R & G Financial Corporation

March 22, 2004

Yale SCHOOL *of* MANAGEMENT

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RGF RATING:
BUY

Summary

•**Steady, high earnings growth has been rewarded by outsized stock returns** 5 year average earnings growth of 25.3%.

Source: Reuters

•Even so, RGF only trades at a PE Multiple of 14 while many of its peers trade at a PE of 16.

•Continued regional expansion into profitable markets will fuel above-average growth rate.

•Favorable tax status offers a sustainable competitive advantage.

•Interest rate increases will reduce profit on mortgage originations. However, due to high consumer credit use in Puerto Rico, refinancings are originated as a debt consolidation tool and are less correlated to interest rates than the US mortgage market.

•Finally, even with a 25% decline in mortgage refinancing activities, we believe that RGF can still achieve a 15% growth in EPS for the next 5 years. In addition, an expansion of PE to peer group average offers a potential 30%+ return over the next six months.

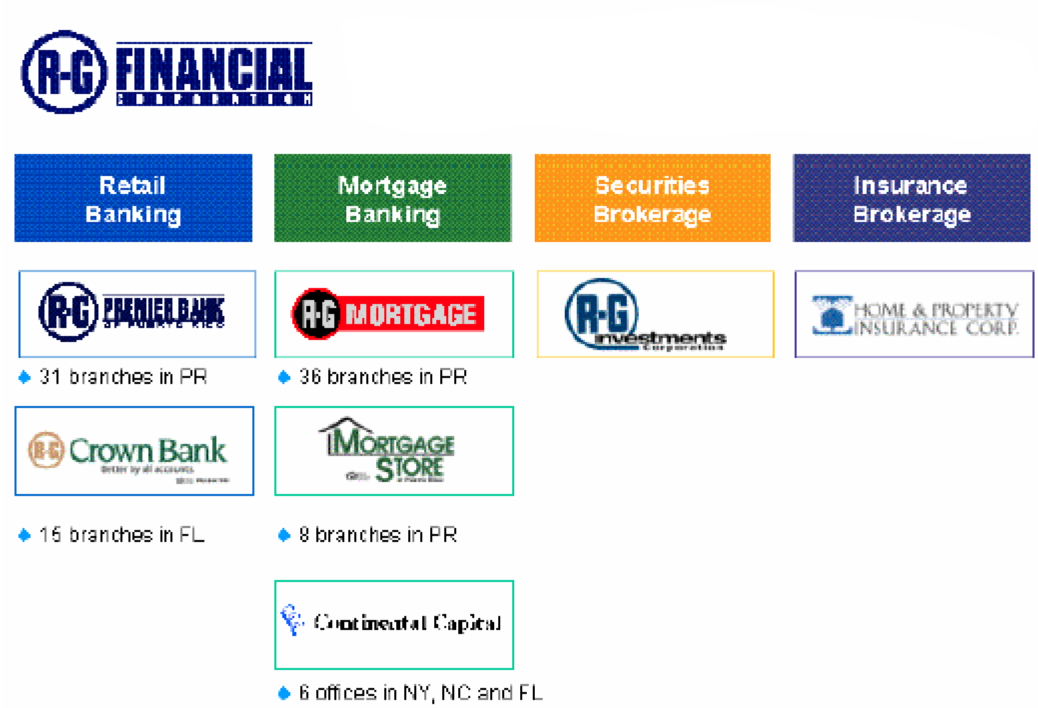
R & G Financial:
RGF Price: $30.70

RGF:
52 week Lo: $13.60
52 week Hi: $32.10
Market Cap: $1.57B
P/E: 13.86
P/B: 3.1
Profit Margin: 26.04%
ROA: 1.49
ROE: 21.30
EPS: 2.25
Beta: .87

Analyst Coverage: 5

Price Target: $44.10
Timeframe: 6 months

Overview



Source: Company Reports

R&G Financial Corporation (R&G) is financial holding company founded in 1972 and chartered in Puerto Rico.

Puerto Rico is a self-governing common wealth in association with the United States. The Chief of state is the President of the United States of America. The Head of the Governor is an elected Governor. Puerto Rico has authority over its internal affairs while the United States controls its foreign relations, military and defense issues, currency, treaties, jurisdiction and legal procedure. Since Puerto Rico has no representatives in US Congress, it is exempted from Internal Revenue Code. Nonetheless, Puerto Rico uses US dollar for its currency. Also, Puerto Rico Banks are insured by the Federal Deposit Insurance Corporation and they are subject to all Federal controls applicable to banks in the United States of America.

R&G completed its initial public offering in 1996. The Company provides a full range of banking services, including commercial banking services, corporate real estate and business lending, residential construction lending, consumer lending and credit cards, offering a diversified range of deposit products, and trust and investment services through its private banking department and its broker-dealer. The Company is also engaged in a range of real estate secured lending activities, including the origination, servicing, purchase and sale of mortgages on single-family residences, the securitization and sale of various mortgage-backed and related securities and the holding and financing of mortgage loans and mortgage-backed and related securities for sale or investment and the purchase and sale of servicing rights associated with such mortgage loans. As of December 31, 2003, the Company had total assets of $8.2 billion, total deposits of $3.6 billion and stockholders' equity of $750.4 million.

The Company operates R&G Mortgage Corp. ("R&G Mortgage"), R-G Premier Bank of Puerto Rico ("Premier Bank"), a Puerto Rico commercial bank, and R-G Crown Bank ("Crown Bank") (Premier Bank and Crown Bank hereinafter collectively referred to as "banking subsidiaries" of R&G Financial). R&G Mortgage is the second largest mortgage company in Puerto Rico. Also, the Company operates Continental Capital Corp. ("Continental"), a mortgage banking company doing business in New York, New Jersey, Connecticut, Florida and North Carolina through Crown Bank,. The Company also operates Home & Property Insurance Corp., a Puerto Rico insurance agency, and R-G Investments Corporation, a Puerto-Rico licensed broker-dealer registered with the National Association of Securities Dealers ("NASD"). R&G has 45 banking and mortgage offices in Puerto Rico and 14 in Florida. The company also has mortgage-only offices in New York, North Carolina and Florida.

R&G's growth strategies are as follows[1]:

(1) Emphasizing the growth of its mortgage banking activities, including the origination and sale of mortgage loans, and growing its loan servicing operation;

(2) Expanding its retail banking franchise in order to achieve increased market presence and to increase core deposits;

(3) Enhancing its net interest income by increasing its loans held for investment, particularly single-family residential loans, and investment securities;

(4) Developing new business relationships through an increased emphasis on commercial real estate and commercial business lending;

(5) Diversifying its retail products and services, including an increase in consumer loan originations;

(6) Meeting the banking needs of its customers through, among other things, the offering of trust and investment services and insurance products;

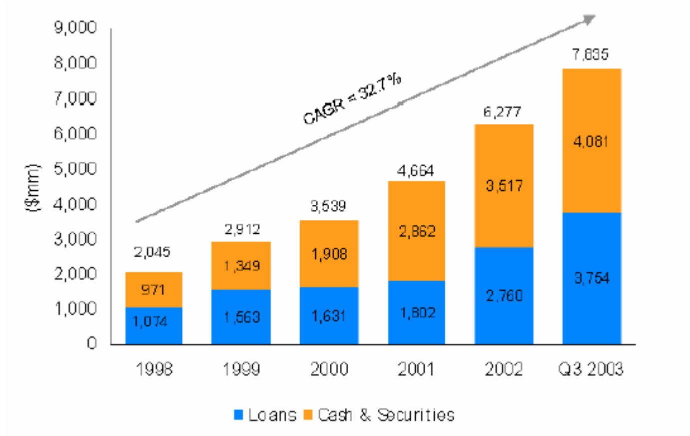
(7) Expanding its operations in the United States; and,

(8) Emphasizing controlled growth, while pursuing a variety of acquisition opportunities when appropriate.

Total assets have increased at a compound annual growth rate of 32.7%. Smart expansion and acquisition has played a role as R&G has strategically entered the market in central Florida, where 400,000 Puerto Ricans reside. R&G commands strong brand awareness among this population and has put its 31 year operating history in Puerto Rico to work in increasing home loan originations in the metropolitan Orlando area by a factor of 4 year over year.

Central Florida has the second largest population of Puerto Ricans in the US, following only New York. It is not surprising, then, to note that another recent acquisition in 1999 – Continental Capital – operates in NY, NC, and FL.

[1] 2003 10K SEC Filing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1998
1999
2000
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2002
Q3 2003
Loans
Cash & Securities

Market Outlook

Puerto Rico: On February 27, KPMG published the results of an extensive competitive alternatives study designed to rank international corporate locations according to 27 value components, including labor, facility, transportation, and utility costs. 121 cities were examined, and San Juan, Puerto Rico was ranked the number one US city (out of 44 US cities examined) to conduct business. San Juan had the lowest operating costs and was cited as the most fiscally efficient location for service operations. Hewlett Packard, Pfizer and Baxter International Incorporated are among the global companies that have facilities on the Island. More than half of the Fortune 100 companies now utilize Puerto Rico's workforce.[2]

Puerto Rico Secretary of Economic Development and Commerce Milton Segarra explains, "When you consider the fact that you can reap the benefits and protections of operating inside the United States with the added tax benefits and economic incentives of operating as a foreign corporation, Puerto Rico is a logical choice for United States corporations looking to expand their operations."[3]

In addition to the optimal benefits the Commonwealth status affords, the government of Puerto Rico has invested billions of dollars in grants, financial incentives, public works projects and venture capital initiatives to create a competitive business environment.[4]

PUERTO RICO - BASIC ECONOMIC DATA

Population (est. 2001)	3.8 million
Rank Population	66
GDP (PPP) est. 2001	$43,9 billion
Rank GDP	46
GDP Per Capita (PPP) est. 2001	$11,200
Rank GDP Per Capita	33
Inflation 2000	5.7%
Rank Inflation	51
Exports	$41.8 billion
Rank Exports	20
Imports	$35.1 billion
Rank Imports	34

Sources: Government Development Bank and Central Intelligence Agency (CIA)

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[2] © 2004 Financial Times Information 27 February 2004
[3] Ibid
[4] Ibid

Valuation

Using the discounted cash flow model, we calculate the enterprise value of the company to be 2.774 billion US dollars or $44.94 per share. (See exhibit 1 on page 6). Our calculated value is based on the following assumptions:

1. The EPS will grow at 16% on average for the next 5 years based on:
    a. A 20 – 30% growth rate from the banking division in 2004 and 20% growth rate from 2005 to 2008.
    b. A 25% drop from the mortgage banking division in 2004 and a 2 % growth from 2005 to 2008
2. 5% growth rate from 2008 to 2013.
3. 2% terminal growth.
4. Capital structure remains unchanged.

We have performed three sensitivity analyses on 1) growth rate for the next 5 years, 2) terminal growth rate and 3) WACC. The valuation is most sensitive to the terminal growth rate. We believe that the 2% terminal growth currently used in our calculation is a reasonable estimate as the forecasted real GDP growth for 2003 was 1.9%. At the same time, there is a possibility that our estimate is at the lower end of the range, given that the average GDP growth rate for Puerto Rico was between 4.3% and 4.9% from 1982 to 2002. This conservative approach represents an upside potential for the stock, if the terminal growth rate turns out to be closer to the historical GDP growth for the last 20 years.

Terminal Growth Assumption: 2%

Share Price		Growth for next 5 years				
		5%	8%	11%	15%	25%
WACC	5.5%	67.49	78.54	90.88	109.51	168.79
	6.8%	38.43	45.10	52.54	63.77	99.43
	7.8%	26.65	31.55	37.00	45.23	71.34
	8.5%	21.07	25.12	29.82	36.45	58.05
	9.0%	17.94	21.53	25.52	31.54	50.61
	10.0%	13.15	16.03	19.22	24.03	39.25

Terminal Growth Assumption: 3%

Share Price		Growth for next 5 years				
		5%	8%	11%	15%	25%
WACC	5.5%	123.25	142.74	164.50	197.39	302.12
	6.8%	62.39	72.68	84.17	101.53	156.72
	7.8%	41.08	48.16	56.06	67.98	105.86
	8.5%	31.67	37.33	43.64	53.17	83.40
	9.0%	26.60	31.50	36.95	45.19	71.32
	10.0%	19.14	22.91	27.12	33.46	53.56

Exhibit 1 – Discounted Cash Flow Model

R & G Financials Discounted Cash Flow Model Years ended December 31 ($ millions)	2003	2004 E	2005 E	2006 E	2007 E	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E	Terminal
Discount period	0	1	2	3	4	5	6	7	8	9	10	10
Discount factor	1.00	0.92	0.85	0.79	0.73	0.67	0.62	0.57	0.53	0.49	0.45	0.45
Net Income	131,023,565	145,119,233	166,132,057	192,491,598	225,473,293	266,637,518	279,969,394	293,967,864	308,666,257	324,099,570	340,304,548	
Interest Expense	47,359,335	56,996,119	68,593,818	82,551,442	99,349,195	119,564,993	125,543,243	131,820,405	138,411,425	145,331,996	152,598,596	-
Income tax	42,371,738	45,443,926	52,024,068	60,278,529	70,606,710	83,497,241	87,672,103	92,055,708	96,658,494	101,491,418	106,565,989	
Depre, amort, and loss provision	27,949,081	32,141,443	36,962,660	42,507,059	48,883,117	56,215,585	59,026,364	61,977,682	65,076,567	68,330,395	71,746,915	
Gross Cash Flow (EBITDA)	248,703,719	279,700,722	323,712,602	377,828,628	444,312,316	525,915,337	552,211,104	579,821,659	608,812,742	639,253,379	671,216,048	10,827,528,140
EBITDA growth												2.0%
Less:												
Increase in WC	(148,479,420)	(170,751,333)	(196,364,033)	(225,818,638)	(259,691,434)	(298,645,149)	(313,577,406)	(329,256,276)	(345,719,090)	(363,005,045)	(381,155,297)	(4,579,462,085)
Adjusted CAPEX	(12,348,578)	(17,218,773)	(19,801,589)	(22,771,828)	(26,187,602)	(30,115,742)	(24,139,002)	(25,345,953)	(26,613,250)	(27,943,913)	(29,341,108)	(352,524,270)
Taxes	(42,371,738)	(45,443,926)	(52,024,068)	(60,278,529)	(70,606,710)	(83,497,241)	(87,672,103)	(92,055,708)	(96,658,494)	(101,491,418)	(106,565,989)	(1,280,357,145)
												-
Free Cash Flow (FCF)	45,503,983	46,286,689	55,522,912	68,959,633	87,826,570	113,657,205	126,822,592	133,163,722	139,821,908	146,813,003	154,153,653	4,615,184,640
Discounted FCF	45,503,983	42,730,193	47,318,363	54,253,924	63,788,277	76,206,262	78,499,890	76,091,664	73,757,319	71,494,586	69,301,270	2,074,801,009
Enterprise Value	2,773,746,739											
Total debt	(370,929,393)											
Cash	114,915,916											
Preferred equity	(213,000,000)											
Equity value	2,304,733,262.40											
Common Shares Outstanding	51,281,379.00											
Price per share:	44.94											

As mentioned above, we assume that the current capital structure is the targeted capital structure and it will remain stable in our WACC calculation. Again, we have used, 6%, a conservative estimate for the before tax cost of debt. Although this is higher than their average rate, which is about 3.6%, for their existing note payable, we believe a cost of debt of 6% would better reflect the longer term of real cost of debt. With an after tax cost of debt of 4.5%, a cost of preferred stock of 7.46%, and a levered cost of equity of 9.06%, we estimate that the long term WACC of R&G is 8.3%.

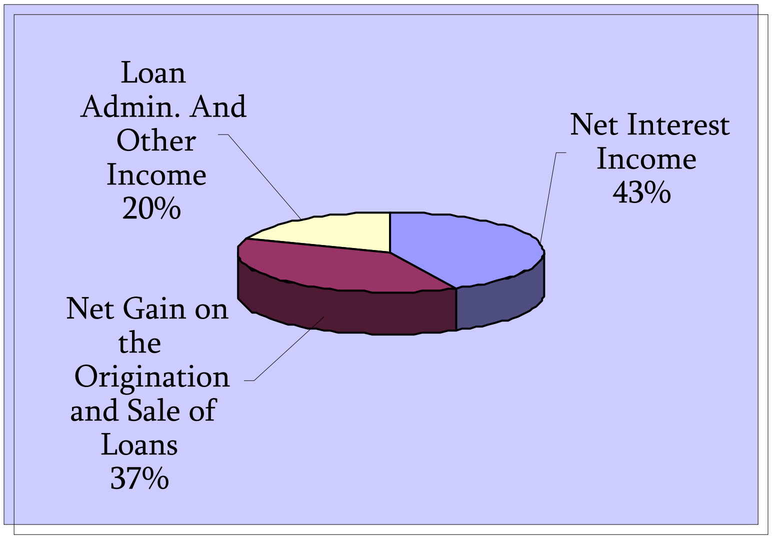
WACC

Capital Structure	Market Value	in (%)	Cost	WACC
Equity:	1,574,338,335	77.0%	9.06%	6.98%
Preferred Equity	213,000,000	10.4%	7.46%	0.78%
Net Debt:	256,013,477	12.5%	4.50%	0.56%
Total: enterprise value	2,043,351,812	100.0%		**8.3%**

We believe that the current market price of the company, $30.7, is valued based on the projected growth of 11%. We are confident that R&G should be able to grow beyond the 11% level for the next 5 years. According to our discount cash flow analysis, a 16% growth for the next 5 years would give the stock a valuation of $44.94 per share if the terminal growth is 2%. We will explain in the earning outlook section that why we believe a 16% growth is an attainable goal.

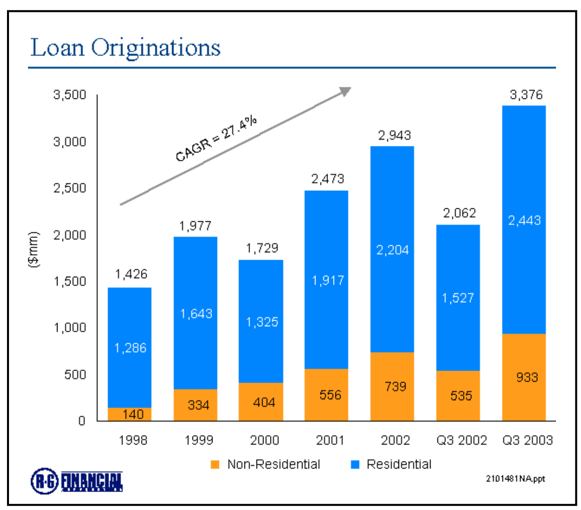
(See Appendix I to reference full DCF model)

Earning Outlook



Mortgage Banking
Let us address the most pressing concern immediately: How will increasing interest rates affect profit on the great cash cow of mortgage originations. Net gain on the origination and sale of all loans represented 37% of profit in 2003, or 83 cents of net income. According to the Mortgage Bankers Association, origination levels in the US market are predicted to experience a 50% drop from the record 2003 level and will become stable in 2005 and 2006.

Mortgage originations on new purchases representing 40% of total originations and will grow at approximately a 25% rate in 2004, matching growth in housing permits issued on the island in the first six months of fiscal 2004.[1] Unmet demand for housing is an ongoing problem in Puerto Rico and a persisting shortfall of 100,000 units fuels a vibrant construction industry. According to preliminary figures of the Puerto Rico Planning Board, the total number and value of public and private construction permits issued in fiscal year (FY) 2003 were up 13.6% and 25.2%, respectively, compared with FY 2002.[2] In addition, over 70% of Puerto Ricans own their own homes, a percentage higher than the many developed countries including the US and France.



[5] Government Development Bank of Puerto Rico
[6] Caribbean Business 12/25/2003

R&G is the second largest residential mortgage lender in the Puerto Rican market, with 20-25% market share. R&G stands to fare better in the tighter mortgage market than the average US regional bank due to its geographic focus. 80% of R&G's mortgage business comes from Puerto Rico, with 15% from New York and 5% from Florida. Mortgage refinancing is used by Puerto Rican customers to consolidate debt on an ongoing basis to a much greater degree than US customers. This results in lower volatility than the US refinancing market.[7] Over the past twenty years, home values have risen, on average, 5-8% per year providing a continuing source of cash for home owners. Therefore, a gradual increase in 30 year fixed mortgage rates over the coming year will present less disincentive to borrowers drawing on equity to consolidate high rate credit card debt.

Finally, as part of its strategy to maximize net interest income, R&G Financial maintains a loans portfolio of $4 billion, which consisted primarily of residential real estate loans backed by a very strong housing market, and a substantial portfolio of mortgage-backed and investment securities. At December 31, 2003, the Company held securities available for sale with a fair market value of $3.1 billion, which included $2.4 billion of mortgage-backed securities of which $349.7 million consisted primarily of Puerto Rico GNMA securities, the interest on which is tax-exempt to the Company. These securities are generally held by the Company for longer periods prior to sale in order to maximize the tax-exempt interest received thereon.[8]

R&G employs derivatives contracts bearing 50% 1-5 year maturities and 50% 5+ year maturities to hedge volatility of $170MM of the portfolio holdings. These derivatives increase net interest expense (by .65% in 2003) but the portfolio holdings are still accretive to net interest income due to the higher coupon rate than other available instruments and the tax advantage.

R&G Financial's stated strategy is to increase the size of its mortgage servicing portfolio by relying principally on internal loan originations. R&G Financial originations are growing due to a strong housing market in Puerto Rico and continued branch expansion.[9] Increased market penetration in Puerto Rico and Florida should partially offset an overall decline in the origination market.

Estimating a reduction of 50% in mortgage refinancing originations, representing 60% of total mortgage origination volume, but a 20% increase in market penetration (conservative, given a 5year CAGR of 30%) – total mortgage refinancing will contribute 40% less. Purchase originations will contribute on the order of 125% given the rate of permit issuance. Therefore, in the worst case scenario, we still believe that the income from the mortgage division will only be reduced by 25% in 2004.

In conclusion, we believe that the slow down of the refinancing activities can be partly compensated by the fact that Puerto Rico consumers would very likely to continue to borrow against their equity to support their spending, because over 70% of all Puerto Ricans own their homes and housing values have steadily appreciated over 20 years. In fact, drawing down home equity is an accepted way of life in Puerto Rico. R&G can keep the fees and finance charges rolling in, even as rates climb, as long as this behavior persists. Furthermore, the continual housing shortage on the island supports increasing demand for originations for new homes and propels housing values higher each year.

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[7] Investor's Business Daily 7/10/2003
[8] Annual Report, Management Discussion
[9] Company Reports

Banking

R&G has shown an increase in core deposits equal to the increase in loans serviced, an impressive 29.5% CAGR over 5 years. R&G is the sixth largest retail banking franchise in Puerto Rico. Components of net interest income include commercial and retail banking services, corporate and construction lending, consumer lending and credit cards, a diversified range of deposit products and, to a lesser extent, trust and investment services through its private banking department.[10] 64% of the Puerto Rican market is banked at the moment, leaving significant room for growth in this market. In addition, the demographics of the Florida market are very attractive with population growth rates twice the national average, 4% higher home ownership rates, and a population 20% Latino.[11] Given a continuation of core asset growth trends, total banking income should contribute 30% more year over year in 2004.

In addition, R&G has gradually increased its emphasis on originating construction loans, loans secured by commercial real estate, consumer and personal loans and commercial business loans. Such loans offer higher yields and are generally for shorter terms. It is estimated that the demand for such loans will become stronger as the economy of both the United States and Puerto Rico continue to improve.

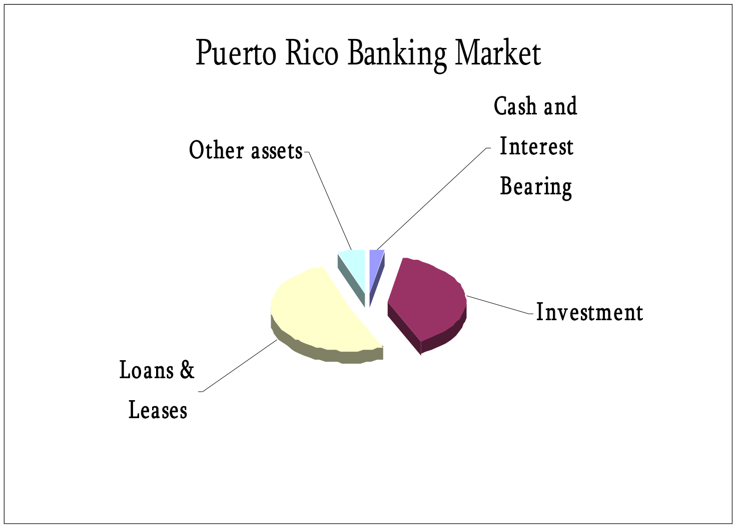
Although job losses are trending lower, new hiring is still anemic. In addition to the jobless recovery, the inflation pressure still remains low. The consumer price index climbed 0.3 percent in February 2004 after 0.5 percent the month before. Many economists expect the Fed to keep its trend-setting federal funds rate at 1 percent until the fall of 2004, and possibly the spring of 2005. Even if the rate is going to rise in the second half of 2004, the rate is still at a very low level historically. If we factor in Puerto Rico's inflation rate averaging about 5% in the last decade, the cost of borrowing for Puerto Ricans is considered to be even lower. Therefore, we believe that R&G will continue to benefit from the increase lending for other types of activities, such as consumer lending and commercial business lending.

Finally, although R&G's shares have gained about 120% over the last 12 months, the stock is still traded at 13.6 times of 2003 earnings and 12 times projected 2004 earnings, versus 16 for the thrifts in the Russell 2000. R&G's earnings have grown at a rate of 25% annually for the past five years due to a combination of strong mortgage markets, smart market strategy, and effective management. We believe that there is a great chance for R&G to continue to exceed the earning estimate, which is based on a 11% growth projection.

[10] Company Reports
[11] US Census Data

Competitors

The total size of the Puerto Rican banking market is $78.8 billion, with 52% of the assets attributable to loans and leases and 40% attributable to investment. R & G holds slightly less than 10% of the market, similar share to rivals Doral and Santander but less than the island behemoth Popular, Inc.



Puerto Rican Commercial Banking Market	$ (MM)	
Total Assets	78,790.80	
Cash and Interest Bearing	2,443.70	3.10%
Investment	31,444.80	39.91%
Loans & Leases	40,628.90	51.57%
Other assets	4,273.40	5.42%

There are eleven banks in the commercial banking sector in Puerto Rico. Of these, seven are considered major players based on asset size: Banco Popular, First BanCorp, W Holding Co., Doral Financial Corp., Banco Santander, R&G Financial Corp., and Oriental Financial Group.

Within the sector, assets held have increased from $44.6 billion in 2000 to $78.8 billion in 2003, a 77% increase. Net income has increased from $494 million in 2000 to an estimated $800 million in 2003, a 62% increase.[12] Puerto Rican bank stocks have shown continued outperformance of the S&P, notching a solid decade of gains over that of the S&P and S&P Bank Index.[13]

Remarkably, 36% of the island's population is unbanked. This segment does not currently have deposit accounts or brokerage relationships. However, of the total unbanked 41% are employed. This implies a prospective market expansion of at least 600,000 consumers.[14]

[12] Ramos, Luis Caribbean Business 11/27/2003 "The Trip to Bountiful"
[13] Ibid
[14] Ibid

Popular, Inc. (BPOP)

Popular, Inc.:
BPOP Price: 44.28

BPOP:
52 week Lo: $33.15
52 week Hi: $48.19
Market Cap: $5.9B
P/E: 12.74
P/B: 2.29
Profit Margin (TTM): 23.17%
ROA: 1.35
ROE: 18.40%
EPS: 3.48
Beta: .07

Analyst Coverage: 2

Popular, Inc. is a financial holding company competing across a broad range of services including: banking (individual and commercial), investment banking, mortgage and consumer lending, insurance, and lease financing.

With $35.8 billion in assets, the largest bank in Puerto Rico holds a 50% share of local banking activity and a 33% share of island banking deposits.

Doral Financial Corp. (DRL)

Doral Financial Corp.:
DRL Price: 33.78

DRL:
52 week Lo: $21.28
52 week Hi: $35.20
Market Cap: $3.65B
P/E: 12.66
P/B: 2.33
Profit Margin (TTM): 70.99%
ROA: 3.37
ROE: 28.95%
EPS: 2.72
Beta: .14

Analyst Coverage: 2

Doral Financial is an $8.4 billion mortgage and retail banking institution based in Puerto Rico. It is the leading residential mortgage lender.

Expansion into NY markets beginning in 1999 has brought in over $400 million in new assets. Doral targets minority consumers in the NYC metropolitan area, approximately 47.6% of the total 14MM population.

Santander BanCorp (SBP)

Santander BanCorp:
SBP Price: 27.70

SBP:
52 week Lo: $13.29
52 week Hi: $28.47
Market Cap: $1.2B
P/E: 36.35
P/B: 2.44
Profit Margin (TTM): 12.12%
ROA: .56
ROE: 6.45%
EPS: .76
Beta: -.13

Analyst Coverage: 3

Santander holds $7.4 billion in assets, servicing customers through 70 branches on the island of Puerto Rico and through an internet portal. Santander is 88% owned by Santander Central Spain (>$300billion in assets).

SBP competes in three segments: retail banking, mortgage banking, and investments.

Charge-off and Allowance for Loan Losses

Loan Quality **Years ended December 31** **($ thousands)**	**1999**	**2000**	**2001**	**2002**	**2003**
Total loans	1,606,381	1,720,215	1,912,938	2,938,964	4,311,714
Total Assets	2,911,993	3,539,444	4,664,394	6,277,246	8,198,880
Total non-performing loans	59,351	94,982	72,472	78,199	85,414
Total non-performing loans as a percentage of total loans	3.69%	5.52%	3.79%	2.66%	1.98%
Total non-performing assets	65,669	104,621	82,895	94,035	105,588
Total non-performing assets as a percentage of total loans	4.09%	6.08%	4.33%	3.20%	2.45%
Total non-performing assets as a percentage of total assets	2.26%	2.96%	1.78%	1.50%	1.29%
Net charge-offs	3,610.0	3,122.0	6,103.0	10,235.0	11,617.0
Provision for losses on loans	4,525.0	5,751.0	11,125.0	18,020.0	18,556.0
Allowance for Loan Losses	8,971.0	11,600.0	17,428.0	32,676.0	39,615.0
Allowance for loan losses as a percent of total loans outstanding	0.56%	0.67%	0.91%	1.11%	0.92%
Allowance for loan losses as a percent of non-performing loans	15.12%	12.21%	24.05%	41.79%	46.38%
Allowance for loan losses as a percent of non-performing assets	13.66%	11.09%	21.02%	34.75%	37.52%
Provision for losses on loans as a percent of total loans outstanding	0.28%	0.33%	0.58%	0.61%	0.43%
Ratio of net charge-offs to average loans outstanding	0.25%	0.17%	0.32%	0.41%	0.32%

Loan Quality Comparing to Peers	NP assets / Tot Assets	NP assets / Tot Loans	Allowance / NP Assets	Allowance / Tot Loans	Loan Provision / Tot Loans
BANCORPSOUTH INC -2003	0.35%	0.57%	257.66%	1.48%	0.40%
COLONIAL BANCGROUP INC - 2003	0.46%	0.65%	183.65%	1.20%	0.32%
COMPASS BANCSHARES INC - 2002	0.41%	0.60%	235.16%	1.41%	0.90%
FIRST BANCORP PUERTO RICO - 2003	0.80%	1.43%	125.41%	1.79%	0.88%
FIRST CITIZENS BCSHS -CL A - 2002	0.19%	0.30%	492.46%	1.48%	0.36%
FIRST TENNESSEE NATL CORP - 2003	0.31%	0.54%	210.42%	1.13%	0.68%
HIBERNIA CORP -CL A - 2003	0.37%	0.53%	314.76%	1.66%	0.49%
NATL COMMERCE FINANCIAL CORP - 2003	0.28%	0.48%	268.33%	1.29%	0.37%
SOUTH FINANCIAL GROUP INC - 2003	0.57%	1.06%	120.59%	1.28%	0.40%
TRUSTMARK CORP - 2003	0.38%	0.59%	248.83%	1.48%	0.21%
UNION PLANTERS CORP - 2003	0.82%	1.19%	126.37%	1.50%	0.81%
UNITED BANKSHARES INC - 2003	0.17%	0.26%	470.18%	1.23%	0.19%
W HOLDING COMPANY INC - 2003	0.31%	0.74%	174.39%	1.30%	0.63%
WHITNEY HOLDING CORP - 2003	0.39%	0.62%	195.77%	1.22%	-0.07%
Average:	0.42%	0.68%	244.57%	1.39%	0.47%
R & G FINANCIAL CORP - 2003	**1.29%**	**2.45%**	**37.52%**	**0.92%**	**0.43%**
R & G FINANCIAL CORP - 2002	**1.50%**	**3.20%**	**34.75%**	**1.11%**	**0.61%**

As allowance for loan losses is determined by management based on R-G Financial's loss experience, intrinsic risks in the portfolio, the assessed value of any underlying collateral, and economic outlook, the level of allowance involves a large extent of management's judgment. We have studied the allowance levels of R&G for the last 5 years and compared the 2003 level to its peers. We noted that the allowance for loan losses for R&G, currently at 0.92% of total loans outstanding, is consistent with the historical data but is at the low end of the range when comparing to its peers.

We believe that the lower allowance for loan losses can be justified by:

1. R&G has a higher percentage of single-family residential loans and a lower percentage of commercial loan in their portfolio. As the single-family residential loan has a lower rate of default and better collateral, loan losses from family residential loans are lower than those from commercial loans.

2. Although loan delinquencies have historically been higher in Puerto Rico than in the United States, loan charge-offs have historically been lower than in the United States. In fact, R&G's ratio of nonperforming assets to total loans was 2.45% in 2003-- nearly four times the U.S. average--but at 0.32% its ratio of net charge-offs to average loans was in line with that of similar mainland banks. R&G explained that Puerto Ricans are less likely to default and "always make sure to come up with the money from friends or family." Furthermore, we believe the delinquencies rate would continue to improve as the Puerto Rico Economy continues to get better.

However, we think that if R&G continue to increase emphasis in the origination in commercial real estate and construction loans, which have a higher inherent risk, additional allowance may be necessary. Nonetheless, even if R&G has to bring its allowance as a percent of non-performing loans from 0.92%to its peer level at 1.39%, it will only result in an additional $15 million after tax one time charge and the impact on the share price will be only about $1.

Comparables

Ticker	Name	Price 2/26	DDM (Price)	P/E	EPS	P/S	P/B	BVPS	ROA	ROE
Average	*$1-6B Market Cap*			*15.80*	*2.50*	*2.97*	*2.44*	*18.73*	*1.28*	*16.49*
RGF	**R & G FINANCIAL CORP-CL B**	**31.13**	**44.35**	**13.86**	**2.25**	**3.31**	**3.10**	**10.03**	**1.49**	**21.30**
FCNCA	FIRST CITIZENS BCSHS -CL A	125.00	N/A	18.25	7.19	1.75	1.28	97.32	0.77	10.02
UBSI	UNITED BANKSHARES INC	31.03	50.54	16.68	1.87	3.38	2.20	14.08	1.29	13.62
BXS	BANCORPSOUTH INC	22.04	31.20	13.20	1.69	2.37	1.98	11.15	1.28	15.64
WTNY	WHITNEY HOLDING CORP	42.67	52.91	17.49	2.47	4.03	2.05	20.78	1.33	12.01
FBP	FIRST BANCORP PUERTO RICO	43.32	89.31	17.19	3.04	2.78	3.21	13.48	1.09	24.96
TRMK	TRUSTMARK CORP	30.01	39.04	14.43	2.01	3.38	2.53	11.84	1.57	17.31
TSFG	SOUTH FINANCIAL GROUP INC	30.96	44.38	17.49	1.93	3.71	1.87	16.59	1.02	11.69
WHI	W HOLDING COMPANY INC	19.76	91.84	23.19	0.87	4.48	4.73	4.17	0.93	22.79
CNB	COLONIAL BANCGROUP INC	18.29	23.76	15.24	1.20	2.56	1.97	9.28	0.93	13.33
HIB	HIBERNIA CORP -CL A	23.61	37.15	14.31	1.67	2.74	2.06	11.45	1.44	14.94
CBSS	COMPASS BANCSHARES INC	41.38	56.06	15.44	2.69	2.80	2.69	15.41	1.34	17.24
UPC	UNION PLANTERS CORP	29.62	39.77	12.66	2.55	2.26	1.83	16.18	1.51	15.86
FTN	FIRST TENNESSEE NATL CORP	45.18	66.86	12.48	3.62	1.87	3.01	14.99	1.96	26.45
NCF	NATL COMMERCE FINANCIAL CORP	28.57	42.20	18.08	1.52	3.87	2.11	13.56	1.40	11.41
BPOP	POPULAR INC	45.14	74.41	12.79	3.47	2.26	2.34	19.31	1.09	15.25
	Industry: Regional Banks			17.32		5.61	2.66		1.63	16.84
	Sector: Financials			17.01		3.97	2.71		2.39	17.81
	S&P 500			25.08		3.56	4.51		6.48	18.91
Average	*$6B+ Market Cap*			*15.01*	*2.04*	*3.06*	*2.48*	*13.64*	*1.47*	*16.19*
SNV	SYNOVUS FINANCIAL CORP	24.82	31.25	19.24	1.29	3.31	3.34	7.43	1.91	18.15
RF	REGIONS FINANCIAL CORP	36.43	50.54	12.56	2.93	2.24	1.82	20.06	1.35	15.11
ASO	AMSOUTH BANCORPORATION	25.02	36.24	14.06	1.79	2.99	2.73	9.18	1.45	19.73
SOTR	SOUTHTRUST CORP	33.04	46.27	15.96	2.08	3.51	2.50	13.20	1.38	15.69
BBT	BB&T CORPORATION	36.82	54.79	13.24	2.09	3.24	2.01	18.33	1.25	12.29

Summary:

Management effectiveness is excellent, showing a ROA and ROE above that of its peers. In February 2004, R&G Financial was rated as one of the Top 50 most efficient bank holding companies by *American Banker*. Valuation is lower than its peers as defined by P/E multiple (explanation to follow). P/B is higher than its peers, but R&G's acquisitions have been priced at multiples under 2 times book value - contributing to a low balance of goodwill and a tangible P/B below its peers.

P/E:

The difference in R&G's P/E multiple can be attributed to the additional risk, reflected in RGF's beta, priced into the stock. This can be illustrated by modeling the P/E calculation using a two stage DDM:

	RGF (03 EPS)	*RGF (04 EPS)*	*RGF (04 EPS)*	*Peer Group*
Expected Growth Rate	0.11	0.11	0.15	0.11
Length of Growth Period	7	7	7	7
Payout Ratio	0.15	0.15	0.15	0.15
Growth Rate (terminal)	0.05	0.05	0.05	0.05
Payout Ratio (terminal)	0.45	0.45	0.45	0.45
Beta	0.87	0.87	0.87	0.76
Risk Free Rate	0.04	0.04	0.04	0.04
Market Premium	0.06	0.06	0.06	0.06
R	0.0922	0.0922	0.0922	0.0856
Calculated PE	13.65892079	13.65892079	17.36161355	16.6556227
2004 Earnings	2.25	2.54	2.54	
Implied Price	$ 30.73	$ 34.69	$ 44.10	

As can be seen, the price of RGF on a comparable basis indicates implied future market performance at a higher risk than market.

However, an expansion of the initial growth rate to 15% leads to a P/E inline with its peer group average and a target stock price of $44.10.

Risks

Management Succession

Chairman, CEO, and Co-Founder of R&G Financial Victor Galan has led the firm for 32 years. He is still at the forefront of firm management, recently moving to Orlando, FL to guide the mainland expansion on-the-ground. However, at 70 years of age and with a 43% stake valued at over $700 million, Mr. Galan may be within several years of retirement. There are several possible successors, including the visible current CFO Joseph Sandoval. However, the impact of a management transition is uncertain at this point and must be considered a risk.

Decline of Core Deposits (money shifted into the stock market)

Investment companies hold only a small percentage of the total assets within the Puerto Rican financial system ($8.1 billion out of $160.7 billion total). However, it is possible that a continued stock market advancement could offer significant incentive to withdraw assets from the banking system. A decline in core assets leading to increased costs for funding loans could reduce the net interest margin. A contraction of the net interest margin would adversely affect R&G's future expected income.

Increase in Net charge offs

Puerto Rico banks carry higher levels of non-performing assets than the typical U.S. regional bank. However, net charge offs are actually lower than comparable U.S. numbers. Puerto Rican consumers are more likely to be in financial distress, but through the help of family and friends are more likely to repay their loans.

Should economic conditions change, interest rates increase rapidly, or substantial changes in housing value occur – an increase in net charge offs is likely to occur. This would adversely affect the net interest income of R&G and must be considered a risk.

Sources:

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Mortgage Bankers Association

US Census Data

Government Development Bank of Puerto Rico (www.gdb-pur.com)

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Caribbean Business

- 11/27/2003 "The Trip to Bountiful"
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- 10/23/2003 "Local bankers agree mergers will happen within three years"
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- 3/15/2004 "Paradise Found."

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- 2/27/2004 "KPMG Study Ranks San Juan as Number One U.S. City to do Business"

KPMG 2004 Competitive Alternatives study

RealtyTimes (http://realtytimes.com/rtmcrloc/Puerto_Rico~San_Juan)

Appendix I

WACC Estimation

Cost of Equity			
Beta		0.872	
Risk Free Rate		3.830%	
Market Premium		6.000%	
Cost of eqity:			9.1%
Cost of preferred equity			
50	7.40%	3.70	
25	7.75%	1.94	
69	7.60%	5.24	
69	7.25%	5.00	
213		15.88	7.46%
Cost of Debt			
			6.00%
Tax rate	25.0%		

WACC

Capital Structure	Market Value	in (%)	Cost	WACC
Equity:	1,574,338,335	77.0%	9.06%	6.98%
Preferred Equity	213,000,000	10.4%	7.46%	0.78%
Net Debt:	256,013,477	12.5%	4.50%	0.56%
Total: enterprise value	2,043,351,812	100.0%		**8.3%**

R & G Financials
Balance Sheet
Years ended December 31

Asset	2003	2004 E	2005 E	2006 E	2007 E	2008 E
Cash and due from banks	$114,915,916	$ 230,456,701	$ 400,885,628	$ 477,310,022	$ 554,421,580	$ 655,623,274
Money market investments:						
Securities purchased under agreements to resell	85,052,435	97,810,300	112,481,845	129,354,122	148,757,240	171,070,826
Time deposits with other banks	34,349,235	39,501,620	45,426,863	52,240,893	60,077,027	69,088,581
Short-term investments	0	-	-	-	-	-
Mortgage loans held for sale, at lower of cost or market	315,690,821	331,475,362	348,049,130	365,451,587	383,724,166	402,910,374
Mortgage backed & investment securities held for trading, at fair value	31,797,046	33,386,898	35,056,243	36,809,055	38,649,508	40,581,984
Trading securities pledged on repurchase agreements, at fair value	6,558,434	6,886,356	7,230,673	7,592,207	7,971,818	8,370,408
Mortgage backed & investment securities available for sale, at fair value	1,805,359,525	1,904,746,338	1,921,600,208	1,984,949,136	1,972,779,979	1,824,567,152
Securities available for sale pledged on repo agreements, at fair value	1,215,287,511	1,336,816,262	1,470,497,888	1,617,547,677	1,779,302,445	1,957,232,689
Mortgage - backed and investment securities held to maturity, at amortized cost (estimated market value: 2003 - $14,940,275)	14,883,237	15,329,734	15,789,626	16,263,315	16,751,214	17,253,751
Securities held to maturity pledged on repurchase agreements, ar amortized cost (estimated market value: 2003 - $65,248,072)	63,317,155	72,814,728	83,736,937	96,297,478	110,742,100	127,353,415
FHLB stock, at cost	100,461,112	110,507,223	121,557,946	133,713,740	147,085,114	161,793,625
Loans receivable, net	4,048,507,214	5,060,634,018	6,325,792,522	7,907,240,652	9,884,050,815	12,355,063,519
Accounts receivable, including advances to investors, net	38,194,429	43,923,593	50,512,132	58,088,952	66,802,295	76,822,639
Accrued interest receivable	42,527,079	48,906,141	56,242,062	64,678,371	74,380,127	85,537,146
Servicing asset, net	119,610,359	137,551,913	158,184,700	181,912,405	209,199,265	240,579,155
Premises and equipment, net	42,781,589	49,198,827	56,578,651	65,065,449	74,825,267	86,049,057
Other assets	119,586,410	137,524,372	158,153,027	181,875,981	209,157,379	240,530,985
Total Assets	8,198,879,507	9,657,470,387	11,367,776,084	13,376,391,044	15,738,677,339	18,520,428,582
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Deposits	$3,555,763,630	4,266,916,356	5,120,299,627	6,144,359,553	7,373,231,463	8,847,877,756
Federal funds purchased	21,000,000	24,150,000	27,772,500	31,938,375	36,729,131	42,238,501
Securities sold under agreements to repurchase	2,220,795,000	2,553,914,250	2,937,001,388	3,377,551,596	3,884,184,335	4,466,811,985
Notes payable	192,258,942	221,097,783	254,262,451	292,401,818	336,262,091	386,701,405
Advances from FHLB	1,129,600,000	1,299,040,000	1,493,896,000	1,717,980,400	1,975,677,460	2,272,029,079
Other borrowings	157,670,451	181,321,019	208,519,171	239,797,047	275,766,604	317,131,595
Accounts payable and accrued liabilities	158,006,101	181,707,016	208,963,069	240,307,529	276,353,658	317,806,707
Other liabilities	13,432,756	15,447,669	17,764,820	20,429,543	23,493,974	27,018,070
Total Liabilities	$7,448,526,880	$8,743,594,094	$10,268,479,025	$12,064,765,860	$14,181,698,717	$16,677,615,098
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 issued and outstanding	50,000,000	57,500,000	66,125,000	76,043,750	87,450,313	100,567,859
7.75% Series B, 1,000,000 shares issued and outstanding	25,000,000	28,750,000	33,062,500	38,021,875	43,725,156	50,283,930
7.60% Series C, 2,760,000 shares issued and outstanding	69,000,000	79,350,000	91,252,500	104,940,375	120,681,431	138,783,646
7.25% Series D, 2,760,000 shares issued and outstanding	69,000,000	79,350,000	91,252,500	104,940,375	120,681,431	138,783,646
Common stock:						
Class A - $.01 par value, 40,000,000 shares authorized, 21,559,584 issued and outstanding	215,596	215,596	215,596	215,596	215,596	215,596
Class B - $.01 par value, 60,000,000 shares authorized, 29,506,715 issued and outstanding	295,067	295,067	295,067	295,067	295,067	295,067
Additional paid-in capital (as adjusted to reflect stock split on 1/29/04)	115,017,394	115,017,394	115,017,394	115,017,394	115,017,394	115,017,394
Retained earnings	387,035,684	513,391,017	656,068,199	819,241,204	1,008,066,255	1,228,893,470
Capital reserves	25,102,630	28,868,025	33,198,228	38,177,962	43,904,657	50,490,355
Accumulated other comprehensive income, net of tax	9,686,256	11,139,194	12,810,074	14,731,585	16,941,322	19,482,521
Total Stockholders' equity:	750,352,627	913,876,293	1,099,297,058	1,311,625,183	1,556,978,622	1,842,813,484
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$8,198,879,507	$9,657,470,387	$11,367,776,084	$13,376,391,044	$15,738,677,339	$18,520,428,582

R & G Financials Income Statement Years ended December 31	2003	2004 E	2005 E	2006 E	2007 E	2008 E
Interest income:						
Net interest income after provision for loan losses:						
Banking	$152,469,668	198,210,568	237,852,682	285,423,218	342,507,862	411,009,435
Mortgage Banking	14,485,254	10,863,941	11,081,219	11,302,844	11,528,901	11,759,479
Other	2,472,001	2,842,801	3,269,221	3,759,605	4,323,545	4,972,077
Net interest income after provision for loan losses	169,426,923	211,917,310	252,203,123	300,485,667	358,360,308	427,740,990
Non-interest income:						
Net gain on origination and sale of loans						
Banking	46,402,174	58,002,718	69,603,261	83,523,913	100,228,696	120,274,435
Mortgage Banking	101,952,232	76,464,174	77,993,457	79,553,327	81,144,393	82,767,281
Other	(1,461,479)	-	-	-	-	-
	146,892,927	134,466,892	147,596,718	163,077,240	181,373,089	203,041,716
Loan administration and servicing fees						
Banking	-	-	-	-	-	-
Mortgage Banking	48,165,802	49,129,118	50,111,700	51,113,934	52,136,213	53,178,937
Other	-	-	-	-	-	-
	48,165,802	49,129,118	50,111,700	51,113,934	52,136,213	53,178,937
Service charges, fees and other						
Banking	13,242,460	17,215,198	20,658,238	24,789,885	29,747,862	35,697,435
Mortgage Banking	1,303,029	977,272	996,817	1,016,754	1,037,089	1,057,830
Other	14,195,714	18,454,428	22,145,314	26,574,377	31,889,252	38,267,102
	28,741,203	36,646,898	43,800,369	52,381,015	62,674,203	75,022,367
Total non-interest income:	223,799,932	220,242,907	241,508,788	266,572,189	296,183,505	331,243,021
Total revenues	$ 393,226,855	$ 432,160,218	$ 493,711,910	$ 567,057,856	$ 654,543,813	$ 758,984,011
Non-interest expenses:						
Employee compensation and benefits	63,584,878	69,880,412	79,702,758	90,905,726	103,683,377	118,257,045
Office occupancy and equipment	24,760,933	27,212,511	31,037,484	35,400,093	40,375,907	46,051,119
Other administrative and general	131,485,741	144,504,135	164,815,543	187,981,909	214,404,526	244,541,088
Total non-interest expense:	219,831,552	241,597,058	275,555,785	314,287,729	358,463,810	408,849,252
Income before income taxes and cumulative effect of change in accounting principle	173,395,303	190,563,159	218,156,125	252,770,127	296,080,003	350,134,759
Income tax expense:						
Current	30,222,730	36,907,000	42,251,021	48,954,830	57,342,798	67,811,762
Deferred	12,149,008	8,536,926	9,773,047	11,323,699	13,263,912	15,685,479
	42,371,738	45,443,926	52,024,068	60,278,529	70,606,710	83,497,241
Income before cumulative effect from change in accounting principle	131,023,565	145,119,233	166,132,057	192,491,598	225,473,293	266,637,518
Cumulative effect from change in accounting principle, net of income tax benefit of $206,334	-	-	-	-	-	-
Net income	131,023,565	145,119,233	166,132,057	192,491,598	225,473,293	266,637,518
Less: Preferred stock dividends	(15,884,000)	(15,884,000)	(18,309,406)	(21,105,158)	(24,327,808)	(28,042,540)
Net income available to common stockholders	115,139,565	129,235,233	147,822,651	171,386,440	201,145,485	238,594,977
Basis common shares outstanding	51,057,651	51,057,651	51,057,651	51,057,651	51,057,651	51,057,651
Diluted common shares outstanding	51,281,379	51,281,379	51,281,379	51,281,379	51,281,379	51,281,379
Earnings per common share before cumulative effect from change in accounting principle						
Basic	$2.26	$2.53	$2.90	$3.36	$3.94	$4.67
Diluted	$2.25	$2.52	$2.88	$3.34	$3.92	$4.65
Earnings per common share:						
Basic	$2.26	$2.53	$2.90	$3.36	$3.94	$4.67
Diluted	$2.25	$2.52	$2.88	$3.34	$3.92	$4.65

R & G Financials
Cash Flow Statement
Years ended December 31

	2003	2004 E	2005 E	2006 E	2007 E	2008 E
Cash flows from operating activities:						
Net income	$131,023,565	$ 145,119,233	$ 166,132,057	$ 192,491,598	$ 225,473,293	$ 266,637,518
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	9,392,639	10,801,535	12,421,765	14,285,030	16,427,784	18,891,952
Amortization of premium on investments and mortgage - backed securities, net	13,450,995	15,468,644	17,788,941	20,457,282	23,525,874	27,054,755
Scheduled amortization of servicing asset	22,462,153	25,831,476	29,706,197	34,162,127	39,286,446	45,179,413
Impairment charges on servicing asset	37,689,863	43,343,342	49,844,844	57,321,570	65,919,806	75,807,777
Provision for loan losses	18,556,442	21,339,908	24,540,895	28,222,029	32,455,333	37,323,633
Gain on sale of mortgage loans - -	0	(1,527,566)	(845,924)	(633,175)	(601,333)	(721,599)
Gain on sales of mortgage-backed and investment securities available for sale	-885,390	(534,642)	(833,533)	(1,115,529)	(870,300)	(847,879)
Unrealized loss (profit) on trading securities and derivative instruments, net	1,099,180	35,540	38,391	75,490	87,167	267,154
Increase in mortgage loans held for sale	-23,658,264	(15,784,541)	(16,573,768)	(17,402,457)	(18,272,579)	(19,186,208)
Net decrease (increase) in mortgage-backed securities held for trading	35,131,229	(1,589,852)	(1,669,345)	(1,752,812)	(1,840,453)	(1,932,475)
Increase in receivables	-8,220,786	(12,108,226)	(13,924,460)	(16,013,129)	(18,415,099)	(21,177,363)
(Increase) decrease in other assets	-16,150,236	(17,937,962)	(20,628,656)	(23,722,954)	(27,281,397)	(31,373,607)
(Decrease) increase in notes payable and other borrowings	-4,743,128	52,489,409	60,362,820	69,417,243	79,829,830	91,804,304
Increase in accounts payable and accrued liabilities	35,519,705	23,700,915	27,256,052	31,344,460	36,046,129	41,453,049
Increase (decrease) in other liabilities	5,311,644	2,014,913	2,317,150	2,664,723	3,064,431	3,524,096
Total adjustments	124,956,046	145,542,894	169,801,369	197,309,899	229,361,640	266,067,001
Net cash provided by (used in) operating activities	$255,979,611	$290,662,128	$335,933,426	$389,801,497	$454,834,934	$532,704,519
Cash flows from investing activities:						
Purchases of investment securities available for sale and held to maturity	(2,311,058,241)	(1,264,853,555)	(1,371,666,230)	(1,621,606,312)	(1,659,136,497)	(1,545,664,167)
Proceeds from sales of investment securities available for for sale and redemptions of investment securities available for sale and held to maturity	699,671,057	513,317,461	594,207,229	692,933,708	700,858,975	640,197,686
Principal repayments on mortgage-backed securities	1,062,424,108	355,074,350	417,914,208	492,757,840	567,154,362	579,064,974
Proceeds from sale of loans	253,976,907	125,736,053	123,756,846	126,995,596	126,093,080	151,311,697
Net originations of loans	(1,633,490,920)	(1,012,126,804)	(1,265,158,504)	(1,581,448,130)	(1,976,810,163)	(2,471,012,704)
Purchases of FHLB stock, net	(16,124,445)	(16,365,249)	(15,354,239)	(15,795,487)	(14,933,904)	(15,714,665)
Net assets acquired, net of cash received	-	(13,471,862)	(15,238,560)	(18,477,958)	(22,173,549)	(13,872,386)
Acquisition of premises and equipment	(12,348,578)	(17,218,773)	(19,801,589)	(22,771,828)	(26,187,602)	(30,115,742)
Purchases of servicing rights	(37,428,247)	(43,773,030)	(50,338,984)	(57,889,832)	(66,573,307)	(76,559,303)
Net cash used in investing activities	(1,994,378,359)	(1,373,681,409)	(1,601,679,823)	(2,005,302,401)	(2,371,708,604)	(2,782,364,610)
Cash flows from financing activities:						
Payments on term notes	0	0	0	0	0	0
Increase (decrease) in federal funds purchased	21,000,000	-21,000,000	0	0	0	0
Increase in deposits, net	753,439,618	711,152,726	853,383,271	1,024,059,925	1,228,871,911	1,474,646,293
Increase in securities sold under agreements to repurchase	731,036,609	333,119,250	383,087,138	440,550,208	506,632,739	582,627,650
Advances (repayments) from FHLB, net	188,875,000	169,440,000	194,856,000	224,084,400	257,697,060	296,351,619
Net proceeds from issuance of long-term debt	111,379,550	28,838,841	33,164,667	38,139,368	43,860,273	50,439,314
Net proceeds from issuance of preferred stock	0	31,950,000	36,742,500	42,253,875	48,591,956	55,880,750
Net proceeds from issuance of common stock	237,495	-	-	-	-	-
Cash dividends - common stock	-15,011,120	(18,763,900)	(23,454,875)	(29,318,594)	(36,648,242)	(45,810,303)
Preferred stock	-15,884,000	(18,266,600)	(21,006,590)	(24,157,579)	(27,781,215)	(31,948,398)
Net cash provided by financing activities	$1,775,073,152	$1,216,470,317	$1,456,772,111	$1,715,611,604	$2,021,224,481	$2,382,186,925
Net increase in cash and cash equivalents	$36,674,404	$133,451,036	$191,025,715	$100,110,700	$104,350,810	$132,526,834
Cash and cash equivalents at beginning of year	197,643,182	234,317,586	367,768,622	558,794,337	658,905,037	763,255,847
Cash and cash equivalents at end of year	$234,317,586	$367,768,622	$558,794,337	$658,905,037	$763,255,847	$895,782,681
Cash and cash equivalents include:						
Cash and due from banks	$114,915,916	$230,456,701	$400,885,628	$477,310,022	$554,421,580	$655,623,274
Securities purchased under agreements to resell	85,052,435	97,810,300	112,481,845	129,354,122	148,757,240	171,070,826
Time deposits with other banks	34,349,235	39,501,620	45,426,863	52,240,893	60,077,027	69,088,581
Short-term investments	0					
Total	$234,317,586	$367,768,622	$558,794,337	$658,905,037	$763,255,847	$895,782,681

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