

# Charter One Financial, Inc.

## Corporate Governance Guidelines

### *Preamble*

The primary responsibility of the board of directors of Charter One Financial, Inc. (“Charter One” or “Company”) is to foster the long-term success of the Company consistent with its fiduciary responsibility to its shareholders. The board of directors has established the following Corporate Governance Guidelines to outline procedures and set standards that will assist the board of directors in fulfilling its responsibilities.

### *Board Independence*

1. **Percentage of Independent Directors** - A majority of the directors of Charter One must be “independent” as that term is defined in the listing manual of the New York Stock Exchange.
2. **The Chairman and Chief Executive Officer Position** - The Chief Executive Officer (“CEO”) of the Company may simultaneously serve as Chairman of the board of directors. The board of directors may require that these positions be held by separate individuals if circumstances dictate.
3. **Lead Director** - A “lead” director will be designated annually by the board of directors. The lead director must be an independent director. The board of directors will determine the duties and responsibilities of the lead director.
4. **Executive Sessions of Independent Directors** - The independent directors will meet in an executive session at least every other board of directors meeting. The lead director will chair these meetings.

### *Board and Committee Qualifications and Functions*

5. **Authority to Interpret** - The board of directors will construe and interpret the Company’s certificate of incorporation, its bylaws and these Guidelines (which may be amended from time to time).
6. **Board Membership Criteria** - The Corporate Governance/ Nominating Committee (the “Committee”) is responsible for reviewing and assessing the skills and characteristics needed on the board of directors on an annual basis. This review and assessment will include independence, diversity, age, specialized knowledge (such as an understanding of marketing, finance, regulation and public policy) and a commitment to Charter One’s communities and shared values, as well as overall experience in the context of the needs of the board of directors as a whole. The Committee will review its findings with the board of directors.
7. **Nomination of Director Candidates** - The Committee is responsible for nominating individuals to serve on the board of directors. The Committee’s nominees will be subject to ratification by a majority of the full board of directors.
8. **Retirement Age** - Directors will not be nominated to stand for reelection after reaching age 72, unless otherwise determined by the Committee.
9. **Term Limits** - There is no specified limit on the number of terms that a director may serve on the Charter One board of directors.

10. **Former Chief Executive Officer Maintaining Board Membership** - The CEO must offer his or her resignation from the board of directors upon resignation or retirement as CEO. The Board will decide whether it is in the best interests of the Company for the individual to continue to serve as a member of the board of directors.
11. **Directors Who Change Their Present Job Responsibility** - A director must inform the Committee and the lead director promptly of any situation where his or her personal interests conflict, or appear to conflict, with those of the Company. A director also must inform the Committee and the lead director promptly of any material changes in his or her responsibilities at work since the time he or she was last elected to the board of directors. A director must volunteer to resign from the board of directors at the time of notifying the Committee and the lead director of his or her conflict, apparent conflict or change in employment status. The Committee and the lead director will promptly review and assess the situation involving the conflict of interest, apparent conflict of interest, or change in employment status and recommend to the board of directors the continued appropriateness of the individual's membership on the board of directors.
12. **Selection of Agenda Items for Board Meetings** - The CEO and lead director will jointly establish an agenda of matters to be discussed during the year. At least one meeting of the board of directors each year will be a board retreat. The principal purpose of the retreat will be to review the long-term strategic plans and principal issues that Charter One will face in the future. The board of directors will have 10 scheduled meetings per year, or a lesser number as determined by the board of directors, and will be on call for additional meetings as needed.
13. **Board Materials Distributed in Advance** - Information that is important to the understanding of the business to be conducted at a board of directors or committee meeting will be distributed during the week before the scheduled board or committee meeting, to the extent practicable.
14. **Board Committees** - The board of directors has the following standing committees: Audit, Compensation, Stock Option, Top Executive Incentive Goal Achievement Plan ("TEIGAP"), Executive, Investment and Corporate Governance/Nominating. The Board may form a new committee, disband a current committee, or form a subcommittee at any time. Only independent directors may serve on the Audit, Compensation, Stock Option, TEIGAP and Corporate Governance/Nominating committees.
15. **Evaluation of the Chief Executive Officer** - The Compensation committee will make an annual evaluation of the CEO's performance. The evaluation will be based on specific performance objectives, including a comparison of the CEO's personal goals for the year as set forth in his or her written statement to the Compensation committee and lead director, against actual results, performance of the business, accomplishment of long-term strategic objectives, management development and other relevant factors. The chairman of the Compensation committee and the lead director will communicate the results of their evaluation to the CEO.
16. **Assignment and Rotation of Committee Members** - The Committee is responsible for determining the composition of each committee of the board of directors on an annual basis. The Committee will consider the recommendations of individual directors with input from the lead director in this process. Rotation of committee members is not required.

17. **Frequency and Length of Committee Meetings** - The frequency and length of committee meetings will be determined by the chairman of each committee after discussion with the committee members.
18. **Committee Agenda** - The agenda for committee meetings will be determined by the chairman of each committee after discussion with the committee members and in accordance with the committee's charter, if applicable.

### ***Director Responsibilities***

19. **Size of the Board** - The size of the board will be determined by the entire board of directors from time to time. The board of directors will be large enough to allow for the diversity of skills and experience needed to fulfill the duties and responsibilities of the board of directors and its committees as a whole. The size of the board of directors may be increased to capitalize on an opportunity, such as the availability of an outstanding candidate or to facilitate an acquisition, or decreased if determined by the Board to be more productive.
20. **Director Stock Ownership** - Each director of Charter One must own at least 3,500 shares of Charter One common stock within three years from the initial adoption of these guidelines or within three years of becoming a director of Charter One, whichever occurs later. Stock ownership by members of the board of directors will further align the economic interests of the directors with the interests of the shareholders of Charter One.
21. **Shareholders Election of Directors** - The board of directors believes that a classified board of directors provides an important benefit to the Company and its shareholders, and should be maintained.
22. **Succession Planning** - The independent directors will receive an annual report detailing Charter One's plan for effective succession management.
23. **Management Development** - The independent directors will receive an annual report detailing Charter One's program for management development.
24. **Board Interaction with Investors, the Media, Customers, etc.** - The general practice of the Company is to permit only designated officers to communicate with investors, the media, customers and other constituencies of the Company. At the request of the CEO, and in limited circumstances with the prior notification to the CEO, individual directors will be permitted by the board of directors to meet or otherwise communicate with various constituencies that are involved with the Company, including investors.
25. **Adherence to Code of Business Conduct and Ethics** - Each member of the board of directors must be familiar with and adhere to the Company's Code of Business Conduct and Ethics. Compliance with the Code of Business Conduct and Ethics must be acknowledged annually in writing by each member of the board of directors.

### ***Director Access to Management and Independent Advisors***

26. **Board Access to Senior Management and Independent Advisors** - Members of the board of directors will have complete access (either at a meeting of the board of directors or otherwise, at the election of the board of directors) to Charter One's officers, counsel and independent advisors. In exercising this right, board members must use reasonable efforts to ensure that their actions will not be distracting or intrusive to the business operations of the Company. The CEO should be copied on all written communication from the directors to Charter One's officers, counsel and independent advisors, unless the circumstances dictate otherwise. The board of directors, or its committees, may retain outside counsel and other advisors of their choice with respect to any issue relating to their activities.

### ***Director Compensation***

27. **Board Compensation Review** - Management will report to the Compensation committee annually on the amount and form of compensation received by the board of directors of the Company. The report will compare the board's compensation to other comparable U.S. companies and to "best practices" used in the industry. Changes in the amount or form of compensation received by members of the board of directors, if any, must be recommended by the Compensation committee, and will be subject to approval by the entire board of directors.

### ***Director Orientation and Continuing Education***

28. **Director Orientation** - All new directors will receive an orientation to the business and operations of Charter One. The orientation will include a review of the (a) current business plan, (b) Corporate Governance Guidelines, (c) Charter One's certificate of incorporation and bylaws, (d) material policies that affect the director, (e) minutes of at least the six preceding meetings of the Charter One board of directors, and (f) Code of Business Conduct and Ethics.
29. **Director Continuing Education** - The board of directors will regularly receive information and updates on business, legal and regulatory matters that impact the Company and the financial services industry generally.

### ***Annual Performance Evaluation of the Board***

30. **Assessing the Board's Performance** - The board of directors will conduct an annual self-evaluation to determine if there are changes to the board's structure and operations that will increase the effectiveness of the board and maximize the value of the board to the Company. The self-evaluation process will examine the contribution of the board of directors as a whole. The evaluation process will be led by the Committee, which will report the results of the evaluation to the board of directors.

*Adopted on October 18, 2000, and amended as of December 18, 2002.*