



Sovereign BancorpSM

CODE OF CONDUCT AND ETHICS

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I. INTRODUCTION

It is the policy of Sovereign Bancorp, Inc. and each of its subsidiaries and affiliates (collectively, "Sovereign") that, at all times, Directors and Team Members (each as defined below) shall adhere to and obey laws, rules, and regulations of local, state, and Federal authorities applicable to the business of Sovereign.

It is Sovereign's belief that there are no greater selling points for a business corporation than high corporate and individual conduct, quality service and sound judgment. Personal honesty and corporate integrity are high priorities of Sovereign. Whether a Director or Team Member, it is each person's responsibility to maintain the highest standards of professional and ethical conduct which is essential in preserving Sovereign's integrity in the community. Each person has a fundamental duty to avoid placing him or herself in a position which creates, or which leads to, or could lead to, a conflict of interest or the appearance of a conflict of interest.

Directors and Team Members have an affirmative duty to promote and advance the interests of Sovereign. Each individual should be concerned with the welfare of customers as well as shareholders of Sovereign.

Sovereign requires ethical behavior of its Directors and Team Members. A Team Member is encouraged to talk with his or her supervisor, manager or other appropriate personnel when in doubt about a best course of action in a particular situation from an ethical perspective.

It is the responsibility of Directors and Team Members to report violations of laws, regulations, or this Code of Conduct and Ethics (this "Code") using the processes described in this Code. Sovereign will not permit retaliation against Team Members for reports made in good faith.

A. Coverage

This Code applies to the Directors and Team Members of Sovereign and its subsidiaries, including Sovereign Bank (the "Bank").

"Director" means a member of the Board of Directors of Sovereign Bancorp, Inc. and "Board" or "Board of Directors" means the Board of Directors of Sovereign Bancorp, Inc. "Team Member" means any officer or employee of Sovereign, including any executive officers, unless otherwise stated. Where so indicated, certain parts of this Code may apply specifically to "Executive Officers," which means a member of Sovereign's management so designated by resolution of the Board of Directors.

B. Guidance and Reporting Procedures

1. **General questions** regarding this Code may be directed to Sovereign's Legal/Compliance Department. Questions from Directors and Executive Officers may also be discussed with the Chairman of the Board or the Chairman of the Nominating Committee of Sovereign's Board (the "Nominating Committee").

2. **Determinations regarding whether a violation of this Code has occurred** shall be made as follows:

(a) Process:

- (i) If the alleged violation under consideration concerns an Executive Officer or Director of either Sovereign or the Bank, the determination of the existence of any violation, subject to the provisions of Section 6 below, shall be made by the Nominating Committee, in consultation with the Legal/Compliance Department and/ or such external legal counsel as the Nominating Committee deems appropriate.
- (ii) If the situation under consideration concerns any other Team Member, the determination of the existence of a violation shall be made by the member of the Office of the Chairman ("OC Member") to whom the Team Member ultimately reports, in consultation with the Legal/Compliance Department. An OC Member may delegate his or her duty to determine violations of this Code to the Director of Human Resources who, either personally or through his or her delegee, shall then make such determinations in consultation, if necessary, with the Legal/Compliance Department.
- (iii) The Nominating Committee and any OC Member (or the Director of Human Resources as delegee) making a determination as to whether a violation has occurred shall document the decision in writing. All documentation shall be forwarded to and/or held by the Director of Human Resources for filing and retention, with a copy to the Legal/Compliance Department. These files shall be available to Internal Audit Services and to the Legal/Compliance Departments. No less frequently than quarterly, the Director of Human Resources or his or her designee shall provide a written report to each applicable OC Member (with a copy to the Legal / Compliance Department) advising that OC Member of determinations made on that OC Member's behalf.
- (iv) In determining whether a violation of this Code has occurred, the committee or person making such determination may take into account to what extent the violations were intentional, the qualitative and quantitative materiality of such violation from the perspective of either the detriment to Sovereign or the benefit to the Director, Executive Officer or Team Member, the policy behind the provision violated and such other facts and circumstances as they shall deem advisable under all the facts and circumstances.

(b) All acts and omissions determined to be violations of this Code by the Nominating Committee shall be promptly reported by the Nominating Committee to the Board.

- 3. Requests for Waivers.** A waiver of a provision of this Code shall be requested whenever there is a reasonable likelihood that a contemplated action will violate the Code.
- (a) Process:
- (i) If the request under consideration relates to an Executive Officer or Director, subject to the provisions of Section 6 below, the determination with respect to the waiver shall be made by the Nominating Committee, in consultation with the Legal/Compliance Department and/or such external legal counsel as the Nominating Committee deems appropriate.
 - (ii) If the request under consideration relates to any other Team Member, the determination shall be made by the OC Member to whom the Team Member ultimately reports, in consultation with the Legal/Compliance Department unless such request is quantitatively or qualitatively material or outside the ordinary course of business, in which case such determination shall be made by the Nominating Committee.
 - (iii) (iii) The decision with respect to the waiver request by the Nominating Committee or an OC Member shall be documented and forwarded to the Director of Human Resources for filing and retention, with a copy to the Legal/Compliance Department. These files shall be available to Internal Audit Services and to the Legal/Compliance Departments.
- (b) Waivers will not be granted except under extraordinary or special circumstances.
- (c) Waivers of this Code for Directors or Sovereign's executive officers (in this context, as defined by the New York Stock Exchange) shall be, and waivers with respect to other Team Members, to the extent determined to be required or appropriate by Sovereign's Board of Directors in consultation with Sovereign's Chief Legal and Compliance Officer and/or other legal counsel as the Nominating Committee deems appropriate, shall be, publicly disclosed promptly.
- 4. Written Approval and/or Notification under the Code.** Whenever the requirement for "written approval" or notification appears elsewhere in this Code, it means that a writing setting forth the pertinent facts of the situation under consideration shall be submitted according to the process specified below. Also, written notification is highly recommended if contemplated actions may have the propensity to create an arguable violation or even create the appearance of a violation to a reasonable person.

- (a) Process:
- (i) If the request under consideration relates to an Executive Officer or Director, the determination with respect to the approval, subject to the provisions of Section 6 below, shall be made by the Board of Directors or the Nominating Committee (in which case, the Nominating Committee will report to the Board of Directors), in consultation with the Legal/Compliance Department and/or such external legal counsel as the Nominating Committee deems appropriate.
 - (ii) If the request under consideration relates to any other Team Member, the determination with respect to the approval shall be made by the OC Member to whom the Team Member ultimately reports, in consultation with the Legal/Compliance Department unless such request is quantitatively or qualitatively material or outside the ordinary course of business, in which case such determination shall be made by the Nominating Committee. An OC Member may delegate his or her duty to make determinations for written approvals under this Code to the Director of Human Resources, who, either personally or through his or her designee, shall make such determinations in consultation, if necessary, with the Legal/Compliance Department. Team Members shall direct their requests for approvals to their senior leaders, (who, in turn, will contact the appropriate OC member) or to the Nominating Committee, as appropriate.

The decision by the Nominating Committee, the Board or an OC Member (or by the Director of Human Resources as delegatee or by his or her designee) with respect to the approval request shall be documented in writing. All documentation shall be forwarded to and/or held by the Director of Human Resources for filing and retention, with a copy to the Legal/Compliance Department. These files shall be available to Internal Audit Services and to the Legal/Compliance Departments. No less frequently than quarterly, the Director of Human Resources or his or her designee shall provide a written report to each applicable OC Member (with a copy to Legal / Compliance) advising that OC Member of determinations made on that OC Member's behalf.

5. Good Faith Reporting of Wrongdoing

- (a) Employees of Sovereign are protected, to the extent provided by law, against retaliation by Sovereign when they provide information or assist in an investigation by federal regulators, law enforcement, Congress, or Sovereign itself, regarding conduct that the employee reasonably believes relates to fraud against Sovereign or Sovereign's shareholders. Furthermore, the Bank is subject to and the Team Members are protected by Section 33(a) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1831 j), (the "Act"), which is commonly known as "Whistleblower Protections." Pursuant to the Act, Team Members shall not be discharged, threatened, or otherwise discriminated or retaliated against regarding their compensation, terms, conditions, location or privileges of employment because they, or a person acting on their behalf, make a good faith report or are about to report verbally or in writing to Sovereign or an appropriate authority an instance of wrongdoing.
- (i) "Good faith report" shall mean a report of conduct defined as wrongdoing, which the person making the report has reasonable cause to believe is true and which is made without malice or consideration of personal benefit.
 - (ii) "Wrongdoing" shall mean a violation which is not of a merely technical or minimal nature of a federal or state statute or regulation or of this Code designed to protect the interests of the public or Sovereign.
 - (iii) All good faith reports and resulting investigations will be kept confidential.

- (b) Good faith reports of wrongdoing should be submitted, in writing, to the Director of Human Resources. The Director of Human Resources shall discuss the report with Sovereign's General Counsel or Assistant General Counsel and Chief Auditor, as appropriate, and may then arrange a meeting with the employee to allow the employee to present a personal and complete description of the situation. Thereafter, the Director of Human Resources will take the matter under consideration, including undertaking any necessary investigation or evaluation of the facts related to the situation and after consultation with Sovereign's General Counsel or Assistant General Counsel, and Chief Auditor as appropriate, shall render a written decision, response or explanation as expeditiously as possible. If the employee is not satisfied with the response of the Director of Human Resources, the employee may pursue redress under the complaint resolution process as set forth in the Team Member Handbook. Such a decision or response will be final and conclusive.
- (c) Directors may submit any good faith reports of wrongdoing in writing to the Sovereign General Counsel. A thorough investigation will be undertaken by the General Counsel or his designee and appropriate action taken.
- (d) Team Members may also avail themselves of the Conflict Resolution Procedure described in the Team Members Handbook, or use the Loss Prevention Tipline, a toll-free hotline (800-718-2673) to report confidentially (and anonymously, if so desired) suspicious or possible unethical or dishonest acts performed in the workplace.
- (e) To comply with the requirements of the Sarbanes-Oxley Act and the New York Stock Exchange, the Audit Committee of Sovereign's Board of Directors has adopted a policy for handling accounting or auditing complaints. Team Members (as well as other interested parties) who want to express a concern relating to accounting or auditing matters may contact Sovereign's Audit Committee by writing to:

Audit Committee Chair
Sovereign Bancorp, Inc.
P.O. Box 936
Reading, PA 19603

- (1) All complaints must be in writing. Complaints may be submitted anonymously. Complaints may be signed, with or without a request for confidential handling. No Sovereign Board Member or Team Member is permitted to attempt to discover or disclose the identity of a person who submits an anonymous complaint as described in this section unless advised to do so by outside counsel or required by law.
- (2) COMPLAINTS SUBMITTED TO THE AUDIT COMMITTEE USING THIS PROCESS MUST PERTAIN TO ACCOUNTING OR AUDITING MATTERS. ANY OTHER USE OF THIS PROCESS WILL BE CONSIDERED TO BE OUT OF COMPLIANCE WITH SOVEREIGN'S CONFLICT RESOLUTION PROCESS DESCRIBED IN THE TEAM MEMBER HANDBOOK.

6. Substitution of Bank Board Directors and Bank Code of Conduct Committee Under Certain Circumstances

- (a) If in the judgment of the Bank's General Counsel and Director of Compliance, any bank regulatory law or regulation relating to corporate separateness or otherwise makes it illegal, inappropriate or inadvisable for the Board of Directors, the Nominating Committee, or officers of Sovereign to make the determination, or consider and grant the waivers and approvals or take other action required under this Code, the Board of Directors and the Code of Conduct Committee of the Bank shall make such determinations and grant such approvals or waivers assisted by the Bank's General Counsel and Director of Compliance, and other Bank officers as the Code of Conduct Committee determines necessary and advisable under the circumstances.

II. CONFLICTS OF INTEREST

A. Introduction

Sovereign must have the confidence of its customers and the public. Directors and Team Members must avoid conflicts of interest or the appearance of conflicts of interest, as discussed below.

For purposes of this Code, a "conflict of interest" occurs when an individual's private interest interferes or appears to interfere in any way with the interests of Sovereign as a whole. A conflict situation can arise when a Team Member or Director takes actions or has interests that may make it difficult to perform his or her team member responsibilities objectively and effectively. Ordinarily, a conflict exists when an outside interest could actually or potentially influence the judgment or actions of an individual in the conduct of Sovereign's business. Conflicts of interest may also arise when a Team Member or Director or a member of his or her family receives improper personal benefits as a result of his or her position in Sovereign. Conflicts of interest are prohibited under this Code, and are further discussed below.

B. Avoidance of Appropriation of Corporate Opportunity

Directors and officers of Sovereign stand in a fiduciary relationship to Sovereign. It is a breach of this duty for any such person to take advantage of a business opportunity for his or her own or another person's personal profit or benefit when the opportunity is within the corporate powers of Sovereign, and when the opportunity is of present or potential practical advantage to Sovereign (including activities that may be competitive with Sovereign's business), unless Sovereign's Board knowingly elects not to avail itself of such opportunity and such person's participation in the opportunity is approved in advance by the Board. If such a person so appropriates such an opportunity, Sovereign may claim the benefit of the transaction or business and such person exposes himself or herself to liability in this regard.

¹ Accepting things of value in accordance with Part III of this Code shall not constitute the receipt of improper personal benefits.

In addition, except as permitted under Section III of this Code, no Director or Team Member may take for himself or herself personally, opportunities that he or she discovers through the use of Sovereign's property, information or position for their personal gain, unless approved in advance under this Code.

C. Serving as a Director, Officer or Employee of a Non-Sovereign For Profit Business

Generally, Directors and Team Members are prohibited, absent approval or a waiver under this Code, from serving as a director, officer or employee of another unaffiliated bank, thrift, trust or depository institution. Team Members are prohibited from performing any other service as a director, officer or employee of a non-Sovereign, for-profit business that is or appears to be in conflict with the interests of Sovereign. Typically, this could include, but need not be limited to, owning, operating or working for an organization in competition, directly or indirectly, with Sovereign.

Before a Team Member begins serving as an officer, director or employee of a for-profit business, which employment may be in conflict with the interests of Sovereign, the Team Member must discuss the proposed service with his or her immediate supervisor, who will make a determination regarding the potential for conflict of interest. If the supervisor determines that the service may involve a conflict of interest or the appearance of a conflict of interest, the Team Member wishing to pursue the proposed service must then disclose to his or her Human Resources Senior Relationship Manager or Human Resources Business Unit Manager the exact nature of the contemplated activity. The Team Member shall make this disclosure on the form approved for this purpose. The Human Resources Manager, in consultation with Legal / Compliance, if necessary, will make the determination concerning whether the outside activity is prohibited.

Directors who accept appointments to serve as directors, officers or employees outside of Sovereign shall, in cases where such appointments have not previously been disclosed, promptly disclose such appointment to the Nominating Committee and otherwise comply with any limitation on such service approved from time to time by the Board or the Nominating Committee.

If a Team Member is permitted to serve as a director, officer, owner or employee of any non-Sovereign for-profit business, then the Team Member acting in such a dual capacity must inform the applicable Sovereign management, committee or board of any potential conflict of interest that arises at any time and, if warranted, abstain from any discussion or vote arising from this situation, or, if requested by Sovereign management, the Team Member will resign from the position with the non-Sovereign business or otherwise terminate his/her affiliation with the non-Sovereign business.

D. Political Activities

No Team Member, acting on Sovereign's behalf, may contribute or loan money or items of value to any foreign, federal, state or local political candidates or parties. This prohibition includes the use of any Sovereign facilities, equipment, supplies, personnel or name. This prohibition also includes using Sovereign funds to purchase tickets to political dinners and/or fundraisers. Team members may, however, participate and /or contribute to the political process as concerned individuals, through means that would include voting and the contribution of their own time and money, and participation in or contributions to political action committees.

Team Members considering running for election to public office must discuss such a matter in advance with their supervisors to assure that their responsibilities at Sovereign are not compromised. This Code does not prohibit consideration for personal leaves of absence by Team Members to pursue elected or appointed governmental positions. Requests for personal leaves of absence will be considered and administered as set forth in the Team Member Handbook.

E. Referrals of Customers to the Bank by Insiders

From time to time, various individuals, including Directors, Team Members and advisors to Sovereign, including outside counsel, who are deemed to be Sovereign "insiders" may refer potential borrowers to the Bank. Under no circumstance is such a referred potential borrower to be given preferential treatment of any kind with regard to rates or customer service or any other favored attention that is beyond that given to any other customer.

F. Fair Dealing

1. Introduction

Each Team Member must endeavor to deal fairly with Sovereign's customers, suppliers, competitors and other Team Members. No Team Member shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged or confidential information, misrepresentation of material fact, or any other unfair-dealing practice. More specific discussion follows:

2. Relationships with Competitors

- (a) Providing the best possible service to our customers is the most effective means of competing. Except in situations where Sovereign is participating in a transaction with another institution, no director or Team Member shall have any agreement, understanding or arrangement with any competitor with respect to pricing of services, interest rates or marketing policies. All such agreements must be reviewed by the Company's legal department or outside counsel. Sovereign will refrain from inaccurately representing the products and services of its competitors.
- (b) No Director or Team Member shall reveal any trade secrets of Sovereign or any of Sovereign's other confidential or proprietary information.
- (c) Each Director and Team Member has a fiduciary responsibility to take care that no information that is deemed confidential as to Sovereign is disclosed to competitors.

3. Relationships with Customers

- (a) Team Members shall act in a professional manner at all times when representing Sovereign. In dealing with Sovereign's customers, Team Members shall use prudent judgment and exercise good faith. Team Members shall avoid situations that would generate a conflict of interest. Transactions with customers shall always be conducted at "arms length."
- (b) No Team Member shall misrepresent, circumvent or conceal the nature of any material aspect of any transaction when dealing with a customer.
- (c) Neither Directors nor Team Members shall take advantage of their position with Sovereign to attain investment or participation in a customer's business unless approved as provided in this Code. Neither Directors nor Team Members shall participate or invest in a business of a customer or participate in a joint venture with a customer if the Director or Team Member has access to information regarding the customer which is not publicly available or which would constitute an unfair advantage owing to the Director's or Team member's position with Sovereign.
- (d) If a relationship between a Team Member and a customer or a potential customer exists which potentially creates a conflict of interest, that Team Member shall remove himself/herself from all dealings with that customer.
- (e) No Team Member shall knowingly allow or encourage a customer to state false information on a loan application or other bank form or document, or to structure a banking transaction in violation of, or with intent to circumvent the requirements of, the Bank Secrecy Act.
- (f) Team Members' relationships with loan applicants are more fully set forth in Section IV.B.3 of this Code.
- (g) From time to time, Team Members are asked to recommend to customers or others, professional services, such as those of real estate or insurance agents, stock brokers, attorneys or accountants. Specific recommendations of this type shall be avoided. Several names or agencies may be given as alternatives for the customer to consider, without any indication of preference.
- (h) From time to time, Team Members may be requested to advise a customer as to the legality, tax or accounting treatment of a transaction. Any discussion which could be interpreted as the giving of legal, tax or accounting advice to customers must be avoided.

G. Sale of Sovereign Properties

Directors and Team Members shall enjoy no advantage over the general public in the purchase of any Sovereign properties including real estate, automobiles, securities or any other real or personal properties. The terms and conditions of any transactions with Directors or Team Members shall not be less favorable to Sovereign than those offered to others. Properties shall be sold in accordance with normal business practices.

H. Selling Assets or Services to Sovereign

Directors and Team Members shall enjoy no advantage over the general public in the sale of assets or services to Sovereign. The terms and conditions of any transactions with Directors or Team Members shall not be less favorable to Sovereign than those offered by others. Services and assets shall be purchased in accordance with normal business practices.

I. Loan and Deposit Transactions

Team Members are prohibited from approving or performing transactions or file maintenance involving their own deposit or loan accounts or any deposit or loan accounts involving their relatives or any affiliated business relationships. "Relatives" include a Team Member's spouse or fiancée, siblings, parents (actual or step), children, stepchildren, grandparents, grandchildren, domestic partner, aunt, uncle, first cousin, niece, nephew, in-law, or any significant other non-family relationship.

J. Receipt of IPO shares by Directors, Executive Officers and Their Immediate Families

No Director or Executive Officer, nor any Immediate Family Member* of a Director or Executive Officer shall:

- 1) accept an allocation of, or purchase shares of an Initial Public Offering ("IPO") from any underwriter of whom Sovereign is or has been within the past five (5) years an investment banking client; or,
- 2) accept an allocation of, or purchase shares of an IPO from any other underwriter without first obtaining from the Nominating Committee written approval of the proposed allocation or purchase. The process for seeking such prior approval is described in Section I.B.4 (a)(i) of this Code.

* "Immediate Family Member" means a member of your immediate family includes your spouse, parents, children, siblings, mothers and fathers-in law, sons and daughters-in law, brothers and sisters-in law and anyone (other than domestic employees) who shares your home.

III. INTEGRITY AND OTHER CONSIDERATIONS

A. Accepting things of Value

1. Federal Law:

The solicitation of and acceptance of things of value in connection with any business or transaction of the Bank is generally prohibited by the Bank Bribery Amendments Act of 1985 (18 U.S.C. § 215(a)). Violations of this law can result in fines and imprisonment. The policy set forth herein to comply with such law is applicable to all Directors, Team Members, agents or attorneys of Sovereign.

2. Soliciting and Accepting Things of Value:

- a. You may not solicit or accept for yourself or for a third party anything of value (which includes, but is not limited to, any gift, meal, favor, service, entertainment, legacy or other thing) from anyone in return for any business, service or confidential information of the Sovereign.
- b. You may not accept anything of value from anyone in connection with the business of the Sovereign other than bona fide salary, wages, fees or other compensation paid in the usual course of business.

3. Permitted Transactions:

The following transactions are permitted and shall be considered an exception to the general prohibition against acceptance of things of value:

- a. Acceptance of gifts, gratuities, amenities or favors based on obvious family or personal relationships (such as those with parents, children or spouse) when the circumstances make it clear that it is those relationships, rather than the business of the Sovereign, that are the motivating factors;
- b. Acceptance of meals, refreshments, travel arrangements or accommodations, or entertainment, all of reasonable value, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations, provided that the expense would be paid for by the Sovereign as a reasonable business expense if not paid for by another party;
- c. Acceptance of loans from other financial institutions on customary terms to finance proper and usual activities, such as home mortgage loans, except where prohibited by law;
- d. Acceptance of advertising or promotional material of reasonable value such as pens, pencils, note pads, key chains, calendars and similar items;
- e. Acceptance of discounts or rebates on merchandise or services that do not exceed those available to other customers;
- f. Acceptance of gifts of reasonable value related to commonly recognized events or occasions, such as a promotion, new job, wedding, retirement or traditional holidays; or
- g. Acceptance of civic, charitable, education, or religious organizational awards for recognition of service and accomplishment.

4. Common Sense:

The purpose of this Code is to avoid violations of law and to insure that Sovereign's business is safeguarded from undue influence of bribery and personal favors. Whenever you have dealings with persons who have business with Sovereign, the requirements of the law must be kept in mind. Necessarily, the application of the Code will require good judgment and common sense. If you encounter situations in which you are not sure of your obligations, you should consult Sovereign's Legal/Compliance Department.

5. Disclosure:

If you are offered or receive something of value beyond what is authorized herein, you should disclose fully that fact in writing in accordance with the reporting directions herein.

Circumstances beyond those described above in Section III.A.3 may be given written approval on a case-by-case basis where something of value is accepted in connection with Sovereign business. However, such approval will require full written disclosure and the approval must be consistent with the Bank Bribery Amendments Act.

6. Disposition:

If it is determined that something of value has been received in violation of this Code, it will be returned to the donor. If return is not possible, depending on the circumstances, any such items of value will be turned over to a charitable institution. If possible, the donor will be informed of this disposition.

7. Violations:

Acceptance of things of value which are not otherwise permitted herein is a violation of federal criminal law under the Bank Bribery Amendments Act (18 U.S.C. §215) and such violation is punishable by fines and imprisonment.

8. Unrelated Business Relationships:

It is inevitable and desirable that you will have individual business and personal relationships with Sovereign's customers, vendors and others who do business with Sovereign even though such individual business and personal relationship is not connected with Sovereign's business. This Code is not intended to discourage such relationships. Any such business relationship should be on customary terms and for proper and usual purposes. However, you should not solicit any special favors in recognition of your relationship with Sovereign.

B. Illegal Kickbacks

Illegal kickbacks are improper payments to any party for the referral of business and are strictly prohibited.

C. Accuracy of Records

Team Members shall always adhere to established accounting rules and audit controls. All records shall accurately reflect transactions in a timely manner. Incorrect or misleading entries shall be corrected immediately. Falsification of records or transactions shall be grounds for termination.

In accordance with the rules promulgated by the SEC under the Sarbanes-Oxley Act of 2002, it shall be unlawful for any officer or Director of Sovereign or any other person acting under the direction thereof, to take any action to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in the performance of an audit of Sovereign's financial statements for the purpose of rendering such financial statements materially misleading.

D. Cooperation with Investigations and Inquiries

1. It is the policy of Sovereign to cooperate with legitimate, duly authorized investigations and inquiries. It is the duty of every Team Member to provide cooperation and information as required in responses to lawsuits, governmental, regulatory, and Sovereign's internal investigations and inquiries.
2. All Directors and Team Members shall promptly and honestly respond to legitimate inquiries by bank examiners, auditors, legal counsel, security personnel and other properly authorized persons. The concealment of pertinent information by Directors or Team Members is prohibited.

E. Preservation of Records

Whenever a Team Member becomes aware of an investigation which affects Sovereign, he or she shall immediately notify Sovereign's General Counsel or Manager of Litigation. Notwithstanding any Sovereign records retention guidelines, under no circumstances shall any records known to be the subject of or germane to any anticipated, threatened or pending law suit or governmental or regulatory investigation or case filed in bankruptcy be removed, concealed or destroyed. For purposes of this section, "records" means any of hard copy, paper documents and electronic records, including but not limited to, e-mail, voicemail, and the contents of hard discs.

Furthermore, all audit and audit review work papers shall be retained as required, in accordance with the rules promulgated by the SEC under the Sarbanes-Oxley Act of 2002.

F. Advertising, Marketing and Corporate Communications

Sovereign shall adhere to the highest standards of financial advertising in compliance with all applicable laws and regulations. Advertising shall be truthful and shall contain enough information about products or services that the intended audience can be expected to make an intelligent purchase based upon the advertisement.

IV. LOANS

A. Team Member loans from other sources

Team Members generally are prohibited from borrowing any money from customers or suppliers of Sovereign unless those customers or suppliers are their Immediate Family Members. Any borrowing by Team Members under any other circumstances that appear inappropriate or potentially embarrassing also is prohibited. However, nothing in this Code shall preclude any Team Member from obtaining loans from another financial institution, provided that such loans are, under all facts and circumstances, at fair market value and at terms no more favorable to the Team Member than those available to the general public.

B. Loans from Sovereign

1. Sovereign may not, directly or indirectly, including through any subsidiary, extend or maintain credit, to arrange for the extension of credit, or renew an extension of credit in the form of a personal loan to or for any Director or Executive Officer unless permitted by law. Loans from the Bank are subject to the provisions of 12 C.F.R. 563.43 (which applies the restrictions of the Federal Reserve Board's Regulation O to loans to insiders by savings associations), the Bank's Regulation O Policy, the provisions of the Team Member Loan Policy, other lending policies, and other applicable provisions of law, all of which are incorporated herein by reference.
2. All other Team Members are subject to the provisions of the Bank's Team Member Loan Policy.
3. Bank loans to customers
 - (a) At no time shall any Team Member represent that he/she has the authority to approve any application or commit or bind the Bank in any manner unless specific lending authority has been conferred upon him or her by the Board of Directors of the Bank.
 - (b) No Team Member shall, in connection with or incidental to the making of a mortgage loan, require or permit the mortgage instrument or bond or note to be signed by a party to the transaction if the instrument contains any blank spaces to be filled in after it has been signed, except blank spaces relating to recording. Permitting a loan applicant(s) to sign any document before it is properly completed is strictly prohibited.
 - (c) Sovereign shall not discriminate against any applicant regarding any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, or age (provided that the applicant has the capacity to enter into a binding contract),

the fact that all or part of the applicant's income derives from any public assistance program or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act or any applicable state law, as more fully set forth in the Bank's Nondiscrimination in Lending Policy.

- (d) In underwriting loans, Team Members shall use integrity in evaluating the completeness and accuracy of the loan files to determine that the borrower is able to repay the mortgage debt and the collateral property is of sufficient value to justify the loan amount.
- (e) No Team Member shall bring pressure on an appraiser to reach a value necessary to qualify the property/borrower.
- (f) Loans ready to close during the commitment period must close at the terms agreed upon by the parties. A Team Member shall not seek to delay a loan closing in anticipation of the expiration of stated rates and other terms.
- (g) No Team Member shall quote unavailable interest rates or unavailable loan terms to prospective loan applicants.
- (h) A Team Member shall make full disclosure of any personal interest they may have in a loan, project, or property that is the subject of a loan application.
- (i) The Bank's policy is to faithfully honor an agreement or commitment made to an applicant.

V. TRANSACTIONS WITH AFFILIATED PERSONS

For purposes of this Section V, an "affiliated person" is any Director, Director emeritus, and any Executive Officer of Sovereign or the Bank and any entity owned or controlled by such persons.

A. No Investment in Affiliates Persons

Sovereign will not invest, either directly or indirectly, in the stock, bonds, notes, or other securities of any affiliated person or purchase securities under a repurchase agreement with any affiliated person.

B. Fees to Affiliates Persons

Fees assessed for late payment or for overdrawn demand accounts of affiliated persons will be the same as those charged to the general public and will not be waived. Overdrawn demand accounts will be brought to the attention of the Internal Audit Department.

C. Interest on Affiliated Persons' Deposits

Interest paid on deposit accounts of any kind shall be at a rate available to the general public for similar deposits.

D. Loans to Affiliated Persons

There shall be no loan transactions with third parties which include affiliated persons unless in accordance with this Code.

E. Purchases from Affiliated Persons

Any purchase from or sale to an affiliated person of any real or personal property shall be conditioned upon determining the value from an independent outside appraiser. The Board of Directors of Sovereign or its appropriate subsidiary is required to approve any such transaction in advance, with the affiliated person abstaining.

F. Sales to Affiliated Persons

Sale by Sovereign to an affiliated person of any real estate that is under development requires prior approval by the Board of Directors of Sovereign in addition to the other requirements of Section V of this Code.

G. Model Home Joint Ventures

The sale or leaseback of a model home between a joint venture project of Sovereign and an affiliated person is strictly prohibited.

VI. SOVEREIGN PROPERTY

A. Duty to Protect

Team Members have a duty to protect and conserve Sovereign property and to ensure its use for proper purposes. Team Members are to take care and responsibility to safeguard the property of Sovereign within reason. However, at no time is a Team Member to put his/her person at risk to safeguard Sovereign property.

B. Sovereign Property

Sovereign property includes, but is not limited to:

1. All physical property of Sovereign whether leased or owned by the Sovereign and includes all fixtures.
2. All records of the accounts of customers, and any other records and books in possession of Sovereign.
3. All marketing studies, advertising or promotional materials, customer lists, logs or reports or any other forms, or surveys that are in Sovereign's possession.
4. All proprietary software.

C. Cross reference

Refer to Section II. H for considerations regarding sales of Sovereign properties.

VII. ABUSE OF CONFIDENTIAL INFORMATION OR RELATIONSHIP

A. Fundamental Principle

The confidential relationship between Sovereign and its customers is a fundamental principle of the financial services business, which has long been recognized by the statutes and court decisions. It is essential that every Director and Team Member maintain this relationship at all times.

B. No Disclosure

Sovereign is entrusted with important information about individuals and businesses. A violation of this trust is a serious matter. Furthermore, Sovereign is legally obliged under regulations promulgated pursuant to the Gramm-Leach-Bliley Act of 1999 to protect the privacy of a consumer's personal financial information. The privacy practices of Sovereign are set out more fully in the Privacy Policy that is circulated to our customers and members of the public. Therefore, it is imperative never to discuss such information with anyone outside of Sovereign or with other Team Members who have no need to know. Confidential information shall not be obtained merely for the purpose of knowing such information, rather only when it pertains directly to a particular transaction or situation.

Examples of information that must be kept confidential (except when disclosure is authorized pursuant to this Code or Sovereign's Privacy Policy or is required by law) are listed below:

1. Customer Account Information (i.e. account numbers and balances, information on a loan application, paycheck amounts, overdrafts, deposits, withdrawals, names and addresses of the Banks' customers). Such information should only be discussed using discretion with the signer(s) on the account or the loan applicant(s).
2. Personal matters regarding co-workers as well as customers (i.e. divorce, disagreements, personality conflicts or embarrassing behavior).
3. Details of Bank Security (i.e. opening/closing procedures, alarm/camera systems, cash drawer limits).

The exchange of commercial credit information with other banks is permissible in accordance with the Robert Morris Associates' Code of Ethics which is incorporated herein by reference.

C. Monetary Gains Prohibited

Deriving monetary gains from confidential information that could be obtained only by reason of employment or as a Director with Sovereign, whether such information relates to Sovereign, its customers, or anyone with whom it has business relations is strictly prohibited. Confidential information includes all non-public information that might be of use to competitors, or harmful to Sovereign or its customers if disclosed.

VIII. INSIDER TRADING

A. "Material Inside Information" Defined

Directors and Team Members may not trade any security issued by Sovereign, the Bank or any of their affiliates or any company encountered in the course of performing duties for Sovereign while in possession of "material inside information" about any such company. "Material inside information" is non-public information which would reasonably be expected to either:

1. affect the price of the securities of any such company or
2. be important to an investor in deciding whether to buy, sell or hold a security of any such company.

Examples of "material information" may include, but are not limited to:

- Merger discussions;
- Plans to declare a dividend;
- Plans to disclose a significant increase or decrease in earnings;
- Significant change in management; and
- Call of securities for redemption.

B. No Tipping

In addition to the aforementioned prohibitions against the "insider trading" activities, securities laws prohibit "tipping" (i.e. communicating material inside information.) Furthermore, Directors and Team Members have an affirmative duty to inform those within their control or whom they supervise, that tipping or trading while in possession of material inside information is illegal.

C. Sovereign's Policy on Personal Securities Transactions

Sovereign's Policy on Personal Securities Transactions is made a part of this Code and must be reviewed in connection with this Section VIII. It provides more complete guidance on this subject including rules on trading in Sovereign securities with respect to employee benefit plans, and it defines and imposes blackout periods during which no trading may occur by certain employees.

IX. ANTI-MONEY LAUNDERING COMPLIANCE

A. Policy

It is the policy of Sovereign to comply with all anti-money laundering laws and regulations, and to guard against the use of Sovereign's products and services for money laundering or other illegal activity. Under the Bank's Regulatory Compliance Management Program, compliance is the responsibility of each Team Member, as directed by Sovereign's or the Bank's Board of Directors, implemented by the Regulatory Compliance Management Plan and part of the Team Member's job responsibilities. Furthermore, each Team Member is subject to personal liability under these laws, including possible fines and imprisonment for violations.

B. Cross Reference

Sovereign's Policy on Anti-Money Laundering is made a part of the Code and must be reviewed in connection with this Section IX.

X. COMPLIANCE AND COMPLIANCE MONITORING

A. Policy

As stated in Sovereign's Regulatory Compliance Management Policy, which is incorporated herein by reference, it is the policy of Sovereign to comply with both the letter and the spirit of the federal laws and regulations that govern Sovereign's activities. All operating policies, procedures and forms used to conduct Sovereign's business shall be in conformity with applicable federal laws and regulations. As an integral part of the Annual Internal Audit Program, the Internal Audit Department will test compliance with the provisions of the Code. Deviations from the Code detected by the Internal Audit Department will be reported to appropriate management as well as to the Audit and the Nominating Committees of the Board of Directors.

B. Violations

Any Team Member who violates a provision of this Code is subject to applicable disciplinary action including termination. Directors who violate a provision of this Code are subject to such sanction as the Board of Directors shall impose. Notwithstanding the foregoing, Sovereign also preserves and reserves its other rights and remedies against any individual who violates any provision of this Code.

XI. DISCLAIMER OF EMPLOYMENT CONTRACT

This Code is neither an employment contract nor any guarantee of continued employment. The employment relationship between Sovereign and its Team Members is "at will." Sovereign's policies, guidelines and related procedures are subject to unilateral change by Sovereign at any time. A fuller discussion of these matters appears in the IMPORTANT NOTICE section of the Team Member Handbook.

XII. CERTIFICATION

Each Director and Team Member will be required to read or review this Code each year and certify, in writing, that he or she understands his or her responsibility to comply with the guidelines and provisions set forth herein.

CODE OF CONDUCT CERTIFICATION

I have received and read the attached copy of the Code of Conduct dated December 2004. I understand that if I have any questions regarding the Code of Conduct, I should contact my TMS Representative.

Signature _____

Printed Name _____

Date _____

Once you print and sign this acknowledgment please send to 11-900-TM1.