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R&G FINANCIAL CORP  
Form DEF 14A  
April 03, 2001

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement  [ ] Soliciting Material Pursuant to  
 [ ] Confidential, For Use of the Commission Only (as permitted  
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 [X] Definitive Proxy Statement  
 [ ] Definitive Additional Materials

R&G FINANCIAL CORPORATION

-----  
(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.  
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1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant  
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- 1) Amount Previously Paid:  
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- 2) Form, Schedule or Registration Statement No.:  
-----
- 3) Filing Party:  
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- 4) Date Filed:  
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(R&G FINANCIAL CORPORATION LOGO)

April 6, 2001

Dear Stockholder,

You are cordially invited to attend the Annual Meeting of Stockholders of R&G Financial Corporation (the "Company"). The meeting will be held at The Bankers Club of Puerto Rico, 208 Munoz Rivera Ave., PH Floor, Hato Rey, San Juan, Puerto Rico 00918, on Wednesday, April 25, 2001 at 10:00 a.m., local time. The matters to be considered by stockholders at the Annual Meeting are described in the accompanying materials.

It is very important that you be represented at the Annual Meeting regardless of the number of shares you own or whether you are able to attend the meeting in person. We urge you to mark, sign, and date your proxy card today and return it in the envelope provided, even if you plan to attend the Annual Meeting. This will not prevent you from voting in person, but will ensure that your vote is counted if you are unable to attend.

Your continued support of and interest in R&G Financial Corporation are sincerely appreciated.

Very truly yours,

/s/ Victor J. Galan

VICTOR J. GALAN  
Chairman of the Board and Chief  
Executive Officer

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R&G FINANCIAL CORPORATION  
R-G PLAZA  
280 JESUS T. PINERO AVENUE  
HATO REY, SAN JUAN, PUERTO RICO 00918  
(787) 758-2424  
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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL 25, 2001  
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NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of R&G Financial Corporation (the "Company"), will be held at The Bankers Club of Puerto Rico, 208 Munoz Rivera Ave., PH Floor, Hato Rey, San Juan, Puerto Rico

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00918, on Wednesday, April 25, 2000 at 10:00 a.m., local time, for the following purposes, all of which are more completely set forth in the accompanying Proxy Statement:

- (1) To elect four (4) directors for a three-year term or until their successors are elected and qualified;
- (2) To ratify the appointment by the Board of Directors of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending December 31, 2001; and
- (3) To transact such other business as may properly come before the meeting or any adjournment thereof. Management is not aware of any other such business which may properly come before the meeting.

The Board of Directors has fixed March 30, 2001 as the voting record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. Only those stockholders of record as of the close of business on that date will be entitled to vote at the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Victor J. Galan

VICTOR J. GALAN  
Chairman of the Board and Chief  
Executive Officer

San Juan, Puerto Rico  
April 6, 2001

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. EVEN IF YOU PLAN TO BE PRESENT, YOU ARE URGED TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY IN THE ENVELOPE PROVIDED. IF YOU ATTEND THE MEETING, YOU MAY VOTE EITHER IN PERSON OR BY PROXY. ANY PROXY GIVEN MAY BE REVOKED BY YOU IN WRITING OR IN PERSON AT ANY TIME PRIOR TO THE EXERCISE THEREOF. R&G FINANCIAL CORPORATION.

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R&G FINANCIAL CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

April 25, 2001

This Proxy Statement is furnished to the holder of Class A common stock, \$0.01 par value per share ("Class A Shares"), and holders of Class B common stock, \$.01 par value per share ("Class B Shares") (collectively, the "Common Stock"), of R&G Financial Corporation (the "Company"). Proxies are being solicited on behalf of the Board of Directors of the Company to be used at the Annual Meeting of Stockholders ("Annual Meeting") to be held at The Bankers Club of Puerto Rico, 208 Munoz Rivera Ave., PH Floor, Hato Rey, San Juan, Puerto Rico 00918, on Wednesday, April 25, 2001 at 10:00 a.m., local time, for the purposes set forth in the Notice of Annual Meeting of Stockholders. This Proxy Statement is first being mailed to stockholders on or about April 6, 2001.

The proxy solicited hereby, if properly signed and returned to the Company

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and not revoked prior to its use, will be voted in accordance with the instructions contained therein. If no contrary instructions are given, each proxy received will be voted FOR the nominees for director described herein, FOR ratification of the appointment of PricewaterhouseCoopers LLP as the Bank's independent auditors for 2001 and upon the transaction of such other business as may properly come before the meeting in with the best of the persons appointed as proxies. Any stockholder giving a proxy has the power to revoke it at any time before it is exercised by (i) filing with the Secretary of the Company written notice thereof (Secretary, R&G Financial Corporation, R-G Plaza, 280 Jesus T. Pinero Avenue, Hato Rey, San Juan, Puerto Rico 00918); (ii) submitting a duly-executed proxy bearing a later date; or (iii) appearing at the Annual Meeting and giving the Secretary notice of his or her intention to vote in person. Proxies solicited hereby may be exercised only at the Annual Meeting and any adjournment thereof and will not be used for any other meeting.

### VOTING

Only stockholders of record at the close of business on March 30, 2001 ("Voting Record Date") will be entitled to vote at the Annual Meeting. On the Voting Record Date, there were 18,440,556 Class A Shares outstanding, 10,240,829 Class B Shares outstanding, and the Company had no other class of equity securities outstanding. The holder of Class A Shares, the Chairman and Chief Executive Officer of the Company, is entitled to two votes per share and the holders of Class B Shares are entitled to one vote per share at the Annual Meeting on all matters properly presented at the meeting. The Chairman of the Board and Chief Executive Officer, who through his holdings of Class A Shares controls 64.3% of the outstanding Common Stock, has indicated his intention to vote his shares "FOR" the election of directors and ratification of the Board of Directors' selection of PricewaterhouseCoopers LLP as the Company's independent auditor for 2001. Accordingly, the proposals presented for consideration by the stockholders at this Annual Meeting are expected to be approved as presented.

Directors are elected by a plurality of the votes cast with a quorum present. The four persons who receive the greatest number of votes of the holders of Common Stock represented in person or by proxy at the Annual Meeting will be elected directors of the Company. Abstentions are considered in determining the presence of a quorum and will not affect the vote required for the election of directors. The affirmative vote of the holders of a majority of the total votes present in person or by proxy is required to ratify the appointment of the independent auditors. Abstentions will not be counted as votes cast, and will have no effect on the voting of the appointment of the Company's independent auditors. Under rules applicable to broker-dealers, the proposals for consideration at the Annual Meeting are considered "discretionary" items upon which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions. Thus, there will be no "broker non-votes" at the Annual Meeting.

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### INFORMATION WITH RESPECT TO NOMINEES FOR DIRECTOR, CONTINUING DIRECTORS AND EXECUTIVE OFFICERS

#### ELECTION OF DIRECTORS

The Board of Directors is divided into three classes, each of which contains approximately one-third of the Board. The directors are elected by the stockholders of the Company for staggered three year terms, or until their successors are elected and qualified. Stockholders of the Company are not permitted to cumulate their votes for the election of directors.

No director or executive officer of the Company is related to any other director or executive officer of the Company by blood, marriage or adoption, except for Victor J. Galan, the Chairman of the Board and Chief Executive

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Officer of the Company, who is the father of Victor L. Galan, another director of the Company. Each of the nominees currently serve as a director of the Company.

Unless otherwise directed, each proxy executed and returned by a stockholder will be voted for the election of the nominees for director listed below. If the person or persons named as nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxies will nominate and vote for one or more replacement nominees recommended by the Board of Directors. At this time, the Board of Directors knows of no reason why the nominees listed below may not be able to serve as directors if elected.

The following tables present information concerning the nominees for director of the Company and each director whose term continues.

NOMINEES FOR DIRECTOR FOR THREE-YEAR TERM EXPIRING IN 2004

| NAME<br>----           | AGE (1)<br>----- | DIRECTOR<br>SINCE (2)<br>----- |
|------------------------|------------------|--------------------------------|
| Ana M. Armendariz..... | 68               | 1990                           |
| Victor L. Galan.....   | 37               | 1995                           |
| Benigno Fernandez..... | 60               | 1996                           |
| Pedro L. Ramirez.....  | 58               | 1990                           |

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THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE ABOVE NOMINEES FOR DIRECTOR.

MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE

DIRECTORS WHOSE TERMS EXPIRE IN 2002

| NAME<br>----                 | AGE (1)<br>----- | DIRECTOR<br>SINCE (2)<br>----- |
|------------------------------|------------------|--------------------------------|
| Victor J. Galan.....         | 67               | 1990                           |
| Ramon Prats.....             | 51               | 1990                           |
| Enrique Umpierre-Suarez..... | 59               | 1996                           |
| Eduardo McCormack.....       | 72               | 1990                           |

DIRECTORS WHOSE TERMS EXPIRE IN 2003

| NAME<br>----                 | AGE (1)<br>----- | DIRECTOR<br>SINCE (2)<br>----- |
|------------------------------|------------------|--------------------------------|
| Gilberto Rivera-Arreaga..... | 51               | 1996                           |

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|                            |    |      |
|----------------------------|----|------|
| Laureno Carus Abarca.....  | 71 | 1983 |
| Ileana M. Colon-Carlo..... | 52 | 1998 |
| Roberto Gorbea.....        | 59 | 1998 |

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(1) As of February 29, 2001

(2) Includes service as a director of R-G premier Bank of Puerto Rico (the "Bank") or its predecessor.

Information concerning the principal occupation of each nominee for director of the Company and other members of the present Board, during the past five years is set forth below.

Victor J. Galan. Mr. Galan is Chairman of the Board and Chief Executive Officer of the Company, positions he has held since the Company's incorporation in March 1996. Mr. Galan also served as the Company's President from its incorporation until January 2001. Mr. Galan is the founder and Chairman of the Board of R&G Mortgage, a position he has held since 1972. Mr. Galan is also the Chairman of the Board and Chief Executive Officer of the Bank, a Company subsidiary, a position he has held since the Bank was first acquired by R&G Mortgage in February 1990, Chairman of the Board of The Mortgage Store, a subsidiary of R&G Mortgage since the inception of its predecessor in October 1997 (The Mortgage Store and its predecessor, "The Mortgage Store") and Chairman of the Board of Continental Capital Corporation ("Continental Capital") a Bank subsidiary since its acquisition in October 1999. Mr. Galan served as President of the Bank from February 1990 until January 2001.

Ana M. Armendariz. Ms. Armendariz has been a director and Treasurer of the Company since April 1996 and Secretary, Senior Vice President and Controller of R&G Mortgage since January 1984 and Senior Vice President and Controller of The Mortgage Store since October 1997.

Ramon Prats. Mr. Prats has been the Vice Chairman of the Board of Directors of the Company since April 1996 and served as its Executive Vice President from such date until January 2001. In January 2001, Mr. Prats became President of the Company, R&G Mortgage and the Bank. Mr. Prats has served as a director of R&G Mortgage since April 1985 and has been Executive Vice President of R&G Mortgage and The Mortgage Store since February 1980 and October 1997, respectively. Mr. Prats also currently serves as Vice Chairman of the Board of Directors of the Bank, a position he has held since February 1990 and as a director of Continental Capital since October 1999.

Enrique Umpierre-Suarez. Mr. Umpierre-Suarez has been a director of the Company and its Secretary since April 1996, a director of the Bank since January 1996, and a director of The Mortgage Store since October 1997. Mr. Umpierre-Suarez has also served as Secretary of the Bank since April 1996 and of The Mortgage Store since October 1997. Mr. Umpierre-Suarez is an attorney in private practice in Hato Rey, Puerto Rico and is also engaged in the private practice of engineering in Hato Rey, Puerto Rico.

Victor L. Galan. Mr. Galan has been a director of the Company since April 1996, a director of R&G Mortgage since June 1996, a director of the Bank since 1995 and a director of The Mortgage Store since October 1997. In January 2001, Mr. Galan became the Vice President of Loan Production, Marketing and Business Development of R&G Mortgage. Mr. Galan was the Vice President of The Mortgage Store from October 1998 until January 2001. Previously, Mr. Galan was the Vice President of Branch Administration of R&G Mortgage from June 1997 to October 1998, and prior thereto was the Marketing Manager and Vice President of R&G Mortgage from February 1996 to June 1997. Mr. Galan, the son of Victor L. Galan, the Chairman of the Board and Chief Executive Officer of the Company, has been

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associated with R&G Mortgage since 1982, having served as Branch Manager at various locations since 1992.

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Pedro Ramirez. Mr. Ramirez has been a director of the Company since April 1996, a director of R&G Mortgage since June 1996 and a director of the Bank since 1990. Mr. Ramirez has been President and Chief Executive Officer of Empresas Nativas, Inc., a real estate development company, in Hato Rey, Puerto Rico, since 1983. Mr. Ramirez also currently serves as Vice President of Inverdec, Inc., a real estate development company in Hato Rey, Puerto Rico, a position he has held since April 1992, and has been the Managing Partner of Ramirez & Co., S.E., a real estate development company located in Hato Rey since April 1986.

Laureno Carus Abarca. Mr. Carus has been a director of the Company since April 1996, a director of R&G Mortgage since June 1996 and a director of the Bank (and its predecessor) since 1983. Mr. Carus has been the Chairman of the Board of Alonso and Carus Iron Works, Inc., in Catano, Puerto Rico, which is engaged in the production and fabrication of metal products and in the construction of commercial buildings, since September 1977 and he has been with the firm since 1960. Mr. Carus has also been President of Petroleum Chemical Corp., a petroleum processing corporation in Catano, Puerto Rico, since April 1994.

Eduardo McCormack. Mr. McCormack has been a director of the Company since April 1996, a director of R&G Mortgage since June 1996 and a director of the Bank since 1990. Mr. McCormack is presently the President of EMP Omega Corporation, San Juan, Puerto Rico, a fructose importer and distributor, since June 1999. During 1994 and 1995, he served as a consultant to Bacardi Corporation, a rum manufacturer based in Catano, Puerto Rico. Prior thereto, Mr. McCormack was a Vice President of Bacardi Corporation from 1981 to 1993.

Gilberto Rivera-Arreaga. Mr. Rivera-Arreaga has been a director of the Company since April 1996 and a director of R&G Mortgage and the Bank since June 1996. Mr. Rivera-Arreaga has been Executive Vice President of the National College of Business & Technology, Inc., a post-secondary institution with campuses in Bayamon and Arecibo, Puerto Rico, since 1993. Prior thereto, Mr. Rivera-Arreaga engaged in the private practice of law in Bayamon, Puerto Rico.

Benigno R. Fernandez. Mr. Fernandez has been a director of the Company since April 1996 and a director of R&G Mortgage and the Bank since June 1996. Mr. Fernandez is Senior Partner of Fernandez, Perez Villarini & Co., a certified public accounting firm in Hato Rey, Puerto Rico. Mr. Fernandez has been a certified public accountant since 1969.

Ileana M. Colon-Carlo. Ms. Colon-Carlo has been a director of the Company since July 1998. Ms. Colon-Carlo is currently the Chief Administration and Financial Officer of McConnell & Valdes, a legal firm in Hato Rey, Puerto Rico, and has been a member of the Board of Trustees of Central University of Bayamon, Puerto Rico, and an Accounting Professor in the Graduate School of Business Administration since January 1998. Prior thereto, Ms. Colon-Carlo served as Comptroller of the Commonwealth of Puerto Rico from 1987 to 1997. Ms. Colon-Carlo is a past President of the Puerto Rico Certified Public Accountants State Society and past member of the Commonwealth of Puerto Rico Board of Accountancy. Additionally, Ms. Colon-Carlo is a past member of the board of directors of the Puerto Rico Chamber of Commerce.

Roberto Gorbea. Mr. Gorbea has been a director of the Company since July 1998. Mr. Gorbea has been President, Chief Executive Officer and member of the board of directors of Lord Electric Company of Puerto Rico, Inc., San Juan,

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Puerto Rico, since 1984 which constructs industrial, electrical, and mechanical systems.

### STOCKHOLDER NOMINATIONS

Section 4.15 of the Company's Bylaws governs nominations for election to the Board of Directors and requires all such nominations, other than those made by the Board or a committee thereof, to be made at a meeting of stockholders called for the election of directors, and only by a stockholder who has complied with the notice provisions in that section. Stockholder nominations must be made pursuant to timely notice in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Company not later than 90 days prior to the anniversary date of the mailing of proxy materials by the Company in connection with the immediately preceding annual meeting of stockholders of the Company. Each written notice of a stockholder nomination is required to set

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forth certain information specified in the Bylaws. No stockholder nominations were received with respect to this Annual Meeting.

### BOARD OF DIRECTORS MEETINGS

Regular meetings and special meetings of the Board of Directors of the Company are held as necessary to adequately conduct the Company's business. During the fiscal year ended December 31, 2000, the Board of Directors met 7 times. No director attended fewer than 75% of the total number of Board meetings or committee meetings on which he or she served in fiscal 2000 except for Directors McCormack, Armendariz and Colon-Carlo, who attended 4 or 57%, 4 or 57% and 5 or 71%, respectively, of the meetings of the Board of Directors.

Audit and Compliance Committee. Beginning this year, the Securities and Exchange Commission requires each publicly-registered company to include in its annual proxy statement certain information about its audit committee and a report from that committee. This newly-required information and report are set forth below.

The Company has a standing audit committee which is designated the Audit and Compliance Committee. The Company's Board of Directors has adopted a written charter for the Audit and Compliance Committee. A copy of that charter is included as Appendix A at the end of this proxy statement. Each member of the Audit and Compliance Committee is independent, as that term is defined in the listing standards of the National Association of Securities Dealers, Inc. relating to audit committees.

The report of the Audit and Compliance Committee to the Board of Directors follows.

March 23, 2001

To the Board of Directors of R&G Financial Corporation:

We have reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2000.

We have discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants.



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We have received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, Independence Discussions with Audit Committee, as amended, by the Independence Standards Board, and have discussed with the auditors the auditors' independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Benigno R. Fernandez (Chairman)  
Gilberto Rivera-Arreaga  
Pedro Ramirez

Executive Committee. The Company also has an Executive Committee, consisting of Messrs. Victor J. Galan (Chairman), Prats (Vice Chairman), McCormack and Victor L. Galan. Additionally, the Board of Directors acts as its own nominating committee with respect to nominating individuals to serve on its Board of Directors.

### EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

Set forth below is information concerning executive officers of the Company, the Bank and R&G Mortgage who do not serve on the Board of Directors of the Company, R&G Mortgage or the Bank. There are no additional executive officers of R&G Mortgage who do not serve on the Board of the Company, R&G

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Mortgage or the Bank. Each executive officer is elected by the Board of Directors and serves until their successor is elected and qualified. No executive officer set forth below is related to any director or other executive officer of the Company, R&G Mortgage or the Bank by blood, marriage or adoption, and there are no arrangements or understandings between a director of the Company, R&G Mortgage or the Bank and any other person pursuant to which such person was elected an executive officer.

Joseph R. Sandoval, Age 37, joined the Company as its Chief Financial Officer in January 1997, and has been a director of Continental Capital and its secretary since October 1999. Prior thereto, Mr. Sandoval was an accountant with Price Waterhouse LLP (a predecessor firm to PricewaterhouseCoopers LLP) in San Juan, Puerto Rico from August 1987 to January 1997 and had attained the position of Senior Manager with such firm.

Mario Ruiz, Age 38, has been the Senior Vice President -- Secondary Market of R&G Mortgage since December 1996 and director and Senior Vice President of The Mortgage Store since October 1997. Mr. Ruiz served as Vice President -- Secondary Market of R&G Mortgage from 1990 to December 1996. In January 2001, Mr. Ruiz became Executive Vice President of the Bank.

Steven Velez, Age 43, has been the Senior Vice President of R&G Mortgage since June 1997. Previously, Mr. Velez served as Vice President of Underwriting and Technology of R&G Mortgage. Mr. Velez has been with R&G Mortgage since October 1989. In January 2001, Mr. Velez became Executive Vice President of R&G Mortgage.

Victor M. Irizarry, Age 52, has been Senior Vice President -- Corporate and Construction Lending since joining the Bank in May 1999. Prior to that, Mr. Irizarry was Senior Vice President -- Commercial Banking at another financial institution from September 1992 to April 1999. In January 2001, Mr. Irizarry became the Chief Lending Officer of the Bank.

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Jose L. Ortiz, Age 45, has been Vice President -- Finance of the Bank since September 1990. Mr. Ortiz previously was Vice President -- Accounting at another financial institution from May 1985 to September 1990.

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### BENEFICIAL OWNERSHIP OF COMMON STOCK BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of the Voting Record Date, certain information as to the Common Stock beneficially owned by (i) each person or entity, including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), who or which was known to the Company to be the beneficial owner of more than 5% of the issued and outstanding Common Stock, (ii) certain directors and executive officers of the Company, R&G Mortgage and the Bank, and (iii) all directors and executive officers of the Company, R&G Mortgage and the Bank as a group.

| NAME OF BENEFICIAL OWNER OR<br>NUMBER OF PERSONS IN GROUP<br>-----                                   | AMOUNT AND NATURE<br>OF BENEFICIAL<br>OWNERSHIP AS OF<br>FEBRUARY 29, 2001(1)<br>----- | PERCENT OF<br>COMMON<br>STOCK(2)<br>----- |
|--|--|---|
| Garity & Co. Capital Management.....<br>1414 Banco Popular Center<br>San Juan, Puerto Rico 00918     | 1,621,860(3)   | 5.66%                                     |
| Thomson Horstmann & Bryant, Inc.....<br>Park 80 West, Plaza Two<br>Saddle Brook, New Jersey 07663    | 631,040(4)   | 2.20                                      |
| The Company's Directors and Officers   |  |   |
| Victor J. Galan.....   | 18,440,556(5)(6)   | 64.30                                     |
| Ana M. Armendariz.....   | 54,756(7)  | *   |
| Ramon Prats.....   | 550,454(6)(7)  | **  |
| Victor L. Galan.....   | 4,556  | *   |
| Enrique Umpierre-Suarez.....   | 66,000   | *   |
| Pedro Ramirez.....   | 36,720   | *   |
| Laureno Carus Abarca.....  | 62,941   | *   |
| Eduardo McCormack.....   | 54,638(8)  | *   |
| Gilberto Rivera-Arreaga.....   | 6,056  | *   |
| Benigno R. Fernandez.....  | 5,026  | *   |
| Ileana M. Colon-Carlo.....   | 2,000  | *   |
| Roberto Gorbea.....  | 1,600  | *   |
| Joseph R. Sandoval.....  | 31,936(7)  | *   |
| Additional R&G Mortgage Officers   |  |   |
| Mario Ruiz.....  | 15,400(7)  | *   |
| Steven Velez.....  | 14,400(7)  | *   |
| Additional Bank Officers   |  |   |
| Victor M. Irizarry.....  | --   | *   |
| Jose Luis Ortiz.....   | 24,378(7)  | *   |
| All Directors and Officers of the Company, R&G Mortgage and<br>the Bank as a group (18 persons)..... | 19,191,417(9)  | 66.29%                                    |

\* Represents less than 1% of the outstanding Class B Shares.

\*\* Represents 5.38% of the outstanding Class B Shares.

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- (1) Based upon filings made pursuant to the Exchange Act and information furnished by the respective individuals. Under regulations promulgated pursuant to the Exchange Act, shares are deemed to be beneficially owned by a person if he or she directly or indirectly has or shares (i) voting power, which includes the power to vote or to direct the voting of the shares, or (ii) investment power, which includes the power to dispose or to direct the disposition of the shares. Unless otherwise indicated, the named beneficial owner has sole voting and dispositive power with respect to the shares.
- (2) As of February 29, 2001, there were 10,240,829 Class B Shares and 18,440,556 Class A Shares of the Company issued and outstanding. All of the Class A Shares are owned by Victor J. Galan, the Chairman

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of the Board and Chief Executive Officer of the Company. The Class B Shares are registered under the Exchange Act and are traded on the Nasdaq Stock Market. The Class A Shares have not been registered under the Exchange Act but are exchangeable into an equal number of Class B Shares.

- (3) Information obtained from a Schedule 13G dated February 14, 2001. Garity & Co. Capital Management ("GCCM") is a registered investment adviser. GCCM indicates that it is the beneficial owner and has shared voting and dispositive power over 1,621,860 or 15.9% of the Class B Shares.
- (4) Information obtained from a Schedule 13G dated February 2, 2001. Thomson Horstmann ("TH") is a registered investment advisor. TH indicates that it is the beneficial owner of 631,040 or 6.17% of the Class B Shares, with sole voting power over 360,280 of such shares and sole dispositive power over all of such shares.
- (5) Represents Class A Shares. The holder of Class A Shares, Mr. Victor J. Galan, is entitled to two votes per share and the holders of Class B Shares are entitled to one vote per share at the Annual Meeting on all matters properly presented at the meeting. As a result of such voting entitlement, Mr. Galan holds 78.3% of the voting power of the aggregate issued and outstanding shares of the Company's Common Stock as of February 29, 2001.
- (6) The number of shares indicated as beneficially owned by Mr. Prats take into consideration 180,000 Class B Shares (as adjusted for stock splits) which may be acquired upon the exercise of stock options granted by Mr. Victor J. Galan to Mr. Prats, which are exercisable within 60 days of the Voting Record Date. On May 8, 1998, Mr. Victor J. Galan executed a stock option agreement (the "Stock Option Agreement") pursuant to which Mr. Galan granted to Mr. Prats the option to purchase up to 360,000 Class B Shares (as adjusted). Under the terms of the Stock Option Agreement, the options become exercisable ratably over six years beginning on the first anniversary of the agreement. The exercise price of the options is \$4.03 per share (as adjusted), and both the number of Class B Shares underlying the options and the exercise price thereof is subject to certain antidilution adjustments.
- (7) Includes the following number of shares which may be acquired upon the exercise of stock options exercisable within 60 days of the Voting Record Date under the Company's Stock Option Plan:

|                         |         |
|-------------------------|---------|
| Ramon Prats.....        | 288,000 |
| Ana M. Armendariz.....  | 50,400  |
| Joseph R. Sandoval..... | 28,800  |
| Mario Ruiz.....         | 3,600   |

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Steven Velez..... 14,400  
 Jose Luis Ortiz..... 21,600

- (8) Includes 47,684 Class B Shares held jointly with Mr. McCormack's wife.
- (9) Includes 18,440,556 Class A Shares owned by Victor J. Galan. All other shares are Class B Shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's officers, directors and persons who own more than 10% of the Company's capital stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. Officers, directors and greater than 10% stockholders are required by regulation to furnish the Company with copies of all forms they file pursuant to Section 16(a) of the Exchange Act. The Company knows of no person who owns 10% or more of the Company's capital stock other than Victor J. Galan, the Chairman of the Board and Chief Executive Officer of the Company. See "Beneficial Ownership of Common Stock By Certain Beneficial Owners and Management."

Based solely on review of the copies of such forms furnished to the Company, or written representations from its officers and directors, the Company believes that during, and with respect to, fiscal 2000, the Company's officers and directors complied with the reporting requirements promulgated under Section 16(a) of the 1934 Act, except for Messrs. Gorbea, who neglected to file a Form 4 for one transaction during the year,

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and Mr. Carus, who neglected to file Form 4s on four occasions during the year. Messrs. Gorbea and Carus have indicated that they will file Form 4s in April 2001.

MANAGEMENT COMPENSATION

EXECUTIVE COMPENSATION

Summary Compensation Table. The following table includes individual compensation information with respect to the Chairman of the Board and Chief Executive Officer of the Company and the other most highly compensated executive officers of the Company and its subsidiaries whose total compensation exceeded \$100,000 for services rendered in all capacities during the fiscal year ended December 31, 2000. Except as set forth in the footnotes to the table, the compensation expense shown below was incurred by the subsidiary (R&G Mortgage or the Bank) for whom the executive officer is employed.

| NAME AND<br>PRINCIPAL POSITION | YEAR | ANNUAL COMPENSATION |             | {LONG-TERM COMPENSATION       |  |
|--------------------------------|------|---------------------|-------------|-------------------------------|--|
|                                |      | SALARY (1)          | BONUS       | RESTRICTED<br>STOCK<br>AWARDS | SECURITIES<br>UNDERLYING<br>OPTIONS/SARS |
| Victor J. Galan.....           | 2000 | \$276,999           | \$ 200,200  | --                            | --                                       |
| Chairman and Chief Executive   | 1999 | 341,759             | 200,200     | --                            | --                                       |
| Officer of the Company         | 1998 | 216,759             | 200,200     | --                            | --                                       |
| Ramon Prats.....               | 2000 | \$300,000           | \$1,050,000 | --                            | --                                       |

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|                             |      |           |            |    |        |
|-----------------------------|------|-----------|------------|----|--------|
| Vice Chairman of the Board, | 1999 | 225,000   | 950,000    | -- | --     |
| President of the Company    | 1998 | 205,000   | 650,000    | -- | --     |
| Joseph R. Sandoval,.....    | 2000 | \$135,000 | \$ 80,000  | -- | --     |
| Senior Vice President and   | 1999 | 123,000   | 70,000     | -- | 12,000 |
| Chief Financial Officer of  | 1998 | 116,154   | 60,000     | -- | --     |
| the Company                 |      |           |            |    |        |
| Mario Ruiz,.....            | 2000 | \$185,000 | \$ 200,000 | -- | --     |
| Executive Vice President,   | 1999 | 167,262   | 144,000    | -- | 12,000 |
| R-G Premier Bank            | 1998 | 158,354   | 120,000    | -- | --     |
| Steven Velez.....           | 2000 | \$130,000 | \$ 100,000 | -- | --     |
| Executive Vice President,   | 1999 | 128,230   | 51,410     | -- | --     |
| R&G Mortgage                | 1998 | 114,153   | 62,190     | -- | --     |
| Victor M. Irizarry.....     | 2000 | \$185,000 | \$ 125,000 | -- | --     |
| Senior Vice President and   | 1999 | \$107,916 | 53,000     | -- | 10,000 |
| Chief Lending Officer, R-G  | 1998 | --        | --         | -- | --     |
| Premier Bank                |      |           |            |    |        |

-----  
 (1) Does not include amounts attributable to miscellaneous benefits received by the named officers. The costs to the Company of providing such benefits to the named officers during the years ended December 31, 2000, 1999 and 1998 did not exceed the lesser of \$50,000 or 10% of the total of annual salary and bonus reported.

(2) Represents the employers' contribution on behalf of the employee to the Profit Sharing Plan. See "-- Profit Sharing Plan."

Bonuses are paid by R&G Mortgage and the Bank based upon determinations by senior management of each company, which determinations are influenced by the profitability of the enterprise for the year in question. The bonuses of managers of the R&G Mortgage branches are based in part on loan production levels, while the bonuses for Bank branch managers are based in part on the level of deposits, loan production and new accounts. The bonuses of Vice Presidents and Department Managers are based in part on the final results of the entity's operations and business generated during the year. The Board of Directors of R&G Mortgage determine the bonuses for the President and Executive Vice President, which are based on profitability of that company's operations.

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AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The Company granted no stock options to the executive officers named in the Summary Compensation Table during 2000.

The following table sets forth, with respect to the executive officers named in the Summary Compensation Table, information with respect to the aggregate amount of options exercised during the last fiscal year, any value realized thereon, the number of unexercised options at the end of the fiscal year (exercisable and unexercisable) and the value with respect thereto.

| NAME | SHARES<br>ACQUIRED ON<br>EXERCISE | VALUE<br>REALIZED (2) | NUMBER OF SECURITIES<br>UNDERLYING OPTIONS/SARS<br>AT FISCAL YEAR END |               | VALUE              |
|------|-----------------------------------|-----------------------|---|---------------|--------------------|
|      |                                   |                       | EXERCISABLE   | UNEXERCISABLE | IN<br>OP<br>AT FIS |
|      |                                   |                       |   |               | -----              |
|      |                                   |                       |   |               | -----              |

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|                         |    |    |         |        |           |
|-------------------------|----|----|---------|--------|-----------|
| Victor J. Galan.....    | -- | -- | --      | --     | --        |
| Ramon Prats.....        | -- | -- | 288,000 | 72,000 | 2,944,000 |
| Joseph R. Sandoval..... | -- | -- | 31,200  | 16,800 | 216,400   |
| Mario Ruiz.....         | -- | -- | 6,000   | 13,200 | 36,800    |
| Steven Velez.....       | -- | -- | 15,800  | 9,200  | 147,200   |
| Victor M. Irizarry..... | -- | -- | 2,000   | 8,000  |           |

(1) Share amounts have been adjusted for the Company's stock dividends and stock splits.

(2) Based upon a closing market price for the Class B Shares as of December 31, 2000 of \$14.25.

COMPENSATION OF DIRECTORS

Members of the Board of Directors of the Company and R&G Mortgage who are not also executive officers of such companies receive fees of \$650 per Board meeting attended and \$500 per committee meeting attended. Executive officers of the Company and R&G Mortgage who also serve on the Board of Directors are not compensated for serving on the Board of Directors or committees thereof.

During fiscal 2000, members of the Board of Directors of the Bank received fees of \$650 per meeting attended. Executive officers of the Bank who also serve on the Board of Directors are not compensated for their services on the Board of Directors or committees thereof. Non-officer members of the Board of Directors of the Bank serving on committees received additional compensation in the amount of \$500 per committee meeting attended in fiscal 2000, except for members of the Trust Committee, who each received \$400 per committee meeting attended in fiscal 2000.

BENEFITS

Stock Option Plan. The Company maintains a Stock Option Plan. The Stock Option Plan is designed to attract and retain qualified personnel in key positions, provide officers and key employees with a proprietary interest in the Company as an incentive to contribute to the success of the Company and reward key employees for outstanding performance and the attainment of targeted goals. An amount of Common Stock equal to 10% of the aggregate number of Class B Shares sold in the Company's initial public offering (869,400 shares, as adjusted for the Company's stock dividends and splits) were authorized under the Stock Option Plan, which may be filled by authorized but unissued shares, treasury shares or shares purchased by the Company on the open market or from private sources. The Stock Option Plan provides for the grant of stock options and stock appreciation rights (collectively "Awards"). Awards are available for grant to key employees of the Company and any subsidiaries.

Profit Sharing Plan. R-G Mortgage and the Bank have adopted the R&G Mortgage Corporation and R-G Federal Savings Bank Profit Sharing Plan (the "Plan"), which is intended to comply with the Internal Revenue Code of 1986, as amended (the "Code"), the Employee Retirement Income Security Act of 1974,

and the Puerto Rico Income Tax Act of 1954. All employees of R&G Mortgage and the Bank are eligible to participate in the Plan except, among others, for those employees who are non-resident aliens. Eligible employees may enter the Plan on January 1, April 1, July 1, and October 1 following attaining age 21 and

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completing one year of service. Under the Plan, a separate account is established for each participating employee and R&G Mortgage and the Bank may make discretionary contributions to the Plan which are allocated to employees' accounts. Employees may also contribute to the Plan by making salary reductions up to 10% of annual compensation for the year. Such contributions defer the employee's earning up to a maximum of \$8,000 in each plan year. In 2000 R&G Mortgage and the Bank each matched an employee's contribution to the Plan up to 62.5% of the first 5% of an employee's compensation as follows: 12.5% when an employee has 0 to 5 years of service, 25% when an employee has 6 to 10 years of service, 39.5% when an employee has 11 to 15 years of service, 50% when an employee has 16 to 20 years of service, and 62.5% when an employee has 21 or more years of service. Employees' contributions to the Plan are immediately vested, and employees become 100% vested in employer contributions upon the completion of 5 years of service. All funds contributed to the Plan are held in a trust fund. R&G Mortgage and the Bank direct the investment of matching and discretionary contributions and employees direct the investment of elective contributions and rollover contributions. Contributions may be directed into eight separate funds. Distributions from the Plan are made upon termination of service, death, or disability in a lump sum or installment payments. The normal retirement age under the Plan is age 65.

### TRANSACTIONS WITH CERTAIN RELATED PERSONS

The operations of R&G Mortgage and the Bank are linked to a material extent by a series of ancillary agreements which govern the significant affiliated transactions between the two companies (the "Affiliated Transaction Agreements"). These agreements have been prepared with a view to compliance with Sections 23A and 23B of the Federal Reserve Act, which require that the terms and conditions of transactions between a financial institution and an affiliate be on terms which are substantially the same, or at least as favorable to the financial institution, as those prevailing for comparable transactions with or involving other non-affiliated companies.

During the year ended December 31, 2000, VIG Leasing, S.E., a Puerto Rico real estate partnership which is 95.8% owned by the family of Victor J. Galan, the Company's Chairman of the Board and Chief Executive Officer, received lease payments from R&G Mortgage and the Bank on properties owned of \$1,271,000 and \$955,000, respectively. R&G Mortgage and the Bank believe that the lease terms are on terms substantially the same as they would have negotiated with a non-affiliated party.

Under applicable federal law, loans or extensions of credit to executive officers and directors must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public and must not involve more than the normal risk of repayment or present other unfavorable features.

The Bank's policy provides that all loans made by the Bank to directors and officers of the Company are made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. The Bank's policy provides that such loans may not involve more than the normal risk of collectibility or present other unfavorable features. As of December 31, 2000, mortgage and consumer loans to directors and executive officers of the Company in excess of \$60,000 aggregated approximately \$3,804,000 or 1.23% of the Company's consolidated stockholders' equity as of such date. All such loans were made by the Bank in accordance with the aforementioned policy.

In July 1995, R&G Mortgage made a \$900,000 construction loan to a real estate development company owned by Pedro Ramirez, a director of the Company, R&G Mortgage and the Bank. The subject real estate development project was scheduled to be completed in phases. At December 31, 2000, the loan had an

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outstanding balance of \$1.2 million at an interest rate of 2% over the prime rate. The outstanding balance of the loan is related to the second phase of the construction project. The portion of the loan related to the first phase of the project was repaid in January 1998.

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During the year ended December 31, 2000, Enrique Umpierre-Suarez, a director and Secretary of each of the Company and the Bank, each provided legal services to borrowers of the Bank and R&G Mortgage in connection with the closing of consumer and commercial loans. During the year ended December 31, 2000, Mr. Umpierre-Suarez received \$743,000 in fees for such legal services, all of which were paid for by customers of the Bank and R&G Mortgage in connection with loan closings.

During the year ended December 31, 2000, R&G Mortgage referred customers requiring hazard insurance in connection with their mortgage transactions to Home & Property Insurance Company, an insurance company which was owned by Mr. Jean Francois Dumazet, son-in-law of Mr. Victor J. Galan, the Company's Chairman of the Board and Chief Executive Officer, until October 2000. Each customer has the ability to seek insurance coverage required from an alternative acceptable insurance company of his choice. During the ten month period ended October 30, 2000, Home and Property received \$825,000 in premiums for writing hazard insurance policies for R&G Mortgage's customers. The Company acquired Home & Property Insurance Company in October 2000 from Mr. Dumazet, who remains as President of Home and Property.

R&G Mortgage originates first mortgage loans secured by single-family residential properties which are either insured by the Federal Housing Administration ("FHA") or guaranteed by the Veterans' Administration ("VA"). R&G Mortgage pools such FHA/VA loans into mortgage-backed securities which are guaranteed by the GNMA, which securities are sold to securities broker dealers and other investors. During the year ended December 31, 2000, R&G Mortgage sold approximately \$50,000 of such GNMA securities to Mario Ruiz, the Executive Vice President of the Bank, approximately \$1,000,000 to Enrique Umpierre-Suarez, a director and Secretary of the Company and approximately \$125,000 to Benigno Fernandez, a director of the Company.

### EXECUTIVE COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Executive Committee of the Company's Board of Directors reviews the compensation and benefits for the Company's employees and recommends to the Board adjustments in such compensation. During fiscal 2000, the members of the Executive Committee were Messrs. Victor J. Galan (Chairman), Prats (Vice Chairman), McCormack, and Victor L. Galan. Mr. Victor J. Galan does not participate in the Committee's consideration of his own compensation.

The report of the Executive Committee with respect to compensation for the President and Chief Executive Officer and all other executive officers for the fiscal year ended December 31, 2000 is set forth below:

### REPORT OF THE EXECUTIVE COMMITTEE ON EXECUTIVE COMPENSATION

The purpose of the Committee qualified, competent management; motivating executives to achieve a range of performance goals consistent with a business plan approved by the Board of Directors of the Company; and insuring that the financial costs of current or proposed compensation and benefit programs are reasonable and consistent with industry standards, management performance and shareholders' interest.

The Committee considered the following criteria in recommending to the



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Board the compensation of the Chief Executive Officer as well as the approval of compensation of other executive officers of the Company and its subsidiaries:

1. The overall financial, market and competitive performance of the Company and its subsidiaries during the fiscal year under consideration after adjusting for economic conditions occurring during the year.
2. The level of and/or increases in return on assets and return on equity without encouraging short-term profitability through unreasonable risk-taking or a deterioration of long-term asset quality.
3. Consideration of individual as well as combined measures of progress of the Company and its subsidiaries including the quality of the loan portfolio, the level of the changes in capital ratios, the overall growth of the Bank and R&G Mortgage, the improvement in market share, the improvement in book value per share, the improvement in earnings per share, the level of non-performing loans and

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real estate owned, efficiency ratio levels as compared to peer groups and other objectives as may be established by the Board of Directors of the Company.

4. The individual commitment of the Chief Executive Officer relative to overall management efficiency, inspirational leadership, professional involvement, civic activities and the maintenance of corporate stature enhancing the image of the Company and its subsidiaries in their market place.
5. The compensation and benefit levels of comparable positions to peer group institutions within the financial services industry, and similar asset and operating characteristics with a concentration on those institutions operating in Puerto Rico.

The compensation arrangements and recommendations of the Committee include a base salary and a bonus component if the Executive's performance is judged to warrant such a bonus.

The base compensation of Victor J. Galan, Chief Executive Officer of the Company and the Bank, was established at \$276,999 on January 1, 2000. Mr. Galan's compensation level, determined consistent with the before mentioned criteria, was based on an examination of four peer group comparisons relative to salary and bonus compensation for Chief Executive Officers. Mr. Galan's performance is measured by the profit, capital position, asset quality and the low ratio of operating expenses of the Company, the Bank and R&G Mortgage, as well as the other measures of executive compensation so noted in determining his specific compensation. Mr. Galan was given a bonus of \$200,200 for his service during 2000 based on his overall performance as well as other activities which ensued during the course of the year.

With respect to the other executive officers of the Company and its subsidiaries, the Committee considered salary and bonus recommendations prepared by the Chief Executive Officer to establish 2000 compensation. The salary adjustment recommendation and bonus was based on the Company's overall performance in the past year as well as an analysis of competitive compensation levels necessary to maintain and attract quality personnel.

Following extensive review and approval by the Committee, all issues pertaining to executive compensation were submitted to the full Board of Directors for their approval. Mr. Victor J. Galan does not participate in the

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review of his compensation.

### EXECUTIVE COMMITTEE

Victor J. Galan, Chairman  
 Ramon Prats, Vice Chairman  
 Eduardo McCormack  
 Victor L. Galan

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### PERFORMANCE GRAPH

The following graph compares the cumulative total return on the Class B Shares over a measurement period since the Company's offering and issuance of Class B Shares in August 1996 with (i) the cumulative total return on the stocks included in the National Association of Securities Dealers, Inc. Automated Quotation ("Nasdaq") Total Return Index (for United States companies) and (ii) the cumulative total return on the stocks included in the Nasdaq Total Return Index for Financial Stocks (for United States and foreign companies). All of these cumulative returns are computed assuming the reinvestment of dividends at the frequency with which dividends were paid during the period.

(Bar Graph)

|                               | R&G FINANCIAL CORP. | NASDAQ-TOTAL US |         |          |         |          |         |
|-------------------------------|---------------------|-----------------|---------|----------|---------|----------|---------|
|                               | -----               | -----           |         |          |         |          |         |
| 6/96                          | 100.00              | 100.00          |         |          |         |          |         |
| 12/96                         | 164.85              | 112.94          |         |          |         |          |         |
| 6/97                          | 182.77              | 126.40          |         |          |         |          |         |
| 12/97                         | 254.76              | 138.59          |         |          |         |          |         |
| 6/98                          | 486.53              | 194.38          |         |          |         |          |         |
| 12/98                         | 539.56              | 182.39          |         |          |         |          |         |
| 6/99                          | 438.56              | 238.54          |         |          |         |          |         |
| 12/99                         | 299.77              | 354.22          |         |          |         |          |         |
| 6/00                          | 205.25              | 353.69          |         |          |         |          |         |
| 12/00                         | 372.77              | 217.89          |         |          |         |          |         |
| -----                         |                     |                 |         |          |         |          |         |
|                               | 8/22/96             | 12/31/96        | 6/30/97 | 12/31/97 | 6/30/98 | 12/31/98 | 6/30/99 |
| -----                         |                     |                 |         |          |         |          |         |
| R&G FINANCIAL CORP            | 100.00              | 164.85          | 182.77  | 254.76   | 486.53  | 539.56   | 438.56  |
| NASDAQ -- TOTAL US            | 100.00              | 112.94          | 126.40  | 138.59   | 194.38  | 182.39   | 238.54  |
| NASDAQ -- FINANCIAL COMPANIES | 100.00              | 116.09          | 141.02  | 178.16   | 182.72  | 171.45   | 190.12  |

The above graph represents \$100 invested in the Company's initial public offering of the Class B Shares on August 22, 1996 at \$4.03 per share (as adjusted for the 1997 80% stock dividend and the two-for-one stock split paid in 1998). The Class B Shares commenced trading on the Nasdaq Stock Market on August 22, 1996.

### RATIFICATION OF APPOINTMENT OF AUDITORS

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The Board of Directors of the Company has appointed PricewaterhouseCoopers LLP, independent certified public accountants, to perform the audit of the Company's financial statements for the year ending December 31, 2000, and further directed that the selection of auditors be submitted for ratification by the stockholders at the Annual Meeting.

The fees billed for services rendered to the Company by PricewaterhouseCoopers LLP for the year 2000 were as follows:

|   |           |
|---|-----------|
| Audit Fees.....   | \$284,000 |
| Financial Information Systems Design and Implementation Fees..... | \$ --     |
| All Other Fees.....   | \$ 27,000 |

The Company has been advised by PricewaterhouseCoopers LLP that neither that firm nor any of its associates has any relationship with the Company or its subsidiaries other than the usual relationship that exists between independent certified public accountants and clients. PricewaterhouseCoopers LLP will have

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one or more representatives at the Annual Meeting who will have an opportunity to make a statement, if they so desire, and who will be available to respond to appropriate questions.

The Board of Directors recommends that you vote "FOR" the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2001.

### STOCKHOLDER PROPOSALS

Any proposal which a stockholder wishes to have included in the proxy materials of the Company relating to the next annual meeting of stockholders of the Company, which currently is scheduled to be held in April 2002, must be received at the principal executive offices of the Company, R-G Plaza, 280 Jesus T. Pinero Avenue, Hato Rey, San Juan, Puerto Rico 00918, Attention: Enrique Umpierre-Suarez, Secretary, no later than December 6, 2001.

Stockholder proposals which are not submitted for inclusion in the Company's proxy materials pursuant to Rule 14a-8 under the Exchange Act may be brought before an annual meeting pursuant to Article II, Section 2.14. of the Company's Bylaws, which provides that business at an annual meeting of stockholders must be (a) properly brought before the meeting by or at the direction of the Board of Directors, or (b) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Company not later than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders of the Company. No such proposals were received. Such stockholder's notice is required to set forth certain information specified in the Articles. To be timely with respect to the next annual meeting to be held in April 2002, a stockholder's notice must be received by the Secretary of the Company no later than January 28, 2002.

### ANNUAL REPORTS

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A copy of the Company's Annual Report to Stockholders for the year ended December 31, 2000 accompanies this Proxy Statement. Such annual report is not part of the proxy solicitation materials.

Upon receipt of a written request, the Company will furnish to any stockholder without charge a copy of the Company's Annual Report on Form 10-K for fiscal 1999 required to be filed under the Exchange Act. Such written requests should be directed to Secretary, R&G Financial Corporation, R-G Plaza, 280 Jesus T. Pinero Avenue, Hato Rey, San Juan, Puerto Rico 99018. The Form 10-K is not part of the proxy solicitation materials.

### OTHER MATTERS

Management is not aware of any business to come before the Annual Meeting other than the matters described above in this Proxy Statement. However, if any matters should properly come before the meeting other than those which are described in this Proxy Statement, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the persons voting the proxies.

The cost of the solicitation of proxies will be borne by the Company. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending the proxy materials to the beneficial owners of the Company's Common Stock. In addition to

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solicitations by mail, directors, officers and employees of the Company may solicit proxies personally or by telephone without additional compensation.

By Order of the Board of Directors

VICTOR J. GALAN  
Chairman of the Board and Chief  
Executive Officer

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### APPENDIX A

#### R&G FINANCIAL CORPORATION

#### AUDIT COMPLIANCE COMMITTEE CHARTER

The Audit & Compliance Committee (Committee) shall consist of a minimum of three directors. As determined by the Board of Directors in accordance with applicable requirements, all members of the Committee shall meet the independence requirements of NASDAQ and have no relationship that may interfere with the exercise of their objective judgment in discharging the responsibilities set forth below. As also determined by the Board of Directors, all members of the Committee shall have sufficient financial experience and ability to enable them to discharge such responsibilities, and at least one member shall have accounting or related financial management expertise. The Committee shall have the following responsibilities with respect to the Company, which term shall include without limitation its subsidiaries:

1. To recommend to the Board of Directors, for shareholders' approval, the independent auditor to examine the Company's accounts, controls and

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financial statements. The independent auditor is ultimately accountable to the Board of Directors and to the Committee, and the Board of Directors and the Committee have the ultimate authority and responsibility to select, evaluate and if necessary, replace the independent auditor.

2. To review and discuss the scope of the examination to be conducted by the independent auditor. In addition, the Committee shall at least annually obtain from the independent auditor a formal written statement delineating all relationships between the independent auditor and the Company, and shall at least annually discuss with the independent auditor any relationship or services which may impact the independent auditor's objectivity or independence, and shall take or recommend that the Board take appropriate actions to ensure such independence.
3. To review and approve the Corporate Audit Staff functions, including (i) purpose, authority and organizational reporting lines; (ii) annual audit plan, budget and staffing; and (iii) concurrence in the appointment, removal and compensation of the Vice President-Internal Audit and Compliance.
4. To review results of the examinations of the financial statements of the Company by the independent auditors, their evaluation of the Company's internal system of audit and financial controls, and their annual report on the Company's financial statements.
5. To review with the Company's Chief Financial Officer, the Vice President-Internal Audit and Compliance or such others as the Committee deems appropriate, the Company's internal control system of audit and financial controls and the results of internal audits.
6. To review the Company's financial reporting, the accounting standards, and principles followed by the Company and significant changes in such standards or principles or in their application.
7. To review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to standards of business conduct as required in the policies of the Company. In connection therewith, the Committee will meet, as deemed appropriate, with the General Counsel and other Company officers or employees.
8. To review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of

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management and the Independent Auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the Independent Auditor, or to assure compliance with laws and regulations and the Company's Code of Conduct.

In discharging responsibilities, the Committee will periodically meet with the Company's auditors; as deemed appropriate, such meetings may be held without the presence of any officer or employee of the Company.

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REVOCABLE PROXY

R&G FINANCIAL CORPORATION

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF R&G FINANCIAL CORPORATION ("COMPANY") FOR USE AT THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 25, 2001 AND AT ANY ADJOURNMENT THEREOF.

The undersigned being a stockholder of the Company as of March 30, 2001, hereby authorizes the Board of Directors of the Company or any successors thereto as proxies, to represent the undersigned at the Annual Meeting of Stockholders of the Company to be held at The Bankers Club of Puerto Rico, 208 Munoz Rivera Ave., PH Floor, Hato Rey, San Juan, Puerto Rico 00918, on Wednesday, May 2, 2001 at 10:00 a.m., and at any adjournments of said meeting, and thereat to act with respect to all votes that the undersigned would be entitled to cast, if then personally present, as follows:

(Continued and to be signed on reverse side.)

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Please Detach and Mail in the Envelope Provided

[ X ] Please mark your votes as in this example

|                          | FOR | WITHHOLD<br>AUTHORITY |  |
|--------------------------|-----|-----------------------|--|
| 1. ELECTION OF DIRECTORS | [ ] | [ ]                   | Nominees: For a three year term:<br>Ana M. Armendariz,<br>Victor L. Galan,<br>Benigno Fernandez,<br>Pedro L. Ramirez |

NOTE: To withhold authority to vote for an individual nominee, strike a line through that nominee's name. Unless authority to vote for all of the foregoing nominees is withheld, this Proxy will be deemed to confer authority to vote for each nominee whose name is not struck.

|    |  |            |                |
|----|--|------------|----------------|
| 2. | Proposal to ratify the appointment by the Board of Directors of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending December 31, 2001. | FOR<br>[ ] | AGAINST<br>[ ] |
| 3. | In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.  |            |                |

SHARES OF THE COMPANY'S COMMON STOCK WILL BE VOTED AS SPECIFIED. IF RETURNED BUT NOT OTHERWISE SPECIFIED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE BOARD OF DIRECTORS' NOMINEES TO THE BOARD OF DIRECTORS, FOR RATIFICATION OF THE COMPANY'S INDEPENDENT AUDITORS AND OTHERWISE AT THE DISCRETION OF THE PROXIES. YOU MAY REVOKE THIS PROXY AT ANY TIME PRIOR TO THE TIME IT IS VOTED AT THE ANNUAL MEETING.

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PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

Signature of Shareholder  
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Signature of Shareholder  
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NOTE: Please sign the exactly as your name(s) appear(s) on this proxy. When signing in a representative capacity, please give full title. When shares are held jointly, only one holder need sign.