

## **To Our Shareholders,**

In a typical annual letter to shareholders, I would have started by reporting on last year's performance, how well we achieved our goals and objectives, and our outlook. But as of mid-March, the world and Puerto Rico have changed. The rapid spread of Covid-19 is affecting everybody, everywhere, personally and financially. Our heart goes out to those who have lost loved ones and are suffering monetarily. With that in mind, I wanted to address the state of OFG Bancorp for our investors, customers, employees, and the communities we serve in Puerto Rico and the U.S. Virgin Islands in the context of what is happening today.

## **This is Just the Latest Challenge We Have Faced**

OFG has survived and grown by helping customers through dire and challenging times. We have experienced quite a few here in Puerto Rico, both natural and man-made: the 2006 through 2018 economic depression, the local impact of the global financial crisis of 2008, the Puerto Rico banking crisis of 2010, the bankruptcy of the central government and many of its public corporations in 2015, the paralyzing effect of back-to-back devastating hurricanes in 2017, and the effects of the earthquakes earlier this year. Unlike many mainland banks, we have developed extensive experience and expertise successfully navigating such crises to the benefit of all our stakeholders. Over the course of this time, we have transformed from one of many banks on the island to the second or third largest bank in most categories. We have achieved this through organic growth and solid financials. This has given us the resources to acquire the Puerto Rico banking operations of Eurobank in 2010, Spain's BBVA in 2012, and most recently Canada's Scotiabank in 2019. In the process we have helped stabilize the local banking market, kept local deposits and capital at work in Puerto Rico, and served a growing number of retail and commercial customers. Living through multiple crises and integrating different banking operations has enabled us to develop a culture of continuous improvement and effective capital management. This has given us the ability to respond to our clients rapidly and proactively, with an agile and friendly approach. This includes our investments starting early on in customer-facing technology that makes it easier to service our clientele from afar in today's social distancing environment.

## **We Enter the Situation from a Position of Strength**

We expect to get through the coronavirus in Puerto Rico and the U.S. Virgin Islands in the same manner. We enter the crisis from a position of strength. 2019 was a very good year. Our teams did a spectacular job growing our retail and commercial channels. We had robust performance in auto, consumer, and commercial lending. In total, originated loans increased more than 4% to \$3.81 billion, and average customer deposits grew more than 2% to \$4.50 billion. Net interest margin expanded to 5.37%, which benefitted in part from reducing higher-cost, non-core funding by 50%. The non-performing loan rate dropped to 2.07% as of the fourth quarter due in part to the opportunistic sale of \$95.0 million in NPLs. Total stockholders' equity increased close to 5% to \$1.05 billion, adjusted earnings per share grew nearly 6% to \$1.61, and dividends per share rose 12% to \$0.28. Moreover, even after the Scotia acquisition, we ended the year with tangible book value per share of \$15.97 and a Common Equity Tier 1 Ratio of 10.78%.

## The Scotia Acquisition Further Strengthens OFG

The acquisition of Scotiabank's operations in Puerto Rico and the U.S. Virgin Islands also positions us well to face what's ahead. With the December 31, 2019 closing, year-end assets increased 40% to \$9.30 billion. Customer deposits and accounts grew 70% to \$7.46 billion and approximately 500,000, respectively. Total loans rose 50% to \$6.6 billion, mainly through long-term, fixed rate residential mortgages, which also increased our servicing portfolio nearly five-fold to \$4.61 billion. We expanded our operations in the Caribbean for the first time to the U.S. Virgin Islands. We ended the year with 460 ATMs, 13 interactive teller machines, 57 branches, and more than 2,400 talented employees. Strategically, the acquisition gives us good, strong leverage and financial strength. It added \$3.2 billion in low-cost core deposits that we will use to eliminate higher-cost, non-core funding. In addition, it provided us with almost \$700 million of excess low-cost core deposits to deploy in the communities we serve.

## We Are Ready—Now and for the Future

Hopefully, when the coronavirus crisis passes, our customers in Puerto Rico and the U.S. Virgin Islands will come out of it even stronger. I want to personally thank our loyal customers, staff, and shareholders for your support during this demanding time. I am especially humbled by the dedication and perseverance of the OFG and Oriental teams. They are the real heroes here. For more than half a century, OFG Bancorp has been there to help customers manage their finances, own homes, buy cars, build businesses, protect themselves with insurance, and save for retirement. We're ready to help them now and will be for the decades ahead.



**José Rafael Fernández**

President, Chief Executive Officer, and Vice Chairman of the Board of Directors  
April 15, 2020