



## *Birling Capital Puerto Rico Stock Index Twelve Points Ahead: How Puerto Rico's Financial Sector Left U.S. Banks Behind*

April 27, 2026

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### Wall Street Weekly Update: Markets Diverge with a Rally Still Built on Fragile Ground

The week ending April 24 delivered a divided market. Leadership was narrow and concentrated in technology. Meanwhile, cyclicals, financials, and economically sensitive sectors lagged. The Dow Jones Industrial Average closed at 49,230.71, down 216 points or 0.44% for the week, reflecting continued weakness in components most exposed to the domestic growth slowdown. The S&P 500 managed a modest advance of 0.53% to close at 7,126.68. The Nasdaq Composite led the gainers, rising 1.52% to close at 24,468.59, reinforcing a narrowing market leadership profile — not a broadening one.

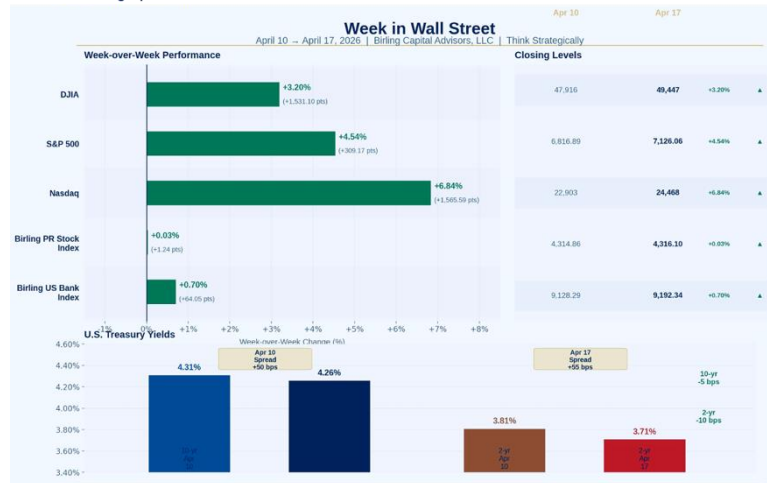
Puerto Rico equities outperformed U.S. financials decisively. The Birling Capital Puerto Rico Stock Index closed at 4,496.91, up 4.21% for the week — significantly stronger than the Birling Capital U.S. Bank Index, which closed at 9,210.77 and rose only 0.20% over the same period. This stark contrast underscores Puerto Rico equities' structural advantage over their U.S. counterparts.

Rates remained elevated and directionally concerning. The U.S. 10-year Treasury yield closed unchanged at 4.31%. The 2-year Treasury rose 7 basis points to 3.78%, narrowing the spread to 53 basis points. This slight flattening of the yield curve signals that short-term rate expectations are firming while longer-term growth expectations remain subdued. Financial conditions remain restrictive, and valuation sensitivity persists.

On April 17, Iran temporarily reopened the Strait of Hormuz under a ceasefire, triggering a 10% drop in crude and a relief rally. Bearish positions were unwound, and capital quickly rotated into financials, technology, and consumer discretionary. The move was strong but fragile. Within 48 hours, Iran reclosed the Strait, warned commercial vessels, and signaled renewed maritime threats. The U.S. naval presence remains active. The risk to global energy flows is unresolved. Markets mistook a pause for de-escalation. Iran's reversal was strategic, not incidental — the brief reopening provided a window for a geopolitical headline, but that narrative was quickly undermined. Control over the Strait remains contested, market pricing reflects headlines, and the full implications remain unpriced.



### Week in Wall Street April 24, 2026



Financial sector earnings provided the only durable support during the week. U.S. banks beat expectations across revenue, net income, and EPS, with firms like Goldman Sachs posting record equities trading revenue. Yet management teams remained notably cautious, citing tariff uncertainty, geopolitical instability, and limited Federal Reserve options if inflation reaccelerates.

The rally occurred, but the foundation is narrowing. Leadership is now sharply concentrated, financials continue to lag, and unresolved geopolitical risks heighten volatility. Markets have responded to fleeting relief, but now trade narrowly, risking exposure to substantial unresolved threats.

### The Birling Puerto Rico Stock Index: An Index Running Ahead of the Pack

Puerto Rico equities continued to grind higher against that backdrop. The divergence is not subtle. The Birling Capital Puerto Rico Stock Index is delivering a strong year-to-date return of +11.60%. This reinforces the resilience of Puerto Rico's publicly traded corporate base. More importantly, it underscores the dominant role of financials and fintech-linked platforms in driving equity performance on the island.

The Birling Capital Puerto Rico Stock Index at +11.60% YTD is leading the Dow Jones Industrial Average by +9.17 percentage points (DJIA YTD is +2.43%), the S&P 500 by +6.93 points (S&P 500 YTD is +4.67%), and the Nasdaq Composite by +4.76 points (Nasdaq YTD is +6.84%). Even more telling, it is outperforming the Birling Capital U.S. Bank Index by +11.70 points (U.S. Bank Index YTD is -0.10%)—a divergence that directly illustrates the strength of Puerto Rico's equity market compared to these indices. This is not a marginal spread—it is a structural gap.

While U.S. indices advanced on geopolitical relief and technology momentum, Puerto Rico's listed companies are delivering performance anchored in core operations. These include net interest income, capital efficiency, and credit quality. Puerto Rico is outperforming U.S. bank peers by nearly twelve percentage points. This reframes the narrative entirely. This is sector-driven leadership—where local banks are translating balance sheet strength and market positioning into superior equity returns.

### First Quarter 2026 Earnings: Execution Across the Board

The first quarter of 2026 produced a clean sweep. All three Puerto Rico banks beat consensus estimates, delivered revenue growth, and maintained or improved capital ratios. This is not a coincidence; it is the result of disciplined balance-sheet management through prolonged macro uncertainty. The earnings results confirm the thesis in the Birling Capital Puerto Rico Stock Index's outperformance.

**BIRLING** CAPITAL ADVISORS, LLC  
**Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling U.S. Bank Index YTD Returns 4.24.26**



**Popular, Inc. (BPOP) +18.09% YTD • Beat Estimates ✓**

<b>\$835.8M</b> 1Q26 Revenue	<b>+10.30%</b> Revenue Growth YoY	<b>\$245.7M</b> Net Income	<b>+38.20%</b> NI Growth YoY
<b>\$3.78</b> EPS (Beat Est.)	<b>15.98%</b> Tier 1 Capital	<b>\$160.00</b> Price Target	

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Popular remains the defining institution of Puerto Rico's financial system and the anchor constituent of the Birling Capital Puerto Rico Stock Index. Its year-to-date equity return of +18.09%. In the first quarter of 2026, Popular reported revenues of \$835.8 million, up 10.30% year over year. Rating at the peak of its earnings cycle. In the first quarter of 2026, Popular reported revenues of \$835.8 million, up 10.30% year over year. Net income was \$245.7 million, up 38.20%. This result would be exceptional in any environment but is particularly notable given the complexity of the current macro backdrop. Earnings per share were \$3.78, representing growth of approximately 48% year-over-year. This exceeded consensus expectations. Strong net interest income of \$670.2 million, disciplined operating expenses of \$467.3 million, and continued credit quality management drove these results.

### Balance Sheet Scale · 1Q2026

- **Total Assets** \$76.13B vs. \$74.04B Q1 · 25 | +2.83% YoY — disciplined asset deployment
- **Total Loans** (held-in-portfolio) \$39.29B vs. \$37.25B Q1 · 25 | +5.5% YoY — loan growth outpacing asset growth
- **Total Deposits** ~\$63.9B vs. ~\$62.0B Q1 · 25 | +3.0% YoY — stable and expanding core funding base

### Core Profitability · 1Q2026

- **Net Interest Margin (NIM)** 3.66% Sequential expansion driven by lower deposit costs and asset mix optimization
- **Net Interest Income (NII)** \$670.2M Growth driven by deposit cost reduction, treasury yields, and loan growth
- **Operating Expenses** \$467.3M Down vs. prior quarter — lower personnel and professional fee costs

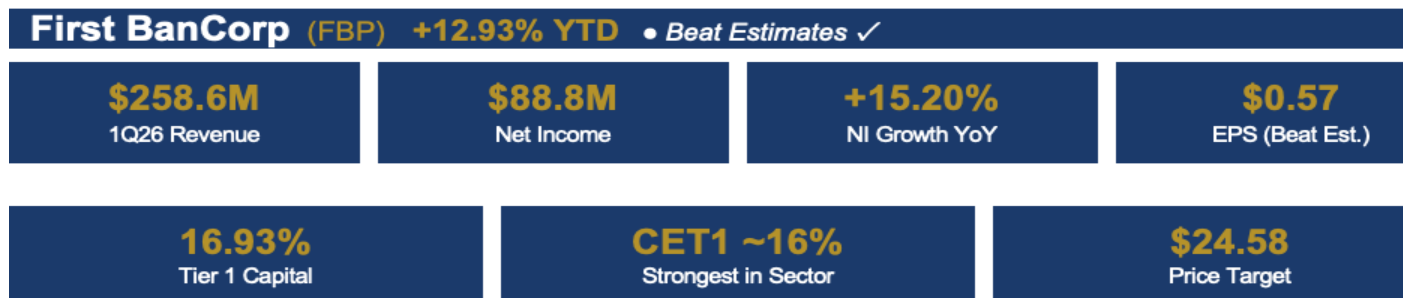
### Credit Quality · 1Q2026

- **Non-Performing Loans (NPLs)** 1.17% \$458.1M — improved QoQ; higher vs. 0.84% Q1 · 25 — normalization, not stress
- **Allowance for Credit Losses** 2.10% \$823.7M — coverage ratio increased; stronger reserve build signals prudence
- **Net Charge-Off Ratio** 0.61% Annualized — normalization from historically low levels, not deterioration

### Capital Returns · 1Q2026

- **CET1 Capital Ratio** 15.92% Significantly above regulatory thresholds — excess capacity for growth & returns
- **Return on Tangible Common Equity** ~15.5% Above target and highly competitive vs. U.S. bank peers
- **EPS Growth** +48% YoY \$3.78 vs. prior year — earnings momentum is real and accelerating

Loan growth of +5.5% combined with deposit expansion confirms disciplined balance sheet scaling. NIM expansion reflects a genuine funding advantage and pricing power. Efficiency is improving as operating leverage kicks in. Credit cost increases are a normalization signal, not a stress indicator. And capital at 15.9% provides excess capacity for growth and shareholder returns. BPOP is not participating in Puerto Rico's equity rally—it is leading it.



First BanCorp's year-to-date return of +12.93% reflects the market's growing appreciation for an institution that has systematically converted balance sheet discipline into earnings predictability. In a year defined by external uncertainty, predictability commands a premium—and FBP has earned that premium through consistent execution across multiple quarters. In the first quarter of 2026, FBP reported revenues of \$258.6 million and net income of \$88.8 million, up 15.20% year-over-year—a result that again exceeded market expectations. Earnings per share of \$0.57 was supported by operating efficiency and stable funding costs. Net interest income of \$222.8 million, up sequentially, reflects margin expansion and loan growth working in concert.

### Balance Sheet Scale · 1Q2026

- **Total Assets** ~\$20.5B vs. ~\$19.5B Q1 · 25 | +5% YoY — steady expansion with controlled risk profile
- **Total Loans** ~\$13.1B vs. ~\$12.5B Q1 · 25 | +4–5% YoY — commercial & industrial growth, disciplined expansion
- **Total Deposits** ~\$13.1B vs. ~\$12.7B Q1 · 25 | +3–4% YoY — core mix improving; funding costs declining

### Core Profitability · 1Q2026

- **Net Interest Margin (NIM)** ~4.68% Up from ~4.57% prior period — driven by lower deposit costs and asset repricing
- **Net Interest Income (NII)** \$222.8M Up sequentially — margin expansion and loan growth operating in tandem
- **Efficiency Ratio** ~49.3% vs. ~53.4% prior year — improvement of ~400 bps YoY; real operating leverage.

### Credit Quality · 1Q2026

- **Non-Performing Assets** ~0.30% of assets. Stable to improving trend — credit quality controlled despite loan growth
- **Loan Growth** vs. Discipline Balanced Commercial growth offset by paydowns — no aggressive risk-taking.

### Capital Returns · 1Q2026

- **CET1 Capital Ratio** ~16.93% Highest in the sector — well above regulatory thresholds; flexibility for growth
- **Return on Assets (ROA)** ~1.1% Solid and improving — reflects effective asset deployment.
- **Return on Equity (ROE)** ~10–11% Consistent range reflecting disciplined capital allocation

Loan growth is steady but disciplined—no aggressive risk-taking. The deposit base is improving, driving down funding costs. NIM near 4.7% represents one of the strongest margin profiles in regional banking. The efficiency ratio is improving materially, confirming that operating leverage is real. Capital remains the sector's strongest asset, providing flexibility for growth and shareholder returns.



OFG Bancorp's year-to-date return of +11.10% represents a meaningful reversal from its 2025 performance of -3.17%, confirming that the market's earlier caution around growth normalization has given way to a more balanced assessment of the institution's operating capabilities. The first quarter of 2026 made the case definitively. OFG reported revenues of \$185.8 million, up 4.21% year-over-year, and net income of \$53.9 million, up 18.35%—the strongest earnings growth rate in the quarter among Puerto Rico's banking sector on a year-over-year percentage basis. Earnings per share of \$1.26 exceeded estimates. The underlying metrics tell the story of an institution executing at a level that the headline numbers alone do not fully capture.

### Balance Sheet Scale · 1Q2026

- **Total Assets** ~\$11.2B vs. ~\$10.6B Q1·25 | +5–6% YoY — steady expansion with controlled risk
- **Total Loans** ~\$7.6B vs. ~\$7.2B Q1·25 | +5–6% YoY — commercial and consumer diversification
- **Total Deposits** ~\$9.2B vs. ~\$8.8B Q1·25 | +4–5% YoY — mix shift toward core, lower-cost deposits

### Core Profitability · 1Q2026

- **Net Interest Margin (NIM)** ~5.20% vs. ~5.05% Q1·25 | +15 bps YoY — best-in-class NIM among PR banks
- **NIM Drivers Asset repricing** + lower funding costs Structural advantage in asset-liability management confirmed
- **Net Interest Income (NII)** Growing YoY; loan expansion and margin improvement driving the core earnings engine.

### Credit Quality · 1Q2026

- **Non-Performing Loans (NPLs)** ~1.0% of loans. Stable YoY — credit quality well contained despite loan growth.
- **Net Charge-Offs** are low and stable, reflecting normalization rather than credit stress.
- Allowance Coverage Solid Prudent reserve levels relative to the loan book size

### Capital Returns · 1Q2026

- **CET1 Capital Ratio** ~13.7–14.0% Strong capital buffer — well above regulatory minimums
- **Return on Assets (ROA)** ~1.8–1.9% Among the highest ROA profiles in regional banking

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- **Return on Tangible Common Equity** >20% Exceptional capital efficiency — highest profitability profile among local peers.

A NIM above 5.20% confirms a clear structural advantage in asset-liability management that no peer in the local market matches. An efficiency ratio near 43% places OFG in elite operating territory. ROTCE above 20% signals exceptional capital efficiency. Stable credit metrics confirm that growth is not coming at the expense of quality.



First quarter 2026 results are scheduled for release on May 6, 2026, following market close, with a conference call hosted by President and CEO Mac Schuessler and CFO Karla Cruz-Jusino at 4:30 p.m. ET. The market is expecting revenue of \$249.14 million, up 8.89% year-over-year, and earnings per share of \$0.928, up 5.83% — a bar that reflects continued Latin American momentum but also the investment costs embedded in an active acquisition cycle. That report will be the first formal read on the progress of the Tecnobank integration and whether the Dimensa closing timeline remains on track.

Evertec's year-to-date return of +1.44% continues to reflect investor caution around an investment cycle that is, by design, long-horizon. The stock is not underperforming because the strategy is failing — it is trading sideways because the company is in the middle of executing one of the most deliberate platform build-outs in Latin American fintech, and markets are waiting for the integration to show up in margins. Our price target of \$32.60 reflects confidence in the platform thesis and the earnings leverage that follows successful integration.

The M&A program tells the story with precision. Latin America Payments and Solutions revenue grew 22% year-over-year in full-year 2025 — the direct result of a sequenced acquisition strategy spanning five years and eight transactions across four countries. The build-out follows a clear logic. BBR (2022) opened Chile and Peru. PlacetoPay (2023) established a Colombian payments gateway. Sinqia S.A. (2023) gave Evertec its first major beachhead in Brazil's financial software market. paySmart (2024) added issuer processing in Brazil; Zunify (2024) launched Costa Rica's largest QR code payment network; and Grandata (2024) added AI-driven credit analytics across Mexico and Argentina. Tecnobank, which closed in the fourth quarter of 2025, added digital credit infrastructure and vehicle-finance technology deep within Brazil's consumer lending ecosystem — the most strategically significant move to date, and one that pushed total debt to \$1.11 billion, a balance-sheet commitment that signals conviction, not opportunism. The next acquisition has already been announced. Dimensa — a B2B technology joint venture between Totos and B3 — opens insurance as a new vertical and expands cross-selling opportunities across Brazil's financial institutions. Expected to close in the second quarter of 2026, it will position Evertec as one of the few platforms in Latin America capable of serving financial institutions across payments, software, insurance, credit, and cloud infrastructure under a single architecture.

Latin America Payments and Solutions is projected to grow in the mid-20% range in 2026, with over 40% of revenue now sourced outside Puerto Rico. The pipeline is converting — Banco de Chile and Grupo Aval in Colombia are already wins.

### The Alignment Signal: What The Indices Are Telling

The dispersion in 2026 year-to-date returns—BPOP at +18.09%, FBP at +12.93%, OFG at +11.10%, EVTC at +1.44%—mirrors the broader market principle that capital quality and earnings execution, not sector

membership alone, determine equity outcomes. Within the index, leadership reflects fundamentals. Across benchmarks, leadership reflects structural advantage.

What is striking is not the dispersion within Puerto Rico's index but the coherence of the Puerto Rico index relative to U.S. benchmarks. The Birling Capital Puerto Rico Stock Index's +11.60% year-to-date return—achieved in a period of genuine macro volatility, tariff uncertainty, and decelerating U.S. growth—is a signal about the quality of the underlying institutions, not the direction of the economic wind.

### **The Final Word: Will the Puerto Rico Economy Derail the Bank's Performance?**

This is the right question to ask. And it deserves a direct answer.

The economic data is not reassuring on its face. The Puerto Rico Economic Activity Index, after breaking free from 13 consecutive months of contraction and briefly accelerating to +1.10% in December 2025, pulled back sharply to +0.30% in January 2026. The Planning Board projects Real GNP growth of only +0.4% for the full year, and the Financial Oversight and Management Board is even more cautious, projecting near-zero expansion in 2026, followed by a modest recovery in 2027. The U.S. GDPNow tracker has collapsed from an initial estimate of 3.10% in February to 1.20% as of April 21 — a 190-basis-point decline in just nine weeks, representing a 61.3% drop from the initial estimate. Consumer sentiment on the mainland has deteriorated to 53.3, near record lows. Puerto Rico's own consumer sentiment, which reached 110 in 2025, is forecast to slip to the 100–105 range in 2026 — still positive, but clearly decelerating.

The sectoral signals reinforce the concern. Auto sales collapsed in the first quarter of 2026 — only 24,099 units, down 19.8% year-over-year, with March alone falling 29.2%. That is not a seasonal blip; it is a demand signal. Retail sales, which closed 2025 at a record \$52.6 billion, turned negative in January 2026, down 1.7%. The Construction Coincident Index peaked at 129.7 in November 2025 and has since contracted for two consecutive months, falling to 126.4 in January — the first year-over-year contraction since 2025 began. On the inflation front, energy costs are punishing: gasoline is up 18.9% year-over-year, energy costs overall have accelerated twelvefold, from 1.0% to 12.5%, and ground beef has reached an all-time record high. Puerto Rico households — already structurally cost-burdened — are absorbing these pressures with diminishing cushion.

### **So will this economic backdrop derail the banks?**

The answer is no, and there are four structural, not sentimental, reasons.

1. **The first reason is capital.** Popular, First BanCorp, and OFG Bancorp enter this environment with Tier 1 capital ratios of 15.98%, 16.93%, and 13.75%, respectively. These are not defensive minimums — they are fortress positions that provide each institution with the capacity to absorb credit deterioration without impairing dividends, buybacks, or lending activity.
2. **The second reason is margin.** OFG's net interest margin of 5.20% and FBP's NIM of 4.68% are not the product of aggressive credit risk-taking — they reflect disciplined asset-liability management built over several years. Popular's NIM expansion to 3.66%, driven by lower deposit costs and optimized asset mix, confirms the same dynamic. These institutions are generating core earnings from structure, not from speculation. A slowing economy compresses volumes, but it does not automatically compress margins when the funding base is stable and well-priced.
3. **The third reason is the nature of credit quality risk** in this specific cycle. Auto sales collapsing and retail spending turning negative are demand signals, not immediate credit events. Puerto Rico's banks have maintained NPL ratios within a controlled range — OFG at approximately 1.0% of loans, and Popular's NPL ratio rising modestly to 1.17%, accompanied by a substantially strengthened allowance for credit losses at 2.10% of loans. The reserve built at Popular is particularly telling: it signals management's awareness of the environment, not deterioration already in the book. Credit normalization is underway — it is not credit stress.

4. **The fourth reason is the external trade balance.** Puerto Rico's FY2026 first-half external trade surplus is tracking at \$31.7 billion, up 7.2% versus the same period in FY2025. Imports — a proxy for industrial and consumption activity — reached a record \$55.0 billion in 2025 and are tracking toward \$56–58 billion in 2026. The pharmaceutical and manufacturing export base, which underpins much of Puerto Rico's economic foundation, remains intact.

The more precise question is not whether the economy will derail the banks — it will not. The more precise question is whether the economy will slow the banks' momentum. And here the answer is: selectively, at the margin, and manageable. Credit costs will normalize. Loan growth may moderate. The consumer-facing segments will feel pressure. But the capital structures, earnings quality, and NIM profiles of Puerto Rico's three banks are designed to sustain performance through exactly this kind of environment — a low-growth, higher-cost cycle where discipline is rewarded, and leverage is punished.

The Birling Capital Puerto Rico Stock Index does not lie. At +11.60% year-to-date through April 24, outperforming every major U.S. benchmark and leading the U.S. Bank Index by nearly twelve percentage points, markets are delivering a verdict of their own. They are not pricing euphoria. They are pricing the quality of these balance sheets against an economic backdrop that would — and has — punished institutions with lesser capital, weaker margins, and less disciplined credit cultures.

Puerto Rico's economy is not accelerating. But Puerto Rico's banks are not defined by the economy's acceleration. They are defined by their ability to compound through the cycle.

***Puerto Rico is not simply ahead of the pack. It is redefining what the pack looks like.***  
***Invest in Puerto Rico, Invest in You***



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