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STATEMENT OF DUTIES AND RESPONSIBILITIES

Statement of Policy

The Audit Committee is appointed by the Board of Directors to assist the board in fulfilling its oversight responsibility of monitoring the quality and integrity of the accounting, auditing and reporting practices of W Holding Company, Inc., and its wholly owned subsidiaries, Westernbank Puerto Rico (Westernbank or the bank) and Westernbank Insurance Corp., the compliance by the Company and its subsidiaries with legal and regulatory requirements and the qualifications, independence and performance of the internal and external auditors. The Audit Committee shall prepare the report that the Securities and Exchange Commission’s rules require to be included in the Company’s annual proxy statement. The committee is expected to maintain free and open communication (including private executive sessions at least annually) with the independent accountants, the internal auditors and the management of the Company and subsidiaries. The Committee shall meet at least four times annually, or more frequently as circumstances dictate.

The Audit Committee shall review and assess the adequacy of this Charter and the performance of this Committee itself annually and recommendations for updates made to the Board for approval.

Composition

The Audit Committee shall be comprised of at least three directors who are generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise who is an audit committee financial expert within the meaning of Section 407 of the Sarbanes-Oxley Act of 2002 and applicable rules and regulations of the SEC and the New York Stock Exchange (NYSE) (“audit committee financial expert”) and at least two members with banking or related financial management expertise as required by Section 36(g)(C)(i) of the Federal Deposit Insurance Corporation (FDIC) rules and regulations. Each member shall be free of any relationship that, in the opinion of the board, would interfere with his or her individual exercise of independent judgment, and shall meet the director independence requirements for serving on audit committees as set forth in the corporate governance standards and rules and regulations of the SEC, FDIC and the NYSE. The Board of Directors’ nominating committee shall appoint Audit Committee members and one member of the Audit Committee as chairperson. He or she shall be responsible for leadership of the

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committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board of Directors.

Responsibilities

The Audit Committee's primary responsibilities include:

1. The Audit Committee, in its capacity as a committee of the Board of Directors, shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm selected or retained to audit the financial statements of the Company and subsidiaries, as well as for overseeing the auditor's work. Each such registered public accounting firm shall report directly to the Audit Committee. In so doing, the committee will request from the auditor a written affirmation that the auditor is in fact independent and discuss with the auditor any relationships that may impact the auditor's independence.
2. Evaluate the performance of the independent auditor and recommend their discharge when circumstances warrant.
3. At least annually, the Audit Committee should obtain and review a report by the independent auditor, describing the firms' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one of more independent audits carried out by the firm, and any steps taken to deal with any such issues and to assess the auditor's independence, all relationships between the independent auditor and the Company's.
4. Oversee the independent auditor relationship by discussing with the auditor the nature and rigor of the audit process, receiving and reviewing audit reports, and providing the auditor full access to the committee (and the board) to report on any and all appropriate matters.
5. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 related to the conduct of the audit.
6. Review the audited financial statements and discuss these with management and the independent auditor. These discussions shall include considerations of the quality of the Company's and its subsidiaries accounting principles as applied in its financial reporting, including review of significant estimates, reserves and accruals, review of judgmental areas, review of audit adjustments, whether or not recorded, and such other inquiries as may be appropriate. Based on the review, the committee shall make its recommendations to the

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board as to the inclusion of the Company's and subsidiaries audited financial statements in the Company's annual report on Form 10-K.

7. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
8. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
9. Review the appointment and replacement of the senior internal audit executive.
10. Evaluate the Company's compliance with legal and regulatory requirements.
11. Review the significant reports to management prepared by the internal audit department and management responses.
12. Discuss the internal audit department responsibilities, budget, staffing and any recommended changes in the planned scope of the internal audit.
13. Evaluate the performance of the internal audit function.
14. Evaluate performance of senior internal audit executive and make periodic salary revisions in accordance with Company's policy.
15. Provide guidance and oversight to the internal audit activities of the Company and subsidiaries including reviewing the organization, plans and results of such activities.
16. Review with management and the independent auditor, the quarterly financial information prior to making it public through the issuance of earnings releases and prior to the Company's filing of Forms 10-Q or 10-K, including the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations". The committee or its chairperson may perform this review.
17. Discuss with management, the internal auditors and the external auditors the quality and adequacy of the Company's and subsidiaries internal controls and review the Company's internal controls report and the independent auditor's attestation of the report prior to the filing of the Company's Form 10-K, including the Company's disclosure under "Management Discussion and Analysis of Financial Condition and Results of Operations".

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18. Discuss with management all financial information and earnings guidance to be provided or provided to analysts and rating agencies.
19. Review and pre-approve all auditing and permissible non-audit services to be performed by the Company's independent auditor and establish policies and procedures for such pre-approvals. On an annual basis, the Audit Committee shall review and approve the Pre-Approval Policy, a copy of which is attached hereto as **Appendix 1**.
20. Ensure regular rotation of the lead audit partner in accordance with applicable law and consider whether, in order to ensure continuing auditor independence, there should be a regular rotation of the audit firm itself and whether the auditor's quality controls are adequate and the provision of non-audit services is in compliance with applicable law and compatible with maintaining the auditor's independence.
21. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor.
22. The Audit Committee shall establish procedures for receiving, retaining and addressing any complaints about the Company's and subsidiaries accounting, internal accounting controls, or auditing matters, as well as for the anonymous and confidential submission of employees concerns regarding questionable accounting or auditing matters.
23. The Audit Committee shall have the authority to engage its own outside advisors on accounting, financial reporting or legal matters, as it determines necessary to perform its duties. The Company will provide the Audit Committee with adequate funding for this purpose.
24. The Audit Committee shall meet separately, periodically, with management, internal auditors (or any other personnel responsible for the internal audit function) and with the independent auditors.
25. Report audit committee activities to the full board on a regular basis.
26. The Audit Committee is empowered to delegate or assign responsibilities to any other committee of the Company, as deemed necessary.
27. Prepare an audit committee report as required by the SEC to be included in the Company's annual proxy statement.

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28. Perform any other activities consistent with this Charter, the Company's By-Laws and governing law, as the committee or the Board deems necessary or appropriate.

Limitation on the Audit Committee's Role

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

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APPENDIX 1

INDEPENDENT AUDITORS SERVICES
PRE-APPROVAL POLICY

I. STATEMENT OF PRINCIPLES

The Audit Committee must pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services does not impair the auditor's independence. Before the company or any of its subsidiaries engages the independent auditor to render a service, the engagement must be either: 1) specifically approved by the Audit Committee; or 2) covered by this Pre-Approval Policy.

The appendices to this Policy describe in detail the particular audit, audit-related, tax and other services that have the pre-approval of the Audit Committee pursuant to this Pre-Approval Policy. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee shall periodically revise the list of pre-approved services.

II. DELEGATION

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee may not delegate to management the Audit Committee's responsibilities to pre-approve services performed by the independent auditor.

III. AUDIT SERVICES

The Audit Committee must specifically pre-approve the terms of the annual audit services engagement. The Audit Committee shall approve, if necessary, any changes in terms resulting from changes in audit scope, Company structure or other matters.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other audit services, which are those services that only the independent auditor reasonably can provide. The Audit Committee has pre-approved the audit services listed in Appendix A. All other audit services not listed in Appendix A must be specifically pre-approved by the Audit Committee.

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IV. AUDIT-RELATED SERVICES

Audit-related services, including internal control-related services, are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and/or the Company's internal control over financial reporting and that are traditionally performed by the independent auditor. The Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor, and has pre-approved the audit-related services listed in Appendix B. All other audit-related services not listed in Appendix B, and all internal control-related services, must be specifically pre-approved by the Audit Committee.

V. TAX SERVICES

The Audit Committee believes that the independent auditor can provide tax services to the Company such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Audit Committee shall scrutinize carefully the retention of the independent auditor in connection with any tax-related transaction initially recommended by the independent auditor. In the case of the Company and its subsidiaries, an independent Tax Consultant provides all tax services. The Audit Committee has pre-approved the tax services listed in Appendix C. All tax services not listed in Appendix C must be specifically pre-approved by the Audit Committee.

VI. OTHER SERVICES

The Audit Committee may grant pre-approval to those permissible non-audit services classified as other services that it believes would not impair the independence of the auditor, including those that are routine and recurring services and would not impair the independence of the auditor. Any other services pre-approved by the Audit Committee, if any, will be listed in Appendix D. Permissible other services not listed in Appendix D must be specifically pre-approved by the Audit Committee.

A list of prohibited non-audit services is attached to this Pre-Approval Policy as Appendix E. The rules of the SEC and the Public Company Accounting Oversight Board (PCAOB) and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

VII. PRE-APPROVAL FEE LEVELS

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Pre-approval fee levels for all services to be provided by the independent auditor will be established periodically by the Audit Committee. Where the Audit Committee has approved an estimated fee for a service, the pre-approval applies to all services described in the approval. However, in the event the estimated fees in respect of any such service is materially in excess of the actual fees, the Audit Committee must approve such excess amount prior to payment of the invoice. The Audit Committee expects that any requests to pay invoices in excess of the estimated amounts will include an explanation as to the reason for the overage. Should a situation arise where additional work is required or where work was not included in the original fee approval, the Audit Committee must pre-approve such additional work. The Company's independent auditor will be informed of this policy.

VIII. SUPPORTING DOCUMENTATION

With respect to each proposed pre-approved service, the independent auditor must provide the Audit Committee with detailed back-up documentation regarding the specific services to be provided.

IX. PROCEDURES

The Company's management shall inform the Audit Committee of each service performed by the independent auditor pursuant to this Pre-Approval Policy.

Requests or applications to provide services that require separate approval by the Audit Committee shall be submitted to the Audit Committee by both the independent auditor and the Chief Financial Officer and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's and the PCAOB's rules on auditor independence.

X. ADDITIONAL MATTERS

On a quarterly basis, the Audit Committee shall review a summary of fees paid year-to-date for all audit fees and engagement for audit, audit related, tax and other services, regardless of the fee amount. In addition, on a quarterly basis, management shall submit to the Audit Committee a report of each audit, audit related, non-audit, tax and other engagement entered into in the quarter with the independent accountant, and the fee for such engagement(s).

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Public Availability

The text of this charter will be posted on the Company's web site.

ADOPTED BY THE BOARD OF DIRECTORS AS OF MAY 03, 2004.

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W HOLDING COMPANY, INC. AND SUBSIDIARIES
PRE-APPROVED AUDIT SERVICES FOR FISCAL YEAR 2004

APPENDIX A

Dated: May 2004

Service	Range of Fees
US GAAS and statutory audits of financial statements for the Company and its subsidiaries	
Services associated with SEC registration statements, periodic reports, and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to SEC comment letters	
Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, PCAOB, FASB, or other regulatory or standard setting bodies	
Attestation of management's assessment of internal controls, as required by Sarbanes-Oxley Act Section 404	
Regulatory reports	

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**W HOLDING COMPANY, INC. AND SUBSIDIARIES
 PRE-APPROVED AUDIT-RELATED SERVICES FOR FISCAL YEAR 2004**

APPENDIX B

Dated: May 2004

Service	Range of Fees
Financial statements audits of employees' benefit plans.	
Agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters	
Consultation by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretation by the SEC, PCAOB, FASB, or other regulatory or standard-setting bodies	
Due diligence/consultation on any merger/acquisition or other business transaction	
To the extent permitted, design, and implementation of internal accounting controls (e.g. in connection with implementation of an Enterprise Resource Planning system or as a result of reviews of existing systems)	
Assessment of internal accounting controls (e.g. in connection with implementation of an Enterprise Resource Planning system or as a result of reviews of existing systems)	
Permissible Sarbanes-Oxley Act Section 404 implementation assistance	

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**W HOLDING COMPANY, INC. AND SUBSIDIARIES
PRE-APPROVED TAX SERVICES FOR FISCAL YEAR 2004**

APPENDIX C

Dated: May 2004

Service	Range of Fees
US federal, state and local tax planning and advice	
Review and advice on US federal, state and local tax compliance	
International tax planning and advice	
Review and advice on international tax compliance	
Preparation and/or review of federal, state, local and international income, franchise, and other tax returns or amendments	
Ruling requests	

Note: The above tax services are provided by an independent Tax Consultant and not by the independent auditors.

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**W HOLDING COMPANY, INC. AND SUBSIDIARIES
 PRE-APPROVED OTHER SERVICES FOR FISCAL YEAR 2004**

APPENDIX D

Dated: May 2004

Service	Range of Fees

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**W HOLDING COMPANY, INC. AND SUBSIDIARIES
PROHIBITED NON-AUDIT SERVICES**

APPENDIX E

- Bookkeeping or other services related to the accounting records or financial statements of the audit client*
- Financial information systems design and implementation*
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports*
- Actuarial services*
- Internal audit outsourcing services*
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit

* Provision of these non-audit services is permitted if it is reasonable to conclude that the results of these services will not be subject to audit procedures. Materiality is not an appropriate basis upon which to overcome the presumption that prohibited services will be subject to audit procedures because determining materiality is itself a matter of audit judgment.