred loss methodology. The 25% scaling factor is calibrated to approximate an overall after-tax impact of differences in allowances under CECL vs the incurred loss methodology.

(d) During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in P.R. and the U.S., creating significant uncertainties. As a result of these developments, we increased our provision for credit losses in 1Q 2020 and 2Q 2020 by $34.1 million and $5.0 million, respectively.

(e) On December 31, 2019, the Company acquired Scotiabank's Puerto Rico and USVI operations, incurring in merger and restructuring charges of $21.5 million during 4Q 2019. At December 31, 2019, the consolidated statement of financial condition contemplated the effects of the Scotiabank PR & USVI acquisition. Nevertheless, the consolidated statement of operations did not contemplated the effects of the Scotiabank PR & USVI acquisition until January 1, 2020.

(f) During 3Q 2019, the Company received $2.4 million proceeds from the sale of fully charged-off originated auto and consumer loans.

(g) During 3Q 2019, the Company decided to sell mostly non-performing loans, increasing the provision by $37.2 million. Originated loans that were transferred to held-for-sale amounted to $25.3 million at September 30, 2019, the remaining were purchased credit impaired loans. Loans were sold during 4Q 2019, with an additional increase in the provision of $6.6 million.

(h) During 2Q 2019, the Company decided to sell mostly non-performing mortgage loans increasing the provision by $8.8 million. Most of these loans were sold in 3Q 2019, increasing the provision by an additional $1.8 million.

OFG Bancorp (NYSE: OFG)
Table 2: Consolidated Statements of Operations

(Dollars in thousands, except per share data) (unaudited)		Quarter Ended June 30, 2020	Quarter Ended March 31, 2020	Quarter Ended December 31, 2019	Quarter Ended September 30, 2019	Quarter Ended June 30, 2019	Six-Months Ended June 30, 2020	Six-Months Ended June 30, 2019
Interest income:								
Loans	(1)							
Non-PCD loans		$ 83,832	$ 87,482	$ 74,142	$ 74,910	$ 73,648	$ 171,314	$ 145,673
PCD loans		34,700 (a)	28,953	10,762	10,862	11,432	63,653 (a)	23,526
Total interest income from loans		118,532	116,435	84,904	85,772	85,080	234,967	169,199
Investment securities		3,160	7,262	6,271	7,883	9,175	10,422	19,766
Total interest income		121,692	123,697 (d)	91,175	93,655	94,255	245,389	188,965
Interest expense:								
Deposits								
Core deposits		13,999	15,034	7,957	8,256	7,465	29,033	13,679
Brokered deposits		1,446	1,586	1,804	2,298	2,526	3,032	5,362
Total deposits		15,445	16,620 (d)	9,761	10,554	9,991	32,065 (d)	19,041
Borrowings		1,187	1,976	2,205	2,391	3,179	3,163	7,050
Total interest expense		16,632	18,596	11,966	12,945	13,170	35,228	26,091
Net interest income		105,060	105,101	79,209	80,710	81,085	210,161	162,874
Provision for credit losses, excluding PCD loans	(1)	15,227	40,951	18,859	23,427	8,616	56,178	20,248
Provision for credit losses on PCD loans	(1)	2,469	6,180	4,209	20,343	9,089	8,649	9,706
Total provision for credit losses		17,696	47,131 (c)(d)	23,068	43,770 (f)(g)(h)	17,705 (h)	64,827 (c)(d)	29,954
Net interest income after provision for loan and lease losses		87,364	57,970	56,141	36,940	63,380	145,334	132,920
Non-interest income:								
Banking service revenues		13,668	15,713	10,812	10,813	10,776	29,381	21,241
Wealth management revenues		6,366	7,286	7,062	6,611	6,669	13,652	12,551
Mortgage banking activities		3,072	3,234	1,322	1,118	629	6,306	1,835
Total banking and financial service revenues		23,106 (c)	26,233 (d)	19,196	18,542	18,074	49,339 (d)	35,627
Bargain purchase from Scotiabank PR & USVI acquisition		3,462 (b)	409	315	-	-	3,871 (b)	-
Other income, net		584	4,808 (e)	200	3,636 (e)	4,874 (e)	5,392 (e)	4,977 (e)
Total non-interest income, net		27,152	31,450	19,711	22,178	22,948	58,602	40,604
Non-interest expense:								
Compensation and employee benefits		34,506	35,544	21,817	20,500	19,875	70,050	40,216
Occupancy, equipment and infrastructure costs		11,837	11,439	7,488	7,307	7,511	23,276	15,257
Merger and restructuring charges		3,006 (d)	304	21,499 (d)	1,556	1,000	3,310	-
Net (gain) loss on sale of foreclosed real estate and other repossessed assets		316	(193)	541	794	21	123	1,091
General and administrative expenses		33,214	37,513	25,450	18,475	20,482	70,727	42,181
Credit related expenses		2,602	2,715	2,118	2,095	2,563	5,317	4,859
Total non-interest expense		85,481	87,322 (d)	78,913	50,727	51,452	172,803 (d)	103,604
Income (loss) before income taxes		29,035	2,098	(3,061)	8,391	34,876	31,133	69,920
Income tax expense (benefit)		7,248	297	(2,070)	1,008	10,897	7,545	22,471
Net income (loss)		21,787	1,801 (c)	(991) (d)	7,383	23,979	23,588 (c)	47,449
Less: dividends on preferred stock		(1,628)	(1,628)	(1,628)	(1,628)	(1,628)	(3,256)	(3,256)
Net income (loss) available to common shareholders		$ 20,159	$ 173	$ (2,619)	$ 5,755	$ 22,351	$ 20,332	$ 44,193

(a) During 2Q 2020, the Company recognized interest recoveries on SOP loans acquired in the Scotiabank PR & USVI acquisition collected subsequently to the acquisition date amounting to $6.0 million.

(b) During 2Q 2020, the Company increased the Bargain purchase from Scotiabank PR & USVI acquisition by $3.5 million to adjust the fair value of accrued interest receivable in Day 1, net of taxes.

(c) During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in P.R. and the U.S., creating significant uncertainties. As a result of these developments, we increased our provision for credit losses in the 1Q 2020 and 2Q 2020 by $34.1 million and $5.0 million, respectively.

(d) On December 31, 2019, the Company acquired Scotiabank's Puerto Rico and USVI operations, incurring in merger and restructuring charges of $21.5 million during 4Q 2019 and $3.0 million during 2Q 2020. At December 31, 2019, the consolidated statement of financial condition contemplated the effects of the Scotiabank PR & USVI acquisition. Nevertheless, the consolidated statement of operations did not contemplated the effects of the Scotiabank PR & USVI acquisition until January 1, 2020.

(e) During 1Q 2020, 2Q 2019 and 3Q 2019, the Company sold $316 million, $350 million and $322 million available-for-sale mortgage-backed securities, respectively, and recognized a gain in the sale of $4.7 million, $4.8 million and $3.5 million.

(f) During 3Q 2019, the Company received $2.4 million proceeds from the sale of fully charged-off originated auto and consumer loans.

(g) During 3Q 2019, the Company decided to sell mostly non-performing loans, increasing the provision by $37.2 million. Originated loans that were transferred to held-for-sale amounted to $25.3 million at September 30, 2019, the remaining were purchased credit impaired loans. Loans were sold during 4Q 2019, with an additional increase in the provision of $6.6 million.

(h) During 2Q 2019, the Company decided to sell mostly non-performing mortgage loans increasing the provision by $8.8 million. Most of these loans were sold in 3Q 2019, increasing the provision by an additional $1.8 million.

OFG Bancorp (NYSE: OFG)
Table 3: Consolidated Statements of Financial Condition

(Dollars in thousands) (unaudited)	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Cash and cash equivalents	**$ 1,900,037** (b)	$ 1,325,941	$ 852,757	$ 962,887	$ 677,430
Investments:					
Trading securities	**22**	29	37	41	412
Investment securities available-for-sale, at fair value, with amortized cost of $529,985 and allowance for credit losses of $0					
(March 31, 2020 - $648,565 and an allowance for credit losses of $0; December 31, 2019 - $1,074,474;					
September 30, 2019 - $520,960; June 30, 2019 - $860,911)					
Mortgage-backed securities	**340,192**	355,637	673,886	505,102	843,333
US treasury notes	**197,340**	298,986	397,183	10,938	10,907
Other investment securities	**2,707**	2,837	3,100	3,055	3,193
Total investment securities available-for-sale	**540,239**	657,460 (e)	1,074,169 (d)	519,095 (e)	857,433
Federal Home Loan Bank (FHLB) stock, at cost	**8,366**	10,301	13,048	10,525	12,821
Other investments	**1,076**	973	560	57	3
Total investments	**549,703**	668,763	1,087,814	529,718	870,669
Loans, net	**6,739,243** (b)	6,541,174 (c)	6,641,847 (d)	4,407,190 (f)	4,474,497
Other assets:					
Prepaid expenses	**40,119**	44,633	52,648	14,244	11,903
Deferred tax asset, net	**186,730**	196,129 (c)	176,740	112,602	111,147
Foreclosed real estate and repossessed properties	**26,152**	30,388	33,236	30,488	32,016
Premises and equipment, net	**82,234**	81,834	81,105	69,754	71,001
Goodwill	**86,069**	86,069	86,069	86,069	86,069
Right of use assets	**34,692**	36,844	39,112	19,318	20,419
Core deposit, customer relationship intangible and other intangibles	**51,406**	54,174	56,965	2,491	2,783
Servicing asset	**47,926**	49,287	50,779	10,125	10,134
Accounts receivable and other assets	**188,408** (a)	123,335	138,589	88,619	96,059
Total assets	**$ 9,932,719**	$ 9,238,571	$ 9,297,661 (b)	$ 6,333,505	$ 6,464,127
Deposits:					
Demand deposits	**$ 4,370,419** (b)	$ 3,711,492	$ 3,579,115	$ 2,228,256	$ 2,219,911
Savings accounts	**1,978,118**	1,829,054	1,815,044	1,206,569	1,200,408
Time deposits	**1,975,223**	2,023,211	2,060,953	1,154,871	1,136,411
Brokered deposits	**218,166**	255,514	243,498	288,362	388,407
Total deposits	**8,541,926**	7,819,271	7,698,610 (d)	4,878,058	4,945,137
Borrowings:					
Securities sold under agreements to repurchase	**-**	50,103	190,274	190,261	240,324
Advances from FHLB and other borrowings	**68,340**	77,601	79,204	79,603	80,423
Subordinated capital notes	**36,083**	36,083	36,083	36,083	36,083
Total borrowings	**104,423**	163,787	305,561	305,947	356,830
Other liabilities:					
Derivative liabilities	**2,078**	2,059	913	1,159	985
Acceptances outstanding	**20,034**	11,763	21,599	21,796	23,610
Lease liability	**35,694**	37,702	39,840	21,081	22,179
Accrued expenses and other liabilities	**187,280**	181,395	185,660	56,388	70,512
Total liabilities	**8,891,435**	8,215,977	8,252,183	5,284,429	5,419,253
Stockholders' equity:					
Preferred stock	**92,000**	92,000	92,000	92,000	92,000
Common stock	**59,885**	59,885	59,885	59,885	59,885
Additional paid-in capital	**621,860**	621,206	621,515	620,948	620,368
Legal surplus	**98,347**	95,945	95,779	95,783	95,019
Retained earnings	**264,725**	250,557 (c)	279,646	285,854	284,459
Treasury stock, at cost	**(103,121)**	(103,289)	(102,339)	(102,936)	(103,171)
Accumulated other comprehensive (loss) income, net	**7,588**	6,290	(1,008)	(2,458)	(3,686)
Total stockholders' equity	**1,041,284**	1,022,594	1,045,478	1,049,076	1,044,874
Total liabilities and stockholders' equity	**$ 9,932,719**	$ 9,238,571	$ 9,297,661	$ 6,333,505	$ 6,464,127

(a) During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in P.R. and the U.S., creating significant uncertainties. After recent disruptions in economic conditions caused by COVID-19, the Company has offered several deferral programs for the payment of principal and interest for auto, personal, credit cards and mortgage, and commercial loans, for customers whose payments were not over 89 days past due at March 12, 2020 and requested to be included in these programs, which has caused accrued interest receivable to increase by approximately $40 million from 1Q 2020 to 2Q 2020.

(b) In response to the Coronavirus (COVID-19) pandemic, CARES Act created funding for the Small Business Administration (SBA) Paycheck Protection Program (PPP), which provides loans to small businesses to keep their employees on payroll and make other eligible payments. The original funding for the PPP was fully allocated by mid-April 2020, with additional funding made available on April 24, 2020 under the Paycheck Protection Program and Health Care Enhancement Act. During 2Q 2020, the Company participated in this program originating 4,342 PPP loans. At June 30, 2020, Oriental had PPP loans amounting to $278.1 million. These loans are fully guaranteed by the SBA and risk-weighted at 0%. These funds has been disbursed into the customers' deposit accounts which have increased the Company's cash and core deposits.

(c) On January 1, 2020, the Company implemented ASU No. 2016-13: Measurement of Credit Losses on Financial Instruments "(CECL)" using the modified retrospective approach. As a result, a $39.2 million allowance for credit losses was recorded for Non-PCD loans and $0.2 million for unused commitments with the corresponding adjustment reducing retained earnings, net of a $13.9 million deferred tax effect. For PCD loans, including BBVA and Eurobank acquired book plus the recently acquired Scotiabank, the adjustment amounting to $50.5 million was made through the allowance and loan balances with no impact in capital.

(d) On December 31, 2019, the Company acquired Scotiabank's Puerto Rico and USVI operations, increasing investments by $576.2 million, loans by $2.2 billion and deposits by $3.0 billion.

(e) During 1Q 2020, the Company sold $316 million available-for-sale mortgage-backed securities and recognized a gain in the sale of $4.7 million. During 3Q 2019, the Company sold $322 million available-for-sale mortgage-backed securities and recognized a gain in the sale of $3.4 million. During 2Q 2019, the Company sold $350 million available-for-sale mortgage-backed securities and recognized a gain in the sale of $4.8 million, resulting in the termination before maturity of $191.2 million of securities sold under agreements to repurchase and in a reduction of $62.8 million of brokered CDs.

(f) During 3Q 2019, the Company decided to sell mostly non-performing loans. Originated loans that were transferred to held-for-sale amounted to $25.3 million at September 30, 2019 and were sold in 4Q 2019.

OFG Bancorp (NYSE: OFG)
Table 4-1: Information on Loan Portfolio and Production

(Dollars in thousands) (unaudited)		June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Non-PCD:	(1)					
Mortgage		**$ 874,286**	$ 887,950	$ 898,118	$ 588,535	$ 634,774
Commercial		**1,918,424**	1,910,192	1,862,484	1,575,491	1,618,809
Commercial Paycheck Protection Program (PPP Loans)		**278,059** (a)	-	-	-	-
Consumer		**458,714**	481,710	495,244	383,819	388,582
Auto		**1,454,987**	1,487,701	1,479,612	1,277,114	1,219,066
		4,984,470	4,767,553	4,735,458	3,824,959	3,861,231
Less: Allowance for credit losses		**(151,507)**	(149,961)	(85,044)	(80,579)	(91,637)
Total non- PCD loans held for investment, net		**4,832,963**	4,617,592	4,650,414	3,744,380	3,769,594
PCD:	(1)					
Mortgage		**1,541,637**	1,561,557	1,591,112	494,278	538,001
Commercial		**386,046**	391,158	359,601	202,065	215,902
Consumer		**2,950**	3,350	9,263	802	867
Auto		**37,409**	42,466	43,361	3,883	6,462
		1,968,042	1,998,531	2,003,337	701,028	761,232
Less: Allowance for credit losses	(1)	**(81,194)**	(80,794)	(31,495)	(73,764)	(71,005)
Total PCD loans held for investment, net		**1,886,848**	1,917,737	1,971,842	627,264	690,227
Total loans held for investment		**6,719,811**	6,535,329	6,622,256	4,371,644	4,459,821
Mortgage loans held for sale		**19,432**	5,845	19,591	23,504	13,293
Other loans held for sale		**-**	-	-	12,042	1,383
Total loans, net		**$ 6,739,243**	$ 6,541,174	$ 6,641,847	$ 4,407,190	$ 4,474,497
Loan Portfolio Summary:						
Loans held for investment:						
Mortgage		**$ 2,415,923**	$ 2,449,507	$ 2,489,230	$ 1,082,813	$ 1,172,775
Commercial		**2,582,529**	2,301,350	2,222,085	1,777,556	1,834,711
Consumer		**461,664**	485,060	504,507	384,621	389,449
Auto		**1,492,396**	1,530,167	1,522,973	1,280,997	1,225,528
		6,952,512	6,766,084	6,738,795	4,525,987	4,622,463
Less: Allowance for credit losses		**(232,701)**	(230,755)	(116,539)	(154,343)	(162,642)
Total loans held for investment, net		**6,719,811**	6,535,329	6,622,256	4,371,644	4,459,821
Mortgage loans held for sale		**19,432**	5,845	19,591	23,504	13,293
Other loans held for sale		**-**	-	-	12,042	1,383
Total loans, net		**$ 6,739,243**	$ 6,541,174	$ 6,641,847	$ 4,407,190	$ 4,474,497

(a) In response to the Coronavirus (COVID-19) pandemic, CARES Act created funding for the Small Business Administration (SBA) Paycheck Protection Program (PPP), which provides loans to small businesses to keep their employees on payroll and make other eligible payments. The original funding for the PPP was fully allocated by mid-April 2020, with additional funding made available on April 24, 2020 under the Paycheck Protection Program and Health Care Enhancement Act. During 2Q 2020, the Company participated in this program originating 4,342 PPP loans. At June 30, 2020, Oriental had PPP loans amounting to $278.1 million. These loans are fully guaranteed by the SBA and risk-weighted at 0%.

OFG Bancorp (NYSE: OFG)
Table 4-2: Information on Loan Portfolio and Production

		Quarter Ended					Six-Months Ended	
(Dollars in thousands) (unaudited)		**June 30, 2020**	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	**June 30, 2020**	June 30, 2019
Loan production	(13)							
Mortgage		**$ 21,138**	$ 30,776	$ 23,680	$ 23,805	$ 22,196	**$ 51,914**	**$** 45,293
Commercial		**98,558**	54,113	216,610	65,635	64,079	**152,671**	124,564
Commercial PPP Loans		**286,420**	-	-	-	-	**286,420**	-
US Loan Programs		**35,711**	47,125	12,482	12,225	56,372	**82,836**	88,078
Consumer		**14,231**	39,199	41,947	48,257	47,662	**53,430**	88,539
Auto		**47,374**	109,344	110,184	141,507	136,263	**156,718**	256,462
Total		**$ 503,432**	$ 280,557	$ 404,903	$ 291,429	$ 326,572	**$ 783,989**	$ 602,936

OFG Bancorp (NYSE: OFG)
Table 5-1: Average Balances, Net Interest Income and Net Interest Margin

(Dollars in thousands) (unaudited)	2020 Q2			2020 Q1			2019 Q4			2019 Q3			2019 Q2		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest earning assets:															
Cash equivalents	$ 1,393,187	$ 359	0.10 %	$ 943,581	$ 2,788	1.19 %	$ 863,497	$ 3,684	1.69 %	$ 734,105	$ 4,086	2.21 %	$ 481,115	$ 2,904	2.42 %
Investment securities	611,907	2,801	1.83 %	924,965	4,474	1.93 %	522,811	2,587	1.98 %	708,606	3,797	2.14 %	1,039,193	6,271	2.41 %
Loans held for investment (1)															
Non-PCD loans	4,857,281	83,832	6.94 %	4,613,878	87,482	7.63 %	3,888,442	74,142	7.56 %	3,873,743	74,910	7.67 %	3,810,005	73,648	7.75 %
PCD loans	1,983,369	34,700	7.00 %	2,073,997	28,953	5.58 %	611,629	10,762	7.04 %	665,302	10,862	6.53 %	704,025	11,432	6.50 %
Total loans	6,840,650	118,532	6.97 %	6,687,875	116,435	7.00 %	4,500,071	84,904	7.49 %	4,539,045	85,772	7.50 %	4,514,030	85,080	7.56 %
Total interest-earning assets	$ 8,845,744	$ 121,692	5.53 %	$ 8,556,421	$ 123,697	5.81 %	$ 5,886,379	$ 91,175	6.15 %	$ 5,981,756	$ 93,655	6.21 %	$ 6,034,338	$ 94,255	6.27 %
Interest bearing liabilities:															
Deposits															
NOW accounts	$ 2,069,247	$ 2,138	0.42 %	$ 1,980,505	$ 2,389	0.49 %	$ 1,119,371	$ 1,471	0.52 %	$ 1,118,214	$ 1,616	0.57 %	$ 1,124,668	$ 1,730	0.62 %
Savings accounts	1,809,517	1,976	0.44 %	1,797,658	2,440	0.55 %	1,195,689	1,843	0.61 %	1,199,678	2,012	0.67 %	1,180,153	1,882	0.64 %
Time deposits	1,990,639	7,835	1.58 %	2,039,311	8,131	1.60 %	1,156,965	4,442	1.52 %	1,151,248	4,427	1.53 %	1,065,005	3,652	1.38 %
Brokered deposits	235,611	1,446	2.47 %	236,008	1,586	2.70 %	268,108	1,804	2.67 %	358,130	2,298	2.55 %	412,383	2,526	2.46 %
	6,105,014	13,394	0.88 %	6,053,482	14,546	0.97 %	3,740,133	9,560	1.01 %	3,827,270	10,353	1.07 %	3,782,209	9,790	1.04 %
Non-interest bearing deposit accounts	1,983,092	-	-	1,698,964	-	-	1,110,847	-	-	1,094,047	-	-	1,097,903	-	- %
Fair value premium amortization and core deposit intangible amortization	-	2,051	-	-	2,074	-	-	201	-	-	201	-	-	201	-
Total deposits	8,088,106	15,445	0.77 %	7,752,446	16,620	0.86 %	4,850,980	9,761	0.80 %	4,921,317	10,554	0.85 %	4,880,112	9,991	0.82 %
Borrowings															
Securities sold under agreements to repurchase	46,154	334	2.91 %	158,462	1,002	2.54 %	190,000	1,189	2.48 %	224,783	1,342	2.37 %	343,370	2,107	2.46 %
Advances from FHLB and other borrowings	75,432	505	2.69 %	77,255	539	2.81 %	78,282	541	2.74 %	79,328	550	2.75 %	80,349	559	2.79 %
Subordinated capital notes	36,083	348	3.88 %	36,083	435	4.85 %	36,083	475	5.22 %	36,083	499	5.49 %	36,083	514	5.71 %
Total borrowings	157,669	1,187	3.03 %	271,800	1,976	2.92 %	304,365	2,205	2.87 %	340,194	2,391	2.79 %	459,802	3,180	2.77 %
Total interest-bearing liabilities	$ 8,245,775	$ 16,632	0.81 %	$ 8,024,246	$ 18,596	0.93 %	$ 5,155,345	$ 11,966	0.92 %	$ 5,261,511	$ 12,945	0.98 %	$ 5,339,914	$ 13,171	0.99 %
Interest rate spread		$ 105,060	4.72 %		$ 105,101	4.88 %		$ 79,209	5.23 %		$ 80,710	5.23 %		$ 81,084	5.28 %
Net interest margin			4.78 %			4.94 %			5.34 %			5.35 %			5.39 %
SOP loan cost recoveries (interest recoveries in 2Q 2020)		$ 5,982			$ -			$ 1,033			$ 371			$ 430	
Adjusted excluding cost/interests recoveries (Non-GAAP):															
Total interest-earning assets	$ 8,845,744	$ 115,710	5.26 %	$ 8,556,421	$ 123,697	5.81 %	$ 5,886,379	$ 90,142	6.08 %	$ 5,981,756	$ 93,284	6.19 %	$ 6,034,338	$ 93,825	6.24 %
Interest rate spread		$ 99,078	4.45 %		$ 105,101	4.88 %		$ 78,176	5.16 %		$ 80,339	5.21 %		$ 80,654	5.25 %
Net interest margin			4.50 %			4.94 %			5.27 %			5.33 %			5.36 %
Core deposits: (Non-GAAP)															
Deposits															
NOW accounts	$ 2,069,247	$ 2,138	0.42 %	$ 1,980,505	$ 2,389	0.49 %	$ 1,119,371	$ 1,471	0.52 %	$ 1,118,214	$ 1,616	0.57 %	$ 1,124,668	$ 1,730	0.62 %
Savings accounts	1,809,517	1,976	0.44 %	1,797,658	2,440	0.55 %	1,195,689	1,843	0.61 %	1,199,678	2,012	0.67 %	1,180,153	1,882	0.64 %
Time deposits	1,990,639	7,835	1.58 %	2,039,311	8,131	1.60 %	1,156,965	4,442	1.52 %	1,151,248	4,427	1.53 %	1,065,005	3,652	1.38 %
	5,869,403	11,949	0.82 %	5,817,474	12,960	0.90 %	3,472,025	7,756	0.89 %	3,469,140	8,055	0.92 %	3,369,826	7,264	0.86 %
Non-interest bearing deposit accounts	1,983,092	-	- %	1,698,964	-	- %	1,110,847	-	- %	1,094,047	-	- %	1,097,903	-	- %
Total core deposits	$ 7,852,495	$ 11,949	0.61 %	$ 7,516,438	$ 12,960	0.69 %	$ 4,582,872	$ 7,756	0.67 %	$ 4,563,187	$ 8,055	0.70 %	$ 4,467,729	$ 7,264	0.65 %

OFG Bancorp (NYSE: OFG)
Table 5-2: Average Balances, Net Interest Income and Net Interest Margin (Continued)

(Dollars in thousands) (unaudited)	2020 YTD Average Balance	2020 YTD Interest Income/ Expense	2020 YTD Yield/ Rate	2019 YTD Average Balance	2019 YTD Interest Income/ Expense	2019 YTD Yield/ Rate
Interest earning assets:						
Cash equivalents	$ 1,168,384	$ 3,147	0.54 %	$ 435,102	$ 5,271	2.44 %
Investment securities	768,436	7,275	1.89 %	1,148,439	14,495	2.52 %
Loans held for investment						
Non-PCD loans	4,735,580	171,315	7.26 %	3,796,169	145,673	7.74 %
PCD loans	2,028,683	63,653	6.28 %	713,234	23,526	6.60 %
Total loans	6,764,263	234,968	6.97 %	4,509,403	169,199	7.57 %
Total interest-earning assets	$ 8,701,083	$ 245,390	5.66 %	$ 6,092,944	$ 188,965	6.25 %
Interest bearing liabilities:						
Deposits						
NOW accounts	$ 2,024,876	$ 4,525	0.45 %	$ 1,122,155	$ 3,183	0.57 %
Savings accounts	1,803,587	4,416	0.49 %	1,180,586	3,496	0.60 %
Time deposits	2,014,975	15,967	1.59 %	1,028,870	6,598	1.29 %
Brokered deposits	235,809	3,032	2.58 %	455,013	5,362	2.38 %
	6,079,247	27,940	0.92 %	3,786,624	18,639	0.99 %
Non-interest bearing deposit accounts	1,841,028	-	-	1,098,720	-	- %
Fair value premium amortization and core deposit intangible amortization	-	4,125	-	-	401	-
Total deposits	7,920,275	32,065	0.81 %	4,885,344	19,040	0.79 %
Borrowings						
Securities sold under agreements to repurchase	102,308	1,334	2.62 %	393,826	4,892	2.50 %
Advances from FHLB and other borrowings	76,344	1,045	2.74 %	80,785	1,121	2.80 %
Subordinated capital notes	36,083	785	4.35 %	36,083	1,038	5.80 %
Total borrowings	214,735	3,164	2.95 %	510,694	7,051	2.78 %
Total interest-bearing liabilities	$ 8,135,010	$ 35,229	0.87 %	$ 5,396,038	$ 26,091	0.98 %
Interest rate spread		$ 210,161	4.79 %		$ 162,874	5.27 %
Net interest margin			4.84 %			5.39 %
SOP loan cost recoveries (interest recoveries in 2Q 2020)		$ 5,982			$ 967	
Adjusted excluding cost/interests recoveries (Non-GAAP):						
Total interest-earning assets	$ 8,701,083	$ 239,408	5.52 %	$ 6,092,944	$ 187,998	6.22 %
Interest rate spread		$ 204,179	4.65 %		$ 161,907	5.24 %
Net interest margin			4.71 %			5.36 %
Core deposits: (Non-GAAP)						
Deposits						
NOW accounts	$ 2,024,876	$ 4,525	0.45 %	$ 1,122,155	$ 3,183	0.57 %
Savings accounts	1,803,587	4,416	0.49 %	1,180,586	3,496	0.60 %
Time deposits	2,014,975	15,967	1.59 %	1,028,870	6,598	1.29 %
	5,843,438	24,908	0.85 %	3,331,611	13,277	0.80 %
Non-interest bearing deposit accounts	1,841,028	-	- %	1,098,720	-	- %
Total core deposits	$ 7,684,466	$ 24,908	0.65 %	$ 4,430,331	$ 13,277	0.60 %

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Table 6-1: Loan Information and Performance Statistics (1)

(Dollars in thousands) (unaudited)		2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Net Charge-offs	(21)					
Non-PCD						
Mortgage:						
Charge-offs		**$ 185**	$ 418	$ 1,075	$ 16,299 (b)	$ 604
Recoveries		**(9)**	(249)	(437)	(493)	(316)
Total mortgage		**176**	169	638	15,806	288
Commercial:						
Charge-offs		**497**	3,771	463	8,421 (b)	2,226
Recoveries		**(631)**	(1,522)	(606)	(176)	(179)
Total commercial		**(134)**	2,249	(143)	8,245	2,047
Consumer:						
Charge-offs		**4,187**	6,015	5,289	5,317	5,272
Recoveries		**(443)**	(644)	(196)	(1,463) (a)	(405)
Total consumer		**3,744**	5,371	5,093	3,854	4,867
Auto:						
Charge-offs		**13,300**	13,053	12,930	12,383	10,728
Recoveries		**(3,405)**	(4,211)	(4,123)	(5,802) (a)	(4,948)
Total auto		**9,895**	8,842	8,807	6,581	5,780
Total		**$ 13,681**	$ 16,631	$ 14,395	$ 34,486	$ 12,982
PCD						
Mortgage:						
Charge-offs		**$ 2,178**	$ 5,143	$ -	$ -	$ -
Recoveries		**(580)**	(122)	-	-	-
Total mortgage		**1,598**	5,021	-	-	-
Commercial:						
Charge-offs		**386**	2,357	-	-	-
Recoveries		**(286)**	(375)	-	-	-
Total commercial		**100**	1,982	-	-	-
Consumer:						
Charge-offs		**30**	431	-	-	-
Recoveries		**(30)**	(63)	-	-	-
Total consumer		**-**	368	-	-	-
Auto:						
Charge-offs		**600**	375	-	-	-
Recoveries		**(229)**	(343)	-	-	-
Total auto		**371**	32	-	-	-
Total		**$ 2,069**	$ 7,403	$ -	$ -	$ -
Total Net Charge-offs		**$ 15,750**	$ 24,034	$ 14,395	$ 34,486	$ 12,982
Net Charge-off Rates	(21)					
Mortgage		**0.30%**	0.86%	0.24%	5.68%	0.10%
Commercial		**-0.01%**	0.76%	-0.03%	1.86%	0.46%
Consumer		**3.12%**	4.63%	5.15%	3.93%	5.04%
Auto		**2.72%**	2.31%	2.73%	2.09%	1.92%
Total		**0.92%**	1.44%	1.28%	3.04% (b)	1.15%
Average Loans Held For Investment	(21)					
Mortgage		**$ 2,366,598**	$ 2,414,686	$ 1,062,845	$ 1,112,487	$ 1,153,357
Commercial		**2,484,533**	2,239,659	1,753,070	1,772,333	1,770,601
Consumer		**479,996**	496,336	395,612	392,724	386,177
Auto		**1,509,523**	1,537,194	1,288,544	1,261,501	1,203,895
Total		**$ 6,840,650**	$ 6,687,875	$ 4,500,071	$ 4,539,045	$ 4,514,030

(a) During 3Q 2019, the Company received $2.4 million proceeds from the sale of fully charged-off originated auto and consumer loans.

(b) During 3Q 2019, the Company decided to sell several non-performing originated loans, which were sold during 4Q 2019, increasing charge-offs by $15.9 million, $4.4 million in commercial loans and $11.5 million in residential mortgages.

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Table 6-2: Loan Information and Performance Statistics (Excludes PCD/PCI Loans) (1)

(Dollars in thousands) (unaudited)	**2020 Q2**	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Early Delinquency (30 - 89 days past due)					
Mortgage	**$ 15,665**	$ 20,518	$ 22,389	$ 21,631	$ 24,303
Commercial	**7,704**	6,074	9,895	4,467	2,823
Consumer	**18,254**	13,127	9,560	9,360	9,223
Auto	**89,825**	110,959	103,749	103,452	98,847
Total	**$ 131,448** (a)	$ 150,678	$ 145,593	$ 138,910	$ 135,196
Early Delinquency Rates (30 - 89 days past due)					
Mortgage	**1.79%**	2.31%	2.49%	3.68%	3.83%
Commercial	**0.40%**	0.32%	0.53%	0.28%	0.17%
Consumer	**3.98%**	2.73%	1.93%	2.44%	2.37%
Auto	**6.17%**	7.46%	7.01%	8.10%	8.11%
Total	**2.64%**	3.16%	3.07%	3.63%	3.50%
Total Delinquency (30 days and over past due)					
Mortgage:					
Traditional, Non traditional, and Loans under Loss Mitigation	**$ 40,719**	$ 46,768	$ 41,314 (b)	$ 40,194	$ 70,364
GNMA's buy-back option program	**75,091**	75,314	75,181 (b)	11,403	11,675
Total mortgage	**115,810**	122,082	116,495	51,597	82,039
Commercial	**38,258**	33,746	30,111 (b)	25,271	29,673
Consumer	**22,796**	16,808	12,258 (b)	11,927	11,710
Auto	**100,027**	131,715	118,020 (b)	117,716	110,926
Total	**$ 276,891** (a)	$ 304,351	$ 276,884	$ 206,511	$ 234,348
Total Delinquency Rates (30 days and over past due)					
Mortgage:					
Traditional, Non traditional, and Loans under Loss Mitigation	**4.66%**	5.27%	4.60%	6.83%	11.08%
GNMA's buy-back option program	**8.59%**	8.48%	8.37%	1.94%	1.84%
Total mortgage	**13.25%**	13.75%	12.97%	8.77%	12.92%
Commercial	**1.99%**	1.77%	1.62%	1.60%	1.83%
Consumer	**4.97%**	3.49%	2.48%	3.11%	3.01%
Auto	**6.87%**	8.85%	7.98%	9.22%	9.10%
Total	**5.56%**	6.38%	5.85%	5.40%	6.07%
Nonperforming Assets (14)					
Mortgage	**$ 30,491**	$ 31,073	$ 22,552	$ 21,138	$ 53,534
Commercial	**44,187**	42,668	42,606 (b)	36,409	45,443
Consumer	**4,933**	3,690	5,287	4,213	2,495
Auto	**10,539**	21,147	14,295	15,063	12,082
Total nonperforming loans	**90,150** (a)	98,578	84,740	76,823	113,554
Foreclosed real estate	**24,792**	27,292	29,909	26,952	29,509
Other repossessed assets	**1,360**	3,096	3,327	3,537	2,507
Total nonperforming assets	**$ 116,302**	$ 128,966	$ 117,976	$ 107,312	$ 145,570
Nonperforming Loan Rates					
Mortgage	**3.49%**	3.50%	2.51%	3.59%	8.43%
Commercial	**2.30%**	2.23%	2.29%	2.31%	2.81%
Consumer	**1.08%**	0.77%	1.07%	1.10%	0.64%
Auto	**0.72%**	1.42%	0.97%	1.18%	0.99%
Total loans	**1.81%**	2.07%	1.79%	2.01%	2.94%

(a) During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in P.R. and the U.S., creating significant uncertainties. After recent disruptions in economic conditions caused by COVID-19, the Company has offered several deferral programs for the payment of principal and interest for auto, personal, credit cards and mortgage, and commercial loans, for customers whose payments were not over 89 days past due at March 12, 2020 and requested to be included in these programs.

(b) During 3Q 2019, the Company identified non-performing originated loans sold during 4Q 2019, $29 million in mortgage loans and $9 million in commercial loans. These loans were reclassified as held-for-sale at their fair value.

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Table 6-3: Loan Information and Performance Statistics (1)

(Dollars in thousands) (unaudited)		**2020 Q2**	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Nonperforming PCD Loans	(14)					
Mortgage		**$ 1,373**	$ 1,341	$ -	$ -	$ -
Commercial		**81,064**	82,411	225	242	239
Consumer		**12**	10	499	560	628
Total nonperforming loans		**$ 82,449**	$ 83,762	$ 724	$ 802	$ 867
Nonperforming PCD Loan Rates						
Mortgage		**0.09%**	0.09%	0.00%	0.00%	0.00%
Commercial		**21.00%**	21.07%	0.06%	0.12%	0.11%
Consumer		**0.41%**	0.30%	5.39%	69.83%	72.43%
Total loans		**4.19%**	4.19%	0.04%	0.11%	0.11%
Total PCD Loans Held for Investment	(21)					
Mortgage		**$ 1,541,637**	$ 1,561,557	$ 1,591,112	$ 494,278	$ 538,001
Commercial		**386,046**	391,158	359,601	202,065	215,902
Consumer		**2,950**	3,350	9,263	802	867
Total loans		**$ 1,930,633**	$ 1,956,065	$ 1,959,976	$ 697,145	$ 754,770

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Table 7: Allowance for Credit Losses (1)

(Dollars in thousands) (unaudited)	Quarter Ended June 30, 2020				
	Mortgage	Commercial	Consumer	Auto	Total
Allowance for credit losses Non-PCD:					
Balance at beginning of period	$ 19,694	$ 49,196	$ 27,763	$ 53,308	$ 149,961
Provision for credit losses	455	(6,319)	7,935	13,156	15,227
Charge-offs	(185)	(497)	(4,187)	(13,300)	(18,169)
Recoveries	9	631	443	3,405	4,488
Balance at end of period	$ 19,973	$ 43,011	$ 31,954	$ 56,569	$ 151,507
Allowance for credit losses PCD:					
Balance at beginning of period	$ 30,603	$ 48,836	$ 177	$ 1,178	$ 80,794
Provision for credit losses	1,915	177	(8)	385	2,469
Charge-offs	(2,178)	(386)	(30)	(600)	(3,194)
Recoveries	580	286	30	229	1,125
Balance at end of period	$ 30,920	$ 48,913	$ 169	$ 1,192	$ 81,194
Allowance for credit losses summary:					
Balance at beginning of period	$ 50,297	$ 98,032	$ 27,940	$ 54,486	$ 230,755
Provision for credit losses	2,370	(6,142)	7,927	13,541	17,696
Charge-offs	(2,363)	(883)	(4,217)	(13,900)	(21,363)
Recoveries	589	917	473	3,634	5,613
Balance at end of period	$ 50,893	$ 91,924	$ 32,123	$ 57,761	$ 232,701
Allowance coverage ratio	2.11%	3.56%	6.96%	3.87%	3.35%
Allowance coverage ratio excluding PPP loans (Non-GAAP)	2.11%	3.99%	6.96%	3.87%	3.49%

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Table 8-1: Reconciliation of GAAP to Non-GAAP Measures and Calculation of Regulatory Capital

In addition to disclosing required regulatory capital measures, we also report certain non-GAAP capital measures that management uses in assessing its capital adequacy. These non-GAAP measures include tangible common equity ("TCE") and TCE ratio. The table below provides the details of the calculation of our regulatory capital and non-GAAP capital measures. While our non-GAAP capital measures are widely used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies, they may not be comparable to similarly titled measures reported by other companies.

(Dollars in thousands) (unaudited)	**2020 Q2**	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Stockholders' Equity to Non-GAAP Tangible Common Equity					
Total stockholders' equity	**$ 1,041,284**	$ 1,022,594 (a)	$ 1,045,478	$ 1,049,076	$ 1,044,874
Less: Intangible assets	**(137,475)**	(140,243)	(143,034)	(88,560)	(88,852)
Noncumulative perpetual preferred stock	**(92,000)**	(92,000)	(92,000)	(92,000)	(92,000)
Noncumulative perpetual preferred stock issuance costs	**10,130**	10,130	10,130	10,130	10,130
Tangible common equity	**$ 821,939**	$ 800,481	$ 820,574	$ 878,646	$ 874,152
Common stock outstanding at end of period	**51,342**	51,327	51,399	51,347	51,330
Tangible book value (Non-GAAP)	**$ 16.01**	$ 15.60	$ 15.96	$ 17.11	$ 17.03
Total Assets to Tangible Assets					
Total assets	**$ 9,932,719**	$ 9,238,571	$ 9,297,661	$ 6,333,505	$ 6,464,127
Less: Intangible assets	**(137,475)**	(140,243)	(143,034)	(88,560)	(88,852)
Tangible assets (Non-GAAP)	**$ 9,795,244**	$ 9,098,328	$ 9,154,627	$ 6,244,945	$ 6,375,275
Non-GAAP TCE Ratio					
Tangible common equity	**$ 821,939**	$ 800,481	$ 820,574	$ 878,646	$ 874,152
Tangible assets	**9,795,244**	9,098,328	9,154,627	6,244,945	6,375,275
TCE ratio	**8.39%**	8.80%	8.96%	14.07%	13.71%
Average Equity to Non-GAAP Average Tangible Common Equity					
Average total stockholders' equity	**$ 1,037,195**	$ 1,043,481 (a)	$ 1,062,720	$ 1,061,541	$ 1,037,057
Less: Average noncumulative perpetual preferred stock	**(92,000)**	(92,000)	(92,000)	(92,000)	(92,000)
Average noncumulative perpetual preferred stock issuance costs	**10,130**	10,130	10,130	10,130	10,130
Average total common stockholders' equity	**$ 955,325**	$ 961,611	$ 980,850	$ 979,671	$ 955,187
Less: Average intangible assets	**(139,094)**	(141,875)	(89,005)	(88,701)	(88,995)
Average tangible common equity	**$ 816,231**	$ 819,736	$ 891,845	$ 890,970	$ 866,192

(a) On January 1, 2020, the Company implemented ASU No. 2016-13: Measurement of Credit Losses on Financial Instruments "(CECL)" using the modified retrospective approach. As a result, a $39.2 million allowance for credit losses was recorded for Non-PCD loans and $0.2 million for unused commitments with the corresponding adjustment reducing retained earnings, net of a $13.9 million deferred tax effect. For PCD loans, including BBVA and Eurobank acquired book plus the recently acquired Scotiabank, the adjustment amounting to $50.5 million was made through the allowance and loan balances with no impact in capital.

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Table 8-2: Reconciliation of GAAP to Non-GAAP Measures and Calculation of Regulatory Capital Measures (Continued)

		BASEL III Standardized				
(Dollars in thousands) (unaudited)		**2020 Q2**	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Regulatory Capital Metrics						
Common equity Tier 1 capital		**$ 836,899**	$ 816,356	$ 735,442	$ 858,092	$ 855,667
Tier 1 capital		**953,769**	933,226	852,312	974,962	972,537
Total risk-based capital	(15)	**1,040,984**	1,020,748	937,963	1,035,910	1,035,109
Risk-weighted assets		**6,957,647**	6,983,626 (a)	6,740,846	4,771,165	4,895,441
Regulatory Capital Ratios						
Common equity Tier 1 capital ratio	(16)	**12.03%**	11.69%	10.91%	17.98%	17.48%
Tier 1 risk-based capital ratio	(17)	**13.71%**	13.36%	12.64%	20.43%	19.87%
Total risk-based capital ratio	(18)	**14.96%**	14.62%	13.91%	21.71%	21.14%
Leverage ratio	(19)	**10.16%**	10.14%	9.24%	15.41%	15.20%
Common Equity Tier 1 Capital Ratio Under Basel III Standardized Approach						
Total stockholders' equity	(1)	**$ 1,041,284**	$ 1,022,594	$ 1,045,478	$ 1,049,076	$ 1,044,874
CECL transition adjustment	(20)	**32,269**	31,882	-	-	-
Less: Noncumulative perpetual preferred stock		**(92,000)**	(92,000)	(92,000)	(92,000)	(92,000)
Noncumulative perpetual preferred stock issuance costs		**10,130**	10,130	10,130	10,130	10,130
Unrealized gains on available-for-sale securities, net of income tax		**(8,885)**	(7,576)	441	1,742	3,087
Unrealized losses on cash flow hedges, net of income tax		**1,297**	1,286	567	716	599
		984,095	966,316	964,616	969,664	966,690
Less: Disallowed goodwill		**(86,069)**	(86,069)	(86,069)	(86,069)	(86,069)
Disallowed other intangible assets, net		**(35,563)**	(37,241)	(39,127)	(1,557)	(1,739)
Disallowed deferred tax assets, net		**(25,564)**	(26,650) (a)	(95,879)	(23,946)	(23,215)
Threshold 15%		**-**	- (a)	(8,099)	-	-
Common equity Tier 1 capital		**836,899**	816,356	735,442	858,092	855,667
Plus: Qualifying noncumulative perpetual preferred stock		**92,000**	92,000	92,000	92,000	92,000
Qualifying noncumulative perpetual preferred stock issuance costs		**(10,130)**	(10,130)	(10,130)	(10,130)	(10,130)
Subordinated capital notes		**35,000**	35,000	35,000	35,000	35,000
Tier 1 capital		**953,769**	933,226	852,312	974,962	972,537
Plus tier 2 capital: Qualifying allowance for loan and lease losses		**87,215**	87,522	85,651	60,948	62,572
Total risk-based capital		**$ 1,040,984**	$ 1,020,748	$ 937,963	$ 1,035,910	$ 1,035,109

(a) During 1Q 2020, the Company decided to early implement Simplifications to the Capital Rule, which simplified the regulatory capital treatment for mortgage servicing assets (MSA) and certain deferred tax assets arising from temporary differences (temporary difference DTAs). It Increased common equity tier 1 (CET1) capital threshold deductions from 10 percent to 25 percent and removes the aggregate 15 percent CET1 threshold deduction. However, it retains the 250 percent risk weight applicable to non-deducted amounts of MSAs and temporary difference DTAs.

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Table 8-3: Reconciliation of GAAP to Non-GAAP with adjustments to exclude the impact of significant events.

The Company prepared its Consolidated Financial Statement using accounting principles generally accepted in the U.S. ("U.S. GAAP" or the "reported basis"). In addition to analyzing the Company's results on the reported basis, management monitors the "Adjusted net income" of the Company and excludes the impact of certain transactions on the results of its operations. Management believes that "Adjusted net income" provides meaningful information to investors about the underlying performance of the Company's ongoing operations. "Adjusted net income" is a non-GAAP financial measure.

The table below describes adjustments to net income for the quarters ended June 30, 2020 and March 31, 2020.

	Quarter ended June 30, 2020				Quarter ended March 31, 2020			
(Dollars in thousands) (unaudited)	**Pre-tax**	**Income Tax Effect**	**Impact on Net Income**		**Pre-tax**	**Income Tax Effect**	**Impact on Net Income**	
U.S. GAAP net income			**$ 21,787**				**$ 1,801**	
Non-GAAP adjustments:								
Sale of mortgage-backed securities available-for-sale	$ -	$ -	-		$ (4,728)	$ 1,324	(3,404)	(a)
Merger expenses	3,006	(1,127)	1,879	(b)	304	(114)	190	(b)
Bargain purchase from Scotiabank PR & USVI	(3,462)	-	(3,462)	(c)	(409)	-	(409)	(c)
Interest recovery on PCI loans acquired in the Scotiabank PR & USVI acquisition	(5,982)	2,243	(3,739)	(d)	-	-	-	
COVID 19 additional provision for credit losses	5,000	(1,875)	3,125	(e)	34,083	(12,781)	21,302	(e)
COVID 19 expenses	2,008	(753)	1,255	(f)	168	(63)	105	(f)
Adjusted net income (Non-GAAP)			**$ 20,845**				**$ 19,585**	
Less: dividends on preferred stock			(1,628)				(1,628)	
Adjusted net income available to common shareholders (Non-GAAP)			**$ 19,217**				**$ 17,957**	
Adjusted earnings per common share - diluted (Non-GAAP)			**$ 0.37**				**$ 0.35**	
Adjusted Performance Metrics - Reconciliation to GAAP Financial Measures:								
Net income			$ 21,787				$ 1,801	
Non-GAAP adjustments			(942)				17,784	
Adjusted net income (Non-GAAP)			20,845				19,585	
Average assets			9,512,129				9,326,627	
Return on average assets			**0.92%**				**0.08%**	
Adjusted return on average assets (Non-GAAP)			**0.88%**				**0.84%**	
Net income available to common shareholders			$ 20,159				$ 173	
Non-GAAP adjustments			(942)				17,784	
Adjusted net income available to common shareholders (Non-GAAP)			19,217				17,957	
Average tangible common equity			816,231				819,736	
Return on average tangible common stockholders' equity			**9.88%**				**0.08%**	
Adjusted return on average tangible common stockholders' equity (Non-GAAP)			**9.42%**				**8.76%**	
Total non-interest expense			$ 85,481				$ 87,322	
Non-GAAP adjustments, pre-tax			(5,014)				(472)	
Adjusted total non-interest expense (Non-GAAP)			80,467				86,850	
Net interest income			105,060				105,101	
Total banking and financial service revenues			23,106				26,233	
Non-GAAP adjustments			(5,982)				-	
			122,184				131,334	
Efficiency ratio			**66.70%**				**66.49%**	
Adjusted efficiency ratio (Non-GAAP)			**65.86%**				**66.13%**	

(a) During 1Q 2020, 2Q 2019 and 3Q 2019, the Company sold $316 million, $350 million and $322 million available-for-sale mortgage-backed securities, respectively, and recognized a gain in the sale of $4.7 million, $4.8 million and $3.5 million.

(b) During 2Q 2019, the Company entered into an agreement with Scotiabank to acquire its Puerto Rico and US Virgin Islands operations. On December 31, 2019, the Company completed the acquisition. During 1Q 2020 and 2Q 2020, $0.3 million, and $3.0 million, respectively, were incurred in related expenses.

(c) On December 31, 2019, the Company acquired Scotiabank de Puerto Rico and USVI resulting in bargain purchase income of $5.7 million during 4Q 2019. During 2Q 2020, the Company increased the bargain purchase income by $3.5 million to adjust the fair value of accrued interest receivable in Day 1, net of taxes. $2.3 million.

(d) During 2Q 2020, the Company recognized interest recoveries on SOP loans acquired in the Scotiabank PR & USVI acquisition collected subsequently to the acquisition date amounting to $6.0 million.

(e) During 1Q 2020 and 2Q 2020, the Company recorded a $34.1 million and $5.0 million provision for credit losses, respectively, in relation to the global pandemic from the coronavirus COVID-19.

(f) During 1Q 2020 and 2Q 2020, the Company recorded $0.2 million and $2.0 million expenses, respectively, in relation to the global pandemic from the coronavirus COVID-19.

OFG Bancorp (NYSE: OFG)
Table 9: Notes to Financial Summary, Selected Metrics, Loans, and Consolidated Financial Statements (Tables 1 - 8)

(1)	We used the terms "PCI" and "SOP" to refer to loans acquired with credit deterioration from the Scotiabank acquisition (December 31, 2019), the BBVAPR acquisition (December 18, 2012) and the Eurobank FDIC-Assisted acquisition (April 30, 2010), recorded at fair value at acquisition. On January 1, 2020, the Company implemented ASU No. 2016-13: Measurement of Credit Losses on Financial Instruments "(CECL)" using the modified retrospective approach. CECL replaces the concept of purchased credit impaired loans (PCI) with the concept of purchased financial assets with credit deterioration (PCD). PCD accounting is called 'gross-up accounting' because, at acquisition, an entity grosses up the amortized cost basis of the PCD asset for the initial estimate of credit losses. This Day 1 allowance for credit losses is established without an income statement effect. The Company elected to maintain previously existing pools on adoption, therefore the pool continues to be the unit of account, and the allowance and non-credit discount or premium is not allocated to the individual assets. These loans are not classified as delinquent or nonperforming even though the customer may be contractually past due because we expect that we will fully collect the carrying value of these loans.
(2)	Total banking and financial service revenues.
(3)	Calculated based on net income available to common shareholders divided by average common shares outstanding for the period.
(4)	Calculated based on net income available to common shareholders plus the preferred dividends on the convertible preferred stock, divided by total average common shares outstanding and equivalents for the period as if converted.
(5)	Tangible book value per common share is a non-GAAP measure calculated based on tangible common equity divided by common shares outstanding. See "Table 9: Reconciliation of GAAP to Non-GAAP Measures and Calculation of Regulatory Capital Measures" for additional information.
(6)	Information includes all loans held for investment, including PCD/PCI loans.
(7)	Calculated based on annualized net interest income for the period divided by average interest-earning assets for the period.
(8)	Calculated based on annualized income, net of tax, for the period divided by average total assets for the period.
(9)	Calculated based on annualized income available to common shareholders for the period divided by average tangible common equity for the period.
(10)	Calculated based on non-interest expense for the period divided by total net interest income and total banking and financial services revenues for the period.
(11)	Calculated based on annualized net charge-offs for the period divided by average loans held for investment for the period.
(12)	Non-GAAP ratios. See "Table 9: Reconciliation of GAAP to Non-GAAP Measures and Calculation of Regulatory Capital Measures" for information on the calculation of each of these ratios.
(13)	Production of new loans (excluding renewals).
(14)	Most PCD loans are considered to be performing due to the application of the accretion method, in which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analyses. Therefore, they are not included as non-performing loans. PCD loan pools that are not accreting interest income are deemed to be non-performing loans and presented separately.
(15)	Total risk-based capital equals the sum of Tier 1 capital and Tier 2 capital.
(16)	Common equity Tier 1 capital ratio is a regulatory capital measure calculated based on Common equity Tier 1 capital divided by risk-weighted assets.
(17)	Tier 1 risk-based capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by risk-weighted assets.
(18)	Total risk-based capital ratio is a regulatory capital measure calculated based on Total risk-based capital divided by risk-weighted assets.
(19)	Leverage capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by average assets, after certain adjustments.
(20)	In March 2020, in light of recent strains on the U.S. economy as a result of the coronavirus disease 2019 (COVID-19), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued an interim final rule that provided the option to temporarily delay the effects of CECL on regulatory capital for two years, followed by a three-year transition period. In addition, for the first two years, a uniform 25% "scaling factor" is introduced to approximate the portion of the post day-one allowance attributable to CECL relative to the incurred loss methodology. The 25% scaling factor is calibrated to approximate an overall after-tax impact of differences in allowances under CECL vs the incurred loss methodology.
(21)	CECL replaces the concept of purchased credit impaired loans (PCI assets) with the concept of purchased financial assets with credit deterioration (PCD assets). An entity records a PCD asset at the purchase price plus the allowance for credit losses expected at the time of acquisition. Under this method, there is no credit loss expense affecting net income on acquisition. Changes in estimates of expected credit losses after acquisition are recognized as credit loss expense (or reversal of credit loss expense) in subsequent periods as they arise.
(22)	Pre-provision net revenues is a non-GAAP measure calculated based on net interest income plus total non-interest income, net, less total non-interest expenses for the period.