W HOLDING COMPANY, INC.
CORPORATE GOVERNANCE GUIDELINES

I. Introduction

The Board of Directors of W Holding Company, Inc. (the "Company"), acting on the recommendation of its Nominating and Corporate Governance Committee, has developed and adopted a set of corporate governance principles (the "Guidelines") to promote the functioning of the Board of Directors (the "Board") and its committees, to protect and enhance stockholder value and to set forth a common set of expectations as to how the Board, its committees, individual directors and management should perform their functions. These Guidelines are designed with the Company's current business operations, ownership, capital structure and economic conditions in mind and will continue to evolve as the circumstances change.

II. Roles of the Board of Directors and the Company's Management

The roles of the Board of Directors and the Company's management are related, but different. The role of the Company's management is to basically propose the Company's business strategy to the Board for approval. Management also implements the Company's strategy in the day to day operation of the Company, reports on a regularly basis to the Board of any significant events, issues and risks that may materially affect the Company's business and performance.

The Board's function is to provide oversight. The Board oversees, directly or through committees, the performance of the Company's business and management. The Board reviews and approves the Company's business strategy and oversees management implementation of the strategy.

III. Board Composition

The Composition of the Board should attain the following goals:

- a Board composed of a majority of directors that have no material relationship with the Company and who are otherwise "independent" under the rules of the New York Stock Exchange ("NYSE") and the SEC.

- should facilitate substantive discussions of the whole Board in which each director can participate meaningfully; and

- should encompass a broad range of skills, expertise, industry knowledge, diversity of opinions and contacts relevant to the operation of the Company.

IV. Selection of Chairman of the Board and Chief Executive Officer

The Board should be free to select its Chairman and the Company's Chief Executive Officer in a manner it considers in the best interest of the Company at any given point in time. Therefore, the Board does not have a policy on whether the roles of Chairman and CEO should be separate or combined and, if they are to be separate, whether the Chairman should be selected from the non-executive directors or be an employee.

V. Selection of Directors

a. **Nominations –** The Board is responsible for selecting the nominees for election to the Company Board of Directors by the stockholders. The Company's Nominating and Corporate Governance Committee is responsible for recommending to the Board a slate of directors or one or more nominees to fill vacancies occurring between annual meetings of stockholders.

b. **Criteria** – The Board should, based on the recommendations of the Nominating and Corporate Governance Committee, select new nominees for the position of independent director considering the following qualification standards:

- No director qualifies as “independent” unless the Board affirmatively determines that the director has no material relationship with the Company.

- A Director who is an employee, or whose immediate family member is an executive officer, of the Company, is not considered as independent until the three years after the end of such employment.

- A Director who receives, or whose immediate family member receives, more than $100,000 per year 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 on any continued service), is not independent until three years after he or she ceases to receive more than $100,000 per year in such compensation.

- A Director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company is not "independent" until three years after the end of the affiliation or the employment or auditing relationship.

- A Director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Company present executives serve on that company's compensation committee is not "independent" until three years after the end of such service or the employment relationship.

- A Director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of the Company’s or such other Company's consolidated gross revenues, is not "independent" until three years after falling below such threshold.

There are certain other factors that the members of the Nominating Committee should consider including reputation, accomplishments, commitment, business perspective and judgment, leadership and relevant specific industry knowledge, vision, and experience, in the best long term interest of the Company at the time.

c. **Invitation –** The invitation to join the Board should be extended by the Board via the Chairman of the Board and CEO of the Company, together with an independent director, when deemed appropriate.

d. **Orientation and Continuing Education –** Management working with the Board, will provide an orientation process for new directors, including background material on the Company, its business plan and its risk profile, and meetings with senior management. Periodically, management will prepare additional educational sessions for all directors on matters relevant to the Company’s business and risk profile in accordance with applicable rules of the NYSE.

VI. Election Term – Each member of the Board is elected for a term of three years or until their successor is elected and qualified.

VII. **Retirements of Directors –** The Board does not believe it should establish mandatory retirement terms.

VIII. **Board Meetings –** The Board currently plans to meet at least on a monthly basis, with further meetings to occur (or action to be taken by unanimous written consent) at the discretion of the Board. Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

The agenda for each Board meeting will be distributed by the Secretary of the Board. Any director is free to offer agenda items for consideration by the Board. All materials presented to the Board or its committees should provide the desired information needed for directors to make an informed judgment

IX. **Executive Sessions –** To ensure free and open discussion and communication among the independent directors, the independent directors will meet regularly in executive sessions, with no member of the management present. The independent directors will designate the independent director who will preside at each executive session, and those designations should be rotated. The Board has named the members of the Company's Audit Committee, all of whom are deemed independent directors as required by Sections 303A.02 (a) and (b) of the New York Stock Exchange, as the members of this group. The Company has also named Mr. César A. Ruiz, as the contact for those interested parties that may want to communicate directly with a non-management director. Any interested parties may contact Mr. Cesar A. Ruiz, by written notification to W Holding Company, Inc. P.O. Box 1180, Mayaguez, PR 00681.

X. **The Committees of the Board –** The Company will have at least the following committees:

1. Nominating and Corporate Governance Committee
2. Executive Committee
3. Compensation Committee
4. Audit Committee
5. Investment Committee
6. Commercial Credit Committee
7. Compliance and Risk Management Committee

The Nominating and Corporate Governance Committee shall consist of no less than a majority of the members of the Board, while the Compensation Committee and the Audit Committee shall consist of no fewer than two and three members of the Board, respectively. Directors elected to be members of this committees, and which the Board has determined have no material relationship with the Company and who are otherwise "independent" under the rules of the New York Stock Exchange, and the SEC; also each of these committees must have a written charter in accordance with the rules of the New York Stock Exchange and the SEC.

XI. **Board Responsibilities**

a. **Strategy –** The Board reviews and approves management's proposed strategy for the Company and monitors implementation of the Company's strategic plans on an ongoing basis.

b. **Operating Plans and Budgets –** The Board oversees the Company's annual operating plans; reviews the annual budgets presented by the management and monitors the implementation of the annual plans.

c. **Self-evaluation –** The Board evaluates its own performance annually. Also, each committee should also evaluate its performance annually.

d. **Management succession –** At least annually, the Board will review and concur in a management succession plan, developed by the CEO, to ensure that future selections are appropriately considered. The principal components of this plan, which the CEO will report at least annually to the Board, are:

1. a proposed plan for emergency CEO succession;
2. a proposed plan for CEO succession in the ordinary course of business;
3. the CEO's plan for management succession for the other policy-making officers of the Company.

e. **Evaluating and Approving Salary for the CEO –** The Board, acting through the Compensation Committee, evaluates the performance of the CEO. The Compensation Committee believes that the Chief Executive Officer's combined base salary and cash incentive compensation should reflect the responsibilities and performance of that officer and be comparable to compensation paid by peer group companies. However, the Chief Executive Officer's base salary is consistently set lower than the base salaries reported for similarly positioned executives in the Company's peer group, and a high percentage of the Chief Executive Officer's compensation is in the form of an annual bonus in an amount determined by the Compensation Committee. The Compensation Committee established the bonus incentive in order to create the potential for superior compensation in the event of superior performance and reduced earnings opportunities if corporate performance goals are not achieved. The Compensation Committee believes that the Chief Executive Officer's compensation should be tied to the Company's performance in several financial areas. Upon review, the Compensation Committee considered the following criteria in establishing the compensation of the Chief Executive Officer:

1. Certain measures of progress of the Company including asset quality, stability and soundness of operations, return on average assets, return on average equity, stock price behavior (including the shareholder return reflected in the Performance Graph appearing elsewhere in this proxy statement), the Company's regulatory classification, the level of changes in performance ratios, the overall growth of the Company, the improvement in book value per share, the improvement in earnings per share and efficiency ratio levels as compared to peer groups and net earnings.

2. The individual commitment of the Chief Executive Officer relative to overall management efficiency, leadership and enhancing the image of the Company.

3. The compensation and benefit levels of comparable positions at comparable financial services companies in Puerto Rico, and other peer companies.

The goal of the Committee in setting the above criteria is to retain a qualified executive and to ensure the executive's efforts are directed toward the long-term interests of the Company and its stockholders.

f. **Evaluating and Approving the Compensation of Management -** The Board, acting through the Compensation Committee, evaluates and approves the proposals of the CEO for overall compensation policies applicable to executive officers. The Company has designed a compensation program to attract, motivate and retain the highly talented individuals the Company needs to drive business success. The program reflects the following principles:

Compensation should be related to performance

The compensation program reinforces the Company's business and financial objectives. Employee compensation will vary based on Company and individual performance. When the Company performs well based on financial and non-financial measures, employees will receive greater incentive compensation. When the business does not meet objectives or is facing financial challenges, incentive awards will be reduced. An employee's individual compensation will also vary based on the person's performance, contribution and overall value to the business. Employees with sustained high performance should be rewarded more than those in similar positions with lesser performance.

The Company's employees should think like the Company's stockholders

The Company's employees should act in the interests of the Company's stockholders and the best way to encourage them to do that is through an equity stake in the company. This is done in a number of ways. Stock option grants have been made to key employees. In addition, a non-contributory profit sharing plan which covers substantially all employees and a defined contribution plan under section 1165(e) of the Puerto Rico Treasury Department Internal Revenue Code, covering all full-time employees who have one year of service and are twenty-one years of age or older. Both plans allow employees to invest in the Company's common stock.

Incentive compensation should be a greater part of total compensation for more senior positions

The proportion of an individual's total compensation that varies with individual and company performance objectives should increase as the individual's business responsibilities increase.

Other goals

The compensation program is designed to balance short and long term financial objectives, build stockholder value and reward individual and company performance.

Components of Our Compensation Program

Base Salary

Target base salaries for senior management should be at levels that are comparable to similar positions at companies with whom it is compared for compensation purposes. Surveys are conducted periodically to ensure that salaries are competitive. Compensation above competitive levels should come primarily from the variable portion of the compensation package.

Christmas Bonus

A Christmas bonus is mandated under Puerto Rico legislation for all employees. The Company has normally granted one month of salary as the Christmas Bonus.

Special Performance Bonus

The Company grants a special performance bonus to certain executive officers, including the Chief Executive Officer. Such bonus is granted after an assessment of the Company's performance and growth is made for the year, both individually and compared to its peer group, which includes among other factors, earnings, return on average assets, return on average equity, stock price behavior and the Company's regulatory classification and asset quality.

g. **Board Compensation –** Each non-employee director (except for directors who receive benefits from any retirement plan), with a participation in less than three Board of Directors committees, receive an annual retainer of $24,000, which is payable in 12-monthly installments of $2,000.

Each non-employee director (except for directors who receive benefits from any retirement plan), with a participation in more than three Board of Directors committees, receive an annual retainer of $42,000, which is payable in 12-monthly installments of $3,500.

The Chairman of the Audit Committee and Financial Expert, receive an annual retainer of $36,000, which is payable in 12-monthly installments of $3,000.

No separated fees are paid to directors in their role as directors of the Company.

The Secretary of the Board of Directors, receives $560 per Board of Directors meeting he attended. In addition, for his position as the Secretary of the Board of Directors, receives annual fees amounting to $18,000 annually, which are payable in 12-monthy installments of $1,500.

In addition to fees for attendance at Board and committee meetings, non-employee directors are eligible for health and insurance benefits for the Company.

The Company may also reimburse the directors for their out-of-pocket expenses incurred in connection with attendance at meetings of and other activities relating to service on the Board of Directors or any committee.

h. **Reviewing and Approving Significant Transactions –** Full Board approval shall be required under the following circumstances:

- Legal or regulatory requirements;
- Materiality of the transaction to the Company's financial performance, risk profile or business;

- Terms of the transaction;
- Other factors, such as the impact of entering into a new business or a variation of the original strategic plan.

XII. Evaluating Board Performance – The Board acting through the Nominating and Corporate Governance Committee, should conduct a self-evaluation at least annually to determine whether it is functioning effectively.

Each committee of the Board should also conduct a self-evaluation at least annually and report the results to the Board, acting through the Nominating and Corporate Governance Committee.

XIII. Reliance on Management and Outside Advice – The Board is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. Board members shall have complete access to the Company's management and its independent advisors.

<u>Public Availability</u>

The text of these guidelines is posted on the Company's web site.

Adopted by the Board of Directors of W Holding Company, Inc. on February, 2007.