

OFG Bancorp Reports 1Q23 Results

SAN JUAN, Puerto Rico, April 20, 2023 – OFG Bancorp (NYSE: OFG), the financial holding company for Oriental Bank, reported results for the first quarter ended March 31, 2023. EPS diluted of \$0.96 compared to \$0.97 in 4Q22 and \$0.76 in 1Q22. Total core revenues of \$164.4 million compared to \$168.3 million in 4Q22 and \$136.4 million in 1Q22.

CEO Comment

José Rafael Fernández, Chief Executive Officer, said: “The first quarter continued to reflect high levels of liquidity and capital, putting OFG in a strong position in today’s banking environment. Our financial results also demonstrated solid core revenues, net interest margin, credit quality, operating leverage, and customer acquisition trends. Deposit balances were stable with a cumulative beta of approximately 10%. In addition, we continued to execute our ‘digital first’ strategy, placing more banking kiosks and interactive teller machines in the field, and client digital adoption increased 10% year-over-year. With Puerto Rico businesses and consumers remaining in good financial health, we look forward to ongoing progress in 2023. Thanks to our team for their excellent execution, dedication, and drive in helping customers and the communities we serve to achieve their financial goals.”

1Q23 Highlights

Performance Metrics: Net interest margin of 5.89%, return on average assets of 1.87%, return on average tangible common stockholders’ equity of 19.13%, and efficiency ratio of 54.87%.

Net Interest Income of \$135.9 million compared to \$135.3 million in 4Q22 and \$105.2 million in 1Q22. 1Q23 reflected the full effect of 4Q22’s 50 basis point increase in the federal funds rate and the partial effect of 1Q23’s 50 bps increase. Two fewer days compared to 4Q22 reduced Net Interest Income by \$2.2 million.

Total Interest Income of \$149.0 million compared to \$145.7 million in 4Q22 and \$112.9 million in 1Q22. Compared to 4Q22, 1Q23 reflected higher yields on increased average loans, in particular auto, commercial, and consumer.

Total Interest Expense of \$13.1 million compared to \$10.4 million in 4Q22 and \$7.8 million in 1Q22. Compared to 4Q22, 1Q23 reflected a 14 basis point cost increase and a 1.5% decline in average interest bearing liabilities.

Total Banking & Financial Service Revenues of \$28.5 million compared to \$33.0 million in 4Q22 and \$31.2 million in 1Q22. Compared to 4Q22, 1Q23 reflected a reduction of \$2.0 million in mortgage servicing rights valuation, \$1.0 million in annual insurance fees, and \$0.5 million from the sale of the retirement plan administration business at the end of 2022.

Pre-Provision Net Revenues of \$74.6 million compared to \$76.9 million in 4Q22 and \$55.6 million in 1Q22. The sequential quarterly decline was mostly due to the change in banking and financial service revenues.

Total Provision for Credit Losses of \$9.4 million compared to \$8.8 million in 4Q22 and \$1.6 million in 1Q22. 1Q23 included \$6.2 million due to increased loan volume, \$2.1 million for a commercial loan held for sale, and \$1.1 million increase in the qualitative adjustment due to the reduced macroeconomic environment outlook in the US.

Credit Quality: Net charge-offs of \$10.1 million compared to \$11.2 million in 4Q22 and \$0.6 million in 1Q22. 1Q23 primarily reflected a reduction of auto loan NCOs compared to 4Q22. 1Q23 delinquency and non-performing loan rates fell across the board compared to 4Q22.

Total Non-Interest Expense of \$90.2 million compared to \$91.6 million in 4Q22 and \$81.2 million in 1Q22. Compared to 4Q22, 1Q23 general and administrative costs were lower, including a \$0.5 million reduction from the above-mentioned sale of the retirement plan administration business.

Loans Held for Investment (EOP) of \$6.85 billion compared to \$6.84 billion in 4Q22 and \$6.55 billion in 1Q22. Loans increased 1.1% annualized from the previous quarter and 4.7% year-over-year. Compared to 4Q22, 1Q23 reflected increases in auto and consumer loans and paydowns of residential mortgages and commercial lines of credit.

New Loan Production of \$561.3 million compared to \$616.4 million in 4Q22 and \$623.2 million in 1Q22. Compared to 4Q22, 1Q23 reflected continued high levels of auto lending, increased commercial-US and consumer lending, and reduced commercial-PR lending.

Total Investments (EOP) of \$1.92 billion compared to \$1.97 billion in 4Q22 and \$1.26 billion in 1Q22. 1Q23 investments declined \$54.3 million from 4Q22 due to the maturity of Treasury Bills and paydowns of mortgage-backed securities.

Customer Deposits (EOP) of \$8.57 billion compared to \$8.56 billion in 4Q22 and \$8.97 billion in 1Q22.

Total Borrowings (EOP) of \$226.8 million compared to \$27.0 million in 4Q22 and \$28.0 million in 1Q22. 1Q23 included a \$200.0 million, 2-year advance from the Federal Home Loan Bank.

Cash & Cash Equivalents (EOP) of \$847.5 million compared to \$550.5 million in 4Q22 and \$1.9 billion in 1Q22. 1Q23 cash increased \$297.0 million compared to the previous quarter.

Total Assets (EOP) of \$10.06 billion compared to \$9.82 billion in 4Q22 and \$10.19 billion in 1Q22.

Capital: CET1 ratio of 14.07% compared to 13.64% in 4Q22 and 13.24% in 1Q22. Compared to 4Q22, 1Q23 reflected increased retained earnings and lower risked weighted assets. The Tangible Common Equity ratio was 9.85% compared to 9.59% in 4Q22 and 9.14% in 1Q22. Compared to 4Q22, 1Q23 reflected increased retained earnings and a lower other comprehensive loss. Tangible Book Value per share of \$20.57 compared to \$19.56 in 4Q22 and \$18.90 in 1Q22.

Conference Call, Financial Supplement & Presentation

A conference call to discuss 1Q23 results, outlook and related matters will be held today at 10:00 AM ET. Phone (800) 225-9448 or (203) 518-9708. Conference ID: OFGQ123. The call can also be accessed live on www.ofgbancorp.com with webcast replay shortly thereafter.

OFG's Financial Supplement, with full financial tables for the quarter ended March 31, 2023, and the 1Q23 Conference Call Presentation, can be found on the Quarterly Results 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 SEC Regulation G, to clarify and enhance understanding of past performance and prospects for the future. Please refer to Tables 8-1 and 8-2 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) general business and economic conditions, including changes in interest rates; (ii) cybersecurity breaches; (iii) hurricanes, earthquakes, and other natural disasters; (iv) competition in the financial services industry; and (v) the severity, magnitude and duration of the COVID-19 pandemic, and its impact on our operations, personnel, and customers.

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, 2022, 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 59th 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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