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CAPITAL ADVISORS, LLC

# Think Strategically

## Resilience Recalibrated: The Birling Capital U.S. Bank Index and Puerto Rico Stocks Poised for Growth

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### Market Rally Shows Signs of Fatigue as Credit Concerns Put Regional Banks Under the Microscope

After six months of robust gains, the U.S. equity rally is pausing to catch its breath. The **S&P 500**, up roughly 35 percent since late 2024, now confronts a mixture of headwinds — trade frictions with China, a prolonged federal government shutdown, and renewed anxiety about credit quality in regional banks. Yet, amid these cross-currents, **America's largest financial institutions have reasserted their role as stabilizers**. Their 3Q25 results show disciplined capital, expanding profitability, and resilient balance sheets — proof that the banking system remains the cornerstone of market confidence even as volatility returns.

### Tariffs, Shutdown, and Inflation: The New Wall of Worry

Markets continue to climb a multi-layered wall of uncertainty.

- **Trade policy:** The Biden–Xi meeting in Seoul later this month could ease tariff tensions. President Trump's recent acknowledgment that 100 percent tariffs on Chinese goods are "not sustainable" helped calm fears, though supply-chain risks remain elevated.
- **Government shutdown:** Now entering its third week, the impasse has delayed critical reports on inflation, jobs, and retail activity. The **Atlanta Fed's GDPNow** model still points to 3.9 percent annualized growth, but extended data outages could obscure underlying trends.
- **Inflation:** Headline CPI is projected to rise 3.1 percent YoY in October, up from 2.9 percent in September. Tariff-linked goods inflation remains a swing factor; if trade stabilization occurs, disinflation could resume in 2026.

### Credit Concerns Put Regional Banks Under the Microscope

The **KBW Regional Bank Index** slid 6 percent this week after a cluster of negative credit headlines.

**Zions Bancorporation** disclosed a \$50 million write-off on two commercial loans, **Western Alliance** reported borrower fraud losses, and the failures of **Tricolor Holdings** and **First Brands Group** rekindled anxiety about private-credit exposures.

However, the data still point to **contained stress, not contagion**. Most regionals retain strong deposit bases and capital ratios above 10 percent. While these events echo the 2023 banking tremors, they remain isolated — a reminder that late-cycle investing demands prudence, not panic.

### Birling Capital U.S. Bank Index — Big Six Earnings Parade

The **Birling Capital U.S. Bank Index** rose **28.3 percent YTD** through mid-October 2025, far outpacing the broader market. The six money-center banks delivered another quarter of double-digit profit growth, robust net-interest income, and fortress capital ratios.

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## Birling Capital U.S. Bank Index Members' Earnings Analysis



### Top US Banks 3Q25 Revenues and Net Income Comparison

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#### 1. JPMorgan Chase & Co.

**(JPM):** reported 3Q25 revenues of \$46,427 billion, up 9%, net income of \$14,303 billion, up 12%, and earnings per share of \$5.07, topping estimates. JPM has a Tier 1 Capital Ratio of 15.8% and a stock price objective of \$322.01.

#### 2. Citigroup, Inc. (C):

reported 3Q25 revenues of \$22,090 billion, up 9%, net income of \$3,752 billion, up 16%, and earnings per share of \$1.86, topping estimates. Citi has a Tier 1 Capital Ratio of 14.90% and a stock price objective of \$110.64.

#### 3. Goldman Sachs Group, Inc. (GS):

reported 3Q25 revenues of \$14,583 billion, up 15%, net income of \$3,723 billion, up 22%, and earnings per share of \$10.91, topping estimates. GS has a Tier 1 Capital Ratio of 14.50% and a stock price objective of \$668.55.

#### 4. Wells Fargo & Co. (WFC):

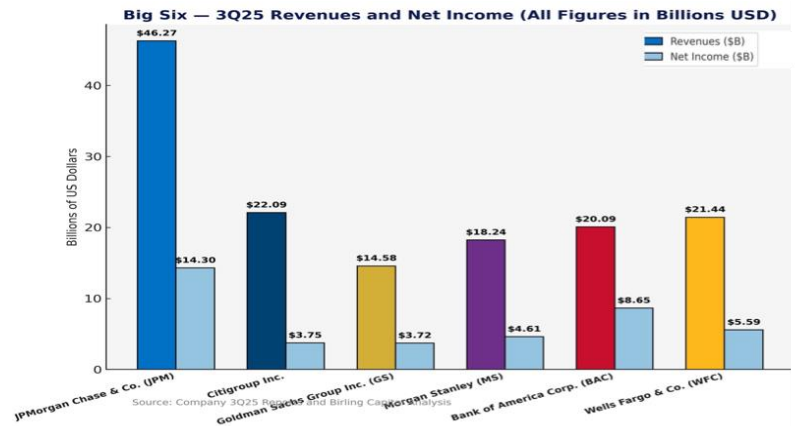
reported 3Q25 revenues of \$21,436 billion, up 5%, net income of \$5,589 billion, up 9%, and earnings per share of \$1.66, topping estimates. Wells has a Tier 1 Capital Ratio of 12.30% and a stock price objective of \$89.10.

#### 5. Bank of America Corp. (BAC):

reported 3Q25 revenues of \$28,088 billion, up 10.82%, net income of \$8,649 billion, up 22%, and earnings per share of \$1.06, topping estimates. BAC has a Tier 1 Capital Ratio of 13.1% and a stock price objective of \$56.31.

#### 6. Morgan Stanley (MS):

reported 3Q25 revenues of \$18,224 billion, up 18.46%, net income of \$4,610 billion, up 44.60%, and earnings per share of \$2.80, topping estimates. MS has a Tier 1 Capital Ratio of 17% and a stock price objective of \$154.75.

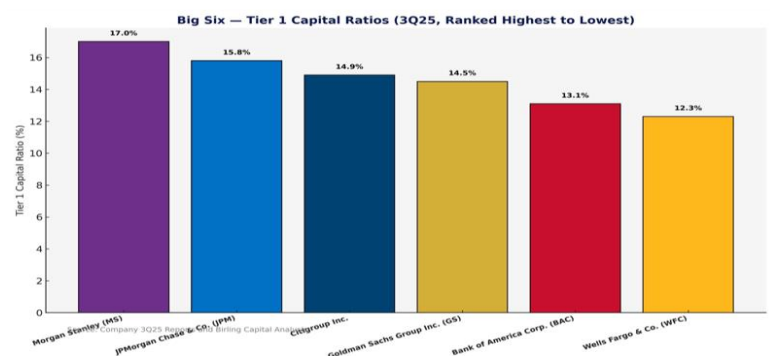


Collectively, these banks delivered **aggregate revenues of \$150.848 billion and profits exceeding \$40.626 billion** in a single quarter — a powerful statement of U.S. financial strength. The **Birling Capital U.S. Bank Index** has delivered an exceptional **year-to-date return of 28.3%**, underscoring a powerful **sector re-rating** that reflects renewed investor confidence in the strength and profitability of U.S. financial institutions.

This performance signals that markets are **rewarding balance sheet resilience and disciplined capital management** across the largest American banks. Elevated **Tier 1 capital ratios**, stable **liquidity coverage**, and solid **earnings visibility** have all



### Tier 1 Capital Comparison Top US Banks



contributed to a perception that U.S. banks remain **systemically sound and operationally efficient** despite recent volatility in regional lenders.

Moreover, the rally mirrors a **broader market recalibration** — investors are once again pricing in the durability of the U.S. banking system's diversified earnings streams, spanning consumer lending, corporate finance, asset management, and trading operations. The index's surge suggests that investors believe the sector is not only past its post-pandemic normalization phase but is now **strategically positioned to capitalize on 2026 macro trends**, including:

- The **Federal Reserve's transition toward a more accommodative policy stance**,
- **Improving credit quality and loan growth**, and
- **Digitization and cost-efficiency initiatives** are enhancing long-term profitability.

In short, this 28.3% advance confirms that the U.S. banking sector — once under pressure from margin compression and regulatory uncertainty — is now being revalued as a **pillar of stability and strategic opportunity** in the evolving global financial landscape.

### **Birling Capital Puerto Rico Stock Index Constituents: A Gradual Recovery Continues**

The **Birling Capital Puerto Rico Stock Index** gained **6.46 % YTD**, trailing the U.S. benchmark but extending its post-pandemic rebound.

#### **1. Popular, Inc. (BPOP) +23.10% YTD**

Reports **October 23, 2025 — Before Market Opens**

Popular continues to demonstrate the strength of its franchise with substantial deposit growth, robust credit quality, and a leading position in Puerto Rico's retail and commercial banking sectors. The bank's accelerating **digital transformation**, powered by **AI-driven analytics** and expanding **mobile adoption**, continues to deepen client engagement and improve operational efficiency.

Importantly, Popular's profitability trends underscore its strategic discipline. Its **net interest margin (NIM)** averaged **3.5% over the past two years**, expanding **19.7 basis points**, reflecting the bank's ability to price loans effectively and manage funding costs. This improvement has meaningfully increased **net interest income**, a key driver of profitability. Over the past five years, Popular's **earnings per share (EPS)** have grown at an exceptional **18% compounded annual rate**, outpacing its **4.9% annualized revenue growth**, signaling superior cost efficiency and per-share profitability. Meanwhile, its **tangible book value per share (TBVPS)**—the clearest indicator of underlying financial strength, Popular stock has surged **41.06%** since January 2, 2024, from **\$82.08 to \$115.79 on October 17, 2025**.

Together, these metrics confirm Popular's standing as a **financially solid, operationally agile, and technologically advanced leader**, positioning it as the **benchmark for profitability and growth heading into 2026**.

#### **2. First BanCorp. (FBP) +10.70% YTD**

Reports **October 23, 2025 — Before Market Opens**

First BanCorp's stock has experienced modest volatility in recent weeks, prompting investors to reassess whether its current valuation still offers a long-term entry point. After a strong first half, shares have given back a portion of earlier gains. Yet, the broader trajectory remains positive: the stock is still up **10.7% year-to-date** and has delivered a **17.9% total shareholder return** over the past twelve months.

At current levels, the bank trades at a **price-to-earnings ratio near 21×**, above both the **U.S. banks' industry average of 11.6×** and its own estimated fair multiple around 16×. While this premium may seem

elevated, it reflects investor confidence in First BanCorp's **stable profitability, strong capital ratios, and low credit-loss volatility**. The market appears to reward the bank's consistent earnings and disciplined risk management, recognizing its role as a key mid-tier franchise in the Puerto Rican economy. **Firstbank stock has surged 25.11%** since January 2, 2024, from **\$16.37 to \$20.58 on October 17, 2025**.

For 3Q25, analysts forecast **EPS ≈ \$0.48 on revenue ≈ \$256 million**, pointing to another period of steady results supported by disciplined lending and favorable deposit trends. The institution's improving **funding mix**, driven by low-cost core deposits, and its focus on **consumer and mortgage lending**, continue to support margin stability even as rate spreads narrow.

From Birling Capital's perspective, while the stock's current multiple may already reflect much of its near-term strength, **First BanCorp's structural advantages—conservative balance-sheet management, reliable profitability, and ongoing digital expansion—make it one of Puerto Rico's most compelling long-term financial plays**. The recent price consolidation offers investors an opportunity to accumulate shares in a fundamentally sound, well-managed, and strategically positioned bank heading into 2026.

### 3. OFG Bancorp. (OFG) –2.43% YTD

Reports **October 22, 2025 — Before Market Opens**

OFG Bancorp's share performance has softened in 2025, reflecting **margin compression and slower loan growth** across Puerto Rico's commercial and consumer sectors. Yet beneath the surface, the bank's financial footing remains **solid, diversified, and strategically adaptive**. Analysts project **EPS ≈ \$1.16 on revenue ≈ \$187 million**, indicating earnings stability even as macro headwinds persist. Oriental's stock has a return of **10.17%** since January 2, 2024, from **\$36.91 to \$41.29 on October 17, 2025**.

OFG's **diversified business model**—spanning **commercial lending, wealth management, and insurance**—continues to mitigate interest-rate sensitivity and support non-interest-income growth. Its ongoing **digital modernization strategy**, including the rollout of AI-enhanced underwriting and customer analytics, has improved loan-origination efficiency and deepened its retail footprint. The institution's **capital ratios remain comfortably above regulatory requirements**, and its expanding **fee-based business lines** provide a more substantial buffer against margin volatility.

Looking ahead, OFG's management is emphasizing **selective loan growth, balance-sheet optimization, and digital channel expansion** as key levers for 2026 performance. While short-term pressures have dampened momentum, Birling Capital believes OFG's **high-quality loan book, robust capital position, and digital transformation investments** make it a **resilient and undervalued franchise** poised for recovery once credit demand in Puerto Rico re-accelerates.

### 4. EVERTEC, Inc. (EVTC) –13.50% YTD

Reports **November 5, 2025 — Before Market Opens (Call ~4:30 PM ET)**

Despite short-term stock volatility, EVERTEC remains one of Puerto Rico's most globally integrated technology leaders, **operating in 26 Latin American countries** and serving a **diversified customer base of financial institutions, merchants, corporations, and government agencies** with **mission-critical transaction and payments technology**. Its network and scale underpin the region's digital commerce infrastructure.

While the stock's one-year total return stands at **–1.9%**, and shares have slipped **6.1% over the past month** and **8.4% over the past 90 days**, EVERTEC's **strategic repositioning** is unmistakable. The company has been actively transforming from a payment processor into a **regional fintech platform**, expanding its technology, data, and cloud capabilities through a disciplined M&A program:

- **Sinqia S.A. (Brazil)** – Acquired **Q4 2023**, a major provider of financial software solutions, expanding in Brazil.

- **Grandata, Inc. (Mexico)** – Acquired **October 2024**, a behavioral-data and analytics firm enabling advanced risk and customer insight capabilities.
- **Nubity, Inc. (Mexico)** – Acquired **November 2024**, a cloud-services provider modernizing EVERTEC's infrastructure for scalable fintech deployments.
- **Tecnobank (Brazil)** – Acquired **October 2025**, a leading digital registry and contract-processing company in Brazil's vehicle-finance sector, expanding into a new, regulated vertical.

Collectively, these acquisitions expand EVERTEC's reach, diversify its revenue base, and position the firm to capitalize on **rising fintech adoption** across Latin America. Analysts estimate **3Q25 revenues of \$225 million** and **EPS \$0.73–\$0.89**, reflecting steady performance during integration. With a fair-value estimate near **\$38.60** versus a Friday's closing price of **\$29.87**, the company appears **undervalued by 16.5%** relative to its multi-year growth potential. Evertec's stock has fallen by **27.04%** since January 2, 2024, from **\$40.87 to \$29.87 on October 17, 2025**.

In Birling Capital's view, EVERTEC's strategic transformation—anchored by regional scale, mission-critical infrastructure, and recurring software revenues—positions it to evolve into a **pan-Latin American fintech leader**. As acquisition synergies crystallize in 2026 and beyond, EVERTEC is poised for **margin expansion, re-rating potential, and sustained top-line growth**.

### Looking Ahead for Puerto Rico Stocks

Puerto Rico's financial sector is emerging from 3Q25 with **capital resilience, digital innovation, and earnings stability** as its defining characteristics. Popular Inc. continues to lead in profitability and efficiency; First BanCorp delivers consistent results with disciplined growth; OFG Bancorp remains fundamentally sound despite near-term pressure; and EVERTEC Inc. is transforming into a regional fintech powerhouse. Collectively, these institutions define a sector that is **profitable, technologically progressive, and strategically positioned for sustained expansion heading into 2026**.

### The Final Word: Birling Capital Strategy Guidance

Birling Capital's assessment remains optimistic. The economic fundamentals underpinning the expansion are intact:

- **Fed pivot ahead:** Rate-cut expectations for mid-2026 support valuation stability.
- **Corporate earnings:** S&P 500 EPS projected +10.5 % in 2025 and +13 % in 2026.
- **Fiscal tailwinds:** Infrastructure, defense, and semiconductor programs sustain investment momentum.
- **Valuations:** Forward P/E of 19.5× — elevated but justified by double-digit EPS growth.

The evidence argues for a **soft-landing scenario**, not contraction.

Our guidance is to perform the following:

1. **Rebalance** portfolios after the rally to restore target allocations.
2. **Diversify** across defensives, industrials, and financials — the pillars of this phase.
3. **Accumulate quality** names with strong free cash flow and capital buffers.
4. **Maintain liquidity** for tactical deployment during volatility.
5. **Monitor the Fed's unwind** and global trade dynamics as principal macro drivers.

Every cycle requires a pause to build its next ascent. What we are seeing is not weakness but **resilience recalibrated** — a market shifting from liquidity-driven exuberance to fundamentals-based confidence.

The **Big Six** have proven that scale, prudence, and profitability remain America's comparative advantage. Their 3Q25 performance is not just an earnings story; it's a **macro stabilizer**, anchoring investor psychology as the economy transitions toward a more balanced growth path.

At Birling Capital, we interpret this phase not as exhaustion, but as endurance — **the midpoint of progress, not its end.**



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