R&G FINANCIAL CORPORATION
CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines have been approved by the board of directors (the "Board") and, along with the charters of the Board's committees, provide the framework for the governance of R&G Financial Corporation (the "Company"). The Board recognizes the importance of corporate governance, and it will review these Corporate Governance Guidelines and other aspects of governance annually or more often as deemed necessary.

1. **Role of Board and Management**. The Company's business is conducted by its employees, managers and officers, under the direction of the chief executive officer ("CEO") and the oversight of the Board, to enhance the long-term value of the Company for its shareholders. The Board is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served. Both the Board and management recognize that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other interested parties including employees, recruits, customers, suppliers, communities, government officials and the public at large.

2. **Functions of Board**. The Board has four scheduled meetings a year (in addition to monthly Board meetings held by its banking subsidiaries) at which it reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled Board and committee meetings. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

   a. selecting, evaluating and compensating the CEO and overseeing CEO succession planning;

   b. providing counsel and oversight on the selection, evaluation, development and compensation of senior management;

   c. reviewing, monitoring and, where appropriate, approving fundamental financial and business strategies and major corporate actions;

   d. assessing major risks facing the Company and reviewing options for their mitigation; and

   e. ensuring processes are in place for maintaining the integrity of the Company – the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other interested parties.

3. **Qualifications**. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a Board representing diverse experience at policymaking levels in business, government, education and technology, and in areas that are relevant to the Company's business activities.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities.

Directors who also serve as CEOs or in equivalent positions should not serve on more than two boards of public companies in addition to the Company's Board, and other directors should not serve on more than four other boards of public companies in addition to the Company's Board.

The Board does not believe that arbitrary term limits on directors' service are appropriate, nor does it believe that directors should expect to be renominated when their term expires.

4. **Independence of Directors**. A majority of the Board will consist of independent directors, as independence is determined by the Board, based on the guidelines set forth below. Directors who do not satisfy the Company's independence guidelines also make valuable contributions to the Board and to the Company by reason of their experience and wisdom.

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board has established guidelines to assist it in determining director independence, which conform to the independence requirements in the New York Stock Exchange listing requirements (the "NYSE rules"). In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation.

The Board will make and publicly disclose its independence determination for each director when the director is first elected to the Board and annually thereafter for all nominees for election as directors.

In accordance with the NYSE rules, a director will not be independent if :

a. The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer, of the Company.

b. The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

c. (i) The director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (ii) the director is a current employee of such a firm; (iii) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time.

d. The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.

e. The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of such other company's consolidated gross revenues.

5. **Size of Board and Selection Process**. One-third of the directors are elected each year by the shareholders at the annual meeting of shareholders. Shareholders may propose nominees for consideration by the Board by submitting the names and supporting information to the Company's Secretary, R&G Plaza Building, 280 Jesús T. Piñero Avenue, Hato Rey, San Juan, Puerto Rico, 00918. The Board proposes a slate of nominees to the shareholders for election to the Board. The Board also determines the number of directors on the Board provided that there are at least 5. Between annual shareholder meetings, any vacancy occurring in the Board, including any vacancy created by reason of an increase in the number of directors, may be filled by the Board. Any director so chosen shall hold office for the remainder of the term to which the director has been selected and until such director's successor has been elected and qualified.

6. **Board Committees**. The Board has established the following committees to assist the Board in discharging its responsibilities: (i) audit; (ii) compensation; (iii) executive; and (iv) risk management. The current charter of the audit committee is published on the Company's website, and will be mailed to shareholders on written request. The committee chairs report the highlights of their meetings to the full Board following each meeting of the respective committees. The committees occasionally hold meetings in

conjunction with the full Board. For example, on a regular basis, it is the practice of the audit committee to meet in conjunction with the full Board so that all directors may participate in the review of periodic and annual financial statements and financial plans for the current year.

7. **Independence of Committee Members**. In addition to the requirement that a majority of the Board satisfy the independence standards discussed in section 4 above, members of the audit committee must also satisfy an additional NYSE independence requirement. Specifically, they may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than their directors' compensation. No member of the audit committee may be a partner, member or principal of a law firm, accounting firm or investment banking firm that accepts consulting or advisory fees from the Company or any of its subsidiaries.

8. **Self-Evaluation**. The Board will perform an annual self-evaluation to determine whether it and its committees are functioning effectively.

9. **Setting Board Agenda**. The Board shall be responsible for its agenda. At the Board meetings, the CEO and the Chairman of the Board will propose for the Board's approval key issues of strategy, risk and integrity to be scheduled and discussed during the course of the meetings. Any director may request that an item be included in the agenda. As a result of this process, a schedule of major discussion items for the meetings will be established. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting are, to the extent possible, distributed to the directors in advance of the meeting and directors should review these materials prior to the meeting.

10. **Ethics and Conflicts of Interest**. The Board expects Company directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's code of conduct set forth in the Company's Code of Ethics. The current Code of Ethics is published on the Company's website. Absent compelling circumstances and consistent with any applicable law, the Board will not permit any waiver of any ethics policy for any director or executive officer. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and/or the Chairman of the Board. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving the CEO, a vice chairman or another director, and the CEO shall resolve any conflict of interest issue involving any officers of the Company.

11. **Reporting of Concerns to the Audit Committee**. The audit committee has established the following procedures to enable anyone who has a concern about the Company's conduct, or any employee who has a complaint about the Company's accounting, internal accounting controls or auditing matters, to communicate that concern directly to the audit committee. Such communications may be confidential or

anonymous, and may be e-mailed or submitted in writing. All such communications shall be promptly reviewed by the Chairman of the Audit Committee, and any concerns relating to accounting, internal controls, auditing or officer conduct shall be sent immediately to the Company's President or Chairman of the Board. All concerns will be reviewed and addressed by the Audit Committee in the same way that other concerns are addressed by the Company. The status of all outstanding concerns addressed to the Company's President or Chairman of the Board will be reported to the audit committee on a quarterly basis. The audit committee chair may direct that certain matters be presented to the audit committee or the full Board and may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

12. **Compensation of the Board**. The compensation committee shall have the responsibility for recommending to the Board compensation and benefits for non-employee directors. In discharging this duty, the committee shall be guided by three goals: compensation should fairly pay directors for work required in a company of R&G Financial's size and scope; compensation should align directors' interests with the long-term interests of shareholders; and the structure of the compensation should be simple, transparent and easy for shareholders to understand. At the end of each year, the compensation committee shall review non-employee director compensation and benefits.

13. **Succession Plan**. The Board shall approve and maintain a succession plan for the CEO and senior executives, based upon recommendations from the executive and compensation committees.

14. **Annual Compensation Review of Senior Management**. The compensation committee shall annually approve the goals and objectives for compensating the CEO. That committee shall evaluate the CEO's performance in light of these goals before setting the CEO's salary, bonus and other incentives. The committee shall also annually approve the compensation structure for the Company's executive officers, and shall evaluate the performance of such officers before approving their salary, bonus and other incentive and equity compensation.

15. **Access to Senior Management**. Non-employee directors shall have access to senior managers of the Company without the presence of senior corporate management.

16. **Access to Independent Advisors**. The Board and its committees shall have the right at any time to retain independent outside auditors and financial, legal or other advisors, and the Company shall provide appropriate funding, as determined by the Board or any committee, to compensate such independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

17. **Director Orientation**. The chief financial officer and outside legal advisors as appropriate shall be responsible for providing an orientation for new directors, and for

periodically providing materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. Each new director shall, within six months of election to the Board, spend a day at corporate headquarters for personal briefing by senior management on the Company's strategic plans, its financial statements, and its key policies and practices.