

COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee (the "Committee") is appointed by the Board of Directors, (the "Board") of Sovereign Bancorp, Inc. (the "Company") to (i) discharge the Board's responsibilities relating to compensation of the Company's directors, Chief Executive Officer (the "CEO") and other executives, and (ii) produce an annual report on executive compensation for inclusion in the Company's proxy statement. The Committee has overall responsibility for approving and evaluating the director, the CEO and the compensation plans, policies and programs of the Company.

Committee Membership

The Committee shall consist of no fewer than three members, each of whom shall be a director of the Company. Each member of the Committee shall meet the listing standards relating to independence of the New York Stock Exchange and all other applicable legal requirements. The Committee shall report to the Board when the Committee deems it appropriate or upon request of the Board. A majority of the members of the Committee shall constitute a quorum.

The members of the Committee shall be appointed and replaced by the Board.

Committee Authority and Responsibilities

1. The Committee shall at least annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and determine the CEO's compensation levels based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, the awards given to the CEO in past years, and other factors it deems appropriate.
2. The Committee shall at least annually make recommendations to the Board with respect to (i) the compensation of those team members which the Committee, in its judgment, deems to be senior executive officers (excluding the CEO whose compensation is covered in paragraph 1 above), and (ii) incentive-compensation plans and equity-based plans.
3. The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director or CEO compensation and shall have sole authority to approve the consultant's fees and other retention terms, all at the Company's expense.
4. The Committee shall annually review and determine the compensation of all directors.

5. The Committee shall annually review and approve, for the CEO of the Company, (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) the terms of any employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits.
6. The Committee may form and delegate authority to subcommittees when appropriate.
7. The Committee shall make reports to the Board when the Committee deems it appropriate or upon request of the Board.
8. The Committee shall annually evaluate its own performance.
9. The Committee, and each member of the Committee in his or her capacity as such, shall be entitled to rely, in good faith, on information, opinions, reports or statements, or other information prepared or presented to them by (i) officers and other employees of the Company or Sovereign Bank, whom such member believes to be reliable and competent in the matters presented, (ii) counsel, public accountants or other persons as to matters which the member believes to be within the professional competence of such person.
10. Minutes of each Committee meeting will be compiled by the Company's Corporate Secretary who shall act as Secretary to the 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 Committee.