

CORPORATE GOVERNANCE GUIDELINES

1. Director Qualifications and Selection Process

The Board of Directors (the "Board") of Sovereign Bancorp, Inc. (the "Company") will have at least a majority of directors who, in the business judgment of the Board, meet the criteria for independence required by the New York Stock Exchange for continued listing and all other applicable legal requirements. The Nominating Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics new Board members or nominees should possess as well as the composition of the Board as a whole. This review will include assessment of the absence or presence of material relationships with the Company or others which might impact a director's independence and objectivity, as well as consideration of diversity, age, skills, experience, time available and the number of other boards the member or nominee sits on in the context of the needs of the Board and the Company, and such other criteria as the Nominating Committee shall determine to be relevant from time to time. Because of the complex and heavily regulated nature of the Company's business, the Board has historically believed that prior experience in the financial services business and "hands on" familiarity with the regulatory requirements applicable to the Company and Sovereign Bank, is an important consideration for nomination and election as a director of the Company. Nominees for election as directors are recommended by the Nominating Committee to the Board in accordance with the policies and principles in its charter and the criteria for electing directors approved by the Board. The invitation to join the Board should be extended by the Chairman of the Board on behalf of the Board.

Shareholders may nominate candidates for election to the Board at any annual meeting of the shareholders in accordance with the Company's Articles of Incorporation and By-laws as in effect from time to time.

The Board believes that, given the size and breadth of the Company and the need for diversity of Board views, a Board consisting of between six and twelve directors is appropriate. The number of directors will be fixed by the Board from time to time.

The Board is divided into three classes, each serving a term of three years. No director may be nominated to a new term if he or she would be age 73 or older at the time of the election. The Board does not believe it should establish term limits. Although term limits help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations. As an alternative to term limits, the Nominating Committee will review each director's continuation on the Board at the time such director is up for reelection.

It is the sense of the Board that individual directors who materially change the non-Company responsibilities they held when they were elected to the Board should volunteer to resign from the Board. The Board does not believe, however, that in every instance the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board through the

Nominating Committee to review the continued appropriateness of Board membership under these circumstances.

No director may serve on any other public company boards (other than a company of which such director is the CEO or Executive Chairman) unless service on another public company's board is approved by the Board. Directors should advise the Chairman of the Board and the Chairman of the Nominating Committee in advance of accepting an invitation to serve on another public company board. Because of the increased time commitment involved in serving on boards of public companies, the Board believes that membership on the Board of more than one other public company would be inappropriate for a director of the Company and requires that Company directors receive Board approval before accepting a nomination for election as a director of other public companies. No director of the Company may serve on more than four boards of public companies, including our Board.

2. Director Responsibilities

The basic responsibility of the directors is to exercise their business judgment in good faith to act in what they reasonably believe to be in the best interests of the Company, with due regard to the regulatory relationship between holding companies and depository institutions. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The Board shall authorize and approve the purchase of directors' and officers' liability insurance in such amounts and upon such terms as the Board deems appropriate.

Directors are expected to attend all Board meetings and meetings of committees on which they serve as well as the Company's annual meeting of shareholders. Directors are expected to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. The Board expects that information and data will be distributed in writing to members sufficiently in advance of a Board meeting to provide directors with an opportunity to review such information and data.

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes that this issue is part of Chairman and CEO succession planning process and that it is in the best interests of the Company for the Board to make a determination in connection with such planning. The Board believes that, if the CEO also serves as the Chairman, there should be one or more "lead" or "co-lead" directors who are "independent" directors within the meaning of the New York Stock Exchange listing requirements any other requirements established by the Board.

The Chairman (in consultation with any "lead" or "co-lead" director) is responsible for establishing the agenda for each Board meeting. At the beginning of the year the Chairman will establish a preliminary list of agenda subjects to be discussed during the year (to the degree this can be foreseen). Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans during at least one Board meeting each year.

The non-management directors will meet in executive session at least quarterly. No members of the Company's management will be present at such executive sessions. The

Chairman shall preside at such meetings (or, if the CEO also serves as Chairman, the "lead" director chosen by a majority of the non-management directors will preside at any such meeting). The name of the director presiding over such meetings will be disclosed in the Company's annual proxy statement.

The Board will review, with the Company's executive management team, at least annually, the Company's business plans, discuss corporate strategy and evaluate the Company's strengths, weaknesses, opportunities and threats, as well as to review the Company's progress against the Company's vision, mission, values and critical success factors.

The Board believes that the management speaks and acts for the Company. Individual Board members shall not, absent the written approval of the Board or of the CEO, speak or act on behalf of the Company.

3. Board Committees

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating Committee. All of the members of these committees will be independent directors to the extent required under the listing standards of the New York Stock Exchange and the requirements of the Securities and Exchange Commission and will meet all other applicable legal requirements. Committee members will be appointed by the Board, based on the recommendations of the Nominating Committee. The Board does not believe that rotation of members among committees should be mandated as a policy.

The Audit Committee, the Compensation Committee and the Nominating Committee will each have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as any qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations. The charters will also provide that each committee will annually evaluate its performance.

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At the beginning of the year each committee will establish a preliminary schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen).

The Board may, from time to time, establish or maintain additional standing or ad hoc committees as necessary or appropriate.

4. Director Access to Officers and Employees

Directors have full and free access to officers and employees of the Company. However, any meetings or contacts that a director wishes to initiate with employees other than senior management of the Company should be arranged through the CEO or the Secretary. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, copy the CEO on any written communications between a director and an officer or employee of the Company.

5. Access to Independent Advisors

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

6. Director Compensation

The form, amount and terms of director and committee member compensation will be determined by the Compensation Committee (and approved by the Board) in accordance with the policies and principles set forth in these Guidelines and the listing standards of the New York Stock Exchange and all other applicable legal requirements, and the Compensation Committee will conduct an annual review of director compensation. In making its determination, the Compensation Committee considers (i) the impact on directors' independence of the amount, form and terms of director compensation, and (ii) whether there is any indirect compensation payable to or benefit conferred or payable to the director, including by reason of any charitable contributions by the Company to any charitable organization or private foundation with which the director is affiliated which contribution is either (x) qualitatively or quantitatively material or (y) made outside the usual and ordinary course of business.

7. Director Orientation and Continuing Education

All new directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable after the meeting at which new directors are elected or appointed to the Board. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct and Ethics, its principal officers, and its internal and independent auditors. In addition, the Orientation Program will include visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities. All other directors are also invited to attend the Orientation Program.

All directors are required to participate in continuing education programs sponsored by the Company throughout the year, including programs addressing legal, financial, regulatory and industry specific topics. It is also highly recommended that all directors attend continuing education programs sponsored by nationally recognized educational organizations not affiliated with the Company. The Company will reimburse directors for reasonable expenses incurred in attending such programs.

8. CEO Evaluation and Management Succession

The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Board of Directors will review the Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Nominating Committee should make an annual report to the Board on succession planning. The entire Board will work with the Nominating Committee to nominate and evaluate

potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

9. Annual Performance Evaluations

The Nominating Committee, in a manner determined by the Board, shall oversee an annual performance evaluation of the Board, each director, the Committees of the Board, and management.

10. Stock Ownership Requirement

The Company's non-employee directors, the Company's CEO and the Company's executive management shall beneficially own shares of common stock having a minimum value as shall be determined by the Board from time to time.

11. Disclosure of these Guidelines

It shall be the responsibility of the Corporate Secretary of the Company to assure that the current version of these Guidelines be posted on the Company's website at <http://www.sovereignbank.com>. The Company's shareholders shall be apprised in the Company's Annual Report of the availability of these Guidelines on the Company's website. Any shareholder of the Company may get a copy of the Guidelines by request to the Company's Investor Relations Group.

12. Codes of Ethics

The Company will at all times maintain a Code of Conduct and Ethics for its directors, officers and team members, and a Code of Ethics for Chief Executive Officer and Senior Financial Officers.

13. Secretary

Minutes of each Board meeting and Committee meeting will be compiled by the Company's Corporate Secretary who shall act as Secretary to the Board and each Committee, or in the absence of the Corporate Secretary, by an Assistant Corporate Secretary of the Company who is also a member of the Company's internal legal staff or any other person designated by the Board and a Committee, as the case may be.

14. Conflicts with Charter Documents

To the extent that these guidelines conflict with the Company's certificate of incorporation or bylaws, the terms of the certificate of incorporation or bylaws, as the case may be, shall control.

15. Corporate Governance Guidelines Revisions

The Board will review and revise these Corporate Governance Guidelines and related documents as and when appropriate.