OFG Bancorp (OFG)

Updated April 28th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$38	**5 Year CAGR Estimate:**	14.0%	**Market Cap:**	$1.80 B
Fair Value Price:	$42	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	06/27/2025[1]
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.8%	**Dividend Payment Date:**	07/15/2025[2]
Dividend Yield:	3.2%	**5 Year Price Target**	$67	**Years Of Dividend Growth:**	5
Dividend Risk Score:	D	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Founded in 1964 and headquartered in San Juan, Puerto Rico, OFG Bancorp (OFG) is a leading financial holding company that operates Oriental Bank, providing a full suite of banking, mortgage, insurance, and wealth management services. The bank serves retail, commercial, and institutional clients across Puerto Rico and the U.S. Virgin Islands. With its Digital First strategy, OFG has strengthened its competitive position, expanding its market share in key financial segments. The company generates revenue through net interest income, fees from banking and financial services, and investment income. By leveraging technology and strategic acquisitions, OFG continues to solidify its presence as a key player in Puerto Rico's banking sector, offering innovative financial solutions and superior customer service.

On April 23rd, 2025, the company announced results for the first quarter of 2025. OFG Bancorp reported Q1 non-GAAP EPS of $1.00, beating market estimates by $0.03. Core revenues came in at $178.3 million, reflecting consistent operational strength despite two fewer business days in the quarter.

Net interest margin remained robust at 5.42%, and pre-provision net revenues grew to $85.1 million. CEO José Rafael Fernández highlighted customer and deposit growth, improved consumer credit, and the launch of new digital innovations like an Omnichannel app and Apple Pay integration. Total loans held for investment reached $7.85 billion, while customer deposits grew $308 million quarter-over-quarter to $9.76 billion, showcasing the strength of OFG's balance sheet and its focus on sustainable growth.

During the quarter, OFG maintained strong capital levels with a CET1 ratio of 14.27% and a tangible common equity ratio of 10.30%. The company also repurchased $23.4 million in common stock and increased its dividend by 20%, reinforcing its commitment to shareholder returns. Credit quality metrics remained stable, with nonperforming loans at 1.11% and early delinquencies improving from the prior quarter. While provision for credit losses totaled $25.7 million, reflecting growth-related reserves and isolated commercial loan impacts, overall asset quality trends stayed favorable. With a solid liquidity base, growing core deposits, and strategic digital investments, OFG enters the remainder of 2025 well-positioned to weather global uncertainties and capture emerging opportunities in Puerto Rico's steadily expanding economy.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-$0.37	$1.03	$0.88	$1.52	$0.92	$1.32	$2.81	$3.44	$3.83	$4.23	***$4.15***	***$6.68***
DPS	$0.36	$0.24	$0.24	$0.25	$0.28	$0.28	$0.40	$0.70	$0.88	$1.00	***$1.20***	***$1.26***
Shares[3]	44.2	51.1	43.9	51.3	51.7	51.6	51.4	48.4	47.6	46.9	***47.4***	***50.0***

OFG Bancorp is poised for continued growth in 2025, driven by loan portfolio expansion, digital banking enhancements, and strategic acquisitions. The company expects steady net interest income growth, supported by higher loan balances and disciplined cost management. Loan production remains strong, particularly in commercial, auto, and residential

[1] Estimated ex-dividend date
[2] Estimated dividend payment date
[3] Shares in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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mortgage lending, while the Digital First strategy enhances operational efficiency and customer engagement. OFG's strong capital position and prudent risk management provide resilience against economic uncertainties. Thus, we matched analysts' EPS midpoint estimate for 2025 at $4.15, and with a growth forecast of 10.0% over the next five years, it leads to our estimated EPS of $6.68 by 2030. Moreover, the company has a solid record of paying dividends despite operating in a sector influenced by the macro environment.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	-29.0	7.9	11.0	8.7	21.0	9.8	7.5	7.5	7.0	8.8	***9.2***	***10.0***
Avg. Yld.	3.4%	3.0%	2.5%	1.9%	1.5%	2.2%	1.9%	2.7%	3.3%	2.7%	***3.2%***	***1.9%***

The bank trades at a forward P/E of 9.2, above its long-term average P/E of 6.0, and the five-year average P/E of 8.1. Considering that lower interest rates potentially compress net interest margins, while a strong labor market and consumer spending could support loan demand and asset quality, we have used a multiple of 10.0, implying a target price of $67 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

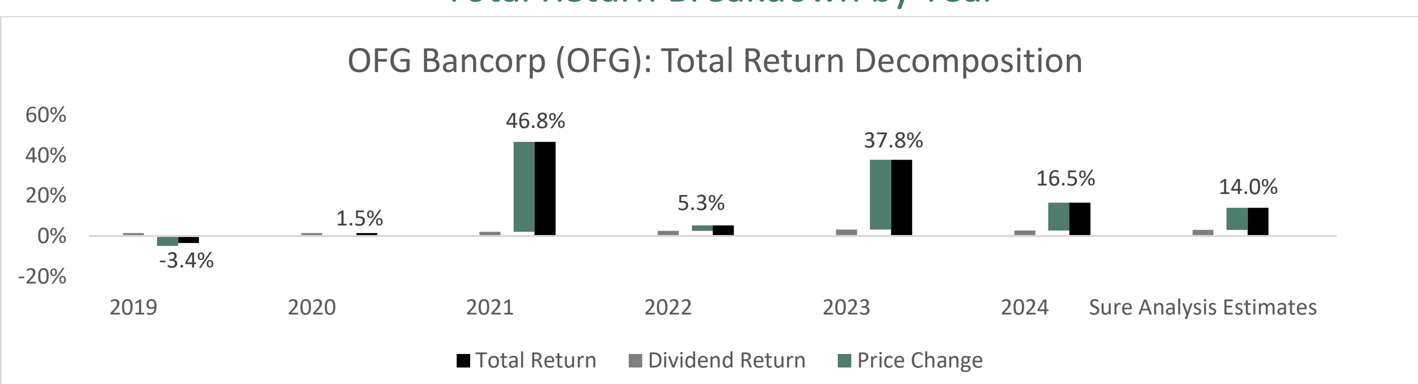
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-97%	23%	27%	16%	30%	21%	14%	20%	23%	24%	***29%***	***19%***

OFG Bancorp benefits from a strong regional market presence, a diversified loan portfolio, and a focus on digital banking, which enhances efficiency and customer engagement. Its resilient credit quality and well-capitalized balance sheet provide a cushion against economic downturns, supporting steady profitability during recessions. The company maintains a conservative approach to debt management, with a 14.27% CET1 ratio, ensuring financial stability. By strategically managing risk and maintaining prudent capital allocation, OFG remains well-positioned to navigate economic fluctuations while continuing to grow its market presence. During Q1, OFG Bancorp repurchased approximately $23.4 million of its common stock, underscoring its strong capital position and ongoing commitment to enhancing shareholder value.

Final Thoughts & Recommendation

As OFG Bancorp continues to execute its Digital First strategy and expand its banking franchise, strong loan growth and operational efficiency should drive solid EPS growth in 2025. The company's healthy capital position, disciplined credit risk management, and strategic acquisitions further support its long-term outlook. Therefore, we rate OFG as a hold, as it does not meet all the criteria for a buy rating. Despite a solid 14.0% expected annual return and a 3.2% dividend yield, the stock carries a Dividend Risk Score of D, which disqualifies it under our dividend safety threshold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	317	329	346	356	379	476	497	565	640	712
SG&A Exp.	96	92	92	89	92	151	152	162	176	314
D&A Exp.	13	11	10	10	10	24	24	24	27	
Net Profit	(3)	59	53	84	54	74	146	166	182	198
Net Margin	-0.8%	18.0%	15.2%	23.7%	14.2%	15.6%	29.4%	29.4%	28.4%	27.8%
Free Cash Flow	92	73	145	122	97	20	77	133	278	
Income Tax	(18)	26	15	48	21	20	68	78	83	56

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	7,099	6,502	6,189	6,583	9,298	9,826	9,900	9,819	11,344	11,501
Cash & Equivalents	537	510	485	447	851	2,154	2,023	550	748	591
Acc. Receivable	21	20	50	34	37	66	57	62	71	
Goodwill & Int.	101	102	101	100	194	179	171	163	154	169
Total Liabilities	6,202	5,581	5,244	5,583	8,252	8,740	8,831	8,776	10,151	10,246
Long-Term Debt	437	142	136	115	115	102	65	27	201	326
Total Equity	721	744	769	908	953	994	1,069	1,042	1,193	1,254
LTD/E Ratio	0.49	0.15	0.14	0.11	0.11	0.09	0.06	0.03	0.17	0.26

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.0%	0.9%	0.8%	1.3%	0.7%	0.8%	1.5%	1.7%	1.7%	1.7%
Return on Equity	-0.3%	6.5%	5.6%	8.7%	5.3%	7.0%	13.6%	15.7%	16.3%	16.2%
ROIC	-0.2%	4.9%	4.9%	7.7%	4.7%	6.3%	12.6%	15.1%	14.8%	13.3%
Shares Out.	44.2	51.1	43.9	51.3	51.7	51.6	51.4	48.4	47.6	46.9
Revenue/Share	6.17	6.43	6.78	6.94	7.33	9.24	9.68	11.67	13.46	15.17
FCF/Share	1.78	1.43	2.84	2.37	1.87	0.38	1.50	2.76	5.84	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.