BIRLING CAPITAL ADVISORS, LLC

Think Strategically

Birling Puerto Rico's Stock Index Companies Turn Capital Strength into Shareholder Returns

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The Week in Wall Street

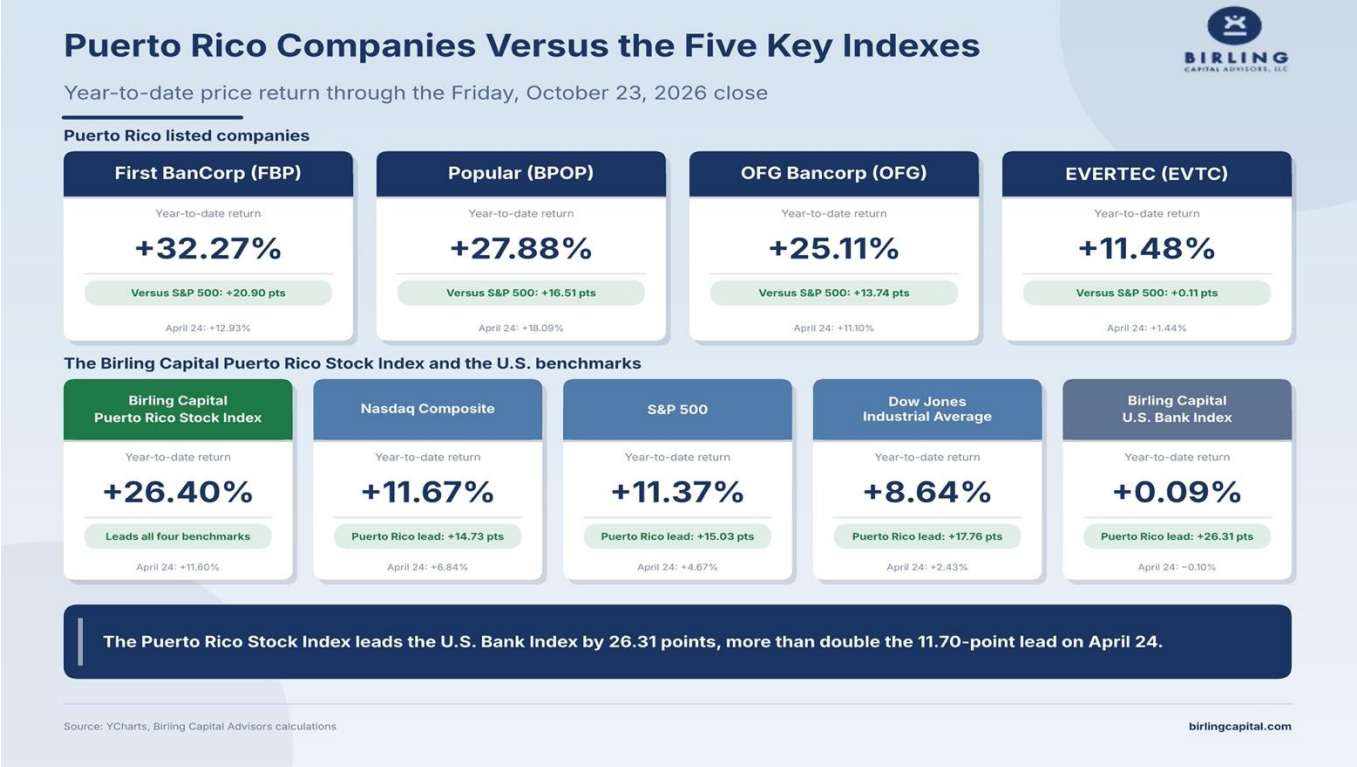
Wall Street's split narrowed, but the rotation did not reverse. For the week ending October 23, the Dow was essentially flat, up 0.07% to about 52,217, while the S&P 500 fell 1.56% to about 7,624 and the Nasdaq fell 2.84% to about 25,955. The gap between the market's oldest and newest components was 2.9 points, down from 3.4 the week before. It narrowed because the Dow stopped gaining, not because the Nasdaq recovered. On the island, the Birling Capital Puerto Rico Stock Index rose 0.28% to about 5,012, while the Birling Capital US Bank Index fell 1.61% to about 9,162.
The week before, the market changed its mind about what it would pay for. This week, it held that view and sold the growth side harder, with the Nasdaq down another 2.84%. Money continued to favor companies with earnings, capital, and cash flow. The year-to-date scoreboard now looks like this:

Index	YTD, Oct. 16	YTD, Oct. 23	Change, pts
Birling Capital Puerto Rico Stock Index	+26.05%	+26.40%	+0.35
Nasdaq Composite	+14.93%	+11.67%	−3.26
S&P 500	+13.13%	+11.37%	−1.76
Dow Jones Industrial Average	+8.56%	+8.64%	+0.08
Birling Capital US Bank Index	+1.73%	+0.09%	−1.64

The verdict before the details

Puerto Rico's four listed companies ended Friday, October 23, with strong year-to-date results. **First BanCorp (FBP) rose 32.27% to $27.42, Popular (BPOP) climbed 27.88% to $159.23, and OFG Bancorp (OFG) increased 25.11% to $51.27. EVERTEC (EVTC) gained 11.48% to $32.43**, which is similar to the S&P 500's performance. The Birling Capital Puerto Rico Stock Index is up 26.40%, compared to 11.67% for the Nasdaq Composite, 11.37% for the S&P 500, 8.64% for the Dow, and just 0.09% for the Birling Capital U.S. Bank Index.

In the third quarter, Popular and OFG's earnings were similar to the previous quarter, staying within about 4%. First BanCorp's results were flat. Credit costs dropped at two of the three banks, and capital stayed strong as share counts kept falling. All four stocks have risen between 11% and 32% this year.



Since our July 27 column, "The Groundhog Day War," all the second-quarter results are now in. Here's how the stocks and their targets have changed since then: the three banks returned between 2.8 and 10.0 points YTD, while earnings were flat and capital was unscathed (i.e., the market is pausing, not the thesis weakening). The Birling Capital Puerto Rico Stock Index was down just 1.94 points, while the U.S. Bank Index was down 13.06 points, so the Puerto Rico lead expanded from 15.19 to 26.31. EVERTEC is the opposite, up 9.28 points on the back of its November 3rd report. We have raised every target: First BanCorp 8.9%, Popular 4.8%, OFG 11.3% and EVERTEC 10.0% as earnings are flat, capital is at fortress levels and buybacks and dividends are still on the increase.

This column looks at what changed between the second and third quarters, and the answer is reassuring: earnings stayed steady. Popular's net income was $266.3 million (down 4.3% from $278.2 million in Q2), First BanCorp's was $96.1 million (flat from $96.2 million), and OFG's was $56.6 million (down 3.7% from $58.8 million). Diluted earnings per share were $4.21 versus $4.35 at Popular, $0.63 versus $0.62 at First BanCorp, and $1.33 versus $1.39 at OFG. Compared with a year ago, results are even better: per-share earnings are up 34.1% at Popular, 23.5% at First BanCorp (adjusted), and 14.7% at OFG.

Three main things changed between the quarters. Margins fell from their second-quarter levels at all three banks as deposit costs rose. Credit costs fell at Popular and First BanCorp, and annualized net charge-offs dropped by about half at OFG and by nearly a third at Popular. Capital stayed steady, with common equity tier 1 ratios at 16.06%, 16.91%, and 14.10%, even as the three banks bought back about **$242.5 million** of stock in one quarter. This shows consistent quarterly quality and returns, and the market is noticing. The rest of this column looks at how durable this is, where the next growth will come from, and what we are watching.

Company	YTD, July 27	YTD, Oct. 23	Change, pts	Target, July	Target, now
First BanCorp (FBP)	+39.03%	+32.27%	−6.76	$28.86	$31.43
Popular (BPOP)	+37.91%	+27.88%	−10.03	$186.20	$195.20
OFG Bancorp (OFG)	+27.87%	+25.11%	−2.76	$51.00	$56.75
EVERTEC (EVTC)	+2.20%	+11.48%	+9.28	$32.00	$35.20
PR Stock Index	+28.34%	+26.40%	−1.94	N/A	N/A
U.S. Bank Index	+13.15%	+0.09%	−13.06	N/A	N/A

Four tests for a bank quarter

Headline earnings per share doesn't tell the whole story in a bank's report. A careful analyst asks four key questions, and the answers for Puerto Rico's three banks reveal more than just the headlines.

1. **What drove the earnings?** Separate pre-provision earnings—which is net interest income plus fees minus expenses—from the provision for credit losses, taxes, and share count. Only pre-provision earnings truly measure the franchise's strength. Margin is a spread between what assets earn and what deposits cost. A bank replacing cheap retail deposits with market-priced public or time money has a lower-quality margin than the numbers suggest.
2. **What could threaten the earnings?** Look at credit and compare it **to** last quarter and last year. The quarter-to-quarter view shows short-term changes, while the year-over-year view shows the bigger cycle.
3. **What is the value?** Consider capital ratios, capital returns, and the mark on the securities portfolio, which appears in tangible book value per share.

The scorecard shows each bank's second-quarter versus the third-quarter figure.

2Q to 3Q 2026	Popular	First BanCorp	OFG Bancorp
Net income	$278.2M → $266.3M	$96.2M → $96.1M	$58.8M → $56.6M
Diluted earnings per share	$4.35 → $4.21	$0.62 → $0.63	$1.39 → $1.33
Revenue	$874.0M → $874.6M	$264.9M → $260.1M	$190.3M → $185.7M
Pre-provision earnings	$389.8M → $369.0M	$137.5M → $129.9M	$87.5M → $89.9M
Provision for credit losses	$65.9M → $58.6M	$17.3M → $14.6M	$13.0M → $18.1M
Net interest margin	3.66% → 3.63%	4.87% → 4.73%	5.45% → 5.23%
Efficiency ratio	55.4% → 57.8%	48.07% → 50.06%	54.04% → 51.83%
Non-performing loan ratio	1.04% → 1.16%	0.71% → 0.72%	0.81% → 0.74%

2Q to 3Q 2026	Popular	First BanCorp	OFG Bancorp
Net charge-off ratio, annualized	1.05% → 0.73%	0.49% → 0.55%	1.40% → 0.70%
Allowance to loans	1.97% → 1.92%	1.85% → 1.81%	2.27% → 2.27%
Common equity tier 1 ratio	16.08% → 16.06%	16.96% → 16.91%	14.07% → 14.10%
Return on tangible common equity	17.02% → 15.80%	19.49% → 19.46%	17.94% → 17.06%
Tangible book value per share	$87.94 → $86.30	$12.68 → $12.15	$31.12 → $29.66
Repurchases in the third quarter	$179M	$50.0M	$13.5M

Popular, Inc. **BPOP | +27.88% year to date | Close $159.23 | Target $195.20**

Banco Popular de Puerto Rico: the engine of the franchise

Popular reported third-quarter net income of **$266.3 million, down 4.3%** from $278.2 million in the second quarter, and diluted earnings per share of **$4.21**, down 3.2% from $4.35. Revenue was essentially flat at $874.6 million, with net interest income up $5.5 million to $698.9 million. Expenses rose 4.4% to $505.6 million from annual merit increases, an extra day, and higher incentives, reducing pre-provision earnings by 5.3% to $369.0 million. A lower provision ($58.6 million against $65.9 million) and a lower tax bill cushioned most of that, so net income fell $11.9 million. Year over year, net income rose 26.0%, and earnings per share rose 34.1%.

Balance sheet scale

- Total assets of $77.76 billion (2Q26: $78.97 billion; 3Q25: $75.07 billion). Loans in the portfolio totaled $40.04 billion, up 0.7% in the quarter and 3.5% year over year.
- Deposits fell $1.5 billion in the quarter to $68.71 billion from $70.23 billion, down 3.3% year over year.

Core profitability

- Net interest margin of 3.63% (2Q26: 3.66%; 3Q25: 3.51%). Total deposit cost of 1.64%, up seven basis points in the quarter.
- The efficiency ratio was 57.8%, up from 55.4% in the second quarter and 60.6% a year ago.

Credit quality

- Non-performing loan ratio of 1.16% (2Q26: 1.04%; 3Q25: 1.30%), with non-performing loans of $465.8 million.
- Net charge-offs annualized at 0.73%, down from 1.05% in the second quarter. The allowance is 1.92% of loans (2Q26: 1.97%) and covers non-performing loans at 165% (2Q26: 190%).

Capital returns

- Common equity tier 1 ratio of 16.06% (2Q26: 16.08%). Popular repurchased **$179 million** of stock and raised the quarterly dividend 20% to $0.90.
- Return on tangible common equity of 15.80% (2Q26: 17.02%). Tangible book value per share is $86.30, down from $87.94 in the quarter and up 9.1% year over year.

Popular's results show it is well managed, even as costs increased. Revenue stayed steady, credit costs fell, and capital remained stable, while the company returned $179 million to shareholders. We are watching the funding mix. Average deposits rose by $502 million, mainly because market-linked Puerto Rico public deposits increased by $1.1 billion, while retail savings fell by $280 million and non-interest-bearing demand dropped by $362 million. This explains the three-basis-point margin slip, even though asset yields were higher. Popular has the size and 16.06% capital to handle this. The report also marks a leadership change: Jorge J. García became President and CEO, highlighting "a strong capital position, a solid banking franchise, a talented team and meaningful momentum." The numbers back him up.

First BanCorp.	FBP | +32.27% year to date | Close $27.42 | Target $31.43

First BanCorp: steady quarter, and a headline that hides a 23.5% adjusted gain

First BanCorp reported third-quarter net income of **$96.1 million**, unchanged from $96.2 million in the second quarter, and diluted earnings per share of **$0.63**, up from $0.62. Revenue slipped 1.8% to $260.1 million and pre-provision earnings fell 5.6% to $129.9 million, because the second quarter included $3.4 million of one-time interest accelerations, deposit costs rose $4.8 million, and expenses rose $2.9 million, including a $2.8 million reserve for a court ruling on a U.S. Virgin Islands property. A lower provision ($14.6 million vs. $17.3 million) and a lower tax bill ($19.1 million vs. $24.1 million) offset it all. Compared with a year ago, the reported figure is down 4.4%, but only because the third quarter of 2025 included a **$16.6 million one-time tax benefit**. On an adjusted basis, net income **rose 17.8%,** and earnings per share rose 23.5% to $0.51.

Balance sheet scale

- Total assets of $19.25 billion, flat from the second quarter. Loans rose $108 million to $13.36 billion in the quarter, or 3.3% annualized, driven by commercial growth.
- Deposits of $16.92 billion, up $49 million. Core deposits excluding brokered and government money rose $120 million to $13.4 billion, with time deposits up $253 million and non-maturity deposits down $133 million.

Core profitability

- Net interest margin of 4.73% (2Q26: 4.87%; 3Q25: 4.57%). About seven basis points of the quarterly decline came from one-time second-quarter income, and the rest reflects funding mix and costs.
- The efficiency ratio was 50.06%, up from 48.07% in the second quarter and 50.22% a year ago.

Credit quality

- Non-performing assets were $114.1 million, 0.59% of assets, unchanged from the second quarter. Nonaccrual loans were 0.72% of loans (2Q26: 0.71%). Allowance for loan losses was 1.81% of loans (2Q26: 1.85%).

- Net charge-offs were 0.55% (2Q26: 0.49%; 3Q25: 0.62%), driven by auto loans. Early delinquency rose $12.1 million to $155.5 million, including $8.3 million from a construction loan repaid right after quarter-end. Classified commercial loans rose $15.8 million to $103.0 million on a single $13.1 million Florida shared national credit.

Capital returns

- Common equity tier 1 ratio of 16.91% (2Q26: 16.96%), the highest of the three banks. Return on assets was 1.98% (2Q26: 2.02%), and return on equity was 19.46% (2Q26: 19.49%).
- The company repurchased $50.0 million at an average price of $28.67, approved a **new $350 million repurchase program, and approved a 25% dividend increase**. Shares outstanding fell to 150.9 million from 152.7 million. Tangible book value of $12.15 (2Q26: $12.68) reflects a $119 million decline in the fair value of s. Analyst's view: First BanCorp stands out this quarter. It leads the group with a 32.27% gain because it combines the highest capital ratio, the best efficiency ratio, steady earnings despite one-time income dropping off, and the largest new buyback program for its size. The stock closed Friday at $27.42, about 4.4% below the $28.67 average price the company paid during the quarter, so the new buyback starts with the stock below the last board purchase price. We are watching a few specific things: auto charge-offs, the Florida shared national credit, and deposit growth from time deposits. These are points to watch, not ongoing trends. Not trends.

OFG Bancorp	OFG | +25.11% year to date | Close $51.27 | Target $56.75

OFG Bancorp: best-in-class margin and the sector's biggest credit improvement

OFG reported third-quarter net income of **$56.6 million, down 3.7%** from $58.8 million in the second quarter, and diluted earnings per share of **$1.33** against $1.39. Core revenues were $185.7 million, down 2.4%, because the second quarter included $4.1 million of interest from three loans paid in full and $1.1 million of insurance fees. Expenses fell 6.4% to $96.3 million because the second quarter included $5.8 million in one-time operating charges, so pre-provision earnings **rose 2.7%** to $89.9 million. The provision rose to $18.1 million from $13.0 million, mostly to cover loan growth, which reduced net income. Year over year, net income rose 9.2%, and earnings per share rose 14.7%.

Balance sheet scale

- Loans held for investment rose 1.8% in the quarter and 4.1% year over year to $8.45 billion. New loan production was $693.8 million (2Q26: $755.0 million; 3Q25: $623.9 million).
- Customer deposits were $9.66 billion, down $79.9 million, while borrowings and brokered deposits rose $131.1 million to $926.6 million. Total assets were $12.14 billion, flat.

Core profitability

- Net interest margin was 5.23% (2Q26: 5.45%; 3Q25: 5.24%), the best in the sector. Total deposit cost rose to 1.44% from 1.38%.
- The efficiency ratio was 51.83%, down from 54.04% in the second quarter and 52.48% a year ago.

Credit quality

- Non-performing loan ratio of 0.74% (2Q26: 0.81%; 3Q25: 1.22%). Net charge-offs of 0.70%, half of the 1.40% in the second quarter and down from 1.00% a year ago.

- The allowance is $191.8 million, 2.27% of loans, unchanged and the highest of the three banks. Early and total delinquency rose to 2.65% and 3.91%, driven by seasonal trends, but remains lower than a year ago.

Capital returns

- Common equity tier 1 ratio was 14.10% (2Q26: 14.07%), and the leverage ratio rose to 11.44% from 11.23%. Return on tangible common equity was 17.06% (2Q26: 17.94%).
- The company repurchased $13.5 million of stock; the dividend was $0.35, unchanged from the prior quarter and up from $0.30 a year ago. Tangible book value of $29.66 (2Q26: $31.12), with the tangible common equity ratio at 10.34% (2Q26: 10.90%) on the securities mark.

OFG has the strongest margin and the biggest credit improvement in the sector. Net charge-offs halved in one quarter, and the non-performing loan ratio fell to 0.74% from 1.22% a year ago. The margin slipped by 22 basis points from a second quarter that benefited from $4.1 million in loan payoffs, but it's still above 5.2%. OFG's next step is to grow core revenue, and conditions are right: loans are up 4.1% year over year, production is up 11.2%, and the common equity ratio is 14.10% with leverage at 11.44%. We are watching funding, as customer deposits are down and brokered money is up, and efficiency, with 51.8% now just behind First BanCorp's 50.1%. Our price target is $56.75.

EVERTEC, Inc. **EVTC | +11.48% year to date | Close $32.43 | Target $35.20**

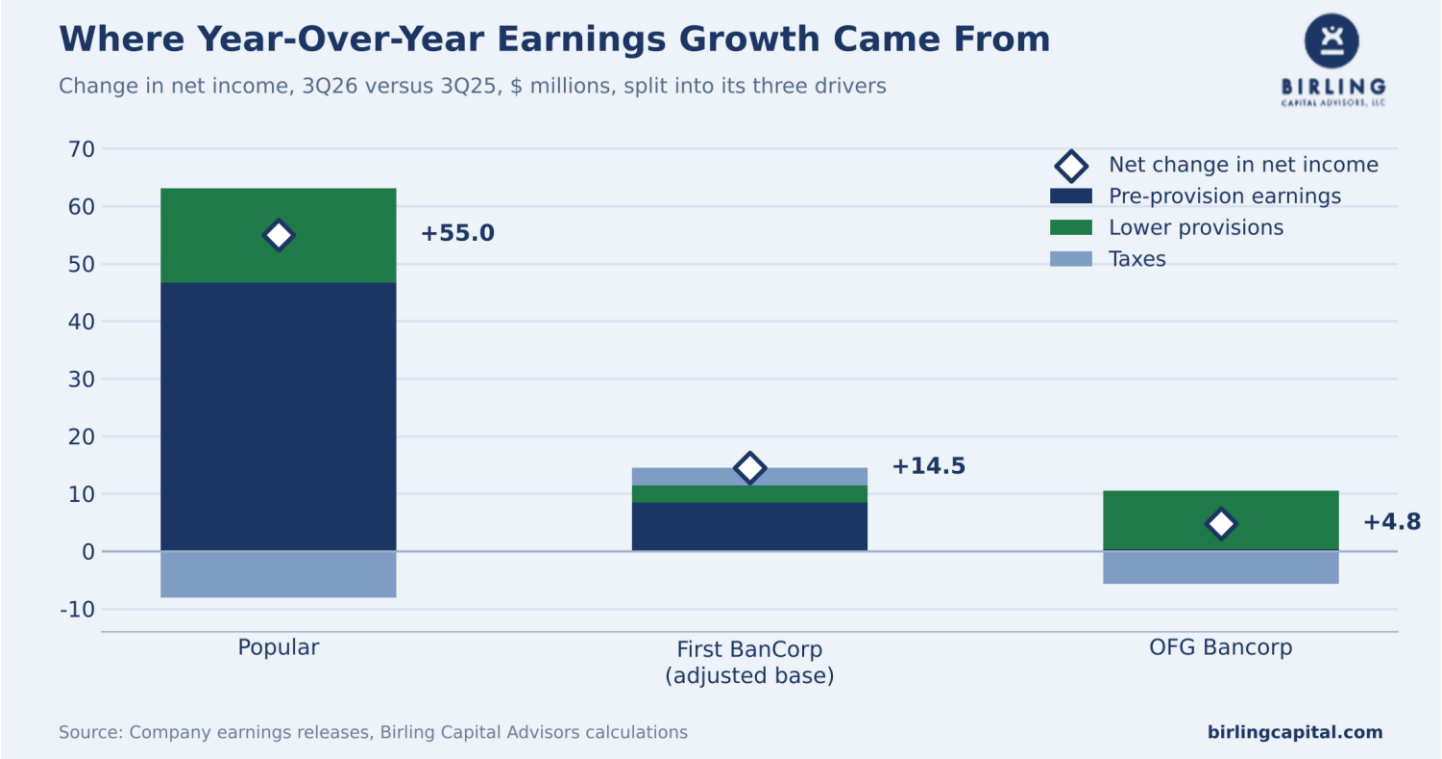
EVERTEC: the stock that completes the picture

EVERTEC reports third-quarter 2026 results on **November 3**, and the market expects earnings per share of **$0.97**. The company's second-quarter report, issued on August 4, showed revenue of $274.8 million, up 20% from a year earlier. The stock is up 11.48% to $32.43, roughly in line with the S&P 500 and the Nasdaq, after a late-spring drawdown of more than 20% that it has since recovered from. Our price target is **$35.20**. Investors will be watching to see whether EVERTEC's Latin American expansion is boosting margins. The company's series of acquisitions—from BBR in Chile and Peru to Sinqia in Brazil and most recently Tecnobank—has fueled revenue growth. The third-quarter report will be the first full look at how these integrations are going and the status of the Dimensa deal. If EVERTEC beats expectations and grows margins, the stock could match the banks' performance. If integration costs are higher than expected, it could slow the recovery. Either way, EVERTEC stands out as the only company in this group whose next big move depends on its own actions, not interest rates, making it a natural diversifier in the Puerto Rico market.

The alignment signal: three levers behind the earnings

Decompose each bank's change in net income into pre-provision earnings, provisions, and taxes, and the earnings quality becomes clear. Start with what changed: **since the quarter's operating earnings dipped, lower credit and tax expenses helped make up for it.** Pre-provision earnings dropped by $20.8 million at Popular and $7.6 million at First BanCorp, but rose by $2.4 million at OFG. Lower provisions and taxes offset $9.0 million of Popular's decline and all of First BanCorp's, so net income stayed flat at First BanCorp and fell by $11.9 million at Popular. At OFG, a $5.1 million higher provision for loan growth weighed on results. This quarter was marked by higher costs and less one-time income, not by any weakness in the banks themselves. Franchise is losing ground.

Now look at the same decomposition against a year ago.



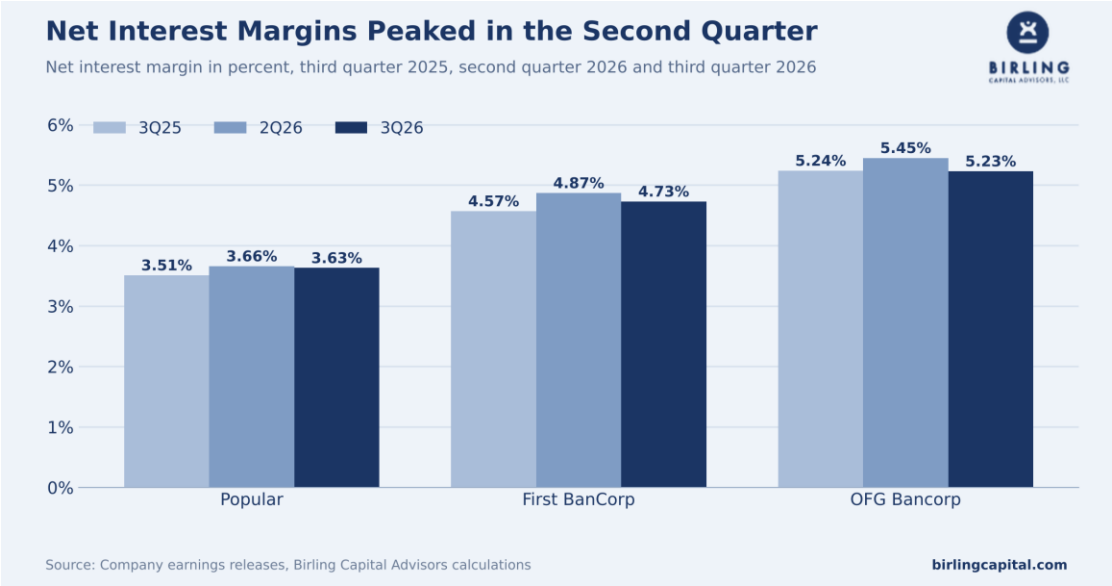
Popular's year-over-year growth comes from its core operations. OFG's growth comes from better credit quality, with revenue also rising. Pre-provision earnings made up $46.6 million of Popular's $55.0 million gain, $8.4 million of First BanCorp's $14.5 million adjusted gain, and $0.3 million of OFG's $4.8 million. When a bank's earnings rise because it's earning more, that's compounding. When earnings rise because provisions drop, it means the bank's credit book is cleaner, which is valuable and sets the stage for future growth as loan production increases.

Buybacks are now a key strategy. The three banks spent about **$242.5 million** on share repurchases in one quarter, and their average diluted share count is down 4.8% to 6.0% from a year ago. Popular increased its dividend by 20%, First BanCorp approved a 25% increase and a new $350 million buyback program, and OFG's dividend is up 16.7% from last year. Capital returns, not just loan growth, are now how Puerto Rico banks boost per-share value. That's why a bank with lower year-over-year net income can still lead the group with a 32.27% price gain.

Stock rankings show the impact of capital returns. For year-over-year pre-provision growth, Popular leads, followed by First BanCorp, then OFG. For stock price, it's First BanCorp, Popular, then OFG. The reason is clear: First BanCorp combines strong adjusted growth, the highest capital ratio, and the newest buyback program, and the market values that mix.

Funding and rates: the variables we monitor

The margin chart shows the quarter's key takeaway. Each bank's net interest margin is at or above where it was a year ago, except OFG, which is one basis point lower and below its second-quarter le**vel**. For two banks, some of this is due to one-time income that has now ended. All three banks are also seeing higher deposit costs. Popular's total deposit cost rose seven basis points to 1.64%, mainly due to market-linked public deposits. First BanCorp's cost of funds rose eight basis points, with more money moving into time deposits. OFG's deposit cost rose to 1.44% as it used more brokered funding.



The interest rate environment is why this matters. The Federal Reserve meets on October 27 and 28, and markets expect about a 90% chance rates will stay the same. For December, the odds of a rate hike are between 76% and 94%, depending on the day. The U.S. 10-year Treasury yield is around 5%, pushed up by high oil prices and inflation worries. In this setting, banks with floating-rate assets should perform well, but higher deposit costs will start to have an impact. It's also a time when securities portfolios lose value. Tangible book value per share fell at all three banks this quarter.anCorp's available-for-sale portfolio lost $119 million in fair value in the quarter, and its tangible common equity ratio fell to 9.55% from 10.08%. OFG's fell to 10.34% from 10.90%. These are unrealized marks and will reverse if yields fall, but they remind us that capital returned to shareholders isn't the same as the capital ratio on the page. A bank can buy back stock at a rate that its regulatory ratio supports and still watch its tangible equity erode if yields keep rising. Tangible book value is the number to follow into year-end.

The Puerto Rico economy: steady, not accelerating

The island's economic data helps explain why management teams are cautious even as stock prices rise. The Puerto Rico Economic Activity Index was **126.8 in June**, down 0.6% from a year earlier, and has declined year over year every month since February, after a small increase in January. The index has stayed between 126.8 and 127.2 all year, showing a plateau—neither growth nor collapse. Non-farm payroll employment is 950,100, down 0.3% from last year. Cement sales are down 3.5%, and gasoline use is down about 10.5%, reflecting the pressure of higher energy costs on households.
The forecasts remain cautious. The Planning Board expects real GNP growth of only 0.4% in 2026. Estudios Técnicos, in its baseline scenario for the Financial Oversight and Management Board, forecasts a 0.9% contraction in 2026 and further declines through 2031 unless the island's economic model changes. The fiscal plan assumes a consolidated budget of $33.6 billion for 2026-27, with about $14.9 billion, or 44%, from federal funds. The plan highlights the energy system as the primary macroeconomic risk, with the future of Medicaid funding after 2027 as the next concern.

Between the second and third quarters, the three main pillars of the Puerto Rico bank story—capital, margin, and credit—were tested again. Here's how each one performed.

1. **Capital held and is being deployed.** Common equity tier 1 stands at 16.06% at Popular (2Q26: 16.08%), 16.91% at First BanCorp (16.96%), and 14.10% at OFG (14.07%), essentially unchanged even after a combined $242.5 million of repurchases in a single quarter. This is strong. Margins slipp**ed from their second-quarter levels, as expected.** Popular's margin went from 3.66% to 3.63%, First BanCorp's from 4.87% to 4.73%, and OFG's from 5.45% to 5.23%. Each drop is partly due to one-time income in the second quarter, with the rest caused by higher funding costs. All three banks are still at or above last year's levels, and the funding mix is the key factor to watch.
2. **Credit quality improved in the most important areas.** Annualized net charge-offs dropped from 1.05% to 0.73% at Popular and from 1.40% to 0.70% at OFG. OFG's non-performing loan ratio also fell from 0.81% to 0.74%. At First BanCorp, charge-offs increased from 0.49% to 0.55% due to auto loans, and Popular's non-performing ratio rose from 1.04% to 1.16%. We are keeping a close eye on auto credit, especially since first-quarter vehicle sales fell 19.8%.

The Final Word: What the Road Ahead Looks Like

The economy didn't hold the banks back, and they didn't need strong growth to perform. Puerto Rico's economic index has been flat for a year. From one quarter to the next, banks kept earnings within a few percent, kept capital steady, returned $242.5 million to shareholders, and grew loans in every case: Popular's loans are up 0.7%, First BanCorp's 0.8% (3.3% annualized), and OFG's 1.8%. Investors are underwriting capital, the returns it generates, and how quickly it comes back to them. That is a lasting advantage, and the next phase of growth is already starting in loan production.

What we are monitoring

- **The Federal Reserve, October 27 and 28, and again in December.** A hold with a tightening bias keeps the pressure on deposit costs and on tangible book value.
- **Deposit mix.** The share of non-interest-bearing and retail money at Popular, First BanCorp and OFG, and the cost of public and time deposits.
- **Auto credit.** Early delinquency and consumer charge-offs, where First BanCorp and OFG already show strain, and where Puerto Rico's weak vehicle demand should show up first.
- **EVERTEC on November 3.** Whether Latin American integration is converting into margin, against an earnings expectation of $0.97.

Strip away the quarter's noise, and the verdict is plain. The market has told us what it pays for. The Birling Capital Puerto Rico Stock Index is up **26.40%** for the year, against 0.09% for the Birling Capital U.S. Bank Index, and the lead has widened to 26.31 points from 15.19 in July, even as the three banks gave back between 2.8 and 10.0 points of their own returns. That is not a market chasing a story. It is a market paying for **three things that can be counted**: capital that stays at 16.06%, 16.91% and 14.10% after $242.5 million goes back to shareholders in a single quarter, credit that is normalizing from a position of strength, and franchises that earn their way through a flat economy.

Our view comes with its limits stated. Tangible book value per share fell at all three banks, margins have passed their second-quarter highs, and the Federal Reserve meets on October 27 and 28 with deposit costs still rising. Popular and OFG earned slightly less than in the second quarter. None of that breaks the thesis, but each is a reason to watch the next print and not to chase the last one. Our targets of **$195.20 for Popular, $31.43 for First BanCorp, $56.75 for OFG and $35.20 for EVERTEC** reflect room to run, not a promise of a straight line.

Here is what the quarter proves. Puerto Rico's economy can be flat, and its listed companies can still compound, because their value is built on capital, discipline, and the habit of returning the surplus. The banks did not need the island to boom. They needed it to hold, and they did. In a market rotating away

from everything that depends on cheap money and fast growth, **that quality premium is earned every quarter**.

Puerto Rico is not simply ahead of the pack. Its companies are compounding through the cycle, and the cycle is paying them for it. Invest in Puerto Rico, Invest in You.

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