

R&G FINANCIAL CORP
Form 10-Q
August 14, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

u QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission file number: 000-21137

R&G FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Puerto Rico

66-0532217

(State of incorporation or organization)

(I.R.S. Employer Identification No.)

280 Jesús T. Piñero Avenue
Hato Rey, San Juan, Puerto Rico

00918

(Address of principal executive offices)

(Zip Code)

(787) 758-2424

(Registrant's telephone number, including area code)

Indicate by checkmark whether Registrant (a) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such report (s) and (b) has been subject to such filing requirements for at least 90 days.

YES NO

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

Number of shares of Class B Common Stock outstanding as of June 30, 2003: 19,670,564 (Does not include 14,373,056 Class A Shares of Common Stock which are exchangeable into Class B Shares of Common Stock at the option of the holder.)

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	<u>June 30, 2003</u>	<u>December 31, 2002</u>
	(Unaudited)	
	(Dollars in thousands)	
ASSETS		
Cash and due from banks	\$ 144,380	\$ 128,085
Money market investments:		
Securities purchased under agreements to resell	34,726	
Time deposits with other banks	21,777	65,401
Federal funds sold	15,000	
Short-term investments		4,157
Mortgage loans held for sale, at lower of cost or market	248,345	258,738
Mortgage-backed and investment securities held for trading, at fair value	41,200	48,651
Trading securities pledged on repurchase agreements, at fair value		26,106
Mortgage-backed and investment securities available for sale, at fair value	2,280,597	1,819,257
Available for sale securities pledged on repurchase agreements, at fair value	745,975	737,656
Mortgage-backed and investment securities held to maturity, at amortized cost (estimated market value: 2003 - \$6,567; 2002 - \$30,885)	6,365	30,661
Held to maturity securities pledged on repurchase agreements, at amortized cost (estimated market value: 2003 - \$65,262; 2002 - \$45,926)	62,754	44,930
Loans receivable, net	3,286,745	2,759,689
Accounts receivable, including advances to investors, net	35,594	32,100
Accrued interest receivable	41,112	40,401
Servicing asset	127,146	142,334
Premises and equipment	40,645	38,665
Other assets	123,771	100,415
	<u>\$7,256,132</u>	<u>\$6,277,246</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	\$3,240,607	\$2,802,324
Federal funds purchased	5,000	
Securities sold under agreements to repurchase	1,845,488	1,489,758
Notes payable	206,009	194,607
Advances from FHLB	1,016,725	940,725
Other borrowings	42,813	45,066
Accounts payable and accrued liabilities	184,916	134,427
Other liabilities	13,842	8,121
	<u>6,555,400</u>	<u>5,615,028</u>
Stockholders equity:		
Preferred stock, \$.01 par value, 20,000,000 shares authorized:		
Non-cumulative perpetual Monthly Income Preferred Stock, \$25 liquidation value:		
7.40% Series A, 2,000,000 shares authorized, issued and outstanding	50,000	50,000
7.75% Series B, 1,000,000 shares authorized, issued and outstanding	25,000	25,000
7.60% Series C, 2,760,000 shares authorized, issued and outstanding	69,000	69,000
7.25% Series D, 2,760,000 shares authorized, issued and outstanding	69,000	69,000

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Common stock:		
Class A \$.01 par value, 40,000,000 shares authorized, 14,373,056 issued and outstanding (2002 - 14,553,056)	144	145
Class B \$.01 par value, 60,000,000 shares authorized, 19,670,564 issued and outstanding (2002-19,440,206)	197	194
Additional paid-in capital	115,167	114,951
Retained earnings	340,280	294,592
Capital reserves of the Bank	17,419	17,419
Accumulated other comprehensive income	14,525	21,917
	<u>700,732</u>	<u>662,218</u>
	<u>\$7,256,132</u>	<u>\$6,277,246</u>

The accompanying notes are an integral part of these statements.

Table of Contents**R&G FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME**

	Three month period ended June 30,		Six month period ended June 30,	
	2003	2002	2003	2002
	(Unaudited)		(Unaudited)	
	(Dollars in thousands except for per share data)			
Interest income:				
Loans	\$ 55,007	\$ 38,980	\$ 106,962	\$ 77,483
Money market and other investments	7,972	9,594	16,590	18,633
Mortgage-backed securities	29,579	29,041	57,262	54,218
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total interest income	92,558	77,615	180,814	150,334
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interest expense:				
Deposits	22,968	20,764	44,661	41,590
Securities sold under agreements to repurchase	12,814	12,713	25,585	25,056
Notes payable	2,139	1,585	4,009	3,357
Other	10,068	6,504	19,769	12,277
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total interest expense	47,989	41,566	94,024	82,280
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net interest income	44,569	36,049	86,790	68,054
Provision for loan losses	(4,444)	(4,550)	(8,664)	(9,550)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net interest income after provision for loan losses	40,125	31,499	78,126	58,504
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other income:				
Net gain on origination and sale of loans	44,883	15,751	77,900	33,461
Loan administration and servicing fees	13,104	10,320	26,305	19,624
Service charges, fees and other	7,226	4,060	12,947	7,932
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	65,213	30,131	117,152	61,017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	105,338	61,630	195,278	119,521
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating expenses:				
Employee compensation and benefits	14,506	9,544	29,653	19,552
Office occupancy and equipment	6,074	4,706	11,776	8,968
Other administrative and general	42,706	18,043	73,249	33,969
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	63,286	32,293	114,678	62,489
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before income taxes	42,052	29,337	80,600	57,032
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income tax expense (benefit):				
Current	6,866	7,199	12,806	12,695
Deferred	3,736	(481)	7,203	185
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	10,602	6,718	20,009	12,880
Net income	\$ 31,450	\$ 22,619	\$ 60,591	\$ 44,152
Earnings per common share Basic	\$ 0.81	\$ 0.60	\$ 1.55	\$ 1.19
- Diluted	\$ 0.80	\$ 0.59	\$ 1.54	\$ 1.17
Weighted average number of shares outstanding Basic	34,043,100	31,306,700	34,032,966	31,301,387
Diluted	34,181,137	31,654,798	34,180,949	31,654,636

The accompanying notes are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three month period ended June 30,		Six month period ended June 30,	
	2003	2002	2003	2002
	(Unaudited)		(Unaudited)	
	(Dollars in thousands)			
Net income	\$31,450	\$ 22,619	\$ 60,591	\$44,152
Other comprehensive income, before tax:				
Unrealized gains (losses):				
Cash flow hedges	(1,979)	(3,201)	(1,639)	(1,205)
Investment securities:				
Arising during period	(4,933)	36,697	(9,661)	22,614
Less: Reclassification adjustments for gains included in net income	(714)	(146)	(820)	(221)
	(5,647)	36,551	(10,481)	22,393
	(7,626)	33,350	(12,120)	21,188
Income tax (expense) benefit related to items of other comprehensive income	2,971	(12,993)	4,728	(8,250)
Other comprehensive income (loss), net of tax	(4,655)	20,357	(7,392)	12,938
Comprehensive income, net of tax	\$26,795	\$ 42,976	\$ 53,199	\$57,090

The accompanying notes are an integral part of these statements.

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				Six month period ended June 30,	
				2003	2002
				(Unaudited) (Dollars in thousands)	
Cash flows from operating activities:					
700		\$11.02			
NexGen	4/5/2007				
Technologies, LLC		28,700	\$11.00		
NexGen	4/9/2007				
Technologies, LLC		1,855	\$11.67		
NexGen	4/9/2007				
Technologies, LLC		8,279	\$11.66		
NexGen	4/9/2007				
Technologies, LLC		12,366	\$11.65		
NexGen	4/10/2007				
Technologies, LLC		100	\$11.83		
NexGen	4/10/2007				
Technologies, LLC		200	\$11.82		
NexGen	4/10/2007				
Technologies, LLC		100	\$11.81		
NexGen	4/10/2007				
Technologies, LLC		400	\$11.80		
NexGen	4/10/2007				
Technologies, LLC		100	\$11.79		
NexGen	4/10/2007				
Technologies, LLC		600	\$11.78		
NexGen	4/10/2007				
Technologies, LLC		13,891	\$11.76		
NexGen	4/10/2007				
Technologies, LLC		14,609	\$11.75		
NexGen	4/11/2007				
Technologies, LLC		5,100	\$12.82		
NexGen	4/11/2007				
Technologies, LLC		24,900	\$12.80		
NexGen	4/11/2007				
Technologies, LLC		980	\$12.53		
NexGen	4/11/2007				
Technologies, LLC		500	\$12.52		
NexGen	4/11/2007				
Technologies, LLC		300	\$12.51		
NexGen	4/11/2007				
Technologies, LLC		18,220	\$12.50		
	4/11/2007	10,000	\$12.35		

NexGen Technologies, LLC			
NexGen Technologies, LLC	4/11/2007	900	\$12.17
NexGen Technologies, LLC	4/11/2007	3,500	\$12.17
NexGen Technologies, LLC	4/11/2007	2,865	\$12.16
NexGen Technologies, LLC	4/11/2007	22,735	\$12.15
NexGen Technologies, LLC	4/11/2007	2,900	\$11.95
NexGen Technologies, LLC	4/11/2007	900	\$11.93
NexGen Technologies, LLC	4/11/2007	4,100	\$11.92
NexGen Technologies, LLC	4/11/2007	22,100	\$11.90
NexGen Technologies, LLC	4/16/2007	400	\$12.89
NexGen Technologies, LLC	4/16/2007	4,100	\$12.88
NexGen Technologies, LLC	4/16/2007	200	\$12.87
NexGen Technologies, LLC	4/16/2007	300	\$12.86
NexGen Technologies, LLC	4/16/2007	45,000	\$12.85
NexGen Technologies, LLC	4/16/2007	600	\$12.79
NexGen Technologies, LLC	4/16/2007	300	\$12.78
NexGen Technologies, LLC	4/16/2007	100	\$12.77
NexGen Technologies, LLC	4/16/2007	700	\$12.75
NexGen Technologies, LLC	4/16/2007	100	\$12.74
NexGen Technologies, LLC	4/16/2007	400	\$12.73
NexGen Technologies, LLC	4/16/2007	700	\$12.72

NexGen Technologies, LLC	4/16/2007	600	\$12.71	
NexGen Technologies, LLC	4/16/2007	900	\$12.70	
NexGen Technologies, LLC	4/16/2007	100	\$12.69	
NexGen Technologies, LLC	4/16/2007	1,100	\$12.68	
NexGen Technologies, LLC	4/16/2007	2,200	\$12.67	
NexGen Technologies, LLC	4/16/2007	1,545	\$12.66	
NexGen Technologies, LLC	4/16/2007	15,655	\$12.65	
NexGen Technologies, LLC	4/16/2007	200	\$12.54	
NexGen Technologies, LLC	4/16/2007	600	\$12.52	
NexGen Technologies, LLC	4/16/2007	2,305	\$12.51	
NexGen Technologies, LLC	4/16/2007	21,895	\$12.50	
NexGen Technologies, LLC	4/17/2007	1,500	\$13.00	
NexGen Technologies, LLC	4/17/2007	1,900	\$12.98	
NexGen Technologies, LLC	4/17/2007	3,900	\$12.96	
NexGen Technologies, LLC	4/17/2007	27,300	\$12.95	
NexGen Technologies, LLC	4/17/2007	396	\$12.94	
NexGen Technologies, LLC	4/17/2007	3,465	\$12.92	
NexGen Technologies, LLC	4/17/2007	8,039	\$12.91	
NexGen Technologies, LLC	4/17/2007	38,100	\$12.90	

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NexGen Technologies, LLC	4/17/2007	241	\$12.84	
NexGen Technologies, LLC	4/17/2007	559	\$12.83	
NexGen Technologies, LLC	4/17/2007	1,800	\$12.82	
NexGen Technologies, LLC	4/17/2007	1,400	\$12.81	
NexGen Technologies, LLC	4/17/2007	21,000	\$12.80	
NexGen Technologies, LLC	4/18/2007	4,506	\$12.85	
NexGen Technologies, LLC	4/18/2007	3,809	\$12.83	
NexGen Technologies, LLC	4/18/2007	723	\$12.82	
NexGen Technologies, LLC	4/18/2007	2,100	\$12.81	
NexGen Technologies, LLC	4/18/2007	8,048	\$12.80	
NexGen Technologies, LLC	4/19/2007	1,700	\$13.03	
NexGen Technologies, LLC	4/19/2007	500	\$13.02	
NexGen Technologies, LLC	4/19/2007	500	\$13.00	
NexGen Technologies, LLC	4/19/2007	2,700	\$12.99	
NexGen Technologies, LLC	4/19/2007	4,755	\$12.98	
NexGen Technologies, LLC	4/19/2007	19,161	\$12.97	
NexGen Technologies, LLC	4/19/2007	5,623	\$12.96	
NexGen Technologies, LLC	4/19/2007	48,541	\$12.95	
NexGen Technologies, LLC	4/19/2007	8,021	\$12.94	
NexGen Technologies, LLC	4/19/2007	10,003	\$12.93	

NexGen Technologies, LLC	4/19/2007	16,624	\$12.92	
NexGen Technologies, LLC	4/19/2007	8,621	\$12.91	
NexGen Technologies, LLC	4/19/2007	43,980	\$12.90	
NexGen Technologies, LLC	4/19/2007	2,400	\$12.89	
NexGen Technologies, LLC	4/19/2007	3,500	\$12.88	
NexGen Technologies, LLC	4/19/2007	2,700	\$12.87	
NexGen Technologies, LLC	4/19/2007	2,800	\$12.86	
NexGen Technologies, LLC	4/19/2007	2,143	\$12.85	
NexGen Technologies, LLC	4/19/2007	7,018	\$12.84	
NexGen Technologies, LLC	4/19/2007	15,382	\$12.83	

NexGen Technologies, LLC	4/19/2007	12,106	\$12.82	
NexGen Technologies, LLC	4/19/2007	1,593	\$12.81	
NexGen Technologies, LLC	4/19/2007	4,694	\$12.80	
NexGen Technologies, LLC	4/19/2007	100	\$12.79	
NexGen Technologies, LLC	4/19/2007	614	\$12.78	
NexGen Technologies, LLC	4/19/2007	1,200	\$12.77	
NexGen Technologies, LLC	4/19/2007	2,012	\$12.76	
NexGen Technologies, LLC	4/19/2007	2,388	\$12.75	
NexGen Technologies, LLC	4/19/2007	1,542	\$12.74	
NexGen Technologies, LLC	4/19/2007	3,218	\$12.73	
NexGen Technologies, LLC	4/19/2007	1,412	\$12.72	
NexGen Technologies, LLC	4/19/2007	5,973	\$12.71	
NexGen Technologies, LLC	4/19/2007	3,000	\$12.70	
NexGen Technologies, LLC	4/19/2007	800	\$12.69	
NexGen Technologies, LLC	4/19/2007	3,000	\$12.68	
NexGen Technologies, LLC	4/20/2007	400	\$13.00	
NexGen Technologies, LLC	4/20/2007	2,296	\$12.99	
NexGen Technologies, LLC	4/20/2007	18,404	\$12.98	
NexGen Technologies, LLC	4/20/2007	1,000	\$12.97	

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NexGen Technologies, LLC	4/20/2007	8,771	\$12.96	
NexGen Technologies, LLC	4/20/2007	15,229	\$12.95	

* Each of the above transactions consisted of a sale of Shares in the open market effected pursuant to the 10b5-1 plan adopted by NexGen Technologies, LLC on March 23, 2007. Each such sale above has also previously been or will be reported on a Form 4 as required pursuant to Section 16 of the Securities Exchange Act of 1934.
