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R&G FINANCIAL CORP
Form 10-Q
August 14, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002

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 Jesus T. Pinero 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

Number of shares of Class B Common Stock outstanding as of June 30, 2002:
15,324,553 (Does not include 16,053,056 Class A Shares of Common Stock which are
exchangeable into Class B Shares of Common Stock at the option of the holder.)

R&G FINANCIAL CORPORATION

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PART 1 - FINANCIAL INFORMATION

ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS
R&G FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

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	June 2002

	(Unaudited)
ASSETS	
Cash and due from banks	\$ 90,
Money market investments:	
Securities purchased under agreements to resell	
Time deposits with other banks	34,
Mortgage loans held for sale, at lower of cost or market	229,
Mortgage backed securities held for trading, at fair value	55,
Trading securities pledged on repurchase agreements, at fair value	31,
Mortgage backed and investment securities available for sale, at fair value	2,004,
Available for sale securities pledged on repurchase agreements	557,
Mortgage backed and investment securities held to maturity, at amortized cost (estimated market value: 2002 - \$29,457,701; 2001 - \$60,682,234)	28,
Held to maturity securities pledged on repurchase agreements, at amortized cost (estimated market value: 2002 - \$49,539,052; 2001 - \$15,445,319)	49,
Loans receivable, net	2,438,
Accounts receivable, including advances to investors, net	32,
Accrued interest receivable	41,
Servicing asset	146,
Premises and equipment	36,
Other assets	97,

	\$5,874,
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities:	
Deposits	\$2,534,
Fed funds purchased	10,
Securities sold under agreements to repurchase	1,602,
Notes payable	178,
Advances from FHLB	836,
Other borrowings	10,
Accounts payable and accrued liabilities	94,
Other liabilities	9,

	5,277,

Company-obligated mandatorily redeemable trust preferred securities	25,

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,
7.75% Series B, 1,000,000 shares authorized, issued and outstanding	25,
7.60% Series C, 2,760,000 shares authorized, issued and outstanding	69,
7.25% Series D, 2,760,000 shares authorized, issued and outstanding	69,
Common stock:	
Class A - \$.01 par value, 40,000,000 shares authorized, 16,053,056 issued and outstanding in 2002 (2001-18,440,556)	
Class B - \$.01 par value, 60,000,000 shares authorized, 15,324,553 issued and outstanding in 2002 (2001-10,237,675)	
Additional paid-in capital	69,
Retained earnings	263,
Capital reserves of the Bank	11,
Accumulated other comprehensive income	14,

571,

\$5,874,
=====

The accompanying notes are an integral part of these statements.

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R&G FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Three month period ended June 30,	
	2002	2001
	(Unaudited)	
	(Dollars in thousands)	
Interest income:		
Loans	\$ 38,980	\$ 36,356
Money market and other investments	9,594	8,238
Mortgage-backed securities	29,041	19,897
	-----	-----
Total interest income	77,615	64,491
	-----	-----
Interest expense:		
Deposits	20,764	22,619
Securities sold under agreements to repurchase	12,713	11,960
Notes payable	1,585	2,978
Other	6,504	5,513
	-----	-----
Total interest expense	41,566	43,070
	-----	-----
Net interest income	36,049	21,421
Provision for loan losses	(4,550)	(2,100)
	-----	-----
Net interest income after provision for loan losses	31,499	19,321
	-----	-----
Other income:		
Net gain on origination and sale of loans	15,751	11,948
Loan administration and servicing fees	10,320	8,670
Service charges, fees and other	4,060	3,380
	-----	-----
Total revenues	30,131	23,998
	-----	-----
	61,630	43,319
	-----	-----
Operating expenses:		
Employee compensation and benefits	9,544	7,299
Office occupancy and equipment	4,706	4,119
Other administrative and general	17,550	12,448

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	-----	-----
	31,800	23,866
	-----	-----
Income before income taxes and cumulative effect from change in accounting principle	29,830	19,453
	-----	-----
Income tax expense (benefit):		
Current	7,199	3,015
Deferred	(481)	1,000
	-----	-----
	6,718	4,015
	-----	-----
Income before cumulative effect from change in accounting principle	23,112	15,438
Cumulative effect from change in accounting principle, net of income tax benefit of \$206	--	--
	-----	-----
Net income	\$ 23,112	\$ 15,438
	=====	=====
Earnings per common share before cumulative effect from change in accounting principle - Basic	\$ 0.60	\$ 0.44
Earnings per common share before cumulative effect from change in accounting principle - Diluted	\$ 0.59	\$ 0.43
Earnings per common share - Basic	\$ 0.60	\$ 0.44
- Diluted	\$ 0.59	\$ 0.43
Weighted average number of shares outstanding - Basic	31,306,700	28,766,054
- Diluted	31,654,798	29,483,654

The accompanying notes are an integral part of these statements.

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R&G FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three month period ended June 30,		S pe
	2002	2001	2002
	-----	-----	-----
	(Unaudited)		(U
	(Dollars in thousands)		
Net income	\$ 23,112	\$ 15,438	\$ 44,64
	-----	-----	-----
Other comprehensive income, before tax:			
Unrealized gains (losses):			
Cash flow hedges	(3,201)	(3,751)	(1,20
	-----	-----	-----

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Investment securities:			
Arising during period	36,697	(3,821)	22,61
Less: Reclassification adjustments for (gains) losses included in net income	(146)	228	(22
	-----	-----	-----
	36,551	(3,593)	22,39
	-----	-----	-----
	34,405	(7,344)	21,18
Income tax (expense) benefit related to items of other comprehensive income	(12,993)	2,864	(8,25
	-----	-----	-----
	20,357	(4,480)	12,93
Cumulative effect from change in accounting principle, net of income taxes of \$745	--	--	-
	-----	-----	-----
Other comprehensive income	20,357	(4,480)	12,93
	-----	-----	-----
Comprehensive income, net of tax	\$ 43,469	\$ 10,958	\$ 57,58
	=====	=====	=====

The accompanying notes are an integral part of these statements.

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R&G FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash flows from operating activities:

Net income		\$

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		
Amortization of premium on investment securities, net		
Amortization of servicing rights		
Reversal of impairment reserves		
Provision for loan losses		
Provision for bad debts in accounts receivable		
Gain on sales of loans		
Gain on sales of mortgage-backed and investment securities available for sale		
Unrealized (profit) loss on trading securities and derivative instruments		
Increase in mortgage loans held for sale		
Net decrease (increase) in mortgage-backed securities held for trading		
Increase in receivables		
Increase in other assets		
(Decrease) increase in notes payable and other borrowings		
Increase in accounts payable and accrued liabilities		

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Increase in other liabilities	-----
Total adjustments	-----
Net cash provided by (used in) operating activities	-----
Cash flows from investing activities:	
Purchases of investment securities	
Proceeds from sales of securities available for sale	
Proceeds from maturities of securities held to maturity	
Principal repayments on mortgage-backed securities and redemptions of investment securities	
Net assets acquired, net of cash received	
Proceeds from sales of loans	
Net originations of loans	
Purchases of FHLB stock, net	
Acquisition of premises and equipment	
Acquisition of servicing rights	
Net cash used in investing activities	-----
Cash flows from financing activities:	
Increase in deposits - net	
Increase (decrease) in federal funds purchased	
Increase in securities sold under agreements to repurchase - net	
Advances from (repayments to) FHLB, net	
Proceeds from issuance of preferred stock	
Proceeds from issuance of common stock	
Cash dividends:	
Common stock	
Preferred stock	
Net cash provided by financing activities	-----
Net decrease in cash and cash equivalents	
Cash and cash equivalents at beginning of period	-----
Cash and cash equivalents at end of period	----- \$ =====
Cash and cash equivalents include:	
Cash and due from banks	