

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

W HOLDING COMPANY, INC.
Mayaguez, Puerto Rico

and

FEDERAL RESERVE BANK OF
NEW YORK
New York, New York

Docket No. 09-061-WA/RB-HC

WHEREAS, W Holding Company, Inc., Mayaguez, Puerto, Rico (“W Holding”), a registered bank holding company, owns and controls Westernbank Puerto Rico (“Bank”), Mayaguez, Puerto Rico (the “Bank”), a state chartered nonmember bank;

WHEREAS, it is the common goal of W Holding and the Federal Reserve Bank of New York (the “Reserve Bank”) to maintain the financial soundness of W Holding so that W Holding may serve as a source of strength to the Bank;

WHEREAS, W Holding and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on May 26, 2009, the board of directors of W Holding, at a duly constituted meeting, adopted a resolution authorizing and directing Frank C. Stipes to enter into this Agreement on behalf of W Holding, and consenting to compliance with each and every provision of this Agreement by W Holding and its institution-affiliated parties, as

defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, W Holding and the Reserve Bank agree as follows:

Board Composition

1. W Holding shall immediately take all necessary actions to increase the number of outside directors with banking or financial experience.

2. For purposes of this Agreement, the term “outside director” is defined as an individual who: (i) is not an employee or executive officer, as defined in section 215.2(e)(1) of Regulation O of the Board of Governors of the Federal Reserve System (“Board of Governors”) (12 C.F.R. § 215.2(e)(1)), of W Holding or the Bank; (ii) is not a principal shareholder, as defined in section 225.2(n)(2) of Regulation Y of the Board of Governors (12 C.F.R. § 225.2(n)(2)), of W Holding; (iii) is not an employee or officer of any related interest, as defined in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)), of any executive officer or principal shareholder of W Holding or the Bank; or (iv) is not an immediate family member, as defined in section 225.41(b)(3) of Regulation Y of the Board of Governors (12 C.F.R. § 225.41(b)(3)), of any employee, executive officer or principal shareholder of W Holding or the Bank.

Capital Plan

3. Within 90 days of this Agreement, W Holding shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at W Holding, on a consolidated basis, and the Bank, as a separate legal entity on a stand-alone basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the applicable capital adequacy guidelines for the Bank issued by the Bank's federal regulator;

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, allowance for loan and lease losses ("ALLL"), current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional funds to fulfill the consolidated organization's and the Bank's future capital requirements;

(d) supervisory requests for additional capital at the Bank or the requirements of any supervisory action imposed on the Bank by its federal or state regulator; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)) that W Holding serve as a source of strength to the Bank.

4. W Holding shall notify the Reserve Bank, in writing, no more than 30 days after the end of any quarter in which W Holding's consolidated capital ratios or the Bank's capital ratios (total risk-based, tier 1 risk-based, or leverage) fall below the respective plan's minimum ratios. Together with the notification, W Holding shall submit an acceptable written plan that details the steps W Holding will take to increase its and/or the Bank's capital ratios above the plan's minimums.

Dividends

5. (a) W Holding shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors.

(b) W Holding shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date. All requests shall contain, at a minimum, current and projected information on W Holding's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and ALLL; and identification of the sources of funds for the proposed payment. For requests to declare or pay dividends, W Holding must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

6. (a) W Holding and any nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) W Holding shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Compliance with Laws and Regulations

7. In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, W Holding shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

8. W Holding shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Progress Reports

9. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, a report of changes in stockholders' equity.

Approval and Implementation of Plan, Policies, and Procedures

10. (a) W Holding shall submit a written capital plan that is acceptable to the Reserve Bank within the applicable time periods set forth in paragraph 3 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, W Holding shall adopt the approved capital plan. Upon adoption, W Holding shall promptly implement the approved plan and thereafter fully comply with it.

(c) During the term of this Agreement, the approved capital plan shall not be amended or rescinded without the prior written approval of the Reserve Bank.

Communications

11. All communications regarding this Agreement shall be sent to:

(a) Mr. Thomas Oravez
Assistant Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

(b) Mr. Frank C. Stipes
Chairman, President & CEO
W Holding Company, Inc.
19 West McKinley Street
Mayaguez, Puerto Rico 00681-1180

Miscellaneous

12. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to W Holding to comply with any provision of this Agreement.

13. The provisions of this Agreement shall be binding upon W Holding and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

14. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

15. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting W Holding, the Bank, any nonbank subsidiary of W Holding, or any of their current or former institution-affiliated parties and their successors and assigns.

16. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 27th day of May, 2009.

W HOLDING COMPANY, INC.

FEDERAL RESERVE BANK OF
NEW YORK

By: /s/ Frank C. Stipes
Frank C. Stipes
Chairman, President & CEO

By: /s/ Thomas Oravez
Thomas Oravez
Assistant Vice President