

PUBLIC DISCLOSURE

September 28, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sovereign Bank
1130 Berkshire Blvd.
Wyomissing, PA 19610-1210
Docket #: 04410**

**Office of Thrift Supervision
Northeast Region
Harborside Financial Center Plaza Five, Suite 1600
Jersey City, NJ 07311**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.



Office of Thrift Supervision
Department of the Treasury

Northeast Region

Jersey City Regional Office • Phone Number: (201) 413-1000 • Fax: (201) 413-7543
Harborside Financial Center Plaza Five, Suite 1600, Jersey City, NJ 07311

July 1, 2011

Board of Directors
Sovereign Bank
1130 Berkshire Blvd.
Wyomissing, PA 19610-1210

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of September 28, 2010.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Patricia A. Cecconi
Assistant Director - Compliance

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Sovereign Bank. The Office of Thrift Supervision (OTS) prepared the evaluation as of September 28, 2010. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: Outstanding

Sovereign Bank's ("Sovereign" or "the Bank") efforts in meeting the credit needs of its assessment areas (AA), including those of low- and moderate-income (LMI) people are excellent. Residential and small business lending exceeds that seen with the aggregate lenders and reflects a proactive stance towards community development programs as well as flexible and innovate lending products.

A significant volume of community development (CD) investments was also evidenced in a majority of the bank's AAs. Sovereign also took a leadership stance in providing CD services within its AA and its level of retail services at the branch level demonstrate the full complement of products and services customary at larger financial institutions. Accordingly, Sovereign's CRA performance is rated "Outstanding."

LENDING TEST

The Lending Test sub rating is Outstanding. The bank extended a large volume of loans in the Combined AA reportable under the terms of the Home Mortgage Disclosure Act (HMDA) during the review period and ranked as the eighth leading lender in 2008 and fourth in 2009 in market share. Sovereign also extended a substantial volume of small business loans in the AA despite competition from large commercial banks operating in many of the same markets. Over 86 percent of the number and 82 percent of the dollar amount of HMDA reportable loans were in the overall AA. Approximately 97 percent of number and 93 percent of the dollar amount of reportable small business loans were in the defined overall AA.

Sovereign outperformed aggregate HMDA reporters in lending to LMI borrowers by a substantial margin in 2008 and 2009, with a slight decline in 2010. The bank has a solid record of lending to smaller businesses, with 88 percent of loans under \$250 thousand, and over 64 percent to businesses with gross annual revenues under \$1 million. These levels fall within the percentage ranges demonstrated by similarly situated banks.

Sovereign outperformed aggregate HMDA reporters in lending in LMI geographies in 2008 by a wide margin, and by a smaller margin in 2009. Performance in 2010 remained at 2009 levels. The bank outperformed the aggregate lenders in small business lending in LMI geographies by a substantial margin in 2008 and 2009, with similar loan levels in 2010. Sovereign originated 297 community development loans providing over \$669.3 million in credit during the review period. This level of lending exceeded the larger similarly situated banks.

Institution (continued)

The bank has a solid record of lending under a variety of innovative and flexible lending products that target residents and businesses most in need in the AA. A number of innovative/flexible products were developed or joined in response to specific needs in various markets.

INVESTMENT TEST

The Investment Test sub rating is High Satisfactory. The bank continues to extend significant levels of funding for traditional community development investment needs, such as low-income housing tax credits, although at lower level when compared to the prior evaluation.

The bank also extended a substantial level of charitable donations for CD qualified activities. Adequate or better levels of qualified CD investments were extended in most of the bank's individual assessment areas, with three exceptions. In the Massachusetts, Maryland, and Connecticut AAs, the level of qualified CD activities in the form of traditional investments and donations was lower than expected based on the distribution of overall lending levels and branch presence in these three AAs. These three AAs represent small portions of the bank's overall AA and investments should not be expected at the levels in the bank's larger AAs.

SERVICE TEST

The Service Test sub rating is Outstanding. Sovereign was actively involved with a number of efforts during the review period which qualify as CD activities. These include assisting organizations involved in providing community services to LMI individuals, affordable housing, and small businesses and economic development of LMI areas.

Sovereign employees contributed more than 43 thousand hours of time over the review period to community service agencies and organizations. The level of commitment shown by the bank in support of CD activities by employee and officer involvement is excellent.

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities throughout its branch delivery system. The institution's branches are reasonably accessible to residents of the combined AAs.

Institution

Lending, Investment, Service Test Table

The following table indicates the performance level of Sovereign Bank with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	Sovereign Bank September 28, 2010		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* Notes: The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

Institution (continued)

Description of Institution

Sovereign Bank is a \$73.2 billion (as of December 31, 2010) federally chartered stock savings bank headquartered in Wyomissing, Pennsylvania. Sovereign operates in eight Mid-Atlantic and New England states, maintains 721 banking offices, and employs approximately 8 thousand employees. Sovereign is the second largest thrift and in the top 25 financial institutions in the country with respect to total assets. On January 30, 2009, Banco Santander, S.A. (Santander) acquired the remaining 75.6 percent of Sovereign’s stock it did not already own, completing its financial involvement with the bank that started in 2005 with an initial 20 percent investment. Santander is a global banking organization headquartered in Spain with a presence in 10 countries in North and South American and Europe.

Sovereign offers an expansive array of financial products and services to individuals and families for personal purposes, businesses, government/municipalities, and institutional entities. Many loan products are designed to improve access to credit LMI borrowers. These include affordable mortgage loans guaranteed or insured by federal and state governments, internal and secondary market loans, and products offered through collaborative partnerships with area non-profit organizations.

Sovereign also offers and successfully extends a large volume of federal and state guaranteed/insured/subordinated small business loans directly and through collaborative lending arrangements throughout its market area. A complete listing is provided under the Retail Service factor within the Service Test of this report.

As of December 31, 2010, Sovereign’s total loan portfolio equaled \$48.8 billion. Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

Loan Category	Amount (\$000’s)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	\$20,212,210	41.5%	28.0%
Nonresidential Mortgage	10,941,980	22.4%	15.1%
Commercial Nonmortgage	10,257,014	21.0%	14.2%
Consumer	7,367,048	15.1%	10.2%
Total	\$48,778,252	100.0%	67.5%

The portfolio loan balances in each category noted in Table 1 have declined since the previous CRA evaluation. Residential mortgage dropped by 10 percent, non-residential mortgage by 0.4 percent, commercial non-mortgage by 28 percent, and consumer loans by 26 percent. The total loan portfolio balance was \$57.7 billion as of December 31, 2007. The current loan balance represents a 15.5

Institution (continued)

percent decline over the review period. The total asset figure of \$73.2 billion noted above also reflects a decline from \$84.7 billion, or 13.6 percent, since December 31, 2007.

Sovereign does not exhibit any current impediments that would preclude the bank from meeting its CRA obligations. After a \$2.1 billion net loss in 2008, the bank returned to profitability reporting net income of \$69.5 million in 2009 and \$741.3 million in 2010. The bank earned an overall rating of Outstanding as a result of the prior CRA evaluation supported by outstanding ratings under the Lending, Investment, and Service Tests. Because of the bank's presence in eight states and several multi-state metropolitan areas, the prior evaluation assigned 11 separate CRA composite ratings, with 10 Outstanding and one Satisfactory ratings assigned. Of the 33 underlying component ratings (Lending, Investments, and Services), 28 were also rated Outstanding and five were rated High Satisfactory.

Sovereign operates in competitive markets throughout its geographic footprint. The bank's overall Combined AA, consisting of over nine thousand geographies in eight states, was home to 1.1 million HMDA-reportable mortgage loans in 2009 for a total dollar amount in excess of \$285 billion.

Scope of Examination

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three tests: Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009 and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Traditional CD investments are typically balance sheet items while charitable contributions are income statement items and each requires a different process to measure and compare its impact within the bank's assessment areas and in comparison to similarly situated banks.

Institution (continued)

Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are also considered when assigning a final CRA rating.

Description of Combined Assessment Area

Based on the location of its branches, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans, Sovereign delineates 17 AAs in eight Mid-Atlantic and New England states. These AAs are comprised of a Combined Statistical Areas (CSA), Metropolitan Statistical Area (MSA), Metropolitan Division (MD), a state, or a county. Collectively, the 17 AAs are referred to as the Combined AA. Table 2 illustrates demographic data on population, families, and housing units within the Combined AA.

Demographic Data	2000 Census
Population	39,405,351
Total Families	9,936,345
1-4 Family Units	11,339,418
Multi-family Units	4,130,511
% Owner-Occupied Units	56%
% Rental-Occupied Units	38%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$187,394

Table 3 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	849	9.1%	700,977	7.1%	560,977	4.9%
Moderate	1,915	20.5%	1,873,515	18.9%	1,983,070	17.5%
Middle	3,888	41.6%	4,334,572	43.5%	5,325,038	47.0%
Upper	2,570	27.5%	3,027,281	30.5%	3,469,753	30.6%
Income NA	121	1.3%	0	0.0%	580	0.0%
Total	9,343	100.0%	9,936,345	100.0%	11,339,418	100.0%

Institution (continued)

According to 2000 census data, 38.5 percent of the families in the Combined AA are classified as low- to moderate-income, with 8.5 percent of the families reporting income below the poverty level. Table 4 shows the distribution of families in each income range of the.

Table 4 - Distribution of Families Combined Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	2,113,038	21.3%
Moderate (50% - 79%)	1,716,430	17.3%
Middle (80% - 119%)	2,104,932	21.2%
Upper (>= 120%)	4,001,945	40.2%
Total	9,936,345	100.0%

The bank’s Combined AA is large enough so that economic conditions vary considerably within the various AAs. In general, most economic indicators are trending positively across the entire AA. Unemployment rates are generally well higher than they were as of the prior CRA evaluation date but have fallen in all major sub-areas (MSA/MD/County) over the past year. Housing Price Indices (HPI), published by the Federal Housing Finance Agency (FHFA), show dramatic declines in single family house prices since the time of the prior evaluation, especially in the greater New York and New England markets. Mid-Atlantic home prices declined less dramatically, or in some markets not at all, since the prior evaluation but all markets show various degrees of stabilization over the past year. Please refer to the individual multi-state, state, and county sections for further details on the economy at these levels.

One community contact was conducted (see NY CSA AA) and a number of past contacts were reviewed to obtain additional perspectives on the economy and to assess CRA-related opportunities in the Combined AA. The results of these efforts are included in each respective AA section of this report.

Conclusions With Respect To Performance Tests in Combined Assessment Area

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Combined AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans

Institution (continued)

were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities, and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Combined Assessment Area

A solid majority of HMDA loans and the vast majority of small business loans extended during the review period were in the Combined AA. Table 5 illustrates the total number and dollar amount of HMDA-reportable loans (home purchase, refinance and home improvement loans) originated in and outside the Combined AA during the 36-month review period ended December 31, 2010.

Table 5 - Concentration of HMDA-reportable Loans *					
1/1/2008 - 12/31/2010					
(Dollars in thousands)					
Period By Year	In Combined Assessment Area		Outside Combined Assessment Area		Total HMDA Loans
By Number:	#	%	#	%	#
2008	16,036	77.8%	4,588	22.2%	20,624
2009	28,288	86.9%	4,260	13.1%	32,548
2010	22,915	90.1%	2,520	9.9%	25,435
Total	67,239	85.5%	11,368	14.5%	78,607
By \$ Amount:	\$ Amt	%	\$ Amt	%	\$ Amt
2008	\$4,092,826	68.9%	\$1,846,373	31.1%	\$5,939,199
2009	6,323,613	86.5%	987,051	13.5%	7,310,664
2010	6,020,852	89.4%	710,326	10.6%	6,731,178
Total	\$16,437,291	82.3%	\$3,543,750	17.7%	\$19,981,041

* Percents are based on total loans originated during applicable year

Table 5 shows a solid and increasing majority of reportable HMDA lending occurring within the bank’s defined assessment areas in terms of both the number and dollar volume of loans. Total HMDA reportable activity rose 76 percent between 2008 and 2009, but subsequently declined by 19 percent in 2010. This trend repeated in 14 of the 17 AAs; refer to each AA discussion for details.

Management indicated that the bank recognized the market issues affecting its mortgage business and adjusted lending programs to focus on its principal banking markets- mortgage lending. The bank increased the number of mortgage development officers and emphasized state housing agency programs in 2009. The lower interest rates available in 2009 caused a surge in refinancing, which waned in 2010 resulting in the noted decline in mortgage production in 2010.

Institution (continued)

Sovereign was the 8th leading HMDA mortgage loan originator in its Combined AA in 2008 with 15,814 loans at \$4.0 billion. The bank rose to the 4th leading mortgage originator in its Combined AA in 2009 with 28,111 loans at \$6.3 billion. These origination numbers are smaller than the numbers reflected in Table 5, which includes a fairly small universe of HMDA-reportable mortgage loans purchased by Sovereign each year, which also warrant CRA credit.

Tables 6 and 7 provide a more detailed picture of the distribution of HMDA-reportable loans within the 17 assessment areas by count and dollar amount, respectively.

Table 6 - Distribution of HMDA-Reportable Loans By Count in Individual Assessment Areas					
Assessment Area By Count:	2008	2009	2010	Review Period	% Of Comb AA
1 – NY-Newark-Bridgeport CSA*	3,477	4,956	4,129	12,562	18.7%
2 – Boston-Worcester-Manchester CSA*	5,158	11,642	10,389	27,189	40.4%
3 – Philadelphia-Camden CSA*	3,489	5,125	3,609	12,223	18.2%
4 – Allentown-Bethlehem-Easton MSA*	232	404	289	925	1.4%
5 – Harrisburg-Carlisle-Lebanon, PA CSA	594	931	676	2,201	3.3%
6 – Lancaster, PA MSA	472	726	429	1,627	2.4%
7 – Williamsport, PA MSA	207	329	323	859	1.3%
8 – York-Hanover, PA MSA	329	555	435	1,319	1.9%
9 – State College, PA MSA	26	50	67	143	0.2%
10 – Pennsylvania Non-MSA Counties	459	579	403	1,441	2.1%
11 – Barnstable Town, MA MSA	358	819	636	1,813	2.7%
12 – Springfield, MA MSA	201	298	294	793	1.2%
13 – Massachusetts Non-MSA Counties	250	528	319	1,097	1.6%
14 – Bethesda-Frederick, MD MD	44	83	108	235	0.3%
15 – Baltimore-Towson, MD MSA	28	69	76	173	0.3%
16 – Hagerstown-Martinsburg, MD MSA	45	42	23	110	0.2%
17 – Hartford-West/East Hartford, CT MSA	667	1,152	710	2,529	3.8%
Total HMDA Loans	16,036	28,288	22,915	67,239	100.0%

* Multi-state CSA or MSA

Institution (continued)

Table 7 - Distribution of HMDA-Reportable Loans By Dollar Amount in Individual Assessment Areas (Dollars in thousands)					
Assessment Area By Dollar Amount:	2008	2009	2010	Review Period	% Of Comb AA
1 – NY-Newark-Bridgeport CSA*	\$1,388,289	\$1,234,221	\$1,291,055	\$3,913,565	23.8%
2 – Boston-Worcester-Manchester CSA*	1,125,698	2,735,675	2,786,320	6,647,693	40.5%
3 – Philadelphia-Camden CSA*	805,840	1,091,486	937,843	2,835,169	17.3%
4 – Allentown-Bethlehem-Easton MSA*	65,259	67,678	44,038	176,975	1.1%
5 – Harrisburg-Carlisle-Lebanon, PA CSA	89,193	148,543	102,616	340,352	2.1%
6 – Lancaster, PA MSA	64,922	118,799	62,240	245,961	1.5%
7 – Williamsport, PA MSA	21,399	38,211	35,653	95,263	0.6%
8 – York-Hanover, PA MSA	44,258	79,456	60,975	184,689	1.1%
9 – State College, PA MSA	3,562	7,320	10,493	21,375	0.1%
10 – Pennsylvania Non-MSA Counties	49,288	76,653	46,326	172,267	1.0%
11 – Barnstable Town, MA MSA	83,905	189,449	157,048	430,402	2.6%
12 – Springfield, MA MSA	28,945	50,262	50,713	129,920	0.8%
13 – Massachusetts Non-MSA Counties	107,316	210,400	145,559	463,275	2.8%
14 – Bethesda-Frederick, MD MD	78,116	26,000	72,022	176,138	1.1%
15 – Baltimore-Towson, MD MSA	7,646	14,010	66,212	87,868	0.5%
16 – Hagerstown-Martinsburg, MD MSA	6,893	6,032	2,812	15,737	0.1%
17 – Hartford-West/East Hartford, CT MSA	122,297	229,418	148,927	500,642	3.0%
Total HMDA Loans	\$4,092,826	\$6,323,613	\$6,020,852	\$16,437,291	100.0%

* Multi-state CSA or MSA

Table 8 illustrates the total number and dollar amount of small business loans originated in and outside the Combined AA during the review period.

Table 8 - Concentration of Small Business Loans *					
1/1/2008 - 12/31/2010 (Dollars in thousands)					
Period By Year	In Combined Assessment Area		Outside Combined Assessment Area		Total SB Loans
By Number:	#	%	#	%	#
2008	5,419	95.4%	264	4.6%	5,683
2009	1,927	98.9%	21	1.1%	1,948
2010	3,161	98.6%	46	1.4%	3,207
Total	10,507	96.9%	331	3.1%	10,838
By \$ Amount:	\$ Amt	%	\$ Amt	%	\$ Amt
2008	\$652,017	89.5%	\$76,192	10.5%	\$728,209
2009	251,154	98.1%	4,806	1.9%	255,960
2010	407,143	95.9%	17,225	4.1%	424,368
Total	\$1,310,314	93.0%	\$98,223	7.0%	\$1,408,537

* Percents are based on total loans originated during applicable year

Institution (continued)

Table 8 shows an excellent penetration of small business lending within the bank's defined assessment areas. Aggregate small business lending data is amassed and produced in smaller MSA or county areas and these results are presented in the individual AA discussions. Sovereign is an active participant in small business lending in all markets. In general, the bank's performance in meeting small business credit needs is solid and primarily driven by its branch presence within each market. Logically, similarly situated banks with more extensive branch networks were able to generate greater small business lending volume in those particular markets, especially the larger commercially-focused banks that serve as similarly situated banks in this evaluation. Sovereign is a traditional thrift institution and focuses more on residential mortgage lending. The state of the economy and the financial condition of specific banks also plays a role in the volume of small business lending. Refer to the individual AA discussions for specific details on small business lending within each AA.

Small business production trends differ markedly when compared to HMDA reportable mortgage loan activity during the review period. The number of small business loans originated declined between 2008 and 2009 by 64 percent and subsequently increased by 64 percent in 2010. This trend repeated in 15 of the 17 AAs; refer to each AA discussion for details. Management indicated that economic conditions, including increased unemployment, led to tightening credit standards industry-wide.

Sovereign's increased small business lending in 2010 was partially the result of the bank adding 200 Small Business Specialists in 2010 and introduction of its "Boast Your Business" program which aimed to provide \$1 billion in credit through a new Step Rate loan product.

Tables 9 and 10 provide a more detailed picture of the distribution of small business loans within the 17 AAs by count and dollar amount, respectively.

Institution (continued)

Table 9 - Distribution of Small Business Loans By Count in Individual Assessment Areas					
Assessment Area By Count:	2008	2009	2010	Review Period	% Of Comb AA
1 – NY-Newark-Bridgeport CSA*	1,140	490	879	2,509	23.9%
2 – Boston-Worcester-Manchester CSA*	2,067	813	1,327	4,207	40.0%
3 – Philadelphia-Camden CSA*	948	247	411	1,606	15.3%
4 – Allentown-Bethlehem-Easton MSA*	107	33	44	184	1.8%
5 – Harrisburg-Carlisle-Lebanon, PA CSA	104	23	56	183	1.7%
6 – Lancaster, PA MSA	73	21	40	134	1.3%
7 – Williamsport, PA MSA	54	11	22	87	0.8%
8 – York-Hanover, PA MSA	62	21	31	114	1.1%
9 – State College, PA MSA	18	7	10	35	0.3%
10 – Pennsylvania Non-MSA Counties	142	34	91	267	2.5%
11 – Barnstable Town, MA MSA	56	25	37	118	1.1%
12 – Springfield, MA MSA	25	7	5	37	0.4%
13 – Massachusetts Non-MSA Counties	388	109	81	578	5.5%
14 – Bethesda-Frederick, MD MD	25	5	11	41	0.4%
15 – Baltimore-Towson, MD MSA	11	1	6	18	0.2%
16 – Hagerstown-Martinsburg, MD MSA	22	3	7	32	0.3%
17 – Hartford-West/East Hartford, CT MSA	177	77	103	357	3.4%
Total Small Business Loans	5,419	1,927	3,161	10,507	100.0%

Institution (continued)

Table 10 - Distribution of Small Business Loans By Dollar Amount in Individual Assessment Areas (Dollars in thousands)					
Assessment Area By Dollar Amount:	2008	2009	2010	Review Period	% Of Comb AA
1 – NY-Newark-Bridgeport CSA*	\$115,414	\$45,558	\$101,762	\$262,734	20.1%
2 – Boston-Worcester-Manchester CSA*	260,910	129,761	175,804	566,475	43.2%
3 – Philadelphia-Camden CSA*	120,512	27,370	58,826	206,708	15.8%
4 – Allentown-Bethlehem-Easton MSA*	9,308	4,213	3,874	17,395	1.3%
5 – Harrisburg-Carlisle-Lebanon, PA CSA	14,262	2,803	8,888	25,953	2.0%
6 – Lancaster, PA MSA	7,414	2,169	3,086	12,669	1.0%
7 – Williamsport, PA MSA	8,273	1,242	5,336	14,851	1.1%
8 – York-Hanover, PA MSA	5,403	1,982	3,454	10,839	0.8%
9 – State College, PA MSA	4,977	823	2,599	8,399	0.6%
10 – Pennsylvania Non-MSA Counties	12,350	3,402	11,876	27,628	2.1%
11 – Barnstable Town, MA MSA	10,266	4,674	5,193	20,133	1.5%
12 – Springfield, MA MSA	3,403	1,863	415	5,681	0.4%
13 – Massachusetts Non-MSA Counties	45,121	13,446	7,860	66,427	5.1%
14 – Bethesda-Frederick, MD MD	3,078	380	3,825	7,283	0.6%
15 – Baltimore-Towson, MD MSA	2,251	85	270	2,606	0.2%
16 – Hagerstown-Martinsburg, MD MSA	1,437	125	760	2,322	0.2%
17 – Hartford-West/East Hartford, CT MSA	27,638	11,258	13,315	52,211	4.0%
Total Small Business Loans	\$652,017	\$251,154	\$407,143	\$1,310,314	100.0%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Combined AA. Table 11 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Institution (continued)

Table 11 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Borrower Income Level in the Combined Assessment Area (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Low	1,840	11.5%	2,418	8.5%	1,662	7.3%	5,920	8.8%	5.9%	5.9%
Moderate	3,920	24.4%	6,055	21.4%	4,219	18.4%	14,194	21.1%	17.8%	17.6%
Middle	4,070	25.4%	7,421	26.2%	5,570	24.3%	17,061	25.4%	25.9%	24.6%
Upper	5,421	33.8%	11,815	41.9%	11,005	48.0%	28,241	42.0%	46.2%	44.8%
Income NA	785	4.9%	579	2.0%	459	2.0%	1,823	2.7%	4.2%	7.1%
Total	16,036	100.0%	28,288	100.0%	22,915	100.0%	67,239	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$183,866	4.5%	\$268,959	4.3%	\$169,088	2.8%	\$621,913	3.8%	2.4%	2.9%
Moderate	567,531	13.9%	951,550	15.0%	614,849	10.2%	2,133,930	13.0%	10.8%	11.6%
Middle	756,284	18.5%	1,509,823	23.9%	1,088,899	18.1%	3,355,006	20.4%	20.4%	20.8%
Upper	1,370,522	33.5%	3,256,942	51.5%	3,404,381	56.5%	8,031,845	48.9%	57.6%	55.4%
Income NA	1,214,623	29.6%	336,339	5.3%	743,635	12.4%	2,294,597	13.9%	8.8%	9.3%
Total	\$4,092,826	100.0%	\$6,323,613	100.0%	\$6,020,852	100.0%	\$16,437,291	100.0%	100.0%	100.0%

Table 11 details solid penetration into both the low-and-moderate-income borrower markets. For both years where aggregate data is available (2008-09), Sovereign's lending to both low- and moderate-income borrowers exceeded that of aggregate lenders by a substantial margin and continued at nearly the same high level in 2010. Sovereign was the 5th leading LMI lender in 2008 and 3rd in 2009 in the Combined AA. These rankings are better than the bank's overall mortgage lending rank (8th and 4th) in the Combined AA. The above results are partially attributable to the bank's extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs. Please refer to the Innovative and Flexible Lending section for further details.

Table 12 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Institution (continued)

Loan Amount At Origination	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	4,260	78.6%	1,434	74.4%	2,448	77.4%	8,142	77.5%	96.2%	93.5%
\$100,001 - \$250,000	536	9.9%	218	11.3%	283	9.0%	1,037	9.9%	1.8%	3.1%
\$250,001 - \$1 million	623	11.5%	275	14.3%	430	13.6%	1,328	12.6%	2.0%	3.4%
Total	5,419	100.0%	1,927	100.0%	3,161	100.0%	10,507	100.0%	100.0%	100.0%
By \$ Amount:										
≤ \$100,000	\$225,065	34.5%	\$66,296	26.4%	\$114,481	28.1%	\$405,842	31.0%	43.5%	33.7%
\$100,001 - \$250,000	98,268	15.1%	40,650	16.2%	52,506	12.9%	191,424	14.6%	13.3%	15.6%
\$250,001 - \$1 million	328,684	50.4%	144,208	57.4%	240,156	59.0%	713,048	54.4%	43.2%	51.7%
Total	\$652,017	100.0%	\$251,154	100.0%	\$407,143	100.0%	\$1,310,314	100.0%	100.0%	100.0%

Table 12 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 88 percent of small business lending through loans under \$250 thousand, with 78 percent under \$100 thousand for the three-year review period. While aggregate data shows nearly 94 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand.

Table 13 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Company's Rev. Category	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Less than \$1 mill.	3,670	67.8%	1,087	56.4%	1,961	62.0%	6,718	64.0%	25.1%	24.3%
Gtr than \$1 mill.	1,470	27.1%	704	36.5%	969	30.7%	3,143	29.9%	NA	NA
Revenue Unknown	279	5.1%	136	7.1%	231	7.3%	646	6.1%	74.9%	75.7%
Total	5,419	100.0%	1,927	100.0%	3,161	100.0%	10,507	100.0%	100.0%	100.0%
By \$ Amount:										
Less than \$1 mill.	\$307,721	47.2%	\$78,692	31.3%	\$121,214	29.8%	\$507,627	38.7%	31.3%	29.9%
Gtr than \$1 mill.	288,898	44.3%	151,878	60.5%	202,409	49.7%	643,185	49.1%	NA	NA
Revenue Unknown	55,398	8.5%	20,584	8.2%	83,520	20.5%	159,502	12.2%	68.7%	70.1%
Total	\$652,017	100.0%	\$251,154	100.0%	\$407,143	100.0%	\$1,310,314	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million are placed in the "Revenue Unknown" category.

Institution (continued)

Table 13 shows that approximately 64 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year. Comparisons to aggregate data is flawed in two respects: 1) aggregate data is dominated by nation-wide lenders that originate and purchase large volumes of credit card lines to larger businesses, and 2) aggregate data does not specifically include the volume of lending to businesses with revenues over \$1 million.

Examiners have access to detailed small business lending records within the bank that allow for a more thorough breakdown of small business lending to businesses based on their actual revenues, both under and over \$1 million (please note the much lower percentage of “revenue unknown” loans within the bank data in Table 13 above).

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Combined AA.

Table 14 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 14 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Geography Income Level in the Combined Assessment Area (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	581	3.6%	487	1.7%	422	1.8%	1,490	2.2%	2.5%	1.4%
Moderate	2,675	16.7%	2,715	9.6%	2,185	9.5%	7,575	11.3%	13.2%	9.5%
Middle	8,224	51.3%	14,331	50.7%	10,633	46.5%	33,188	49.3%	48.8%	46.9%
Upper	4,556	28.4%	10,755	38.0%	9,672	42.2%	24,983	37.2%	35.5%	42.2%
Income NA	0	0.0%	0	0.0%	3	0.0%	3	0.0%	0.0%	0.0%
Total	16,036	100.0%	28,288	100.0%	22,915	100.0%	67,239	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$141,768	3.5%	\$70,850	1.1%	\$104,923	1.7%	\$317,541	1.9%	2.3%	1.2%
Moderate	733,349	17.9%	456,780	7.2%	477,486	7.9%	1,667,615	10.1%	11.4%	8.0%
Middle	1,902,347	46.5%	2,902,492	45.9%	2,374,377	39.4%	7,179,216	43.7%	41.1%	40.0%
Upper	1,315,362	32.1%	2,893,491	45.8%	3,061,868	51.0%	7,270,721	44.3%	45.1%	50.7%
Income NA	0	0.0%	0	0.0%	2,198	0.0%	2,198	0.0%	0.1%	0.1%
Total	\$4,092,826	100.0%	\$6,323,613	100.0%	\$6,020,852	100.0%	\$16,437,291	100.0%	100.0%	100.0%

Table 14 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the Combined AA by a substantial margin in 2008 and by a small margin in 2009. The bank extended 20.3 percent of 2008 loans in LMI geographies while aggregate data reflected a

Institution (continued)

15.7 percent rate. The bank extended 11.3 percent of loans in LMI geographies in 2009 versus aggregate at 10.9 percent. Bank lending in LMI geographies remained at 2009 levels (11.3 percent) in 2010.

Table 15 reflects Sovereign’s geographic distribution of small business loans within the combined assessment area.

Table 15 - Distribution of Sovereign Bank’s Small Business Loans By Geography Income Level in the Combined Assessment Area (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	354	6.5%	135	7.0%	212	6.7%	701	6.7%	3.6%	3.7%
Moderate	794	14.7%	286	14.8%	433	13.7%	1,513	14.4%	12.8%	12.5%
Middle	2,463	45.5%	881	45.8%	1,426	45.1%	4,770	45.4%	40.3%	39.6%
Upper	1,799	33.2%	617	32.0%	1,080	34.2%	3,496	33.3%	43.0%	43.9%
Income NA	9	0.1%	8	0.4%	10	0.3%	27	0.2%	0.3%	0.3%
Total	5,419	100.0%	1,927	100.0%	3,161	100.0%	10,507	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$46,460	7.1%	\$21,049	8.4%	\$26,800	6.6%	\$94,309	7.2%	4.1%	4.3%
Moderate	94,088	14.4%	41,490	16.5%	60,674	14.9%	196,252	15.0%	12.7%	12.8%
Middle	280,835	43.1%	113,630	45.2%	179,136	44.0%	573,601	43.8%	41.0%	41.8%
Upper	228,003	35.0%	72,310	28.8%	137,919	33.9%	438,232	33.4%	41.7%	40.6%
Income NA	2,631	0.4%	2,675	1.1%	2,614	0.6%	7,920	0.6%	0.5%	0.5%
Total	\$652,017	100.0%	\$251,154	100.0%	\$407,143	100.0%	\$1,310,314	100.0%	100.0%	100.0%

Table 15 shows the bank to have out-performed aggregate in small business lending in LMI geographies in the Combined AA by a substantial margin in both years where aggregate data is available (2008-09). The bank extended 21.2 percent of 2008 small business loans in LMI geographies while aggregate data reflected a 16.4 percent rate. The bank extended 21.8 percent of small business loans in LMI geographies in 2009 versus the aggregate at 16.2 percent. Bank small business lending in LMI geographies remained fairly consistent at 20.4 percent in 2010.

Community Development Lending

Sovereign continues to provide a high level, in terms of both numbers and dollar volume, of CD loans across the bank’s overall AA. These loans provide or further enable 1) affordable housing for LMI residents, 2) services primarily targeted to LMI individuals and families, 3) financing for small businesses, or 4) the stabilization or revitalization of LMI areas or areas targeted as distressed, underserved, or in need of economic development.

For the three year review period across the Combined AA, the bank extended 297 CD loans totaling \$669.3 million. Of the total, 81 for \$121.1 million were various types of commercial loans to, in

Institution (continued)

many cases, non-profit organizations meeting one of the four purposes noted above. The remaining 216 loans for \$548.2 million were multi-family loans in LMI geographies which provide affordable housing for LMI residents and further stabilized the LMI geographies in which they are located.

Sovereign extended 225 CD loans totaling \$517.9 million in 2008-09. The bank's CD lending performance is strong. Refer to each AA discussion for a discussion of CD loan volume within each sub-area as well as examples of some of the more noteworthy loans in each AA.

Innovative and Flexible Lending Practices

Bank performance in this area is strong. Sovereign participates in numerous innovative and/or flexible loan programs that benefit home owners, small businesses, and consumers for various personal or family needs. The bank also established several loan programs during the review period in an attempt to meet specific credit needs both across all bank AAs as well as in specific areas.

Summary loan production numbers are provided here, with more detailed results provided in the individual multi-state and state CRA Public Evaluation documents, particularly where a specific loan product is targeted to a particular market and/or AA.

RESIDENTIAL MORTGAGE PRODUCTS

Sovereign offers and extends Federal Housing Administration (FHA) and Veteran's Administration (VA) mortgage loans on the federal level as well as affordable mortgage loans through six state housing agencies.

Table 16 provides the number and dollar volume of production under each such residential mortgage program offered by the bank. Total state housing agency production is provided here with state-specific results provided in each respective multi-state or state document.

Institution (continued)

Table 16 – Innovative/Flexible Mortgage Loan Production								
Levels by Specific Product Type and Year								
(Dollars in thousands)								
Mortgage Loan Product	2008		2009		2010		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
FHA	1,561	283,144	2,574	479,027	58	18,882	4,193	781,053
VA	56	11,464	97	18,598	24	3,802	177	33,864
State Housing Agency	1,206	137,169	1,221	176,634	943	97,677	3,370	411,480
Bank Affordable Mortgage	859	122,818	1,149	176,758	624	87,425	2,632	387,001
Total Residential Mortgage	3,682	554,595	5,041	851,017	1,649	207,786	10,372	1,613,398

SMALL BUSINESS PROGRAMS

Sovereign offers and extends Small Business Administration (SBA) loans across all AAs and also created its “Job Foundation Loan Program” in 2006 that targeted certain states within the Combined AA for business loans.

Table 17 provides the number and dollar volume of production under each such small business loan program offered by the bank. The Job Foundation Loan Program was offered in Pennsylvania, Massachusetts, Connecticut, and Rhode Island in 2008. New Hampshire replaced Connecticut and Rhode Island for 2009.

Table 17 – Innovative/Flexible Small Business Loan Production								
Levels by Specific Product Type and Year								
(Dollars in thousands)								
Mortgage Loan Product	2008		2009		2010		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
SBA	301	29,693	257	21,039	225	20,507	783	71,239
Job Foundation	0	NA	4	360	0	NA	4	360
Total Small Business Lending	301	29,693	261	21,399	225	20,507	787	71,599

Table Notes: SBA loans feature government guarantees that facilitate easier access to credit for small businesses.

OTHER LOAN PROGRAMS

Sovereign participates in a number of other loan programs which are either innovative and/or flexible, and that primarily serve credit needs other than strictly residential mortgage or small business. Many of these programs target a specific state or city, and these will be listed and discussed within the specific AA document. These include lead abatement and lead paint removal

Institution (continued)

loan programs, deferred payment loans for National Guard members and reservists, and technology loan programs.

some cases, loan programs serve both a residential mortgage and small business lending need. Sovereign announced its Flood Disaster Relief Program in April 2010 which provided loans to small businesses and consumers impacted by the spring flooding in the northeastern United States. Small businesses could access low interest rate loans up to \$25 thousand with no origination fees and no principal payments for the first three months. Existing business loan customers were considered for loan payment deferrals up to three months. Consumers were provided access to five year term loans with low interest rates and no fees and also offered deferred payments for existing auto, mortgage, and home equity loans. The program was available in seven Massachusetts counties, twelve New Jersey counties, and five Rhode Island counties affected by widespread flooding. The program ran for six months and generated 32 loans totaling over \$300 thousand.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign continues to provide funding for CD needs across the overall AA, although at a substantially lower dollar level when compared to the prior CRA evaluation. During the review period, Sovereign extended \$65.4 million in qualified traditional CD investments through the purchase of \$17.0 million in low income housing tax credits (LIHTC) and \$48.4 million in new markets tax credits (NMTC). The bank invested \$148 million in LIHTC (\$47.6) and NMTC (\$100.4) issues during the previous three-year review period which reflects a decrease of approximately 56 percent. Management indicated that the bank has a significant level of carry-forward tax credits amassed from these types of investments made in prior years which caused the noted cut back in current period investments. Furthermore, the difference in the state of the economy between the current three year period and the prior period must be taken into consideration as partially responsible for the decline in the level of traditional CD investments. Despite the significant decline, the \$65 million still represents a substantial level of CD funds provided for community needs.

LIHTCs have been utilized for many years as part of the financing package for affordable housing projects while NMTCs are a fairly recent innovative government program administered through the United States Department of Treasury. Both programs provide tangible benefit to the communities in which the CD projects are located; in many cases providing the final piece that allows the projects to come to fruition. This level of traditional CD activity reflects a significant investment across the bank's entire assessment area.

Institution (continued)

In addition to current investments, Sovereign has book balances remaining on prior period investments. The book value of all traditional CD investments, including prior period investments with a remaining balance, totaled \$440.5 million as of December 31, 2010. These investments included the LIHTC and NMTC issues noted above which have provided, and will continue to provide, affordable housing for LMI individuals and families and small business funds to help stabilize and revitalize LMI areas throughout the bank’s AAs.

Qualified CD donations exceeded \$13.7 million during three year review period. Approximately \$7.5 million of these donations were granted in 2009-2010. Examples of the recipients of some of the more noteworthy contributions that benefit the Combined AA are detailed in Table 18.

Type of Entity	Type	Location (AA)	Description
Sovereign – University	Contribution	Bank Wide	Educational Scholarships for Low-Moderate Income Students.
Sovereign Foundation	Contribution	Bank Wide	Provides assistance for Low-Moderate Income families, neighborhoods and businesses.
United Way	Contribution	Bank Wide	Provide resources for the needs of low income families and communities.

The bank continues to operate and fund the Sovereign Foundation, a separately organized charitable foundation. The Foundation was established by the bank to make charitable contributions to non-profit organizations that are CRA qualified to support LMI individuals and communities within the bank’s principal banking markets. Among the qualified direct bank donations discussed above, sizable contributions were provided to the Foundation during the review period for a combined \$8.1 million.

Also, a total of \$1.4 million in contributions were granted in 2008 through the Sovereign Endowment Fund (acquired through a bank acquisition in 2006), a majority of which benefited community development organizations within the assessment area with a concentration in the New York/New Jersey markets. The Sovereign Endowment Fund was discontinued at year-end 2008.

The allocation of investment dollars, both traditional investments and donations are discussed within the individual AA sections of this report. Details on some of the more noteworthy investments are also included in those sections.

Institution (continued)

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities throughout its branch delivery system. A full menu of checking, savings, certificates of deposit, and retirement accounts are available.

Sovereign offers a basic checking account, the “Classic Checking,” that features a \$5 monthly fee when a \$500 average daily balance is not met. This product compares reasonably well with other similar products that provide LMI individuals a means to conduct routine periodic transactions. Loans are available for all commercial, residential, and personal purpose and include many federal and state guaranteed/subsidized programs, proprietary affordable housing products, and a number of specialized lending programs developed in response to specifically identified needs. The full complement of available deposit and loan products are available throughout the assessment area through the bank’s extensive branch network and alternative access methods.

The institution’s branches are reasonably accessible to residents of the Combined AAs. Table 19 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 19 - Distribution of Banking Offices Combined Assessment Area						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	50	6.9%	849	9.1%	700,977	7.1%
Moderate	125	17.3%	1,915	20.5%	1,873,515	18.9%
Middle	327	45.4%	3,888	41.6%	4,334,572	43.5%
Upper	218	30.2%	2,570	27.5%	3,027,281	30.5%
Income NA	1	0.2%	121	1.3%	0	0.0%
Total	721	100.0%	9,343	100.0%	9,936,345	100.0%

As Table 19 shows, the distribution of branches in low- and moderate income geographies compares reasonably well to the distribution of geographies and families in the Combined AA. The bank has adequate branch representation on a percentage basis in low-income census tracts 6.9 percent versus comparable data for geographies 9.1 percent and families 7.1 percent and better in moderate-income

Institution (continued)

tracts at 17.3 percent versus comparable data for AA geographies (20.5 percent) and 18.9 percent for AA families.

Since the previous evaluation, the bank opened ten branches in the Combined assessment area; six in middle-income and four in upper-income geographies. There were no branches opened in low or moderate income geographies during the review period. Forty-nine branches were closed during the review period, the vast majority of which were in close proximity to existing Sovereign branches. Of those, two were in low-income geographies, five in moderate-income, 27 in middle-income, and 15 in upper-income geographies. One branch in a moderate-income geography in the NY CSA AA was closed in 2009 that may have adversely impacted LMI customers in the town. Management complied with regulatory guidelines regarding all closures and took steps to mitigate the reduction in service in impacted areas. Please refer to the NY CSA AA discussion for further details of the one branch closure where banking alternatives for Sovereign customers were not so readily available.

Banking offices feature various customer conveniences including Saturday banking hours, regular and speech recognition Automated Teller Machines (ATMs), drive-up and walk-up windows, and night depositories. The services offered at each branch are generally consistent and do not vary in a way that would be inconvenient to residents of the AA. Branch operating hours are reasonable and comparable to banks operating in the respective communities. No major differences were noted in daily operating hours across various banking offices. Alternate service and product delivery systems include on-line banking, bank-by-mail, and telephone banking. Customers can open deposit accounts on-line or by phone.

Community Development Services

Sovereign was actively involved with a number of efforts during the review period which qualify as CD activities. These include assisting organizations involved in providing community services to LMI individuals, affordable housing, small businesses and economic development of LMI areas. Sovereign employees contributed more than 43 thousand hours of time over the review period to community service agencies and organizations. A sample of these activities is highlighted in the individual assessment area evaluations. While the number of hours spent in support of CD activities declined from the prior evaluation, the number of bank employees declined due to branch closings and the economic downturn. The level of commitment shown by the bank in support of CD activities by employee and officer involvement is excellent.

During the review period, seven grants totaling \$3.1 million were secured from the FHLB of Pittsburgh Affordable Housing Program. Bank officers spent many hours preparing and submitting these applications and in administering the grant program. In addition, the institution provided the technical assistance to apply for many other AHP grants that were not approved during this review

Institution (continued)

period. In total, Sovereign submitted 24 AHP applications for \$ 7.0 million during the review period. Highlights are provided in the individual assessment area evaluations.

Sovereign participated in the FHLB of Pittsburgh's First Front Door Program (formerly Home Buyer Equity Fund), a grant program that provides down payment/closing cost assistance for low- and moderate-income first time homebuyers. Sovereign identifies grant-eligible borrowers and disburses funds on behalf of the FHLB. During the review period, these efforts resulted in 568 grants totaling \$2.6 million towards home ownership efforts. The program was suspended in late 2009 by the FHLB. Sovereign also provided the end mortgage financing for many of these home buying efforts.

The institution promoted and administered Family Savings Accounts (FSA) and Individual Savings Accounts (IDA) programs. These programs provide matching funds from community development organizations, assisting low- and moderate-income families in meeting savings goals for home purchases and other significant life needs. The most recent FSA/IDA report listed 97 active accounts throughout the bank's AAs.

Sovereign is an active participant in the Interest on Lawyer Trust Account (IOLTA) program. As of December 31, 2010, the bank maintained 5,345 IOLTA accounts. For the three-year review period, the bank submitted \$11.3 million to the respective state bar associations. These monies provide needy persons with legal representation. The bank waives transaction fees for these accounts.

As part of financial empowerment efforts, the bank provided funding and employee volunteer support to individuals who qualified for the Earned Income Tax Credit (EITC). The EITC program assists qualified low and moderate income tax payers by providing free tax preparation assistance and financial management education. As a result of this program, more than 71 thousand LMI individuals received assistance that resulted in their receiving over \$134 million dollars in refunds. These efforts were primarily focused on the major urban areas in the Combined AA including Boston, New York, and Philadelphia.

Sovereign employees devoted many hours and supported several financial literacy and educational programs designed to help low and moderate income individuals and families. These included money smart workshops and outreach to small businesses, and occurred across the bank's Combined AAs.

Institution (continued)

Fair Lending or Other Illegal Credit Practices Review

An evaluation of compliance with consumer laws and regulations was performed during the prior comprehensive examination of the institution. No violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices were identified during that examination.

CRA Rating for NY-Newark-Bridgeport, NY-NJ-CT CSA

CRA RATING^a:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Outstanding

Outstanding

High Satisfactory

High Satisfactory

LENDING TEST

Under the Lending Test, the bank extended a large volume of HMDA-reportable loans in the AA during the review period. The bank rose to be the eleventh leading mortgage lender in the AA in 2009, the most recent year where aggregate data is available. Small business production levels are also solid, but the bank has substantial competition from larger commercial banks in the market. Sovereign outperformed aggregate HMDA reporters in lending to LMI borrowers and in LMI geographies by a substantial margin. The bank's small business loans are primarily targeted to smaller businesses than what is usually seen. Sovereign originated a strong number of community development loans during the review period and has a solid record of lending under a variety of innovative and flexible lending products that target residents and businesses most in need in the AA.

INVESTMENT TEST

Under the Investment Test, the bank continues to extend funding for traditional community development investment needs, such as low-income housing tax credits in the New York CSA AA. While the overall dollar volume of traditional investments extended during the review period was solid, the allocation to this AA was lower when compared to the distribution of HMDA and small business lending, branches, and demographic data for the NY CSA AA. The overall level of donations in the NY CSA AA was also strong and the allocation of donations in this AA was more in line with the comparative items noted above.

SERVICE TEST

Under the Service Test, the bank maintains a reasonable distribution of banking offices among geographies of different income levels that is comparable to demographic data. A number of branches were opened and closed during the review period in the NY CSA AA. The closure of the Beach Haven Branch in a moderate-income geography in 2009 may have adversely impacted LMI customers as there were no alternate Sovereign offices in close proximity. Management took steps to

^a This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

mitigate the impact of the closing. The bank is involved in a high level of community development services in the NY CSA AA.

Scope of Examination

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three Tests: Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009 and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are considered in assigning a final CRA rating.

Description of Institution's Operations in NY-Newark-Bridgeport, NY-NJ-CT CSA

Sovereign maintains banking offices within the NY-Newark-Bridgeport, NY-NJ-CT CSA AA (NY CSA AA) which includes portions of Connecticut, New Jersey, and New York. Seven Connecticut offices are located in New Haven (6) and Litchfield (1) Counties. New Jersey offices are located in Bergen (5), Essex (20), Hudson (6), Mercer (14), Middlesex (15), Monmouth (28), Morris (11), Ocean (25), Somerset (2), Sussex (3), and Union (13) Counties for a total of 142 NJ branches in the AA. New York offices are located in Bronx (1), Kings (19), Nassau (4), New York (17), Queens (14), Richmond (20), and Suffolk (1) Counties for a total of 76 NY branches in the AA. In total, Sovereign's activities through 225 of its 721 offices, or 31.2 percent, are included in this multi-state AA. This AA accounted for approximately 19 percent of review period HMDA reportable loans and 24 percent of reportable small business lending.

Sovereign operates in competitive markets throughout its geographic footprint. The bank's NY CSA AA consisting of 4,806 geographies in three states was home to over 376 thousand HMDA-reportable mortgage loans in 2009 for a total dollar amount of approximately \$117 billion. This AA represents

a significant portion of overall activity and as such commands substantial weight in arriving at the bank’s overall CRA rating.

Description of NY-Newark-Bridgeport, NY-NJ-CT CSA AA

This AA consists of the greater portion of the New York-Newark-Bridgeport, NY-NJ-CT-PA Combined Statistical Area (CSA) #408 (NY CSA). Table 20 illustrates the 23 contiguous counties, along with applicable MSA/MD (or non-MSA area) that comprises this AA.

Table 20 - NY-Newark-Bridgeport CSA Counties in AA			
State	MSA/MD #	MSA/MD Name	County
CT	35300	New Haven-Milford, CT MSA	New Haven
CT	NA	Non-MSA, CT	Litchfield
NJ	20764	Edison-New Brunswick, NJ MD	Middlesex, Monmouth, Ocean, & Somerset
NJ	35084	Newark-Union, NJ MD	Essex, Morris, Sussex, Union, & Hunterdon
NJ	35644	NY-White Plains-Wayne, NY-NJ MD	Bergen, Passaic, & Hudson
NJ	45940	Trenton-Ewing, NJ MSA	Mercer
NY	35004	Nassau-Suffolk, NY MD	Nassau & Suffolk
NY	35644	NY-White Plains-Wayne, NY-NJ MD	Bronx, Kings, NY, Putnam, Queens, & Richmond

Table 21 illustrates demographic data on population, families, and housing units within the NY CSA AA.

Table 21 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	19,633,662
Total Families	4,863,930
1-4 Family Units	4,820,393
Multi-family Units	2,759,569
% Owner-Occupied Units	49%
% Rental-Occupied Units	45%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$222,769

Table 22 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 22 - Distribution of Geographies, Families and Housing Units NY CSA AA						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	481	10.0%	425,813	8.8%	194,290	4.0%
Moderate	1,056	22.0%	1,038,812	21.4%	857,239	17.8%
Middle	1,741	36.2%	1,796,789	36.9%	2,046,664	42.5%
Upper	1,442	30.0%	1,602,516	32.9%	1,722,076	35.7%
Income NA	86	1.8%	0	0.0%	124	0.0%
Total	4,806	100.0%	4,863,930	100.0%	4,820,393	100.0%

According to 2000 census data, 39.5 percent of the families in the NY CSA AA are classified as low-to moderate-income, with 10.6 percent of the families reporting income below the poverty level. Table 23 shows the distribution of families in each income range of the AA.

Table 23 - Distribution of Families NY CSA AA		
Family Income Category (As a % of MSA/MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	1,119,642	23.0%
Moderate (50% - 79%)	802,974	16.5%
Middle (80% - 119%)	941,700	19.4%
Upper (>= 120%)	1,999,614	41.1%
Total	4,863,930	100.0%

The economy in the NY CSA is largely driven by the New York City economy, but is also influenced by significant sub-economies in nearby metropolitan and rural areas in New Jersey and Connecticut as well as Long Island. The prognosis is for continued economic recovery in line with national trends. New York City is seen as the financial capital of the world and it along with the entire CSA area exhibit a number of strengths that bode well for its economic recovery including high per capita incomes and a highly skilled work force. The NY CSA is a critical transportation hub for the Northeast and a highly desirous tourist destination. Weaknesses include high business and housing costs, a high tax burden, dense levels of development that impede further growth, and uncertainty with state and municipal finances.

In general, most economic indicators are trending positively across the NY CSA. The unemployment rate for the NY-Northern NJ-Long Island MSA was 8.4 percent as of March 2011, down from 9.4 percent a year earlier. For the Trenton-Ewing NJ MSA, the rate was 7.9 percent, down from 8.3 percent. The New Haven, CT MSA rate was 9.6 percent as of March 2011, up slightly from 9.5 percent a year earlier.

Housing Price Indices published by the Federal Housing Finance Agency show dramatic declines in single family house prices for the CSA as a whole since the time of the previous evaluation in 2008.

Home prices show minor fluctuations (in both directions) in individual sub-MSA areas within the NY CSA over the past year, with the pace of declines slowing.

A community contact was conducted with a New York based community development financial institution/ non-profit organization that focuses on affordable housing and community development.

The contact stated that the New York City economy is somewhat insulated from the national economy, but some pockets of home price declines were seen in certain city neighborhoods, especially minority ones those designated as LMI areas, such as South Queens. The contact indicated that Sovereign is a financial supporter for the group's efforts through contributions but was not as visible in the home mortgage lending as other lenders.

Conclusions with Respect to Performance Tests in NY-Newark-Bridgeport, NY-NJ-CT CSA AA

As part of the CRA review, an analysis of the institution's performance under the Lending Test, Investment Test and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution's lending activity within its NY CSA AA, the geographic distribution of loans, the borrowers' profile, and evidence that loans were made to all income groups and businesses of different sizes. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the NY-Newark-Bridgeport, NY-NJ-CT CSA Assessment Area

Table 24 illustrates the institution's lending activity in the NY CSA AA during the review period.

Table 24 - Loan Originations within the NY CSA AA						
01/01/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA	NY CSA AA		Combined AA	NY CSA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	12,562	18.7%	\$16,437,291	\$3,913,565	23.8%
Small Business	10,507	2,509	23.9%	1,310,314	262,734	20.1%
Total	77,746	15,071	19.4%	\$17,747,605	\$4,176,299	23.5%

Table 24 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the NY CSA AA is somewhat lower, but reasonably comparable to other activities in this AA, especially given the increased level of competition in the AA. Approximately 31 percent of branches are in the NY CSA AA as are 51 percent of geographies and 49 percent of all families.

Total HMDA reportable activity in the AA rose 43 percent between 2008 and 2009, but subsequently declined by 17 percent in 2010. Total HMDA lending nationwide also increased by 25 percent in 2009. Sovereign was the 13th leading HMDA mortgage loan originator in the NY CSA AA in 2008 with 3,401 loans at \$1.4 billion. The bank rose to the 11th leading mortgage originator in the NY CSA AA in 2009 with 4,908 loans at \$1.2 billion.

Small business loan production trends differ markedly when compared to HMDA reportable mortgage loan activity during the review period in the NY CSA AA. The number of small business loans originated declined between 57 percent between 2008 and 2009 and subsequently increased by 79 percent in 2010. Total small business lending nationwide for all reporting lenders also declined by 42 percent in 2009. Management attributed the 2010 lending increase to the addition of 200 Small Business Specialists and expanded commercial products.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the AA. Table 25 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 25 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Borrower Income Level in the NY CSA AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Low	295	8.5%	373	7.5%	231	5.6%	899	7.2%	3.5%	3.8%
Moderate	718	20.6%	970	19.6%	665	16.1%	2,353	18.7%	13.0%	13.6%
Middle	849	24.4%	1,402	28.3%	1,092	26.4%	3,343	26.6%	23.5%	23.1%
Upper	1,268	36.5%	2,077	41.9%	1,932	46.8%	5,277	42.0%	54.9%	51.8%
Income NA	347	10.0%	134	2.7%	209	5.1%	690	5.5%	5.1%	7.7%
Total	3,477	100.0%	4,956	100.0%	4,129	100.0%	12,562	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$32,241	2.3%	\$47,190	3.8%	\$24,381	1.9%	\$103,812	2.7%	1.2%	1.8%
Moderate	122,257	8.8%	173,248	14.0%	106,279	8.2%	401,784	10.3%	6.8%	8.3%
Middle	178,401	12.9%	308,224	25.0%	223,802	17.3%	710,427	18.2%	16.4%	18.0%
Upper	346,931	25.0%	608,729	49.4%	620,631	48.1%	1,576,291	40.2%	63.8%	61.2%
Income NA	708,459	51.0%	96,830	7.8%	315,962	24.5%	1,121,251	28.6%	11.8%	10.7%
Total	\$1,388,289	100.0%	\$1,234,221	100.0%	\$1,291,055	100.0%	\$3,913,565	100.0%	100.0%	100.0%

Table 25 details solid penetration into the LMI borrower market in the NY CSA AA. For both years where aggregate data is available (2008-09), Sovereign’s lending to both LMI borrowers exceeded

that of aggregate lenders by a good margin. Sovereign was the 9th leading LMI lender in 2008 and 6th in 2009 in the NY CSA AA. These rankings are better than the bank’s overall mortgage origination lending rank (13th and 11th) in the NY CSA AA.

The above results are partially attributable to the bank’s extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs. Refer to the Innovative and Flexible Lending section for further details.

Table 26 provides an analysis of Sovereign’s small business activity, based on loan amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 26 - Distribution of Sovereign Bank’s Small Business Loans										
By Loan Origination Amount in the NY CSA AA										
<i>(Dollars in thousands)</i>										
Loan Amount At Origination	2008		2009		2010		Review Period		Aggregate	
	#	%	#	%	#	%	1/1/2008 – 12/31/2010		2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
≤ \$100,000	1,005	88.2%	427	87.2%	724	82.4%	2,156	85.9%	97.0%	95.0%
\$100,001 - \$250,000	55	4.8%	28	5.7%	57	6.5%	140	5.6%	1.4%	2.4%
\$250,001 - \$1 million	80	7.0%	35	7.1%	98	11.1%	213	8.5%	1.6%	2.6%
Total	1,140	100.0%	490	100.0%	879	100.0%	2,509	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$62,233	53.9%	\$21,612	47.5%	\$35,691	35.1%	\$119,536	45.5%	49.8%	37.8%
\$100,001 - \$250,000	9,907	8.6%	5,211	11.4%	11,029	10.8%	26,147	10.0%	11.7%	14.2%
\$250,001 - \$1 million	43,274	37.5%	18,735	41.1%	55,042	54.1%	117,051	44.5%	38.5%	48.0%
Total	\$115,414	100.0%	\$45,558	100.0%	\$101,762	100.0%	\$262,734	100.0%	100.0%	100.0%

Table 26 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 92 percent of small business lending through loans under \$250 thousand with 82 percent under \$100 thousand for the three-year review period. While aggregate data shows nearly 94 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand. The above results represent a more than reasonable commitment to lending for smaller business needs in the NY CSA AA.

Table 27 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 27 - Distribution of Sovereign Bank's Small Business Loans By Company's Revenue Category in the NY CSA AA (Dollars in thousands)										
Company's Rev. Category	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Less than \$1 mill.	765	67.2%	304	62.0%	565	64.3%	1,634	65.1%	22.4%	20.0%
Gtr than \$1 mill.	322	28.2%	160	32.7%	266	30.2%	748	29.8%	NA	NA
Revenue Unknown	53	4.6%	26	5.3%	48	5.5%	127	5.1%	77.6%	80.0%
Total	1,140	100.0%	490	100.0%	879	100.0%	2,509	100.0%	100.0%	100.0%
By \$ Amount:										
Less than \$1 mill.	\$57,109	49.5%	\$18,127	39.8%	\$32,878	32.3%	\$108,114	41.1%	29.7%	26.9%
Gtr than \$1 mill.	49,078	42.5%	24,165	53.0%	52,121	51.2%	125,364	47.8%	NA	NA
Revenue Unknown	9,227	8.0%	3,266	7.2%	16,763	16.5%	29,256	11.1%	70.3%	73.1%
Total	\$115,414	100.0%	\$45,558	100.0%	\$101,762	100.0%	\$262,734	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million are placed in the "Revenue Unknown" category.

Table 27 shows that approximately 65 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the NY CSA AA. Comparisons to aggregate data is flawed in two respects: 1) aggregate data is dominated by nation-wide lenders that originate and purchase large volumes of credit card lines to larger businesses, and 2) aggregate data does not specifically include the volume of lending to businesses with revenues over \$1 million.

Examiners have access to detailed small business lending records that allow for a more thorough breakdown of small business lending to businesses based on their actual revenues, both under and over \$1 million (please note the much lower percentage of "revenue unknown" loans within the bank data in Table 27 above). The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the NY CSA AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign's lending activity with respect to the distribution of loans among geographic areas of different income levels within the AA. Table 28 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 28 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Geography Income Level in the NY CSA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	118	3.4%	85	1.7%	65	1.6%	268	2.1%	2.7%	1.5%
Moderate	613	17.6%	520	10.5%	451	10.9%	1,584	12.6%	13.9%	9.6%
Middle	1,537	44.2%	2,215	44.7%	1,621	39.3%	5,373	42.8%	41.1%	39.2%
Upper	1,209	34.8%	2,136	43.1%	1,989	48.1%	5,334	42.5%	42.2%	49.6%
Income NA	0	0.0%	0	0.0%	3	0.1%	3	0.0%	0.1%	0.1%
Total	3,477	100.0%	4,956	100.0%	4,129	100.0%	12,562	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$69,944	5.0%	\$22,241	1.8%	\$24,071	1.9%	\$116,256	3.0%	3.1%	1.5%
Moderate	325,258	23.4%	117,797	9.5%	132,067	10.2%	575,122	14.7%	12.7%	8.7%
Middle	513,842	37.1%	502,747	40.7%	419,585	32.5%	1,436,174	36.7%	34.0%	33.2%
Upper	479,245	34.5%	591,436	48.0%	713,134	55.2%	1,783,815	45.6%	50.0%	56.4%
Income NA	0	0.0%	0	0.0%	2,198	0.2%	2,198	0.0%	0.2%	0.2%
Total	\$1,388,289	100.0%	\$1,234,221	100.0%	\$1,291,055	100.0%	\$3,913,565	100.0%	100.0%	100.0%

Table 28 shows the bank to have out-performed aggregate lenders in HMDA-reportable lending in LMI geographies in the NY CSA AA by a substantial margin in 2008 and by a smaller margin in 2009. The bank extended 21.0 percent of 2008 loans in LMI geographies while aggregate data reflected a 16.6 percent rate. The bank extended 12.2 percent of loans in LMI geographies in 2009 versus aggregate at 11.1 percent. Bank lending in LMI geographies increased to 12.5 percent in 2010.

Table 29 reflects Sovereign's geographic distribution of small business loans within the AA.

Table 29 - Distribution of Sovereign Bank's Small Business Loans By Geography Income Level in the NY CSA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	58	5.1%	30	6.1%	57	6.5%	145	5.8%	3.6%	3.8%
Moderate	195	17.1%	76	15.5%	118	13.4%	389	15.5%	13.4%	13.1%
Middle	459	40.3%	194	39.6%	321	36.5%	974	38.8%	34.6%	33.3%
Upper	426	37.4%	184	37.6%	379	43.1%	989	39.4%	48.0%	49.4%
Income NA	2	0.1%	6	1.2%	4	0.5%	12	0.5%	0.4%	0.4%
Total	1,140	100.0%	490	100.0%	879	100.0%	2,509	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$5,086	4.4%	\$4,450	9.8%	\$5,461	5.4%	\$14,997	05.7%	3.6%	3.6%
Moderate	21,432	18.6%	6,980	15.3%	14,463	14.2%	42,875	16.3%	13.2%	13.2%
Middle	44,601	38.6%	17,940	39.4%	38,205	37.5%	100,746	38.3%	33.9%	34.0%
Upper	43,980	38.1%	14,738	32.3%	42,633	41.9%	101,351	38.6%	48.6%	48.5%
Income NA	315	0.3%	1,450	3.2%	1,000	1.0%	2,765	1.1%	0.7%	0.7%
Total	\$115,414	100.0%	\$45,558	100.0%	\$101,762	100.0%	\$262,734	100.0%	100.0%	100.0%

Table 29 shows the bank to have out-performed aggregate in small business lending in LMI geographies in the NY CSA AA by a substantial margin in both years where aggregate data is available (2008-09). The bank extended 22.2 percent of 2008 small business loans in LMI

geographies while aggregate data reflected a 17.0 percent rate. The bank extended 21.6 percent of small business loans in LMI geographies in 2009 versus the aggregate at 16.9 percent. Bank small business lending in LMI geographies waned slightly to 19.9 percent in 2010.

Community Development Lending

Sovereign continues to provide a high level, in terms of both numbers and dollar volume, of CD loans in the NY CSA AA. These loans provide or further enable 1) affordable housing for LMI residents, 2) services primarily targeted to LMI individuals and families, 3) financing for small businesses, or 4) the stabilization or revitalization of LMI areas or areas targeted as distressed, underserved, or in need of economic development.

For the three year review period, the bank extended 176 CD loans totaling \$391.3 million in the NY CSA AA. Table 30 provides further detailed for these loans.

Table 30 - CD Loans in the NY CSA AA				
CD Loan Type	# CD loans	% of total all AA's	\$ (000) CD loans	% of total all AA's
Commercial	21	25.9%	\$23,138	19.1%
Multi-Family	155	71.8%	\$368,170	67.2%
Total	176	59.3%	\$391,308	58.5%

The bank’s commitment to CD lending in the NY CSA AA is strong. The NY CSA AA is responsible for 19 percent of all HMDA reportable lending, 24 percent of reportable small business lending, and 31 percent of branches. Commercial type CD lending activity is consistent with overall AA activity. Multi-family lending is significantly higher than overall AA activity, but not unexpected. A larger presence of multi-family properties is typical for such a large urban area.

Innovative and Flexible Lending Practices

Bank performance under this factor is strong. Sovereign participates in numerous innovative and/or flexible loan programs that benefit home owners, small businesses, and consumers for various personal or family needs. The bank also established several loan programs prior to and during the current review period in an attempt to meet specific credit needs both across all the bank AAs as well as in this AA.

RESIDENTIAL MORTGAGE PRODUCTS

Sovereign offers and extends Federal Housing Administration and Veteran’s Administration mortgage loans on the federal level as well as affordable mortgage loans through six state housing agencies. This evaluation did not endeavor to break out FHA and VA loans by individual AA as these loans are offered and extended across all AAs.

Sovereign also offers several internal affordable mortgage products and a similar evaluation approach was taken with these with one exception that applies to this AA. The bank is not involved with the State of New Jersey State Housing and Mortgage Finance Agency lending programs, but it has a solid track record of affordable mortgage lending within the state through The New Jersey Citizen Action and Housing and Community Development Network of New Jersey Inc. loan program (NJ CAAMP).

Table 31 provides the number and dollar volume of production under each state housing program operating in the NY CSA AA and the noted NJ CAAMP program. One example of the types of loans offered under the NJ CAAMP is the Sovereign SAM (Second Affordable Mortgage) loan which provides LMI borrowers access to fixed-interest rate funds for needed home improvements. SAM production levels have declined from historical strong levels noted in the prior CRA evaluation, but still over 20 such loans were originated during the review period for over \$600 thousand and these loans are included in the numbers in Table 31.

Table 31 – Affordable Home Mortgage Loan Production Levels in the NY CSA AA								
(Dollars in thousands)								
Mortgage Loan Product	2008		2009		2010		Total	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
State of New York	8	1,624	355	87,129	5	975	368	89,728
State of Connecticut	82	11,285	56	5,465	41	4,459	179	21,209
NJ CAAMP	76	14,569	48	8,285	44	7,473	168	30,327
Total Residential Mortgage	166	27,478	459	100,879	90	12,907	715	141,264

SMALL BUSINESS PROGRAMS

Sovereign offers and extends Small Business Administration (SBA) loans across all AAs. Sovereign originated over 200 SBA loans for more than \$10 million in the NY CSA AA for the three –year review period.

OTHER LOAN PROGRAMS

Sovereign participates in a number of other loan programs which are innovative and/or flexible, and that primarily serve credit needs other than strictly residential mortgage or small business. Many of these programs target a specific state or city, and those programs directed to the NY CSA AA include:

1. NJ Freedom Loan – provides unsecured fixed-rate deferred payment loans to members of the National Guard and Reserves mobilized for active duty.
2. NJ Citizens Action Group Assistive Device Program – provides unsecured fixed-rate loans to purchase assistive devices, ramps, vehicles with adaptive steering controls, hearing aids, and other approved devices to assist handicapped persons.

In some cases, innovative and flexible loan programs serve both a residential mortgage and small business lending need. Sovereign announced its Flood Disaster Relief Program in April 2010 which provided loans to small businesses and consumers impacted by the spring flooding in the northeastern United States. Small businesses could access low interest rate loans up to \$25 thousand with no origination fees and no principal payments for the first three months. Existing business loan customers were considered for loan payment deferrals up to three months. Consumers were provided access to five year term loans with low interest rates and no fees and also offered deferred payments for existing auto, mortgage, and home equity loans. The program was available in 12 New Jersey counties in the NY CSA AA affected by the widespread flooding. The program ran for six months and generated five loans totaling \$50 thousand in New Jersey.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution’s traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Of the \$65.4 million in qualified traditional CD investments made during the review period in the combined AAs, \$4.1 million or 6.3 percent is directly allocated to the NY CSA AA. This level of traditional investment dollars is somewhat lower when compared to the allocation of various AA activities among each AA. The NY CSA AA accounts for 18.4 percent of HMDA reportable lending, 23.9 percent of small business lending, 31.2 percent of branches, 51.4 percent of geographies, and 49.0 percent of the population.

As noted previously, LIHTCs have been utilized for many years as part of the financing package for affordable housing projects while NMTCs are a fairly recent innovative government program administered through the US Department of Treasury.

Both programs provide tangible benefit to the communities in which the CD projects are located; in many cases, providing the final piece that makes the project acceptable. The nature of the traditional investments reflects a reasonable commitment to qualified CD investments in the NY CSA AA. Table 31a highlights the activities of some of the groups that received funds through the LIHTC or NMTC investments.

Table 31a - CRA Qualified Investments in the NY CSA AA		
Entity Name	Location	Service
New Market Tax Credits CDE	New York City	Investments in CDEs for LMI communities
LIHTC – MM&A Housing Investments	New Haven, CT	Affordable housing projects
LIHTC – Centerline/Sovereign Housing Partnership	NY CSA	Affordable housing projects
Total Qualified Investments	\$4,106,398	

Contributions to qualified organizations benefiting 50 groups in the NY CSA AA totaled \$2.2 million or 16.1 percent of total contributions made during the review period in the combined AAs. The allocation of contributions is more in line with comparable AA activity and again reflects a reasonable effort in the NY CSA AA. The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and homeownership counseling.

Table 32 highlights the activities of some of the groups that received contributions.

Table 32 - Community Development Contributions in the NY CSA AA		
Entity Name	Location	Service
Habitat for Humanity- various chapters	NY CSA	Non-profit affordable housing developer
Assoc. for Neighborhood & Housing Dev.	New York	Supports Affordable Housing Institute
NJCA (New Jersey Citizen Action)	Newark, NJ	Financial literacy & homeownership counseling programs
Ironbound Community Corporation	Newark, NJ	Financial literacy initiatives
St. Johns University	Queens, NY	Financial literacy program
South Bronx Overall Economic Dev. Corp.	Bronx, NY	Support for LMI area economic development
United Way	NY CSA	Provides resources for the needs of low income families & communities
Total Contributions NY CSA	\$2.2 million	

The bank continues to operate and fund the Sovereign Foundation, a separately organized charitable foundation. The Foundation was established by the bank to make charitable contributions to non-profit organizations that support LMI individuals and communities within the bank’s principal banking markets. Among the qualified direct bank donations discussed above, sizable contributions were provided to the Foundation during the review period for a combined \$8.1 million, of which \$755 thousand or 9.3 percent was designated to the NY CSA AA.

Also, a total of \$1.4 million in contributions was granted during 2008 through the Sovereign Endowment Fund (acquired through a bank acquisition in 2006), a majority of which benefited community development organizations within the NY CSA AA. The Sovereign Endowment Fund was discontinued at year-end 2008.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the NY CSA AA. A full menu of checking, savings, certificates of deposit, and retirement accounts are available. Sovereign offers a basic checking account, the “Classic Checking”, which features a \$5 monthly fee when a \$500 average daily balance is not met. This product compares reasonably well with other similar products that provide LMI individuals a means to conduct routine periodic transactions.

Loans are available for all commercial, residential, and personal purposes and include many federal and state guaranteed/subsidized programs, proprietary affordable housing products, and a number of specialized lending programs developed in response to specifically identified needs. The full complement of available deposit and loan products are available throughout the NY CSA AA through the bank’s extensive branch network and alternative access methods.

The institution’s branches are reasonably accessible to residents of the NY CSA AA. Table 33 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 33 - Distribution of Banking Offices NY CSA AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	13	5.8%	481	10.0%	425,813	8.8%
Moderate	43	19.1%	1,056	22.0%	1,038,812	21.4%
Middle	84	37.3%	1,741	36.2%	1,796,789	36.9%
Upper	85	37.8%	1,442	30.0%	1,602,516	32.9%
Income NA	0	0.0%	86	1.8%	0	0.0%
Total	225	100.0%	4,806	100.0%	4,863,930	100.0%

As Table 33 shows, the distribution of branches in LMI geographies is reasonable when compared to the distribution of geographies and families in the NY CSA AA. The distribution of branches in low-income census tracts is slightly lower than the distribution of geographies and families in the combined AA, but reasonable nonetheless. Access to branches in moderate income geographies compares better at 19.1 percent versus comparable data for AA geographies, 22 percent, and 21.4 percent for families.

The bank opened two branches in upper-income geographies during the review period in the NY CSA AA. Nine branches were closed, one of which was in moderate income geography. In September 2009, Sovereign closed its Beach Haven branch in New Jersey and this closure may have adversely affected LMI individuals living in this moderate-income geography. Sovereign customers in Beach Haven would have to travel 32 miles to the nearest Sovereign branch and six miles to the nearest ATM subsequent to closing this location. While the action to close the branch may have adversely affected LMI individuals, there were other financial institutions in the area that provided

banking services and customers could continue to bank with Sovereign through alternative delivery systems available. Management complied with all regulatory requirements regarding the closing. The branch was struggling to attract new customers in this seacoast community that is a prime tourist destination with a large number of second homes.

Banking offices in the NY CSA AA feature various customer conveniences including Saturday banking hours, regular and speech recognition ATMs, drive-up and walk-up windows, and night depositories. The services offered at each branch are generally consistent and do not vary in a way that would be inconvenient to residents of the AA. Branch operating hours are reasonable and comparable to banks operating in the respective communities. No major differences were noted in daily operating hours across various banking offices. Alternate service and product delivery systems include on-line banking, bank-by-mail, and telephone banking. Customers can open deposit accounts on-line or by phone.

Community Development Services

Sovereign's performance in providing CD services in the NY CSA AA was strong. During the review period, the bank was responsive to a number of community development needs by providing financial and technical assistance to development organizations in the AA. Sovereign has partnered with local organizations to focus on educational programs to improve financial literacy. The following are examples of some of the many qualified CD activities in which the bank participated.

- Bank personnel organized financial education workshops for the Ifetayo Cultural Arts Academy, Red Hook Initiative, and East River Development Alliance. In addition, Sovereign manages both master and individual accounts for the Ifetayo Individual Development Account Program. This account matches student savings account at a ratio of 2:1 for college and career education.
- The bank partners with New York Housing Authority's Red Hook Houses, a non profit community based organization, and the Red Hook Initiative to offer financial resources and services within the community. The state and city of New York maintained \$15 million in deposits to sustain the branch and help provide financial services in the low-income Red Hook community in Brooklyn.
- Sovereign participated in the "The Earned Income Tax Credit" program by providing funding and volunteer support. This program assists low and moderate income tax payers by providing free tax preparation assistance and financial management education.
- The bank is an active participant in the IOLTA programs. Interest earned on IOLTA NOW accounts is forwarded to the state bar association to provide legal services to persons unable to afford legal representation. The bank has 1,396 active IOLTA accounts as of year end

2010 in Connecticut, New Jersey, and New York. NY IOLTA accounts are in the NY CSA AA as are the vast majorities of NJ accounts as well as roughly half of the CT accounts. A small number of NJ accounts are likely in either the Philadelphia CSA AA or the Allentown MSA AA. The remaining half of CT accounts are in the CT AA. The bank tracks IOLTA activity by state. Over \$1.4 million in interest on IOLTA accounts was remitted to the three states in 2010.

- In conjunction with non-profit agencies, Sovereign offers IDA and FSA. These accounts are designed to help low and moderate income families by matching their savings and restricting withdrawals to permitted purposes only, such as a down payment. Of the 97 such accounts, 46 are in the NY CSA AA.
- Sovereign was involved in supporting the Food Banks of Brooklyn and Staten Island in New York and the Food Banks of Ocean and Monmouth Counties in New Jersey to help address hunger in the NY CSA AA.

CRA Rating for Boston-Worcester-Manchester MA-RI-NH CSA

CRA RATING^b:	Outstanding
The Lending Test is rated:	Outstanding
The Investment Test is rated:	Outstanding
The Service Test is rated:	Outstanding

LENDING TEST

Under the Lending Test, the bank extended a large volume of HMDA-reportable loans in the AA during the review period. The bank rose to the fourth leading mortgage lender in 2009, the most recent year where aggregate data is available. Small business production levels are also strong, but the bank has substantial competition from larger commercial banks in the market. Sovereign has outperformed aggregate HMDA lenders in lending to LMI borrowers and to a lesser degree in LMI geographies. The bank's small business lending is primarily targeted to smaller businesses. The bank originated a high level of community development loans during the review period and has an exemplary record of lending under various innovative and flexible lending products that target residents and businesses most in need in the AA.

INVESTMENT TEST

Under the Investment Test, the bank continues to extend substantial funding for traditional community development investment needs, such as low-income housing tax credits in the Boston CSA AA. The overall dollar volume of traditional investments extended during the review period was high and the allocation to this AA was consistent with the distribution of HMDA and small business lending, branches, and demographic data for the Boston CSA AA. The overall level of donations in the Boston CSA AA was also high and the allocation in this AA consistent with the comparative items noted above.

SERVICE TEST

Under the Service Test, the bank maintains a reasonable distribution of banking offices among geographies of different income levels that is comparable to demographic data. A number of branches were opened and closed during the review period in the Boston CSA AA. Those closed included some in LMI geographies but management administered the closures properly and nearby branches were available so that LMI customers were not inconvenienced. The bank is involved in a high level of community development services in the Boston CSA AA.

^b This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Scope of Examination

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three Tests: Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009, and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are considered when assigning a final CRA rating.

Description of Institution's Operations in Boston-Worcester-Manchester MA-RI-NH CSA

Sovereign maintains banking offices within the Boston-Worcester-Manchester MA-RI-NH CSA AA (Boston CSA AA) which includes portions of Massachusetts, New Hampshire, and Rhode Island. Massachusetts offices are located in Bristol (23), Essex (29), Middlesex (48), Norfolk (24), Plymouth (19), Suffolk (37), and Worcester (26) Counties for a total of 206 MA branches in the AA. Twenty New Hampshire offices are located in Hillsborough (9), Merrimack (3), and Rockingham (8) Counties. Rhode Island offices are located in Bristol (2), Kent (4), Newport (3), Providence (21) and Washington (2) Counties for a total of 32 RI branches. In total, Sovereign's activities through 258 of its 721 offices, or 35.8 percent, are included in this multi-state AA. This AA accounted for approximately 40 percent of review period HMDA reportable mortgage loans and reportable small business loans.

Sovereign operates in competitive markets throughout its geographic footprint. The bank's Boston CSA AA, consisting of 1,521 geographies in three states, was home to 279 thousand HMDA-reportable mortgage loans in 2009 for a total dollar amount of approximately \$71 billion. This AA represents a significant portion of overall activity and as such commands substantial weight in arriving at the bank's overall CRA rating.

Description of Boston-Worcester-Manchester MA-RI-NH CSA AA

This AA consists a portion of the Boston-Worcester-Manchester, MA-RI-NH CSA #148 (Boston CSA). Table 34 illustrates the 15 contiguous counties, along with applicable MSA/MD and non-MSA areas, that comprise this AA.

State	MSA/MD #	MSA/MD Name	County
MA	14484	Boston-Quincy, MA MD	Norfolk, Plymouth, & Suffolk
MA	15764	Cambridge-Newton-Framingham, MA MD	Middlesex
MA	37764	Peabody, MA MD	Essex
MA	39300	Providence-New Bedford-Fall River, RI-MA MSA	Bristol
MA	49340	Worcester, MA MSA	Worcester
NH	31700	Manchester-Nashua, NH MSA	Hillsborough
NH	40484	Rockingham County-Strafford County, NH MD	Rockingham
NH	NA	Non-MSA, NH	Merrimack
RI	39300	Providence-New Bedford-Fall River, RI-MA MSA	Bristol, Kent, Newport, Providence, & Washington

Table 35 illustrates demographic data on population, families, and housing units within the Boston CSA AA.

Demographic Data	2000 Census
Population	7,130,137
Total Families	1,792,806
1-4 Family Units	2,255,956
Multi-family Units	573,518
% Owner-Occupied Units	58%
% Rental-Occupied Units	37%
% Vacant Housing Units	5%
Weighted Average Median Housing	\$193,426

Table 36 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	122	8.0%	87,319	4.9%	91,258	4.0%
Moderate	322	21.2%	324,529	18.1%	416,239	18.5%
Middle	707	46.5%	872,087	48.6%	1,123,826	49.8%
Upper	366	24.1%	508,871	28.4%	624,348	27.7%
Income NA	4	0.2%	0	0.0%	285	0.0%
Total	1,521	100.0%	1,792,806	100.0%	2,255,956	100.0%

According to 2000 census data, 37.8 percent of the families in the AA are classified as low- to moderate-income, with 6.5 percent of the families reporting income below the poverty level. Table 37 shows the distribution of families in each income range of the Boston CSA AA.

Table 37 - Distribution of Families Boston CSA AA		
Family Income Category (As a % of MSA/MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	361,888	20.2%
Moderate (50% - 79%)	315,537	17.6%
Middle (80% - 119%)	405,079	22.6%
Upper (>= 120%)	710,302	39.6%
Total	1,792,806	100.0%

The economy in the Boston CSA AA is primarily driven by the city of Boston economy, but a rather large geographic area extending inland from the city is inextricably tied to Boston. The CSA extends into Southern New Hampshire and also includes much of Southerly, abutting Rhode Island. The performance of the Boston economy is among the best in the nation’s large metro areas and the prognosis is for continued job growth in 2011 and 2012. The Boston CSA exhibits a number of strengths including access to a highly skilled work force and venture capital and a dynamic high tech and biomedical research and development industry. Weaknesses include high business and living costs, weak population growth, and uncertain state and municipal finances.

In general, most economic indicators are trending positively across the Boston CSA AA. Unemployment rates are lower in all sub-areas, in some cases substantially lower. The unemployment rate for the Boston-Cambridge-Quincy MSA was 7.1 percent as of March 2011, down from 8.1 percent a year earlier. For the Worcester MSA, the rate was 8.6 percent, down from 9.6 percent. For the Manchester MSA, the rate was 5.1 percent, down from 7.1 percent. The Providence-Fall River-Warwick MSA rate was 11.9 percent as of March 2011, down from 12.9 percent a year earlier. Rhode Island exhibited some of the highest unemployment rates in the nation during the peak of the economic downturn.

Housing price indices show dramatic declines in single family house prices in the Boston CSA AA since the time of the prior evaluation. Home prices show minor fluctuations (in both directions) in individual sub-MSA areas within the AA over the past year with the pace of decline slowing.

A community contact was not conducted in this AA but several 2010 contacts made in the greater Boston area were reviewed to obtain additional perspectives on the economy and to assess CRA-related opportunities in these markets. Contacts stated that high housing costs and an increase in homeless and “near” homeless families are key issues in their markets that need attention. Both contacts stated that several local banks were responsive to their requests for financial support. Neither contact mentioned Sovereign Bank.

Conclusions with Respect to Performance Tests in Boston-Worcester-Manchester, MA-RI-NH CSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Boston CSA AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities, and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Boston-Worcester-Manchester, MA-RI-NH CSA Assessment Area

Table 38 illustrates the institution’s lending activity in the Boston CSA AA during the review period.

Table 38 - Loan Originations within the Boston CSA AA						
01/01/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA		Boston CSA AA		Combined AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	27,189	40.4%	\$16,437,291	\$6,647,693	40.4%
Small Business	10,507	4,207	40.0%	1,310,314	566,475	43.2%
Total	77,746	31,396	40.4%	\$17,747,605	\$7,214,168	40.6%

Table 38 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Boston CSA AA is higher, in some cases significantly higher, when compared to other activities in this AA. Approximately 36 percent of branches are in the Boston CSA AA as are 16 percent of geographies and 18 percent of all families.

Total HMDA reportable activity rose 126 percent between 2008 and 2009, but subsequently declined by a modest 11 percent for 2010 in the AA. Total HMDA lending nationwide also increased by 25 percent in 2009. Sovereign was the 7th leading HMDA mortgage loan originator in the Boston CSA AA in 2008 with 5,117 loans at \$1.1 billion. The bank rose to the 4th leading mortgage originator in the Boston CSA AA in 2009 with 11,627 loans at \$2.7 billion.

Small business loan production trends differ markedly when compared to HMDA reportable mortgage loan activity during the review period in the Boston CSA AA. The number of small business loans originated declined between 2008 and 2009 by 61 percent and subsequently increased

by 63 percent in 2010. Total small business lending nationwide for all reporting lenders also declined by 42 percent in 2009. Management attributed the 2010 lending increase to the addition of 200 Small Business Specialists and expanded commercial loan product offerings.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Boston CSA AA. Table 39 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 39 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Borrower Income Level in the Boston CSA AA										
<i>(Dollars in thousands)</i>										
Borrower Inc. Level	2008		2009		2010		Review Period		Aggregate	
	#	%	#	%	#	%	1/1/2008 – 12/31/2010		2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	462	9.0%	841	7.2%	568	5.5%	1,871	6.9%	5.8%	6.2%
Moderate	1,343	26.0%	2,425	20.8%	1,783	17.2%	5,551	20.4%	19.4%	18.8%
Middle	1,452	28.2%	3,121	26.8%	2,520	24.3%	7,093	26.1%	27.7%	26.2%
Upper	1,730	33.5%	5,036	43.3%	5,400	52.0%	12,166	44.7%	43.7%	43.4%
Income NA	171	3.3%	219	1.9%	118	1.0%	508	1.9%	3.4%	5.4%
Total	5,158	100.0%	11,642	100.0%	10,389	100.0%	27,189	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$54,926	4.9%	\$104,987	3.8%	\$67,763	2.4%	\$227,676	3.4%	2.7%	3.3%
Moderate	211,507	18.8%	414,126	15.1%	283,943	10.2%	909,576	13.7%	13.1%	13.4%
Middle	302,759	26.9%	699,141	25.6%	546,154	19.6%	1,548,054	23.3%	24.1%	23.5%
Upper	455,861	40.5%	1,446,565	52.9%	1,797,160	64.5%	3,699,586	55.7%	54.3%	52.8%
Income NA	100,645	8.9%	70,856	2.6%	91,300	3.3%	262,801	3.9%	5.8%	7.0%
Total	\$1,125,698	100.0%	\$2,735,675	100.0%	\$2,786,320	100.0%	\$6,647,693	100.0%	100.0%	100.0%

Table 39 details solid penetration into the LMI borrower market in the Boston CSA AA. For both years where aggregate data is available (2008-09), Sovereign’s lending to both LMI borrowers exceeded that of aggregate lenders by a good margin, especially in 2008. LMI lending declined slightly in 2010 but remained at a solid level. Sovereign was the 4th leading LMI lender in 2008 and 3rd in 2009 in the Boston CSA AA. These rankings are better than the bank’s overall mortgage origination lending rank (7th and 4th) in the Boston CSA AA.

The above results are partially attributable to the bank’s extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs. Refer to the Innovative and Flexible Lending section for further details.

Table 40 provides an analysis of Sovereign’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Loan Amount At Origination	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	1,585	76.7%	539	66.3%	1011	76.2%	3,135	74.5%	96.2%	93.0%
\$100,001 - \$250,000	222	10.7%	117	14.4%	126	9.5%	465	11.1%	1.8%	3.3%
\$250,001 - \$1 million	260	12.6%	157	19.3%	190	14.3%	607	14.4%	2.0%	3.7%
Total	2,067	100.0%	813	100.0%	1,327	100.0%	4,207	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$85,048	32.6%	\$24,942	19.2%	\$47,795	27.2%	\$157,785	27.9%	41.0%	28.9%
\$100,001 - \$250,000	41,259	15.8%	22,418	17.3%	24,150	13.7%	87,827	15.5%	13.8%	16.0%
\$250,001 - \$1 million	134,603	51.6%	82,401	63.5%	103,859	59.1%	320,863	56.6%	45.2%	55.1%
Total	\$260,910	100.0%	\$129,761	100.0%	\$175,804	100.0%	\$566,475	100.0%	100.0%	100.0%

Table 40 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 87 percent of small business lending through loans under \$250 thousand with 75 percent under \$100 thousand for the three-year review period. While aggregate data shows 93 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand. The above results represent a more than reasonable commitment to lending to smaller business needs in the Boston CSA AA.

Table 41 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Company's Rev. Category	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Less than \$1 mill.	1,324	64.0%	443	54.5%	830	62.6%	2,597	61.7%	27.3%	26.6%
Gtr than \$1 mill.	617	29.9%	303	37.3%	400	30.1%	1,320	31.4%	NA	NA
Revenue Unknown	126	6.1%	67	8.2%	97	7.3%	290	6.9%	72.7%	73.4%
Total	2,067	100.0%	813	100.0%	1,327	100.0%	4,207	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Less than \$1 mill.	\$103,053	39.5%	\$33,059	25.5%	\$51,211	29.1%	\$187,323	33.1%	29.0%	28.1%
Gtr than \$1 mill.	130,943	50.2%	85,122	65.6%	92,240	52.5%	308,305	54.4%	NA	NA
Revenue Unknown	26,914	10.3%	11,580	8.9%	32,353	18.4%	70,847	12.5%	71.0%	71.9%
Total	\$260,910	100.0%	\$129,761	100.0%	\$175,804	100.0%	\$566,475	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million are placed in the "Revenue Unknown" category.

Table 41 shows that approximately 62 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Boston CSA AA. Comparisons to aggregate data is flawed in two respects: 1) aggregate data is dominated by nation-wide lenders that originate and purchase large volumes of credit card

lines to larger businesses, and 2) aggregate data does not specifically include the volume of lending to businesses with revenues over \$1 million.

Examiners have access to detailed small business bank lending records that allow for a more thorough breakdown of small business lending to businesses based on their actual revenues, both under and over \$1 million (please note the much lower percentage of “revenue unknown” loans within the bank data in Table 41 above). The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Boston CSA AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Boston AA. Table 42 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 42 - Distribution of Sovereign Bank’s HMDA-Reportable Loans by Geography Income Level in the Boston CSA AA <i>(Dollars in thousands)</i>										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	153	3.0%	166	1.4%	170	1.6%	489	1.8%	2.3%	1.5%
Moderate	826	16.0%	1,048	9.0%	911	8.8%	2,785	10.2%	13.2%	9.8%
Middle	2,628	50.9%	5,672	48.7%	4,501	43.3%	12,801	47.1%	51.4%	49.5%
Upper	1,551	30.1%	4,756	40.9%	4,807	46.3%	11,114	40.9%	33.1%	39.2%
Total	5,158	100.0%	11,642	100.0%	10,389	100.0%	27,189	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$23,322	2.1%	\$26,555	1.0%	\$32,189	1.2%	\$82,066	1.2%	2.0%	1.3%
Moderate	178,089	15.8%	188,039	6.9%	167,379	6.0%	533,507	8.0%	11.1%	8.1%
Middle	528,243	46.9%	1,223,155	44.7%	1,016,903	36.5%	2,768,301	41.6%	45.4%	44.2%
Upper	396,044	35.2%	1,297,926	47.4%	1,569,849	56.3%	3,263,819	49.2%	41.5%	46.4%
Total	\$1,125,698	100.0%	\$2,735,675	100.0%	\$2,786,320	100.0%	\$6,647,693	100.0%	100.0%	100.0%

Table 42 shows the bank to have out-performed aggregate lenders in HMDA-reportable lending in LMI geographies in the Boston CSA AA by a substantial margin in 2008. The bank extended 19.0 percent of 2008 loans in LMI geographies while aggregate data reflected a 15.5 percent rate. Bank performance declined to fall slightly below that of the aggregate in 2009; the bank extended 10.4 percent of loans in LMI geographies versus the aggregate at 11.3 percent. Bank lending in LMI geographies in 2010 remained at the 2009 level.

Table 43 reflects Sovereign’s geographic distribution of small business loans within the Boston CSA AA.

Table 43 - Distribution of Sovereign Bank's Small Business Loans By Geography Income Level in the Boston CSA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	201	9.7%	69	8.5%	111	8.4%	381	9.1%	4.3%	4.5%
Moderate	360	17.4%	136	16.7%	194	14.6%	690	16.4%	13.5%	13.1%
Middle	902	43.7%	378	46.5%	624	47.0%	1,904	45.2%	47.9%	47.9%
Upper	604	29.2%	230	28.3%	398	30.0%	1,232	29.3%	34.3%	34.5%
Total	2,067	100.0%	813	100.0%	1,327	100.0%	4,207	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$26,244	10.1%	\$11,751	9.1%	\$15,613	8.9%	\$53,608	9.5%	5.8%	6.4%
Moderate	43,798	16.8%	23,694	18.3%	30,363	17.3%	97,855	17.3%	14.2%	13.9%
Middle	112,961	43.2%	61,630	47.4%	81,457	46.3%	256,048	45.1%	47.9%	48.4%
Upper	77,907	29.9%	32,686	25.2%	48,371	27.5%	158,964	28.1%	32.1%	31.3%
Total	\$260,910	100.0%	\$129,761	100.0%	\$175,804	100.0%	\$566,475	100.0%	100.0%	100.0%

Table 43 shows the bank to have out-performed the aggregate in small business lending in LMI geographies in the Boston CSA AA by a substantial margin in both years where aggregate data is available (2008-09). The bank extended 27.1 percent of 2008 small business loans in LMI geographies while aggregate data reflected a 17.8 percent rate. The bank extended 25.2 percent of small business loans in LMI geographies in 2009 versus the aggregate at 17.6 percent. Bank small business lending in LMI geographies declined slightly to 23.0 percent in 2010.

Community Development Lending

Sovereign continues to provide a high level, in terms of both numbers and dollar volume, of CD loans in the Boston CSA AA. These loans provide or further enable 1) affordable housing for LMI residents, 2) services primarily targeted to LMI individuals and families, 3) financing for small businesses, or 4) the stabilization or revitalization of LMI areas or areas targeted as distressed, underserved, or in need of economic development. For the three year review period, the bank extended 49 CD loans totaling \$86.6 million in the Boston CSA AA. Table 44a provides further detailed for these loans.

Table 44a - CD Loans in the Boston CSA AA				
CD Loan Type	# CD loans	% of total all AA's	\$(000) CD loans	% of total all AA's
Commercial	29	35.8%	\$42,592	35.2%
Multi-Family	20	9.3%	\$44,000	8.0%
Total	49	16.5%	\$86,592	12.9%

The bank's commitment to CD lending in the Boston CSA AA is strong. The Boston CSA AA is responsible for 40 percent of all HMDA reportable lending, 40 percent of reportable small business lending, and 36 percent of branches. Commercial type CD lending activity was consistent with overall AA activity. Bank multi-family lending was significantly below overall AA activity,

especially in 2009 when no multi-family CD loans were originated. An overall general decline in multi family lending occurred between 2008 and 2009. Aggregate HMDA-reportable multi family loans declined by 29 percent in 2009 in the Boston CSA. Bank multi-family CD lending rebounded in 2010.

Innovative and Flexible Lending Practices

Bank performance under this factor is strong. Sovereign participates in numerous innovative and/or flexible loan programs that benefit home owners, small businesses, and consumers for various personal or family needs. The bank also established several loan programs prior to and during the review period in an attempt to meet specific credit needs both across all bank AAs as well as in this AA.

RESIDENTIAL MORTGAGE PRODUCTS

Sovereign offers and extends FHA and VA mortgage loans on the federal level as well as affordable mortgage loans through six housing agencies. Our evaluation did not endeavor to break out FHA and VA loans by individual AA as these loans are offered and extended across all AAs. Sovereign also offers several internal affordable mortgage products and a similar evaluation approach was taken with these.

Table 44b provides the number and dollar volume of production under each state housing program operating in the Boston CSA AA. One example of the types of affordable mortgage loans available in the Boston CSA AA is the Mass Housing (formerly Massachusetts Housing Finance Agency - MHFA) Home Improvement Loan and Lead Abatement program, which provides state-funded low-interest rate loans for the purpose noted in the program title. Sovereign generated historical high loan levels through this particular program but saw limited production during the current review period, likely due to the economy. Fewer than 10 loans for just under \$100 thousand were granted in 2008-10 and are included in the Massachusetts numbers listed below. On May 24, 2010, Mass Housing recognized Sovereign during their annual awards ceremony for being the top originator of Mass Housing home improvement loans in 2009.

Table 44b – Affordable Home Mortgage Loan Production Levels in the Boston CSA AA								
<i>(Dollars in thousands)</i>								
Mortgage Loan Product	2008		2009		2010		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Commonwealth of Mass.	534	59,193	440	42,739	392	40,379	1,366	142,311
State of New Hampshire	6	1,106	1	156	3	384	10	1,646
State of Rhode Island	45	7,357	17	2,253	2	245	64	9,855
Total Residential Mortgage	585	67,656	458	45,148	397	41,008	1,440	153,812

Table Notes: State Housing agency loans vary by location but generally target lower income first time home buyers and feature lower interest rates and flexible underwriting. Sovereign participates in the state housing programs noted above.

Note that the Massachusetts production numbers above likely include some loan activity that is technically outside of the Boston CSA AA. Most of the territory delineated as part of the bank's combined AA in Massachusetts is within the Boston CSA AA. There are small portions within the separate Massachusetts AA, including the Barnstable and Springfield MSAs and the delineated non-MSA portion of the state representing the islands of Martha's Vineyard and Nantucket off the coast of Cape Cod. All New Hampshire and Rhode Island activity above is within the Boston CSA AA.

SMALL BUSINESS PROGRAMS

Sovereign offers and extends SBA loans across all AAs. Sovereign originated over 300 SBA loans for more than \$34 million in the Boston CSA AA for the three-year review period.

OTHER LOAN PROGRAMS

Sovereign participates in a number of other loan programs that primarily serve credit needs other than strictly residential mortgage or small business. Many of these programs target a specific state or city, and those programs directed to the Boston CSA AA include:

1. Massachusetts Home Front Loan Program – provides unsecured fixed-rate deferred payment loans to members of the National Guard and Reserves mobilized for active duty.
2. Massachusetts Assistive Technology (MATF) Loan Program – provides low-cost loans to people with disabilities to buy assistive technology devices and services. For the three-year review period, the bank originated 148 MATF loans providing over \$2.5 million in credit in the Boston CSA AA.

In some cases, innovative and flexible loan programs serve both a residential mortgage and small business lending need. Sovereign announced its Flood Disaster Relief Program in April 2010, which provided loans to small businesses and consumers impacted by the spring flooding in the northeastern United States. Small businesses could access low interest rate loans up to \$25 thousand with no origination fees and no principal payments for the first three months. Existing business loan customers were considered for loan payment deferrals up to three months. Consumers were provided access to five year term loans with low interest rates and no fees and also offered deferred payments for existing auto, mortgage, and home equity loans. The program was available in seven Massachusetts and five Rhode Island counties affected by the widespread flooding. The program ran for six months and generated 23 loans totaling over \$275 thousand.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution’s investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Of the \$65.4 million in qualified traditional CD investments made during the review period in the combined AAs, \$22.5 million or 34.5 percent is directly allocated to the Boston CSA AA. This level of traditional investment dollars is consistent with the allocation of various AA activities among each AA. The Boston CSA AA accounts for 40.4 percent of HMDA reportable lending, 40.4 percent of small business lending, 35.8 percent of branches, 16.3 percent of geographies, and 18.0 percent of the population.

As noted previously, LIHTCs have been utilized for many years as part of the financing package for affordable housing projects while NMTCs are a fairly recent innovative government program. Both programs provide tangible benefit to the communities in which the CD projects are located; in many cases, providing the final pieces that make the project acceptable. The dollar level of traditional CD activity compares favorably to selected comparators and the nature of the traditional investments reflects a strong commitment to qualified CD investments in the Boston CSA AA. Table 45 highlights the activities of some of the groups that received funds through the LIHTC or NMTC investments.

Entity Name	Location	Service
LIHTC – Waverly Woods	Belmont, MA	Affordable housing projects
LIHTC – Northern NE Housing	New Hampshire	Affordable housing projects
LIHTC – Brown School Investors, LP	Peabody, MA	Affordable housing projects
Affirmative New Market Tax Credit	Boston, MA	Affordable housing & community development
Mass Development NMTC Fund	Boston, MA	Investments in CDEs for LMI communities
Total Qualified Investments	\$22,543,466	

Contributions to qualified organizations benefiting a significant number of groups throughout the Boston CSA AA totaled \$2.1 million, or 15.2 percent of total contributions made during the review period in the combined AAs. The allocation of contributions is in line with comparable AA activity and reflects a reasonable effort in the Boston CSA AA. The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and homeownership counseling. Table 46 highlights the activities of some of the groups that received contributions.

Table 46 - Community Development Contributions in the Boston CSA AA		
Entity Name	Location	Service
Massachusetts Affordable Housing Alliance	Boston	Affordable housing and economic development
Salvation Army	Boston	Health and human services
Neighborhood of Affordable Housing	East Boston	Affordable housing
Rebuilding Together Boston	Needham	Restoring affordable housing
Hunger Commission of Greater Bedford	Boston	Health and human services
Urban Edge	Roxbury	Affordable housing and economic development
Habitat for Humanity	Boston	Homeownership renovation program
Allston Brighton CDC	Allston Brighton (Boston)	Economic development
Fenway CDC	Boston	Economic development
Rosie's Place	Roxbury (Boston)	Homeless women's shelter
Four Corners Main Street	Dorchester	Affordable housing
Massachusetts Housing Partnership	Boston	Affordable housing and community development
Worcester Eastside CDC	Worcester	Affordable housing
Worcester Common Ground	Worcester	Affordable housing
Lawrence Community Works	Lawrence	First time homebuyers program
Merrimack Valley Housing Partnership	Lowell	First time homebuyers program
Merrimack Food Bank	Lowell	Health and human services
Total Contributions Boston-Worcester- Manchester CSA	\$2.1 million	

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the Boston CSA AA. A full menu of checking, savings, certificates of deposit, and retirement accounts are available. Sovereign offers a basic checking account, the "Classic Checking", which features a \$5 monthly fee when a \$500 average daily balance is not met. This product compares reasonably well with other similar products that provide LMI individuals a means to conduct routine periodic transactions. Loans are available for all commercial, residential, and personal purposes and include many federal and state guaranteed/subsidized programs, proprietary affordable housing products, and a number of specialized lending programs developed in response to specifically identified needs. The full complement of available deposit and loan products are available throughout the Boston CSA AA through the bank's extensive branch network and alternative access methods.

The institution’s branches are reasonably accessible to residents of the Boston CSA AA. Table 47 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 47 - Distribution of Banking Offices Boston CSA AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	25	9.7%	122	8.0%	87,319	4.9%
Moderate	46	17.8%	322	21.2%	324,529	18.1%
Middle	114	44.2%	707	46.5%	872,087	48.6%
Upper	73	28.3%	366	24.1%	508,871	28.4%
Income NA	0	0.0%	4	0.2%	0	0.0%
Total	258	100.0%	1,521	100.0%	1,792,806	100.0%

As Table 47 shows, the distribution of branches in LMI geographies is reasonable compared to the distribution of geographies and families in the Boston CSA AA. The bank’s distribution of branches in low income census tracts surpasses the distribution of geographies and families in the combined AA. Access to branches in moderate income geographies is reasonable at 17.8 percent versus comparable data for AA geographies (21.2 percent) and 18.1 percent for families.

The bank opened five branches in upper-income geographies during the review period in the Boston CSA AA. Fourteen branches were closed, two of which were in moderate-income geographies with one in a low-income geography. For each branch closure, management complied with all regulatory requirements include attempting to improve the branch’s performance, notifying customers in advance of the closure, and arranging for continued access to services for customers. For the three LMI branches closed, there were convenient Sovereign banking offices in close proximity to the closed branches and LMI residents in the impacted communities were not unduly inconvenienced.

Banking offices in the Boston CSA AA feature various customer conveniences including Saturday banking hours, regular and speech recognition ATMs, drive-up and walk-up windows, and night depositories. The services offered at each branch are generally consistent and do not vary in a way that would be inconvenient to residents of the AA. Branch operating hours are reasonable and comparable to banks operating in the respective communities. No major differences were noted in daily operating hours across various banking offices. Alternate service and product delivery systems include on-line banking, bank-by-mail, and telephone banking. Customers can open deposit accounts on-line or by phone.

Community Development Services

Sovereign's performance in providing CD services in the Boston CSA was strong. During the review period, the bank was responsive to a number of community development needs by providing financial and technical assistance to development organizations in the AA. Sovereign has partnered with local organizations to focus on educational programs to improve financial literacy. The following are examples of some of the many qualified CD activities in which the bank participated.

- Sovereign participated in the "The Earned Income Tax Credit" program by providing funding and volunteer support. This program assists low and moderate income tax payers by providing free tax preparation assistance and financial management education.
- The bank has 3,477 active IOLTA accounts as of year end 2010 in Massachusetts, New Hampshire, and Rhode Island. NH and RI are in the Boston CSA AA as is much of MA. Some of the MA IOLTA accounts are likely in the MA AA. The bank tracks IOLTA activity by state. Over \$2.2 million in interest on IOLTA accounts was remitted to the three states in 2010.
- In conjunction with non-profit agencies, Sovereign offers IDA and FSA accounts. These accounts are designed to help low and moderate income families by matching their savings and restricting withdrawals to permitted purposes only, such as down payments. Of the 97 such accounts, 20 are in the Boston CSA AA.

CRA Rating for Philadelphia-Camden-Vineland, PA-NJ CSA

CRA RATING^c:	Outstanding
The Lending Test is rated:	Outstanding
The Investment Test is rated:	Outstanding
The Service Test is rated:	Outstanding

LENDING TEST

Under the Lending Test, the bank extended a large volume of HMDA-reportable loans in the AA during the review period. The bank rose to the fifth leading mortgage lender in 2009, the most recent year where aggregate data is available. Small business production levels are also strong, but the bank has substantial competition from larger commercial banks in the market. Sovereign has outperformed aggregate HMDA lenders in lending to LMI borrowers and in LMI geographies. The bank's small business lending is primarily targeted to smaller businesses. The bank originated a high level of community development loans during the review period and has an exemplary record of lending under various innovative and flexible lending products that target residents and businesses most in need in the AA.

INVESTMENT TEST

Under the Investment Test, the bank continues to extend substantial funding for traditional community development investment needs, such as low-income housing tax credits in the Philadelphia CSA AA. The overall dollar volume of traditional investments extended during the review period was high and the allocation to this AA was consistent with the distribution of HMDA and small business lending, branches, and demographic data for the Philadelphia CSA AA. The overall level of donations in the Philadelphia CSA AA was also high and the allocation in this AA consistent with the comparative items noted above.

SERVICE TEST

Under the Service Test, the bank maintains a reasonable distribution of banking offices among geographies of different income levels that is comparable to demographic data. One branch was opened and a number were closed in the Philadelphia CSA AA. No branches located in LMI geographies were closed. The bank is involved in a high level of community development services in the Philadelphia CSA AA.

^c This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Scope of Examination

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three Tests; Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009 and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are considered when assigning a final CRA rating.

Description of Institution's Operations in Philadelphia-Camden-Vineland, PA-NJ CSA

Sovereign maintains banking offices within the Philadelphia-Camden-Vineland, PA-NJ CSA AA (Philadelphia CSA AA) which includes portions of Pennsylvania and New Jersey. Pennsylvania Offices are located in Berks (12), Bucks (9), Chester (7), Delaware (13), Montgomery (18), and Philadelphia (17) Counties for a total of 76 PA branches in the CSA. Eight New Jersey Offices are located in Burlington (3) and Camden (5) Counties. In total, Sovereign's activities through 84 of its 721 offices, or 11.7 percent, are included in this multi-state AA. This AA accounted for approximately 18 percent of review period HMDA reportable loans and 15 percent of reportable small business lending.

Sovereign operates in competitive markets throughout its geographic footprint. The bank's Philadelphia CSA AA consisting of 1,387 geographies in two states was home to 185 thousand HMDA-reportable mortgage loans in 2009 for a total dollar amount of approximately \$38 billion. This AA represents a fairly significant portion of overall activity and as such commands substantial weight in arriving at the bank's overall CRA rating.

Description of Philadelphia-Camden-Vineland, PA-NJ CSA AA

This AA consists of a portion of the Philadelphia-Camden-Vineland, PA-NJ-DE-MD CSA #428 (Philadelphia CSA AA). Table 48 illustrates the nine contiguous counties, along with the applicable MSA/MD, that comprise this AA.

State	MSA/MD #	MSA/MD Name	County
NJ	15804	Camden, NJ MD	Burlington, Camden, & Gloucester
PA	37964	Philadelphia, PA MD	Bucks, Chester, Delaware, Montgomery, & Philadelphia
PA	39740	Reading, PA MSA	Berks

Table 49 illustrates demographic data on population, families, and housing units within the Philadelphia CSA AA.

Demographic Data	2000 Census
Population	5,410,284
Total Families	1,379,779
1-4 Family Units	1,819,330
Multi-family Units	324,640
% Owner-Occupied Units	66%
% Rental-Occupied Units	28%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$122,165

Table 50 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	149	10.7%	128,693	9.3%	209,725	11.5%
Moderate	257	18.5%	239,312	17.3%	355,438	19.5%
Middle	556	40.1%	566,220	41.1%	719,093	39.6%
Upper	402	29.0%	445,554	32.3%	534,942	29.4%
Income NA	23	1.7%	0	0.0%	132	0.0%
Total	1,387	100.0%	1,379,779	100.0%	1,819,330	100.0%

According to 2000 census data, 38.7 percent of the families in the Philadelphia CSA AA are classified as low- to moderate-income, with 8 percent of the families reporting income below the poverty level. HUD annually adjusts the 2000 census data to update the income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance

Evaluation. Table 51(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 51(b) reflects the updated HUD median family income for each year during the review period; and table 51(c) shows the distribution of families in each income range of the AA.

Table 51(a) - Median Family Income Ranges (*)						
Income Category (As a % of MSA/MD Median)	Reading, PA MSA (#39740)		Philadelphia, PA MD (#37964)		Camden, NJ MD (#15804)	
	From	To	From	To	From	To
Low (< 50%)	\$1	\$32,749	\$1	\$38,099	\$1	\$41,749
Moderate (50% - 79%)	\$32,750	\$52,399	\$38,100	\$60,959	\$41,750	\$66,799
Middle (80% - 119%)	\$52,400	\$78,599	\$60,960	\$91,439	\$66,800	\$100,199
Upper (>= 120%)	\$78,600	+	\$91,440	+	\$100,200	+

* Based on HUD 2010 Median Family Income of the MSA or Metropolitan Division

Table 51(b) - Annual HUD Median Family Income			
Year	Reading	Philadelphia	Camden
	Amount	Amount	Amount
2008	\$60,500	\$72,400	\$78,300
2009	\$65,800	\$75,500	\$82,800
2010	\$65,500	\$76,200	\$83,500

Table 51(c) - Distribution of Families Philadelphia CSA AA		
Family Income Category (% of MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	291,135	21.1%
Moderate (50% - 79%)	242,765	17.6%
Middle (80% - 119%)	299,790	21.7%
Upper (>= 120%)	546,089	39.6%
Total	1,379,779	100.0%

The economy in the Philadelphia CSA is driven by its namesake city with reliance on a substantial metropolitan area outside of the city proper. The prognosis for economic recovery has brightened this year as leading indicators are improving. The Philadelphia CSA exhibits a number of strengths including a well developed port, a concentration of highly regarded educational institutions, and a mostly in-balance housing market. The city is a center for health services and medical research but is saddled with old and aging infrastructure and weak population growth.

In general, most economic indicators are trending positively across the Philadelphia CSA AA. Unemployment rates are lower in both sub-areas. The unemployment rate for the Philadelphia-Camden-Wilmington MSA was 8.5 percent as of March 2011, down from 9.4 percent a year earlier. For the Reading MSA, the rate was 8.3 percent, down from 10.0 percent.

Housing price indices show moderate declines in single family house prices in the Philadelphia CSA AA since the time of the prior evaluation. Home prices show continued small declines in both individual sub-MSA areas within the AA over the past year with the pace of decline clearly slowing. A community contact was not conducted in this AA but several 2010 contacts made in Philadelphia were reviewed to obtain additional perspectives on the economy and assess CRA-related opportunities in the markets. All four contacts are non-profit organizations engaged in various missions including business advocacy, community revitalization, economic development through job creation, and renovating certain city neighborhoods.

Each contact confirmed the general trend in the local economy and stated that local and regional banks with a presence in the city are financially contributing to their organization, financing projects in the city, and providing officers to serve in various critical capacities with the organizations. Two of the contacts indicated that increased small business lending is needed. Sovereign was noted as contributing financially to two of the organizations.

Conclusions with Respect to Performance Tests in Philadelphia CSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Philadelphia CSA AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities, and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Philadelphia-Camden, PA-NJ CSA Assessment Area

Table 52 illustrates the institution’s lending activity in the Philadelphia CSA AA during the review period.

Table 52 - Loan Originations within the Philadelphia CSA AA						
01/01/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA		Phila. CSA AA		Combined AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	12,223	18.2%	\$16,437,291	\$2,835,169	17.2%
Small Business	10,507	1,606	15.3%	1,310,314	206,708	15.8%
Total	77,746	13,829	17.8%	\$17,747,605	\$3,041,877	17.1%

Table 52 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Philadelphia CSA AA is consistent with other activities in this AA. Approximately 12 percent of branches are in the Philadelphia CSA AA as are 15 percent of geographies and 14 percent of all families.

Total HMDA reportable activity rose 47 percent between 2008 and 2009, but subsequently declined by 30 percent for 2010. Total HMDA lending nationwide also increased by 25 percent in 2009. Sovereign was the 8th leading HMDA mortgage loan originator in the Philadelphia CSA AA in 2008 with 3,453 loans at \$800 million. The bank rose to the 5th leading mortgage originator in the Philadelphia CSA AA in 2009 with 5,106 loans at \$1.1 billion.

Small business loan production trends differ markedly when compared to HMDA reportable mortgage loan activity during the review period in the Philadelphia CSA AA. The number of small business loans originated declined between 2008 and 2009 by 74 percent and subsequently increased by 66 percent in 2010. Total small business lending nationwide for all reporting lenders also declined by 42 percent in 2009. Management attributed the 2010 lending increase to the addition of 200 Small Business Specialists in 2010 as well as expanded commercial product offerings.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Philadelphia AA. Table 53 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 53 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Borrower Income Level in the Philadelphia CSA AA										
<i>(Dollars in thousands)</i>										
Borrower Inc. Level	2008		2009		2010		Review Period		Aggregate	
	#	%	#	%	#	%	1/1/2008 – 12/31/2010	% by #	2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	664	19.0%	649	12.7%	469	13.0%	1,782	14.6%	8.5%	7.3%
Moderate	847	24.3%	1,139	22.2%	765	21.2%	2,751	22.5%	19.8%	19.3%
Middle	781	22.4%	1,193	23.3%	775	21.5%	2,749	22.5%	26.0%	23.8%
Upper	1,041	29.8%	2,001	39.0%	1,507	41.8%	4,549	37.2%	42.5%	42.2%
Income NA	156	4.5%	143	2.8%	93	2.5%	392	3.2%	3.2%	7.4%
Total	3,489	100.0%	5,125	100.0%	3,609	100.0%	12,223	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$57,668	7.2%	\$61,441	5.6%	\$41,141	4.4%	\$160,250	5.7%	3.7%	3.5%
Moderate	107,134	13.3%	158,690	14.5%	99,478	10.6%	365,302	12.9%	13.4%	13.3%
Middle	126,658	15.7%	210,825	19.3%	131,276	14.0%	468,759	16.5%	22.9%	21.0%
Upper	238,926	29.6%	509,390	46.8%	415,851	44.3%	1,164,167	41.1%	54.2%	53.5%
Income NA	275,454	34.2%	151,140	13.8%	250,097	26.7%	676,691	23.8%	5.8%	8.7%
Total	\$805,840	100.0%	\$1,091,486	100.0%	\$937,843	100.0%	\$2,835,169	100.0%	100.0%	100.0%

Table 53 details solid penetration into the LMI borrower market in the Philadelphia CSA AA. For both years where aggregate data is available (2008-09), Sovereign’s lending to both LMI borrowers exceeded that of aggregate lenders by a good margin, especially in 2008. Sovereign was the 4th leading LMI lender in 2008 and 3rd in 2009 in the Philadelphia CSA AA. These rankings are better than the bank’s overall mortgage origination lending rank (8th and 5th) in the Philadelphia CSA AA. The above results are partially attributable to the bank’s extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs. Refer to the Innovative and Flexible Lending section for further details.

Table 54 provides an analysis of Sovereign’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 54 - Distribution of Sovereign Bank’s Small Business Loans by Loan Origination Amount in the Philadelphia CSA AA										
<i>(Dollars in thousands)</i>										
Loan Amount At Origination	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	732	77.2%	195	79.0%	311	75.6%	1,238	77.1%	94.7%	91.1%
\$100,001 - \$250,000	95	10.0%	25	10.1%	34	8.3%	154	9.6%	2.5%	4.1%
\$250,001 - \$1 million	121	12.8%	27	10.9%	66	16.1%	214	13.3%	2.8%	4.8%
Total	948	100.0%	247	100.0%	411	100.0%	1,606	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$36,898	30.6%	\$8,846	32.3%	\$13,112	22.3%	\$58,856	28.5%	35.3%	28.2%
\$100,001 - \$250,000	17,497	14.5%	4,596	16.8%	5,973	10.2%	28,066	13.6%	14.9%	16.3%
\$250,001 - \$1 million	66,117	54.9%	13,928	50.9%	39,741	67.5%	119,786	57.9%	49.8%	55.5%
Total	\$120,512	100.0%	\$27,370	100.0%	\$58,826	100.0%	\$206,708	100.0%	100.0%	100.0%

Table 54 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 87 percent of small business lending through loans under \$250 thousand with 77 percent under \$100 thousand for the three-year review period. While aggregate data shows over 91 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand. The above results represent a more than reasonable commitment to lending to smaller business needs in the Philadelphia CSA AA.

Table 55 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 55 - Distribution of Sovereign Bank’s Small Business Loans by Company’s Revenue Category in the Philadelphia CSA AA (Dollars in thousands)										
Company’s Rev. Category	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Less than \$1 mill.	664	70.1%	165	66.8%	256	62.3%	1,085	67.5%	28.8%	31.3%
Gtr than \$1 mill.	245	25.8%	59	23.9%	108	26.3%	412	25.7%	NA	NA
Revenue Unknown	39	4.1%	23	9.3%	47	11.4%	109	6.8%	71.2%	68.7%
Total	948	100.0%	247	100.0%	411	100.0%	1,606	100.0%	100.0%	100.0%
By \$ Amount:										
Less than \$1 mill.	\$60,146	49.9%	\$11,411	41.7%	\$15,915	27.1%	\$87,472	42.3%	33.9%	34.0%
Gtr than \$1 mill.	52,577	43.6%	12,221	44.6%	23,625	40.1%	88,423	42.8%	NA	NA
Revenue Unknown	7,789	6.5%	3,738	13.7%	19,286	32.8%	30,813	14.9%	66.1%	66.0%
Total	\$120,512	100.0%	\$27,370	100.0%	58,826	100.0%	206,708	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million are placed in the “Revenue Unknown” category.

Table 55 shows that approximately 68 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Philadelphia CSA AA. Comparisons to aggregate data is flawed in two respects: 1) aggregate data is dominated by nation-wide lenders that originate and purchase large volumes of credit card lines to larger businesses, and 2) aggregate data does not specifically include the volume of lending to businesses with revenues over \$1 million.

The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Philadelphia CSA AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the AA. Table 56 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 56 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Geography Income Level in the Philadelphia CSA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	258	7.4%	188	3.7%	148	4.1%	594	4.9%	4.4%	2.4%
Moderate	829	23.8%	676	13.2%	509	14.1%	2,014	16.5%	14.0%	10.0%
Middle	1,438	41.2%	2,102	41.0%	1,358	37.6%	4,898	40.0%	44.5%	41.8%
Upper	964	27.6%	2,159	42.1%	1,594	44.2%	4,717	38.6%	37.1%	45.8%
Total	3,489	100.0%	5,125	100.0%	3,609	100.0%	12,223	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$27,444	3.4%	\$17,927	1.6%	\$44,601	4.8%	\$89,972	3.2%	2.5%	1.4%
Moderate	106,483	13.2%	90,137	8.3%	100,541	10.7%	297,161	10.5%	9.6%	6.8%
Middle	413,649	51.4%	372,265	34.1%	353,890	37.7%	1,139,804	40.2%	39.0%	35.2%
Upper	258,264	32.0%	611,157	56.0%	438,811	46.8%	1,308,232	46.1%	48.9%	56.6%
Total	\$805,840	100.0%	\$1,091,486	100.0%	\$937,843	100.0%	\$2,835,169	100.0%	100.0%	100.0%

Table 56 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the Philadelphia CSA AA by a substantial margin in 2008 and by a smaller margin in 2009. The bank extended 31.2 percent of 2008 loans in LMI geographies while aggregate data reflected an 18.8 percent rate. The bank extended 16.9 percent of loans in LMI geographies in 2009 versus the aggregate at 12.4 percent. Bank lending in LMI geographies increased to 18.1 percent in 2010.

Table 57 reflects Sovereign's geographic distribution of small business loans within the AA.

Table 57 - Distribution of Sovereign Bank's Small Business Loans By Geography Income Level in the Philadelphia CSA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/2008 – 12/31/2010		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	55	5.8%	16	6.5%	27	6.6%	98	6.1%	3.7%	3.5%
Moderate	105	11.1%	30	12.1%	50	12.2%	185	11.5%	10.5%	9.9%
Middle	353	37.2%	95	38.5%	147	35.8%	595	37.0%	37.7%	37.4%
Upper	428	45.2%	104	42.1%	182	44.3%	714	44.5%	47.7%	48.7%
Income NA	7	0.7%	2	0.8%	5	1.1%	14	0.9%	0.4%	0.5%
Total	948	100.0%	247	100.0%	411	100.0%	1,606	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$8,051	6.7%	\$1,034	3.8%	\$2,567	4.4%	\$11,652	5.6%	4.5%	4.4%
Moderate	12,079	10.0%	3,767	13.8%	5,588	9.5%	21,434	10.4%	10.7%	11.3%
Middle	38,161	31.7%	9,877	36.1%	19,396	33.0%	67,434	32.6%	37.2%	37.6%
Upper	59,905	49.7%	11,467	41.9%	29,751	50.6%	101,123	48.9%	46.6%	45.6%
Income NA	2,316	1.9%	1,225	4.4%	1,524	2.5%	5,065	2.5%	1.0%	1.1%
Total	\$120,512	100.0%	\$27,370	100.0%	\$58,826	100.0%	\$206,708	100.0%	100.0%	100.0%

Table 57 shows the bank to have out-performed the aggregate in small business lending in LMI geographies in the Philadelphia CSA AA by a solid margin in both years where aggregate data is available (2008-09). The bank extended 16.9 percent of 2008 small business loans in LMI geographies while aggregate data reflected a 14.2 percent rate. The bank extended 18.6 percent of

small business loans in LMI geographies in 2009 versus the aggregate at 13.4 percent. Bank small business lending in LMI geographies increased substantially to 18.8 percent in 2010.

Community Development Lending

Sovereign continues to provide a high level, in terms of both numbers and dollar volume, of CD loans in the Philadelphia CSA AA. These loans provide or further enable 1) affordable housing for LMI residents, 2) services primarily targeted to LMI individuals and families, 3) financing for small businesses, or 4) the stabilization or revitalization of LMI areas or areas targeted as distressed, underserved, or in need of economic development. For the three year review period, the bank extended 50 CD loans totaling \$136.6 million in the Philadelphia CSA AA. Table 58 provides further detailed for these loans.

Table 58 - CD Loans in the Philadelphia CSA AA				
CD Loan Type	# CD loans	% of total all AA's	\$ (000) CD loans	% of total all AA's
Commercial	23	28.4%	\$53,840	44.5%
Multi-Family	27	12.5%	\$82,753	15.1%
Total	50	16.85	\$136,593	20.4%

The bank’s commitment to CD lending in the Philadelphia CSA AA is strong. The Philadelphia CSA AA is responsible for 18 percent of all HMDA reportable lending, 15 percent of reportable small business lending, and 12 percent of branches. Commercial type CD lending activity is more heavily focused in this AA when compared to overall AA activity. Pennsylvania in general and Philadelphia in particular as the financial hub of eastern half of the state, serve as the bank’s historical base. The bank has long term established ties with the greater Philadelphia community which affords greater CD lending opportunities. Multi-family lending in this AA is more in line with overall AA activity.

Innovative and Flexible Lending Practices

Bank performance under this factor is strong. Sovereign participates in numerous innovative and/or flexible loan programs that benefit home owners, small businesses, and consumers for various personal or family needs. The bank also established several loan programs prior to and during the current review period in an attempt to meet specific credit needs both across all bank AAs as well as in this AA.

RESIDENTIAL MORTGAGE PRODUCTS

Sovereign offers and extends FHA and VA mortgage loans on the federal level as well as affordable mortgage loans through six state housing agencies. Our evaluation did not endeavor to break out FHA and VA loans by individual AA as these loans are offered and extended across all AAs. Sovereign also offers several internal affordable mortgage products and a similar evaluation approach was taken with these.

The bank's involvement with the Pennsylvania Housing Finance Agency (PHFA) has resulted in 1,383 mortgage loans for \$146 million over the course of the review period with a significant level of the benefit of those loans realized in the Philadelphia CSA AA. Note however that the PHFA production numbers include a significant amount of loan activity that is outside of the Philadelphia CSA AA. When considering the geographic segments of Pennsylvania delineated by the bank as part of its overall combined AA, a portion constitutes the Philadelphia CSA AA and a portion represents the Allentown MSA AA. The remaining large segments of delineated state territory are included in the Pennsylvania AA which includes five separate MSAs and a non-MSA area. The bank tracks its affordable mortgage lending programs by state and a detailed break out of production by MSA/Non-MSA was unnecessary in this case. Essentially, this high level of lending through the PHFA was seen to be adequately spread across all AAs in the state. No particular Pennsylvania AA, MSA, or the non-MSA area was noted as not having PHFA mortgage activity.

The PHFA regularly recognizes Sovereign as one of its top lenders in various categories. For 2008, Sovereign was the top overall volume PHFA lender and originated the most "Keystone Plus Home Loans", Keystone Plus Assistance Loans", and most loans to minority borrowers. For 2009, Sovereign was the second overall volume lender and originated the most Keystone Assistance Loans and most loans to minority borrowers. For 2010, Sovereign returned to the top spot in terms of overall volume and originated the most Keystone Assistance Loans, most loans to minority borrowers, and most new construction loans. The bank's commitment to fund affordable mortgages for lower income borrowers through the PHFA is evident.

SMALL BUSINESS PROGRAMS

Sovereign offers and extends SBA loans across all AAs. Sovereign originated over 150 SBA loans for more than \$13 million in Pennsylvania for the three –year review period. As was the case with mortgage loans, the bank historically tracked SBA production by state so the above levels reflect activity state-wide. Since 2009, the bank began SBA loan tracking by MSA. In 2009-10, 86 SBA loans for \$7.3 million were originated in the Philadelphia CSA AA. This level of production is commensurate with the bank's presence in this AA.

OTHER LOAN PROGRAMS

Sovereign participates in a number of other loan programs that primarily serve credit needs other than strictly residential mortgage or small business. Many of these programs target a specific state or city, and those programs directed to the Philadelphia CSA AA include:

1. PHIL Plus loans and Mini PHIL loans – This is the Philadelphia's anti-predatory loan program and part of its Neighborhood Transformation Initiative. Home improvement loans

are available to LMI city residents with 50 percent of the proceeds able to be used for debt consolidation. Loan guidelines are set by and loans are partially insured by the city.

2. PA Assistive Technology (PATF) Program loans – provides low cost loans to people with disabilities who need to borrow money to buy assistive technology devices and services. For the three-year review period, the bank originated 150 PATF loans providing over \$2.9 million in credit in the Philadelphia CSA AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution’s investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Of the \$65.4 million in qualified traditional CD investments made during the review period in the combined AAs, \$25.3 million or 38.6 percent is directly allocated to the Philadelphia CSA AA. This level of traditional investment dollars is significantly higher when compared to the allocation of various AA activities among each AA. The Philadelphia CSA AA accounts for 18.2 percent of HMDA reportable lending, 15.3 percent of small business lending, 11.7 percent of branches, 14.8 percent of geographies, and 13.9 percent of the population.

As noted previously, LIHTCs have been utilized for many years as part of the financing package for affordable housing projects while NMTCs are a fairly recent innovative government program... Both programs provide tangible benefit to the communities in which the CD projects are located; in many cases, providing the final pieces that make the project acceptable. The dollar level of traditional CD activity compares favorably to selected comparators and the nature of the traditional investments reflects a strong commitment to qualified CD investments in the Philadelphia CSA AA.

Table 59 highlights the activities of some of the groups that received funds through the LIHTC or NMTC investments.

Table 59: - Low-Income Housing Tax Credit and New Market Tax Credit Investments in the Philadelphia CSA AA		
Entity Name	Location	Service
LIHTC – MM&A Housing	Camden, NJ	Affordable housing projects
LIHTC –Sovereign Mid-Atlantic	Winslow, NJ	Affordable housing projects
NMTC (SCDC) – 401 DeKalb	Norristown, PA	Investments in CDEs for LMI communities
Total Qualified Investments	\$25,265,627	

Contributions to qualified organizations benefiting 87 groups in the Philadelphia CSA AA totaling \$1.5 million, or 11.2 percent of total contributions made during the review period in the combined AAs. The allocation of contributions is in line with comparable AA activity and reflects a reasonable

effort in the Philadelphia CSA AA. The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and homeownership counseling. Table 60 highlights the activities of some of the groups that received contributions.

Table 60 - Community Development Contributions in the Philadelphia CSA AA		
Entity Name	Location	Service
Ogontz Ave. Revitalization Corp.	Norristown	Economic development
Greater Philadelphia Food Banks	Philadelphia	Health and human services
Habitat for Humanity	Philadelphia, Delaware Valley, Camden and Bucks County	Affordable housing
People for People, Inc.	Philadelphia	Infrastructure support / health and human resources
Philadelphia Development Partnership	Philadelphia	Economic development
Korean Community Development Services	Philadelphia	Partnership in a tax credit program
Philadelphia Association of CDCs	Philadelphia	Operational support for organizations supporting economic development activities
New Kensington CDC	Philadelphia	Economic development
CORA Services	Philadelphia	Health and human services
Congreso de Latinos Unidos, Inc.	Philadelphia	Economic development
Literacy Today	Moorestown, NJ	Youth mentoring program
Neighborhood Housing Services	Camden, NJ	Support affordable housing initiatives
Greater Philadelphia Chamber of Commerce	Philadelphia	Economic development
Business Leadership Organization for Catholic Schools	Philadelphia	Scholarships for LMI students
Total Contributions Phil-Camden CSA	\$1,542,735	

Additional community development contributions were granted to the Neighborhood Assistance Partnership Program (NAP), a community initiative and state tax credit program with the Hispanic Association of Contractors and Enterprises (HACE) in Philadelphia, PA. Funding benefits predominately Hispanic neighborhoods in northeastern Philadelphia. Sovereign committed \$500 thousand over five years, and funded \$200 thousand during the review period.

The bank also participated in the Educational Improvement Tax Credit Program (EITC), a program which awards tax credits to businesses that make contributions to scholarship or educational improvement not-for-profit organizations. Sovereign provided 29 grants totaling \$386 thousand to qualified organizations within the Philadelphia CSA AA during the review period.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the Philadelphia CSA AA. A full menu of checking, savings, certificates of deposit, and retirement accounts are available. Sovereign offers a basic checking account, the “Classic Checking”, which features a \$5 monthly fee when a \$500 average daily balance is not met. This product compares reasonably well with other similar products that provide LMI individuals a means to conduct routine periodic transactions. Loans are available for all commercial, residential, and personal purposes and include many federal and state guaranteed/subsidized programs, proprietary affordable housing products, and a number of specialized lending programs developed in response to specifically identified needs. The full complement of available deposit and loan products are available throughout the Philadelphia CSA AA through the bank’s extensive branch network and alternative access methods.

The institution’s branches are reasonably accessible to residents of the Philadelphia CSA AA. Table 61 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 61 - Distribution of Banking Offices Philadelphia CSA AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	4	4.8%	149	10.7%	128,693	9.3%
Moderate	13	15.5%	257	18.5%	239,312	17.3%
Middle	28	33.3%	556	40.1%	566,220	41.1%
Upper	38	45.2%	402	29.0%	445,554	32.3%
Income NA	1	1.2%	23	1.7%	0	0.0%
Total	84	100.0%	1,387	100.0%	1,379,779	100.0%

As Table 61 shows, the distribution of branches in LMI geographies is reasonable compared to the distribution of geographies and families in the Philadelphia CSA AA. The bank’s distribution of branches in low income census tracts is somewhat lower than the distribution of geographies and families in the combined AA, but still reasonable. Access to branches in moderate income geographies is reasonable at 15.5 percent versus comparable data for AA geographies (18.5 percent) and 17.3 percent for families.

The bank opened one branch in a middle-income geography during the review period in the Philadelphia CSA AA. Twelve branches were closed, none of which were in low-and moderate income geographies. Management complied with all regulatory requirements including attempts to improve the branch’s performance, notifying customers in advance of the closure, and arranging for continued access to services for customers.

Community Development Services

Sovereign's performance in providing CD services in the Philadelphia CSA AA was strong. During the review period, the bank was responsive to a number of community development needs by providing financial and technical assistance to development organizations in the AA. Sovereign has partnered with local organizations to focus on educational programs to improve financial literacy. The following are examples of some of the many qualified CD activities in which the bank participated.

- Sovereign participated in the "The Earned Income Tax Credit" program by providing funding and volunteer support. This program assists low and moderate income tax payers by providing free tax preparation assistance and financial management education.
- The bank is an active participant in the IOLTA programs. Interest earned on IOLTA NOW accounts are forwarded to the state bar association to provide legal services to persons unable to afford legal representation. The bank has 461 active IOLTA accounts as of year end 2010 in Pennsylvania. Some of the PA IOLTA accounts are likely in the Allentown MSA AA and others in the PA AA. The bank tracks IOLTA activity by state. Nearly \$297 thousand in interest on IOLTA accounts was remitted to the state in 2010.
- In conjunction with non-profit agencies, Sovereign offers IDA and FSA accounts. These accounts are designed to help low and moderate income families by matching their savings and restricting withdrawals to permitted purposes only, such as a down payment for a home. One of the organizations participating in the Philadelphia CSA AA is West Philadelphia Financial Services.
- The institution sponsored an event with the Habitat for Humanity of Delaware Valley to promote awareness of affordable housing programs. In addition, Sovereign services loans for Habitat for Humanity in Philadelphia.

CRA Rating for Allentown-Bethlehem-Easton, PA-NJ MSA

CRA RATING^d:	Outstanding
The Lending Test is rated:	Outstanding
The Investment Test is rated:	Outstanding
The Service Test is rated:	High Satisfactory

LENDING TEST

Under the Lending Test, the bank extended a large volume of HMDA-reportable loans in the AA during the review period. The bank rose to the 15th leading mortgage lender in 2009, the most recent year where aggregate data is available. Small business production levels are also strong, but the bank has substantial competition from larger commercial banks in the market.

Sovereign has outperformed aggregate HMDA lenders in lending to LMI borrowers and in LMI geographies. The bank's small business lending is primarily targeted to smaller businesses. The bank originated a high level of community development loans during the review period and has an exemplary record of lending under various innovative and flexible lending products that target residents and businesses most in need in the AA.

INVESTMENT TEST

Under the Investment Test, the bank continues to extend substantial funding for traditional community development investment needs, such as low-income housing tax credits in the Allentown MSA AA. The overall dollar volume of traditional investments extended during the review period was high and the allocation to this AA was consistent with the distribution of HMDA and small business lending, branches, and demographic data for the Allentown MSA AA. The overall level of donations in the Allentown MSA AA was also high and the allocation in this AA was consistent with the comparative items noted above.

SERVICE TEST

Under the Service Test, the bank maintains a comparatively lower but reasonable distribution of banking offices among geographies of different income levels. No LMI branches were closed during the review period. The bank is involved in a strong level of community development services in the Allentown MSA AA.

^d This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Scope of Examination

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three Tests: Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009 and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are considered when assigning a final CRA rating.

Description of Institution's Operations in Allentown-Bethlehem-Easton, PA-NJ MSA

Sovereign maintains banking offices within the Allentown-Bethlehem-Easton, PA-NJ MSA AA (Allentown MSA AA) including portions of Pennsylvania and New Jersey. Pennsylvania offices are located in Lehigh (8) and Northampton (6) Counties. There are no branches in New Jersey portion of this AA. In total, Sovereign's activities through 14 of its 721 offices, or 1.9 percent, are included in this multi-state CRA evaluation. This AA accounted for 1.4 percent of review period HMDA reportable activity and 1.8 percent of reportable small business lending.

Sovereign operates in competitive markets throughout its geographic footprint. The bank's Allentown MSA AA, consisting of 153 geographies in two states, was home to 25 thousand HMDA-reportable mortgage loans in 2009 for a total dollar amount of approximately \$4.5 billion. This AA represents a fairly small portion of overall activity and as such is weighted less in arriving at the bank's overall CRA rating.

Description of Allentown-Bethlehem-Easton, PA-NJ MSA AA

This AA consists of Lehigh and Northampton Counties, PA, and Warren County, NJ. The three contiguous counties, which are located in the Allentown-Bethlehem-Easton, PA-NJ MSA #10900 (Allentown MSA), contain 153 geographies. Table 62 illustrates demographic data on population, families, and housing units within the Allentown MSA AA.

Demographic Data	2000 Census
Population	681,593
Total Families	181,450
1-4 Family Units	234,896
Multi-family Units	34,790
% Owner-Occupied Units	67%
% Rental-Occupied Units	27%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$119,658

Table 63 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	9	5.9%	5,063	2.8%	7,242	3.1%
Moderate	29	19.0%	27,381	15.1%	38,971	16.6%
Middle	78	51.0%	89,232	49.2%	116,238	49.5%
Upper	37	24.1%	59,774	32.9%	72,445	30.8%
Total	153	100.0%	181,450	100.0%	234,896	100.0%

According to 2000 census data, 36.4 percent of the families in the AA are classified as low- to moderate-income, with 5.8 percent of the families reporting income below the poverty level. Table 64(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 64(b) reflects the updated HUD median family income for each year during the review period; and table 64(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$34,999
Moderate (50% - 79%)	\$35,000	\$55,999
Middle (80% - 119%)	\$56,000	\$83,999
Upper (>= 120%)	\$84,000	+

Year	Amount
2008	\$65,800
2009	\$70,000
2010	\$70,000

* Based on HUD 2010 Median Family Income of the MSA

Table 64(c)- Distribution of Families Allentown MSA AA		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	32,317	17.8%
Moderate (50% - 79%)	33,660	18.6%
Middle (80% - 119%)	42,407	23.4%
Upper (>= 120%)	73,066	40.2%
Total	181,450	100.0%

The economy in the Allentown MSA AA is predicted to lag the nation and other large metro Pennsylvania areas primarily due to housing. The Allentown MSA exhibits a number of strengths including above average population growth and proximity to the more expensive New York and Philadelphia major metro markets. Weaknesses include exposure to old-line manufacturing, namely steel, and the worst housing downturn among the state’s largest metro areas.

In general, most economic indicators are trending positively across the Allentown MSA AA. The unemployment rate for the Allentown MSA was 8.9 percent as of March 2011, down from 10.1 percent a year earlier. Housing price indices show moderate declines in single family house prices in the Allentown MSA AA since the time of the prior evaluation, with these declines continuing at a slightly lower pace over the past year.

No community contacts were directly conducted or any recent contacts reviewed due to the bank’s relatively small presence in this AA.

Conclusions with Respect to Performance Tests in Allentown-Bethlehem-Easton, PA-NJ MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Allentown MSA AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities, and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Allentown-Bethlehem-Easton, PA-NJ MSA Assessment Area

Table 65 illustrates the institution’s lending activity in the Allentown MSA AA during the review period.

Table 65 - Loan Originations within the Allentown MSA AA						
01/01/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA	Allentown AA		Combined AA	Allentown AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	925	1.4%	\$16,437,291	\$176,975	1.1%
Small Business	10,507	184	1.8%	1,310,314	17,395	1.3%
Total	77,746	1,109	1.4%	\$17,747,605	\$194,370	1.1%

Table 65 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Allentown MSA AA is consistent with other activities in this AA. Approximately two percent of branches are in the Allentown MSA AA, while 1.6 percent of geographies and 1.8 percent of all families are in the Allentown MSA AA.

Total HMDA reportable activity rose 74 percent between 2008 and 2009, but subsequently declined by 28 percent for 2010. Total HMDA lending nationwide also increased by 25 percent in 2009. Sovereign was the 24th leading HMDA mortgage loan originator in the Allentown MSA AA in 2008 with 225 loans at \$63.7 million. The bank rose to the 15th leading mortgage originator in the Allentown MSA AA in 2009 with 402 loans at \$67.3 million.

Small business loan production trends differ markedly when compared to HMDA reportable mortgage loan activity during the review period in the Allentown MSA AA. The number of small business loans originated declined between 2008 and 2009 by 69 percent and subsequently increased by 33 percent in 2010. Total small business lending nationwide for all reporting lenders also declined by 42 percent in 2009. Management attributed the 2010 lending increase to the addition of 200 Small Business Specialists in 2010 as well as expanded commercial product offerings.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Allentown AA. Table 66 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Borrower Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	21	9.1%	37	9.2%	27	9.3%	85	9.2%	6.3%	6.7%
Moderate	57	24.6%	94	23.3%	66	22.8%	217	23.5%	20.1%	19.3%
Middle	71	30.6%	122	30.2%	73	25.3%	266	28.8%	27.1%	25.3%
Upper	71	30.6%	145	35.9%	122	42.3%	338	36.5%	43.0%	40.2%
Income NA	12	5.1%	6	1.4%	1	0.3%	19	2.0%	3.5%	8.5%
Total	232	100.0%	404	100.0%	289	100.0%	925	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$1,594	2.4%	\$3,381	5.0%	\$2,255	5.1%	\$7,230	4.1%	3.0%	3.6%
Moderate	7,015	10.7%	12,155	18.0%	7,528	17.1%	26,698	15.1%	13.9%	13.9%
Middle	9,887	15.2%	19,720	29.1%	9,558	21.7%	39,165	22.1%	23.5%	23.0%
Upper	13,204	20.2%	31,421	46.4%	24,584	55.8%	69,209	39.1%	51.2%	49.2%
Income NA	33,559	51.5%	1,001	1.5%	113	0.3%	34,673	19.6%	8.4%	10.3%
Total	\$65,259	100.0%	\$67,678	100.0%	\$44,038	100.0%	\$176,975	100.0%	100.0%	100.0%

Table 66 shows consistently solid penetration into the LMI borrower market in the Allentown MSA AA. For both years where aggregate data is available (2008-09), Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin. Sovereign was the 20th leading LMI lender in 2008 and 13th in 2009 in the Allentown MSA AA. These rankings are better than the bank's overall mortgage origination lending rank (24th and 15th) in the Allentown MSA AA. The above results are partially attributable to the bank's extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs. Refer to the Innovative and Flexible Lending section for further details.

Table 67 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Loan Amount At Origination	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	88	82.3%	27	81.8%	35	79.5%	150	81.6%	93.5%	89.4%
\$100,001-\$250,000	12	11.2%	1	3.0%	4	9.1%	17	9.2%	3.4%	5.3%
\$250,001-\$1 mill.	7	6.5%	5	15.2%	5	11.4%	17	9.2%	3.1%	5.3%
Total	107	100.0%	33	100.0%	44	100.0%	184	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$3,690	39.6%	\$1,142	27.1%	\$1,339	34.6%	\$6,171	35.5%	34.1%	28.3%
\$100,001-\$250,000	2,065	22.2%	124	2.9%	540	13.9%	2,729	15.7%	18.0%	17.9%
\$250,001-\$1 mill.	3,553	38.2%	2,947	70.0%	1,995	51.5%	8,495	48.8%	47.9%	53.8%
Total	\$9,308	100.0%	\$4,213	100.0%	\$3,874	100.0%	\$17,395	100.0%	100.0%	100.0%

Table 67 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 91 percent of small business lending through loans under \$250 thousand with 82 percent under \$100 thousand for the three-year review period. While aggregate data shows nearly 89 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand. The above results represent a more than reasonable commitment to lending to smaller business needs in the Allentown MSA AA.

Table 68 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 68 - Distribution of Sovereign Bank’s Small Business Loans by Company’s Revenue Category in the Allentown MSA AA
(Dollars in thousands)

Company’s Rev. Category	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	86	80.3%	21	63.7%	33	75.0%	140	76.1%	33.9%	39.0%
Rev. > \$1 million	19	17.8%	11	33.3%	7	15.9%	37	20.1%	NA	NA
Revenue NA	2	1.9%	1	3.0%	4	9.1%	7	3.8%	66.1%	61.0%
Total	107	100.0%	33	100.0%	44	100.0%	184	100.0%	100.0%	100.0%
By \$ Amount:										
Rev. < \$1 million	\$6,144	66.0%	\$1,088	25.8%	\$1,617	41.7%	\$8,849	50.9%	39.4%	38.5%
Rev. > \$1 million	3,063	32.9%	3,110	73.8%	1,610	41.6%	7,783	44.7%	NA	NA
Revenue NA	101	1.1%	15	0.4%	647	16.7%	763	4.4%	60.6%	61.5%
Total	\$9,308	100.0%	\$4,213	100.0%	\$3,874	100.0%	\$17,395	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the “Revenue Unknown” category.

Table 68 shows that approximately 76 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Allentown MSA AA. Comparisons to aggregate data is flawed in two respects: 1) aggregate data is dominated by nation-wide lenders that originate and purchase large volumes of credit card lines to larger businesses, and 2) aggregate data does not specifically include the volume of lending to businesses with revenues over \$1 million.

The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Allentown MSA AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Allentown AA.

Table 69 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	2	0.9%	1	0.2%	1	0.3%	4	0.4%	1.3%	0.9%
Moderate	30	12.9%	43	10.6%	24	8.3%	97	10.5%	12.2%	8.4%
Middle	118	50.9%	171	42.3%	131	45.3%	420	45.4%	50.1%	47.1%
Upper	82	35.3%	189	46.9%	133	46.1%	404	43.7%	36.4%	43.6%
Total	232	100.0%	404	100.0%	289	100.0%	925	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$15,855	24.3%	\$106	0.2%	\$110	0.2%	\$16,071	9.1%	0.9%	0.5%
Moderate	11,427	17.5%	4,171	6.2%	2,157	4.9%	17,755	10.0%	9.5%	5.3%
Middle	22,669	34.7%	25,953	38.3%	16,590	37.7%	65,212	36.8%	45.0%	42.1%
Upper	15,308	23.5%	37,448	55.3%	25,181	57.2%	77,937	44.1%	44.6%	52.1%
Total	\$65,259	100.0%	\$67,678	100.0%	\$44,038	100.0%	\$176,975	100.0%	100.0%	100.0%

Table 69 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the Allentown MSA AA by a slight margin in 2008 with an improved margin in 2009. The bank extended 13.8 percent of 2008 loans in LMI geographies while aggregate data reflected a 13.5 percent rate. The bank extended 10.8 percent of 2009 loans in LMI geographies while aggregate data reflected a 9.3 percent rate. Bank lending in LMI geographies declined to 8.6 percent in 2010.

Table 70 reflects Sovereign's geographic distribution of small business loans within the Allentown MSA AA.

Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	2	1.9%	1	3.0%	0	0.0%	3	1.6%	2.6%	2.7%
Moderate	23	21.5%	6	18.2%	11	25.0%	40	21.7%	10.9%	10.8%
Middle	55	51.4%	22	66.7%	20	45.5%	97	52.8%	45.5%	45.9%
Upper	27	25.2%	4	12.1%	13	29.5%	44	23.9%	41.0%	40.6%
Total	107	100.0%	33	100.0%	44	100.0%	184	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$140	1.5%	\$352	8.4%	\$0	0.0%	\$492	2.8%	3.1%	3.5%
Moderate	2,883	31.0%	1,720	40.8%	1,457	37.6%	6,060	34.8%	13.1%	14.6%
Middle	4,277	45.9%	1,976	46.9%	1,378	35.6%	7,631	43.9%	43.4%	43.3%
Upper	2,008	21.6%	165	3.9%	1,039	26.8%	3,212	18.5%	40.4%	38.6%
Total	\$9,308	100.0%	\$4,213	100.0%	\$3,874	100.0%	\$17,395	100.0%	100.0%	100.0%

Table 70 shows the bank to have out-performed aggregate in small business lending in LMI geographies in the Allentown MSA AA by a substantial margin in both years where aggregate data is available (2008-09). The bank extended 23.4 percent of 2008 small business loans in LMI

geographies while aggregate data reflected a 13.5 percent rate. The bank extended 21.2 percent of small business loans in LMI geographies in 2009 versus the aggregate at 13.5 percent. Bank small business lending in LMI geographies remained improved to 25.0 percent in 2010.

Community Development Lending

Sovereign continues to provide a strong level, in terms of the dollar volume, of CD loans in the Allentown MSA AA. These loans provide affordable housing for LMI residents and for the stabilization or revitalization of LMI areas. For the three year review period, the bank extended two CD loans totaling \$24.2 million in the Allentown MSA AA. Table 71 provides further detailed for these loans.

Table 71 - CD Loans in the Allentown MSA AA				
CD Loan Type	# CD loans	% of total all AA's	\$ (000) CD loans	% of total all AA's
Commercial	0	NA	\$0	NA
Multi-Family	2	0.9%	\$24,202	4.4%
Total	2	0.7%	\$24,202	3.6%

The bank's commitment to CD lending in the Allentown MSA AA is commensurate with the bank's presence in the AA. The Allentown MSA AA is responsible for 1.4 percent of all HMDA reportable lending, 1.8 percent of reportable small business lending, and 1.9 percent of branches. While commercial type CD lending activity was absent and a mere two multi-family loans were extended during the review period, the dollar level of credit was significant and benefitted two large affordable housing projects in Allentown and Bethlehem.

Innovative and Flexible Lending Practices

Bank performance under this factor is strong. Sovereign participated in numerous innovative and/or flexible loan programs that benefited home owners, small businesses, and consumers for various personal or family needs. The bank also established several loan programs prior to, and during, the current review period in an attempt to meet specific credit needs both across all bank AAs as well as in this AA.

RESIDENTIAL MORTGAGE PRODUCTS

Sovereign offers and extends FHA and VA mortgage loans on the federal level as well as affordable mortgage loans through six state housing agencies. Our evaluation did not endeavor to break out FHA and VA loans by individual AA as these loans are offered and extended across all AAs. Sovereign also offers several internal affordable mortgage products and a similar evaluation approach was taken with these.

The bank's involvement with the Pennsylvania Housing Finance Agency (PHFA) resulted in 1,383 mortgage loans totaling \$146 million over the course of the review period with some level of the benefit of those loans realized in the Allentown MSA AA. Note however that the PHFA production numbers include a significant amount of loan activity that is outside of the Allentown MSA AA. When considering the geographic segments of Pennsylvania delineated by the bank as part of its overall combined AA, a sizable portion constitutes the Philadelphia CSA AA and a smaller portion represents the Allentown MSA AA. The remaining large segments of delineated state territory are included in the Pennsylvania AA which includes five separate MSAs and a non-MSA area. Essentially, this high level of lending through the PHFA was seen to be adequately spread across all AAs in the state. No particular Pennsylvania AA, MSA, or the non-MSA areas were noted as not having PHFA mortgage activity.

The PHFA regularly recognizes Sovereign as one of its top lenders in various categories. For 2008, Sovereign was the top overall volume PHFA lender and originated the most "Keystone Plus Home Loans", Keystone Plus Assistance Loans", and most loans to minority borrowers. For 2009, Sovereign was the second overall volume lender and originated the most Keystone Assistance Loans and most loans to minority borrowers. For 2010, Sovereign returned to the top spot in terms of overall volume and originated the most Keystone Assistance Loans, most loans to minority borrowers, and most new construction loans. The bank's commitment to fund affordable mortgages for lower income borrowers through the PHFA is evident.

SMALL BUSINESS PROGRAMS

Sovereign offers and extends SBA and FHA loans across all AAs. Sovereign originated over 150 SBA loans for more than \$13 million in Pennsylvania for the three -year review period. As was the case with mortgage loans, the bank historically tracked SBA production by state so the above levels reflect activity state-wide. Since 2009, the bank began SBA loan tracking by MSA. In 2009-10, five SBA loans for \$245 thousand were originated in the Allentown MSA AA. This level of production is commensurate with the bank's presence in this AA.

OTHER LOAN PROGRAMS

Sovereign participates in a number of other loan programs that primarily serve credit needs other than strictly residential mortgage or small business. Many of these programs target a specific state or city and an example of one state-wide program that also benefits the Allentown MSA AA follows:

PA Assistive Technology (PATF) Program loans – provides low cost loans to people with disabilities who need to borrow money to buy assistive technology devices and services. For the three-year review period, the bank originated 18 PATF loans providing over \$330 thousand in credit in the Allentown MSA AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution’s traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Of the \$65.4 million in qualified traditional CD investments made during the review period in the combined AAs, \$1.6 million or 2.4 percent is directly allocated to the Allentown MSA AA. The Allentown MSA AA accounts for 1.4 percent of HMDA reportable lending, 1.8 percent of small business lending, 1.9 percent of branches, 1.6 percent of geographies, and 1.8 percent of the population.

As noted previously, LIHTCs have been utilized for many years as part of the financing package for affordable housing projects. The program provides tangible benefit to the communities in which the CD projects are located in many cases providing the final piece that make the project acceptable. The dollar level of traditional CD activity and the nature of the traditional investments reflects a strong commitment to qualified CD investments in the Allentown MSA AA.

Table 72 highlights the activity of the group that received funds through the LIHTC investments.

Table 72 - Low-Income Housing Tax Credit Investments in the Allentown MSA AA		
Entity Name	Location	Service
LIHTC-Bethlehem YMCA	Bethlehem, PA	Create housing facilities for the homeless

Contributions to qualified organizations benefited a significant number of groups throughout the Allentown MSA AA and totaled \$129.5 thousand or 0.9 percent of total contributions made during the review period in the combined AAs. The allocation of contributions is in line with comparable AA activity and reflects a reasonable effort in the Allentown MSA AA.

The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and homeownership counseling. Table 73 highlights the activities of some of the groups that received contributions.

Table 73 - Community Development Contributions in the Allentown MSA AA		
Entity Name	Location	Service
Habitat for Humanity of Lehigh Valley	Allentown	Affordable housing and economic development
Neighborhood Housing Services of the Lehigh Valley	Allentown	Support of homeownership financial counseling services
Allentown Economic Development Corp.	Allentown	Economic development
Lehigh Valley EDC	Bethlehem	Economic development
Meal on Wheels of Northampton Co.	Bethlehem	Health and human services
Leigh Valley Coalition of Affordable Housing	Bethlehem	Affordable housing
Valley Housing Development Corp	Emmaus	Economic development
The Program for Women and Families	Allentown	Transitional residence funding
Alliance for Building Communities	Allentown	Economic development
Turning Point of Lehigh Valley	Allentown	Health and human services

The bank also participated in the EITC, a program which awards tax credits to businesses that make contributions to scholarship or educational improvement not-for-profit organizations. Sovereign provided 12 grants totaling \$58.5 thousand to qualified organizations within the Allentown MSA AA during the review period.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the Allentown MSA AA. A full menu of checking, savings, certificates of deposit, and retirement accounts are available. Sovereign offers a basic checking account, the “Classic Checking,” that features a \$5 monthly fee when a \$500 average daily balance is not met. This product compares reasonably well with other similar products that provide LMI individuals a means to conduct routine periodic transactions. Loans are available for all commercial, residential, and personal purposes and include many federal and state guaranteed/subsidized programs, proprietary affordable housing products, and a number of specialized lending programs developed in response to specifically identified needs. The full complement of available deposit and loan products are available throughout the Allentown MSA AA through the bank’s extensive branch network and alternative access methods.

The institution’s branches are reasonably accessible to residents of the Allentown MSA AA. Table 74 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Geog Inc Level	Branches		Geographies		Total Area Families	
	#	%	#	%	#	%
<i>2000 Census:</i>						
Low	0	0.0%	9	5.9%	5,063	2.8%
Moderate	2	14.3%	29	19.0%	27,381	15.1%
Middle	11	78.6%	78	51.0%	89,232	49.2%
Upper	1	7.1%	37	24.1%	59,774	32.9%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	14	100.0%	153	100.0%	181,450	100.0%

As Table 74 shows, the distribution of branches in LMI geographies does not compare favorably to the distribution of geographies and families in the Allentown MSA AA. The bank has no branches in low-income geographies and the 14.3 percent of branches in moderate-income geographies is lower than selected comparators. Despite these results, the geographic distribution of branches is considered reasonable due to the overall low number of branches in the AA as a whole. A single branch moved from a middle- to low-income geography would cause the low-income percentage to substantially exceed the noted comparators with a similar result from a middle- to moderate- shift.

No branches were opened and one upper-income geography branch was closed during the review period in the Allentown MSA AA.

Community Development Services

Sovereign’s performance in providing CD services in the Allentown MSA AA was good. During the review period, the bank was responsive to a number of community development needs by providing financial and technical assistance to development organizations in the AA. Sovereign has partnered with local organizations to focus on educational programs for improving financial literacy. The following are examples of some of the many qualified CD activities in which the bank with in the Allentown MSA AA.

- In conjunction with non-profit agencies, Sovereign offers IDA and FSA accounts. These accounts are designed to help low and moderate income families by matching their savings and restricting withdrawals to permitted purposes only, such as a down payment. One of the organizations is the Community Action Committee of Lehigh Valley
- Sovereign was involved with the Allentown and Easton Housing Authorities in complying with the provisions of the Hope VI Mortgage program, which provides pre- and post-home mortgage counseling for low-income families.
- An employee is a treasurer for the Alliance for Building Communities (ABC), a non-profit agency located in Allentown and dedicated to assisting Lehigh Valley communities reduce urban density by providing affordable housing and first time home ownership opportunities for clients with modest income

State

Summary

CRA Rating for Pennsylvania

CRA RATING^e:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Outstanding

Outstanding

High Satisfactory

Outstanding

LENDING TEST

Under the Lending Test, the bank extended a large volume of HMDA-reportable loans in the AA during the review period. The bank rose to the third leading mortgage lender in 2009, the most recent year where aggregate data is available. Small business production levels are also strong, but the bank has substantial competition from larger commercial banks in the market. Sovereign has outperformed aggregate HMDA lenders in lending to LMI borrowers and to a lesser degree in LMI geographies. The bank's small business lending is primarily targeted to smaller businesses. The bank originated a high level of community development loans during the review period and has an exemplary record of lending under various innovative and flexible lending products that target residents and businesses most in need in the AA.

INVESTMENT TEST

Under the Investment Test, the bank continues to extend funding for traditional community development investment needs, such as low-income housing tax credits in the PA AA. While the overall dollar volume of traditional investments extended during the review period was strong, the allocation to this AA was lower when compared to the distribution of HMDA and small business lending, branches, and demographic data.

SERVICE TEST

Under the Service Test, the bank maintains a reasonable distribution of banking offices among geographies of different income levels. No branches in low-or-moderate-income geographies were closed during the review period. The bank is involved in a high level of community development services in the PA AA.

^e For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Scope of Examination in Pennsylvania

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three Tests: Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009 and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are considered when assigning a final CRA rating.

Description of Institution's Operations in Pennsylvania

Sovereign maintains banking offices within the Pennsylvania AA (PA AA). This particular evaluation considers banking offices in Pennsylvania yet outside of the multi-state Philadelphia CSA AA and outside of the multi-state Allentown MSA AA which were subjected to separate CRA evaluations. PA AA offices are located in the Harrisburg-Carlisle-Lebanon, PA CSA (18), Lancaster, PA MSA (12), Williamsport, PA MSA (8), York-Hanover, PA MSA (17), State College, PA MSA (3), and in seven non-MSA counties (22). The breakdown of branches by county is included within the separate MSA/non-MSA discussions that follow this PA AA evaluation document. In total, Sovereign's activities through 80 of its 721 offices, or 11.1 percent, are included in this PA AA CRA evaluation. This AA accounted for approximately 11 percent of review period HMDA reportable lending and 8 percent of reportable small business lending.

Sovereign operates in competitive markets throughout its geographic footprint. The bank's PA AA, consisting of 504 geographies, was home to 82 thousand HMDA-reportable mortgage loans in 2009 for a total dollar amount of approximately \$12.3 billion. While not at the higher levels of the NY, Boston, and Philadelphia CSA AAs, this AA represents a moderate level of overall activity and as such commands some weight in arriving at the bank's overall CRA rating.

Description of Pennsylvania AA

Sovereign has six AAs exclusively within Pennsylvania. (Multi-state AAs that contain a portion of PA are excluded from this state analysis). These six AAs include:

CSA/MSA #	CSA/MSA Name	County
276	Harrisburg-Carlisle-Lebanon, PA CSA	Cumberland, Dauphin, Lebanon, & Perry
29540	Lancaster, PA MSA	Lancaster
48700	Williamsport, PA MSA	Lycoming
49620	York-Hanover, PA MSA	York
44300	State College, PA MSA	Centre
NA	Non-MSA, PA	Adams, Clinton, Franklin, Montour, Northumberland, Schuylkill, & Union

Table 76 illustrates demographic data on population, families, and housing units within the PA AA.

Demographic Data	2000 Census
Population	2,300,883
Total Families	610,782
1-4 Family Units	794,479
Multi-family Units	94,216
% Owner-Occupied Units	67%
% Rental-Occupied Units	26%
% Vacant Housing Units	7%
Weighted Average Median Housing	\$100,260

Table 77 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	18	3.6%	10,677	1.7%	15,463	1.9%
Moderate	79	15.7%	64,444	10.6%	106,746	13.4%
Middle	329	65.3%	436,022	71.4%	548,878	69.2%
Upper	77	15.3%	99,639	16.3%	123,353	15.5%
Income NA	1	0.1%	0	0.0%	39	0.0%
Total	504	100.0%	610,782	100.0%	794,479	100.0%

According to 2000 census data, 35.7 percent of the families in the PA AAs are classified as low- to moderate-income, with 5.7 percent of the families reporting income below the poverty level. Table 78 shows the distribution of families in each income range of the Pennsylvania AAs.

Table 78 - Distribution of Families PA AA		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	99,989	16.4%
Moderate (50% - 79%)	117,957	19.3%
Middle (80% - 119%)	154,642	25.3%
Upper (>= 120%)	238,194	39.0%
Total	610,782	100.0%

The Pennsylvania economy is predicted to lag national trends due to the state’s fiscal problems; however, the absence of large home price declines and a manageable foreclosure pipeline has positioned the state for a stronger 2011 recovery. Strengths include affordable housing relative to other Northeast states, below average cost of living, and a strong roster of educational institutions. Weaknesses include aging infrastructure, below average population growth, and a high share of beleaguered manufacturing employment.

In general, most economic indicators are trending positively across the state. The state unemployment rate was 7.8 percent as of March 2011, down from 8.8 percent a year earlier. Housing price indices show consistent but modest declines in single family house prices both since the time of the prior evaluation and over the past year.

While no community contacts were conducted in conjunction with the evaluation of the bank’s performance in this AA, several past contacts in the AA were reviewed to obtain additional perspectives on the economy and to assess CRA-related opportunities in the markets.

Representatives confirmed the less dramatic home price movements and reliance on manufacturing in the AA. Several contacts cited the need for small business credit and one stated that banks’ continued involvement in purchasing tax credits was critical. One contact stated that their organization has an ongoing business relationship with Sovereign.

Conclusions with Respect to Performance Tests in Pennsylvania

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within the AAs in Pennsylvania, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s

responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities, and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Pennsylvania Assessment Areas

Table 79 illustrates the institution’s lending activity in the PA AAs during the review period.

Table 79 - Loan Originations within the PA AA						
01/01/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA	Pennsylvania AAs		Combined AA	Pennsylvania AAs	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	7,590	11.3%	\$16,437,291	\$1,059,907	6.4%
Small Business	10,507	820	7.8%	1,310,314	100,339	7.7%
Total	77,746	8,410	10.8%	\$17,747,605	\$1,160,246	6.5%

Table 79 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the PA AA is consistent with other activities in this AA. Approximately 11 percent of branches are in the PA AA as are 5.4 percent of geographies and 6.1 percent of all families.

Total HMDA reportable activity rose 50 percent between 2008 and 2009, but subsequently declined by 26 percent for 2010. Total HMDA lending nationwide also increased by 25 percent in 2009. Sovereign was the 7th leading HMDA mortgage loan originator in the PA AA in 2008 with 2,074 loans at \$270.7 million. The bank rose to 3rd leading mortgage originator in the PA AA in 2009, with 3,141 loans at \$463.0 million.

Small business loan production trends differ markedly when compared to HMDA reportable mortgage loan activity. The number of small business loans originated declined between 2008 and 2009 by 74 percent and subsequently increased by 114 percent in 2010. Total small business lending nationwide for all reporting lenders also declined by 42 percent in 2009. Management attributed the 2010 lending increase to the addition of 200 Small Business Specialists in 2010 as well as expanded commercial loan product offerings.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Pennsylvania AAs. Table 80 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 80 - Distribution of Sovereign Bank's HMDA-Reportable Loans by Borrower Income Level in the PA AA										
(Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period		Aggregate	
	#	%	#	%	#	%	01/01/08 – 12/31/10	01/01/08 – 12/31/10	2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	235	11.3%	276	8.7%	239	10.2%	750	9.9%	7.5%	7.5%
Moderate	544	26.1%	776	24.5%	544	23.3%	1,864	24.6%	21.3%	21.2%
Middle	555	26.6%	862	27.2%	640	27.4%	2,057	27.1%	27.8%	26.4%
Upper	713	34.2%	1,222	38.5%	894	38.4%	2,829	37.3%	39.2%	37.6%
Income NA	40	1.8%	34	1.1%	16	0.7%	90	1.1%	4.2%	7.3%
Total	2,087	100.0%	3,170	100.0%	2,333	100.0%	7,590	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$17,983	6.6%	\$24,508	5.2%	\$20,187	6.3%	\$62,678	5.9%	3.8%	4.3%
Moderate	56,670	20.8%	87,216	18.6%	58,709	18.4%	202,595	19.1%	15.7%	15.9%
Middle	67,224	24.7%	120,213	25.6%	82,047	25.8%	269,484	25.4%	24.9%	24.1%
Upper	117,614	43.1%	229,816	49.1%	155,214	48.8%	502,644	47.5%	47.1%	46.5%
Income NA	13,131	4.8%	7,229	1.5%	2,146	0.7%	22,506	2.1%	8.5%	9.2%
Total	\$272,622	100.0%	\$468,982	100.0%	\$318,303	100.0%	\$1,059,907	100.0%	100.0%	100.0%

Table 80 details excellent penetration into the LMI borrower market in the PA AA. For both years where aggregate data is available (2008-09), Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a good margin, especially in 2008. Sovereign was the 5th leading LMI lender in 2008 and 3rd in 2009 in the PA AA. These rankings are better (2008) or equal to (2009) the bank's overall mortgage origination lending rank (7th and 3rd) in the PA AA. The above results are partially attributable to the bank's extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs. Refer to the Innovative and Flexible Lending section for further details.

Table 81 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 81 - Distribution of Sovereign Bank's Small Business Loans by Loan Origination Amount in the PA AA										
(Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period		Aggregate	
	#	%	#	%	#	%	01/01/08 – 12/31/10	01/01/08 – 12/31/10	2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
≤ \$100,000	343	75.8%	87	74.4%	179	71.6%	609	74.3%	91.4%	86.7%
\$100,001-\$250,000	60	13.2%	15	12.8%	34	13.6%	109	13.3%	4.3%	6.6%
\$250,001-\$1 mill.	50	11.0%	15	12.8%	37	14.8%	102	12.4%	4.3%	6.7%
Total	453	100.0%	117	100.0%	250	100.0%	820	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$14,903	28.3%	\$3,149	25.4%	\$7,848	22.3%	\$25,900	25.8%	28.2%	24.2%
\$100,001-\$250,000	10,908	20.7%	2,527	20.3%	6,324	17.9%	19,759	19.7%	18.2%	18.9%
\$250,001-\$1 mill.	26,868	51.0%	6,745	54.3%	21,067	59.8%	54,680	54.5%	53.6%	56.9%
Total	\$52,679	100.0%	\$12,421	100.0%	\$35,239	100.0%	\$100,339	100.0%	100.0%	100.0%

Table 81 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 88 percent of small business lending through loans under \$250 thousand with 74 percent under \$100 thousand for the three-year review period. While aggregate data shows nearly 87 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand. The above results represent a more than reasonable commitment to lending to smaller business needs in the PA AA.

Table 82 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Company’s Rev. Category	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	321	70.9%	77	65.8%	168	67.2%	566	69.0%	34.9%	38.5%
Rev. > \$1 million	103	22.7%	28	23.9%	59	23.6%	190	23.2%	NA	NA
Revenue NA	29	6.4%	12	10.3%	23	9.2%	64	7.8%	65.1%	61.5%
Total	453	100.0%	117	100.0%	250	100.0%	820	100.0%	100.0%	100.0%
By \$ Amount:										
Rev. < \$1 million	\$25,291	48.0%	\$6,138	49.4%	\$12,224	34.7%	\$43,653	43.5%	39.0%	40.1%
Rev. > \$1 million	21,582	41.0%	5,472	44.1%	14,319	40.6%	41,373	41.2%	NA	NA
Revenue NA	5,806	11.0%	811	6.5%	8,696	24.7%	15,313	15.3%	61.0%	59.9%
Total	\$52,679	100.0%	\$12,421	100.0%	\$35,239	100.0%	\$100,339	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the “Revenue Unknown” category.

Table 82 shows that approximately 69 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the PA AA. The analyses of small business lending by both loan size and revenues supports the commitment on the part of the bank to lending to smaller businesses in the PA AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Pennsylvania AAs. Table 83 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 83 - Distribution of Sovereign Bank's HMDA-Reportable Loans by Geography Income Level in the PA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	21	1.0%	22	0.7%	13	0.6%	56	0.7%	1.0%	0.6%
Moderate	226	10.8%	228	7.2%	166	7.1%	620	8.2%	9.2%	6.7%
Middle	1,491	71.5%	2,262	71.3%	1,677	71.9%	5,430	71.5%	70.3%	70.1%
Upper	349	16.7%	658	20.8%	477	20.4%	1,484	19.6%	19.5%	22.6%
Total	2,087	100.0%	3,170	100.0%	2,333	100.0%	7,590	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$1,309	0.5%	\$1,583	0.3%	\$1,059	0.3%	\$3,951	0.4%	0.7%	0.4%
Moderate	19,763	7.2%	21,561	4.6%	14,882	4.7%	56,206	5.3%	6.8%	4.5%
Middle	196,787	72.2%	325,704	69.5%	220,914	69.4%	743,405	70.1%	68.7%	67.6%
Upper	54,763	20.1%	120,134	25.6%	81,448	25.6%	256,345	24.2%	23.8%	27.5%
Total	\$272,622	100.0%	\$468,982	100.0%	\$318,303	100.0%	\$1,059,907	100.0%	100.0%	100.0%

Table 83 shows the bank to have out-performed aggregate in HMDA-reportable LMI geographies in the PA AA by a small margin in 2008 and 2009. The bank extended 11.8 percent of 2008 loans in LMI geographies while aggregate data reflected a 10.2 percent rate. The bank extended 7.9 percent of loans in LMI geographies in 2009 versus the aggregate at 7.3 percent. Bank lending in LMI geographies declined slightly to 7.7 percent in 2010.

Table 84 reflects Sovereign's geographic distribution of small business loans within the PA AA.

Table 84 - Distribution of Sovereign Bank's Small Business Loans by Geography Income Level in the PA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	9	2.0%	5	4.3%	6	2.4%	20	2.4%	2.0%	2.1%
Moderate	57	12.6%	15	12.8%	31	12.4%	103	12.6%	9.4%	9.1%
Middle	303	66.9%	72	61.5%	183	73.2%	558	68.0%	68.9%	69.5%
Upper	84	18.5%	25	21.4%	30	12.0%	139	17.0%	19.7%	19.3%
Total	453	100.0%	117	100.0%	250	100.0%	820	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$3,143	6.0%	\$426	3.4%	\$1,409	4.0%	\$4,978	5.0%	2.5%	2.7%
Moderate	8,947	17.0%	2,516	20.3%	4,278	12.1%	15,741	15.7%	9.6%	9.4%
Middle	29,683	56.3%	6,530	52.6%	23,704	67.3%	59,917	59.7%	67.3%	68.1%
Upper	10,906	20.7%	2,949	23.7%	5,848	16.6%	19,703	19.6%	20.6%	19.8%
Total	\$52,679	100.0%	\$12,421	100.0%	\$35,239	100.0%	\$100,339	100.0%	100.0%	100.0%

Table 84 shows the bank to have out-performed aggregate in small business lending in LMI geographies in the PA AA by a sizable margin in both years where aggregate data is available (2008-09). The bank extended 14.6 percent of 2008 small business loans in LMI geographies while aggregate data reflected an 11.4 percent rate. The bank extended 17.1 percent of small business loans

in LMI geographies in 2009 versus the aggregate at 11.2 percent. Bank small business lending in LMI geographies declined to 14.8 percent in 2010.

Community Development Lending

Sovereign continues to provide an acceptable level, in terms of both numbers and dollar volume, of CD loans in the PA AA. These loans provide or further enable 1) affordable housing for LMI residents, 2) services primarily targeted to LMI individuals and families, 3) financing for small businesses, or 4) the stabilization or revitalization of LMI areas or areas targeted as distressed, underserved, or in need of economic development.

For the three year review period, the bank extended five CD loans totaling \$886 thousand in the PA AA. Table 85 provides further detailed for these loans.

Table 85 - CD Loans in the PA AA				
CD Loan Type	# CD loans	% of total all AA's	\$ (000) CD loans	% of total all AA's
Commercial	3	3.7%	\$596	0.5%
Multi-Family	2	0.9%	\$291	0.1%
Total	5	1.7%	\$887	0.1%

The bank's level of CD lending in the PA AA is lower when compared to its presence in the AA, but at a reasonable level nonetheless. The PA AA is responsible for 11 percent of all HMDA reportable lending, eight percent of reportable small business lending, and 11 percent of branches. This lower level of CD lending is attributable to there being less opportunity for CD type lending in the smaller MSA and non-MSA segments of the state.

Innovative and Flexible Lending Practices

Bank performance under this factor is strong. Sovereign participates in numerous innovative and/or flexible loan programs. The bank also established several loan programs prior to and during the current review period in an attempt to meet specific credit needs both across all bank AAs as well as in this AA.

RESIDENTIAL MORTGAGE PRODUCTS

Sovereign offers and extends FHA and VA mortgage loans on the federal level as well as affordable mortgage loans through six state housing agencies. Our evaluation did not endeavor to break out FHA and VA loans by individual AA as these loans are offered and extended across all AAs. Sovereign also offers several internal affordable mortgage products and a similar evaluation approach was taken with these.

The bank's involvement with the PHFA has resulted in 1,383 mortgage loans totaling \$146 million over the course of the review period with a significant level of the benefit from those loans realized in the PA AA. Note however that the PHFA production numbers include a significant amount of loan activity that is outside of the PA AA. When considering the geographic segments of Pennsylvania delineated by the bank as part of its overall combined AA, a sizable portion constitutes the Philadelphia CSA AA and a smaller portion represents the Allentown MSA AA. The remaining large segments of delineated state territory are included in this, the PA AA, which includes five separate MSAs and a non-MSA area.

SMALL BUSINESS PROGRAMS

Sovereign offers and extends SBA loans across all AAs. Sovereign originated over 150 SBA loans for more than \$13 million in Pennsylvania for the three –year review period. As was the case with mortgage loans, the bank historically tracked SBA production by state so the above levels reflect activity state-wide. Since 2009, the bank began SBA loan tracking by MSA. In 2009-2010, 26 SBA loans for \$1.4 million were originated in the PA AA.

This level of production is commensurate with the bank's presence in this AA.

OTHER LOAN PROGRAMS

PATF Program loans – For the three-year review period, the bank originated 86 PATF loans providing over \$932 thousand in credit in the PA AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Of the \$65.4 million in qualified traditional CD investments made during the review period in the combined AAs, \$775 thousand or 1.2 percent is directly allocated to the PA AA. This level of traditional investment dollars is considerably lower when compared with the allocation of other various AA activities. The PA AA accounts for 11.2 percent of HMDA reportable lending, 7.7 percent of small business lending, 11.1 percent of branches, 5.4 percent of geographies, and 6.1 percent of the population.

As noted previously, LIHTCs have been utilized for many years as part of the financing package for affordable housing projects while NMTCs are a fairly recent innovative government program. Both programs provide tangible benefit to the communities in which the CD projects are located; in many cases, providing the final pieces that make the project acceptable. While the dollar level of

traditional CD activity does not compare favorably to selected comparators, the nature of the traditional investments reflects a reasonable commitment to qualified traditional CD investments in the PA AA.

Table 86 highlights the activities of some of the groups that received funds through the LIHTC or NMTC investments.

Table 86 - Low-Income Housing Tax Credit and New Market Tax Credit Investments in the PA AA		
Entity Name	Location	Service
LIHTC – Golden Triangle Apt.	Lancaster, PA	Affordable housing projects
NMTC (SCDC) – Community First Fund	Lancaster, PA	Investments in CD entities for LMI communities
Total Qualified Investments	\$775,747	

Contributions to qualified organizations benefiting several groups in the PA AA totaled \$351 thousand or 2.6 percent of total contributions made during the review period in the combined AAs. The allocation of contributions again is slightly lower when compared to AA activity; however, it reflects a reasonable effort in the PA AA. The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and homeownership counseling. Table 87 highlights the activities of some of the groups that received contributions.

Table 87: Community Development Contributions in the PA AA		
Entity Name	Location	Service
Community Firs Fund	Lancaster, PA	Economic development
Susquehanna Health Systems	Williamsport, PA	Health and human services – LMI patients
York Habitat for Humanity	York, PA	Economic development
Tabor Community Services	Lancaster, PA	Financial counseling – LMI families
Total Contributions PA AA	\$350,933	

The bank also participated in the Educational Improvement Tax Credit Program. Sovereign provided 24 grants totaling \$117.3 thousand to qualified organizations within the PA AA, during the review period.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the PA AA. A full menu of checking, savings, certificates of deposit, and retirement accounts are available. Sovereign offers a basic checking account, the “Classic Checking”, which features a \$5 monthly fee when a \$500 average daily balance is not met. This product compares reasonably well with other similar products that provide LMI individuals a means to conduct routine periodic transactions. Loans are available for all commercial, residential, and personal purposes and include many federal and state guaranteed/subsidized programs, proprietary affordable housing products, and a number of specialized lending programs developed in response to specifically identified needs. The full complement of available deposit and loan products are available throughout the PA AA through the bank’s extensive branch network and alternative access methods.

The institution’s branches are reasonably accessible to residents of the PA AA. Table 88 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	3	3.8%	18	3.6%	10,677	1.7%
Moderate	11	13.8%	79	15.7%	64,444	10.6%
Middle	57	71.2%	329	65.3%	436,022	71.4%
Upper	9	11.2%	77	15.3%	99,639	16.3%
Income NA	0	0.0%	1	0.1%	0	0.0%
Total	80	100.0%	504	100.0%	610,782	100.0%

As Table 88 shows, the distribution of branches in LMI geographies is reasonable compared to the distribution of geographies and families in the PA AA. The bank’s distribution of branches in low income census tracts is slightly higher than distribution of geographies in the PA AA. Access to branches in moderate income geographies is reasonable at 13.8 percent versus comparable data for AA geographies (15.7 percent) and 10.6 percent for families.

There were no branches opened during the review period in the PA AA. Eight branches were closed, none of which were in a LMI geographies. For each branch closure, management complied with all regulatory requirements including attempts to improve branches' performance, notifying customers in advance of the closure, and arranging for continued access to services for customers.

Banking offices in the PA AA feature various customer conveniences including Saturday banking hours, regular and speech recognition ATMs, drive-up and walk-up windows, and night depositories. The services offered at each branch are generally consistent and do not vary in a way that would be inconvenient to residents of the AA.

Community Development Services

Sovereign's performance in providing CD services in the PA AA was good. During the review period, the bank was responsive to a number of community development needs by providing financial and technical assistance to development organizations in the PA AA. Sovereign partnered with local organizations to focus on educational programs and improve financial literacy. The following are examples of some of the many qualified CD activities in which the bank participated.

- Sovereign supported Valley Housing Development Corporation (VHDC) through its processing of applications, and an employee serves a President. VHDC provides affordable housing for low-moderate income individuals and families.
- Sovereign participated in the FHLB of Pittsburgh's First Front Door Program formerly (Home Buyer Equity Fund), a grant program that provides assistance for LMI families to purchase homes. Sovereign identified grant-eligible borrowers and disbursed funds on behalf of the FHLB.
- The bank is an active participant in the IOLTA programs. The bank has 461 active IOLTA accounts as of year end 2010 in Pennsylvania (PA). Some of the PA IOLTA accounts are in the Philadelphia CSA AA and some are in the Allentown MSA AA. The bank tracks IOLTA activity by state. Nearly \$297 thousand in interest on IOLTA accounts was remitted to the state in 2010 for its legal aid programs.
- In conjunction with non-profit agencies, Sovereign offers IDA and FSA accounts. These accounts are designed to help low and moderate income families by matching their savings and restricting withdrawals to permitted purposes only, such as down payments. Of the 97 such accounts, 16 are in the PA AA.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution's Operations in Harrisburg-Carlisle-Lebanon, PA CSA

Sovereign maintains a presence within the Harrisburg-Carlisle-Lebanon, PA CSA (Harrisburg AA) through eight branches in Cumberland, eight in Dauphin, and two in Lebanon County. Sovereign's 18 AA branches represent 2.5 percent of its total banking offices. This AA accounted for 3.3 percent of review period HMDA reportable lending and 1.7 percent of reportable small business lending.

Description of Harrisburg-Carlisle-Lebanon, PA CSA AA

This AA consists of all of Cumberland, Dauphin, and Perry Counties in the Harrisburg-Carlisle, PA MSA #25420; and Lebanon County in the Lebanon, PA MSA #30140. These two contiguous MSAs comprise the entire Harrisburg-Carlisle-Lebanon, PA CSA #276. This AA (Harrisburg AA) contains 140 geographies. Table 89 illustrates demographic data on population, families, and housing units within the Harrisburg AA.

Demographic Data	2000 Census
Population	629,401
Total Families	168,087
1-4 Family Units	217,782
Multi-family Units	32,739
% Owner-Occupied Units	65%
% Rental-Occupied Units	28%
% Vacant Housing Units	7%
Weighted Average Median Housing	\$103,049

Table 90 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	5	3.6%	4,145	2.5%	5,792	2.7%
Moderate	30	21.4%	24,499	14.6%	39,160	18.0%
Middle	82	58.6%	104,567	62.2%	129,504	59.4%
Upper	23	16.4%	34,876	20.7%	43,326	19.9%
Total	140	100.0%	168,087	100.0%	217,782	100.0%

According to 2000 census data, 37.1 percent of the families in this AA are classified as low- to moderate-income, with 5.7 percent of the families reporting income below the poverty level. Table

91(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 91(b) reflects the updated HUD median family income for each year during the review period; and table 91(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Harrisburg-Carlisle, PA MSA (#25420)		Lebanon, PA MSA (#30140)	
	From	To	From	To
Low (< 50%)	\$1	\$35,499	\$1	\$31,999
Moderate (50% - 79%)	\$35,500	\$56,799	\$32,000	\$51,199
Middle (80% - 119%)	\$56,800	\$85,199	\$51,200	\$76,799
Upper (>= 120%)	\$85,200	+	\$76,800	+

* Based on HUD 2010 Median Family Income of the MSA

Year	Harrisburg MSA	Lebanon MSA
	Amount	Amount
2008	\$67,500	\$62,500
2009	\$70,300	\$63,900
2010	\$71,000	\$62,500

Family Income Category (As a % of MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	29,662	17.6%
Moderate (50% - 79%)	32,656	19.4%
Middle (80% - 119%)	41,130	24.5%
Upper (>= 120%)	64,639	38.5%
Total	168,087	100.0%

The Harrisburg CSA economic recovery remains fragile as state and local fiscal conditions are not expected to improve quickly and growth in income and employment is expected to be below average in 2011. Strengths include a central location with a solid transportation and distribution hub and the presence of state government. Weaknesses include a low per capita income, a shrinking industrial base, and extensive cut backs on services and increased taxes due to fiscal concerns.

In general, most economic indicators are trending positively across the state. The Harrisburg MSA unemployment rate was 7.3 percent as of March 2011, down from 8.3 percent a year earlier. The Lebanon MSA unemployment rate was 6.5 percent as of March 2011, down from 7.9 percent a year earlier. Housing price indices show a modest increase in single family house prices since the time of the prior evaluation, but a small decline over the past year.

Conclusions with Respect to Performance Tests in Harrisburg-Carlisle-Lebanon, PA CSA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Harrisburg AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Harrisburg-Carlisle-Lebanon, PA CSA Assessment Area

Table 92 illustrates the institution’s lending activity in the Harrisburg AA during the review period.

Table 92 - Loan Originations within the Harrisburg AA 01/01/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA		Harrisburg AA		Combined AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	2,201	3.3%	\$16,437,291	\$340,352	2.1%
Small Business	10,507	183	1.7%	1,310,314	25,953	2.0%
Total	77,746	2,384	3.1%	\$17,747,605	\$366,305	2.1%

Table 92 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Harrisburg AA is consistent with other activities in this AA. Approximately three percent of branches are in the Harrisburg AA as are 1.5 percent of geographies and 1.7 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period, consistent with the overall PA AA performance, and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending. Sovereign was the 7th leading HMDA mortgage loan originator in the Harrisburg AA in 2008 and 4th in 2009. Sovereign was a less significant participant in the small business loan market in the Harrisburg AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Harrisburg AA.

Table 93 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 93 - Distribution of Sovereign Bank’s HMDA-Reportable Loans by Borrower Income Level in the Harrisburg AA										
(Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period		Aggregate	
	#	%	#	%	#	%	01/01/08 – 12/31/10	%	2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	87	14.6%	104	11.2%	74	10.9%	265	12.0%	8.8%	9.1%
Moderate	174	29.3%	229	24.6%	180	26.6%	583	26.5%	23.2%	22.6%
Middle	150	25.3%	256	27.5%	167	24.7%	573	26.0%	27.9%	26.4%
Upper	170	28.6%	334	35.9%	249	36.9%	753	34.3%	36.1%	35.6%
Income NA	13	2.2%	8	0.8%	6	0.9%	27	1.2%	4.0%	6.3%
Total	594	100.0%	931	100.0%	676	100.0%	2,201	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$7,288	8.2%	\$9,416	6.3%	\$6,756	6.6%	\$23,460	6.9%	4.6%	5.2%
Moderate	19,583	22.0%	27,446	18.5%	21,150	20.6%	68,179	20.0%	17.5%	17.2%
Middle	21,325	23.9%	39,473	26.6%	24,545	23.9%	85,343	25.1%	24.8%	24.0%
Upper	31,632	35.5%	68,711	46.3%	49,658	48.4%	150,001	44.1%	43.9%	45.3%
Income NA	9,365	10.4%	3,497	2.3%	507	0.5%	13,369	3.9%	9.2%	8.3%
Total	\$89,193	100.0%	\$148,543	100.0%	\$102,616	100.0%	\$340,352	100.0%	100.0%	100.0%

Table 93 details solid penetration into the LMI borrower market in the Harrisburg AA. For both years where aggregate data is available (2008-09), Sovereign’s lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin and that performance continued at the same high level in 2010.

Table 94 provides an analysis of Sovereign’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 94 - Distribution of Sovereign Bank's Small Business Loans by Loan Origination Amount in the Harrisburg AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	67	64.5%	15	65.3%	38	67.8%	120	65.5%	91.9%	87.6%
\$100,001-\$250,000	25	24.0%	3	13.0%	8	14.3%	36	19.7%	4.5%	6.6%
\$250,001-\$1 mill.	12	11.5%	5	21.7%	10	17.9%	27	14.8%	3.6%	5.8%
Total	104	100.0%	23	100.0%	56	100.0%	183	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$2,900	20.3%	\$469	16.7%	\$2,000	22.5%	\$5,369	20.7%	31.0%	25.9%
\$100,001-\$250,000	4,618	32.4%	520	18.6%	1,350	15.2%	6,488	25.0%	20.4%	20.6%
\$250,001-\$1 mill.	6,744	47.3%	1,814	64.7%	5,538	62.3%	14,096	54.3%	48.6%	53.5%
Total	\$14,262	100.0%	\$2,803	100.0%	\$8,888	100.0%	\$25,953	100.0%	100.0%	100.0%

Table 94 shows a strong majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 85 percent of small business lending through loans under \$250 thousand with 66 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Harrisburg AA.

Table 95 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 95 - Distribution of Sovereign Bank's Small Business Loans by Company's Revenue Category in the Harrisburg AA (Dollars in thousands)										
Company's Rev. Category	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	65	62.5%	17	73.9%	28	50.0%	110	60.1%	33.5%	36.4%
Rev. > \$1 million	28	26.9%	4	17.4%	23	41.1%	55	30.1%	NA	NA
Revenue NA	11	10.6%	2	8.7%	5	8.9%	18	9.8%	66.5%	63.6%
Total	104	100.0%	23	100.0%	56	100.0%	183	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$4,629	32.5%	\$2,205	78.7%	\$1,845	20.8%	\$8,679	33.4%	38.7%	40.6%
Rev. > \$1 million	6,444	45.1%	329	11.7%	5,715	64.3%	12,488	48.2%	NA	NA
Revenue NA	3,189	22.4%	269	9.6%	1,328	14.9%	4,786	18.4%	61.3%	59.4%
Total	\$14,262	100.0%	\$2,803	100.0%	\$8,888	100.0%	\$25,953	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 95 shows that approximately 60 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Harrisburg AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Harrisburg AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Harrisburg AA.

Table 96 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 96 - Distribution of Sovereign Bank’s HMDA-Reportable Loans by Geography Income Level in the Harrisburg AA <i>(Dollars in thousands)</i>										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	4	0.7%	5	0.5%	2	0.3%	11	0.5%	1.1%	0.7%
Moderate	97	16.3%	97	10.4%	58	8.6%	252	11.4%	13.0%	9.4%
Middle	333	56.1%	531	57.1%	375	55.4%	1,239	56.3%	61.7%	61.0%
Upper	160	26.9%	298	32.0%	241	35.7%	699	31.8%	24.2%	28.9%
Total	594	100.0%	931	100.0%	676	100.0%	2,201	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$145	0.2%	\$285	0.2%	\$159	0.2%	\$589	0.2%	0.7%	0.4%
Moderate	9,865	11.1%	9,544	6.4%	5,920	5.8%	25,329	7.4%	10.9%	6.9%
Middle	52,649	59.0%	83,459	56.2%	53,732	52.3%	189,840	55.8%	59.1%	57.9%
Upper	26,534	29.7%	55,255	37.2%	42,805	41.7%	124,594	36.6%	29.3%	34.8%
Total	\$89,193	100.0%	\$148,543	100.0%	\$102,616	100.0%	\$340,352	100.0%	100.0%	100.0%

Table 96 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the Harrisburg AA in both years where aggregate is available. Bank lending in LMI geographies in 2010 declined slightly but remains at a more than reasonable level.

Table 97 reflects Sovereign’s geographic distribution of small business loans within the Harrisburg AA.

Table 97 - Distribution of Sovereign Bank’s Small Business Loans by Geography Income Level in the Harrisburg AA <i>(Dollars in thousands)</i>										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	1	1.0%	3	13.0%	2	3.6%	6	3.3%	1.2%	1.2%
Moderate	11	10.6%	3	13.0%	4	7.1%	18	9.8%	11.6%	11.6%
Middle	56	53.8%	13	56.6%	39	69.7%	108	59.0%	62.9%	65.0%
Upper	36	34.6%	4	17.4%	11	19.6%	51	27.9%	24.3%	22.2%
Total	104	100.0%	23	100.0%	56	100.0%	183	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$68	0.5%	\$76	2.7%	\$1,049	11.8%	\$1,193	4.6%	0.9%	1.2%
Moderate	1,253	8.8%	344	12.3%	298	3.4%	1,895	7.3%	11.5%	11.7%
Middle	6,260	43.9%	2,208	78.8%	5,352	60.2%	13,820	53.2%	63.3%	64.1%
Upper	6,681	46.8%	175	6.2%	2,189	24.6%	9,045	34.9%	24.3%	23.0%
Total	\$14,262	100.0%	\$2,803	100.0%	\$8,888	100.0%	\$25,953	100.0%	100.0%	100.0%

Table 97 shows the bank to have roughly matched aggregate in small business lending in LMI geographies in the Harrisburg AA in 2008 and out performed aggregate by a substantial margin in 2009. Bank lending in LMI geographies in 2010 returned to 2008 levels.

Community Development Lending

While Sovereign extended no CD loans in the Harrisburg AA during the review period, this AA is relatively small and the bank has a limited presence therein. The Harrisburg AA is responsible for three percent of all HMDA reportable lending, two percent of reportable small business lending, and three percent of branches.

Innovative and Flexible Lending Practices

Sovereign participates in numerous innovative and/or flexible loan programs. The bank also established several loan programs prior to and during the current review period in an attempt to meet specific credit needs both across all bank AA's.

Innovative/flexible residential mortgage product offerings include FHA and VA mortgage loans on the federal level as well as affordable mortgage loans on the state level through the PHFA. Sovereign also offers several internal affordable mortgage products. Loan production under these programs in the Harrisburg AA was reasonable.

Sovereign also originated over 150 SBA loans for more than \$13 million in Pennsylvania as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009, began tracking by MSA. In 2009-10, the bank originated three SBA loans for \$191 thousand in the Harrisburg AA. This level of production is commensurate with the bank's presence in this AA.

Other innovative/flexible loan program offerings in this AA include the Pennsylvania Assistive Technology Program which provides low cost loans to people with disabilities who need to borrow money to buy assistive technology devices and services. For the three year review period, the bank originated 23 PATF loans providing over \$266 thousand in credit in the Harrisburg AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Harrisburg AA accounts for 3.3 percent of HMDA reportable lending, 1.7 percent of small business lending, 2.5 percent of branches, 1.5 percent of geographies, and 1.7 percent of the population.

Contributions to qualified organizations benefiting several groups in the Harrisburg AA totaled \$96.6 thousand or 0.7 percent of total contributions made during the review period in the combined AAs. The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and included participation in the Educational Improvement Tax Credit Program. This program awards tax credits to businesses that make contributions to scholarship or educational improvement not-for-profit organizations.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the AA. The full complement of available deposit and loan products are available throughout the AA through the bank’s branch network and alternative access methods. Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution’s branches are reasonably accessible to residents of the Harrisburg AA. Table 98 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 98 - Distribution of Banking Offices Harrisburg AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	5	3.6%	4,145	2.5%
Moderate	4	22.2%	30	21.4%	24,499	14.6%
Middle	11	61.1%	82	58.6%	104,567	62.2%
Upper	3	16.7%	23	16.4%	34,876	20.7%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	18	100.0%	140	100.0%	168,087	100.0%

As Table 98 shows, the distribution of branches in LMI income geographies is reasonable when compared to the distribution of geographies and families in the Harrisburg AA. There were no branches opened during the review period in the Harrisburg AA. Four branches were closed, none of which were in a low- or moderate-income geography.

Community Development Services

Sovereign's performance in providing CD services in this AA was consistent with its performance in the state as a whole. The following examples represent efforts where the bank responded to community development service needs during the review period.

- The bank offers Individual Savings Accounts in conjunction with the Dauphin County Housing Authority.
- A bank officer serves in a financial capacity with the Community First CDFI Fund, an organization dedicated to economic development and affordable housing.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution's Operations in Lancaster, PA MSA

Sovereign maintains a presence within the Lancaster, PA MSA (Lancaster AA) through its branches in Lancaster County. Sovereign's 12 AA branches represent 1.7 percent of its total banking offices. This AA accounted for 2.4 percent of review period HMDA reportable lending and 1.3 percent of reportable small business lending.

Description of Lancaster, PA AA

This AA consists all of Lancaster County, PA. The AA, which comprises the entire Lancaster, PA MSA #29540, contains 94 geographies. Table 99 illustrates demographic data on population, families, and housing units within this AA.

Demographic Data	2000 Census
Population	470,658
Total Families	124,865
1-4 Family Units	151,700
Multi-family Units	19,753
% Owner-Occupied Units	68%
% Rental-Occupied Units	28%
% Vacant Housing Units	4%
Weighted Average Median Housing	\$117,029

Table 100 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	5	5.3%	3,114	2.5%	3,901	2.6%
Moderate	11	11.7%	9,172	7.3%	14,634	9.6%
Middle	71	75.6%	100,232	80.3%	118,895	78.4%
Upper	7	7.4%	12,347	9.9%	14,270	9.4%
Total	94	100.0%	124,865	100.0%	151,700	100.0%

According to 2000 census data, 35.5 percent of the families in the AA are classified as low- to moderate-income, with 5.3 percent of the families reporting income below the poverty level. Table 101(a) indicates the median family income ranges of each income category based on the 2010 HUD

adjustment; table 101(b) reflects the updated HUD median family income for each year during the review period; and table 101(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$33,349
Moderate (50% - 79%)	\$33,350	\$53,359
Middle (80% - 119%)	\$53,360	\$80,039
Upper (>= 120%)	\$80,040	+

Year	Amount
2008	\$64,200
2009	\$67,400
2010	\$66,700

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	19,684	15.8%
Moderate (50% - 79%)	24,596	19.7%
Middle (80% - 119%)	33,153	26.5%
Upper (>= 120%)	47,432	38.0%
Total	124,865	100.0%

The Lancaster MSA economy will improve in the near term as manufacturers and retailers begin to benefit from the rising demand for goods. Strengths include close proximity to the Baltimore, Philadelphia, and Wilmington metro areas, concentration of non-cyclical food industry that provides stability, and advantageous business/living costs. Weaknesses include a reliance on traditional manufacturing and a weak per capita income when compared to the nation.

In general, most economic indicators are trending positively across the state. The Lancaster MSA unemployment rate was 6.8 percent as of March 2011, down from 8.3 percent a year earlier. Housing price indices show a modest increase in single family house prices since the time of the prior evaluation, but a small decline over the past year.

Conclusions with Respect to Performance Tests in Lancaster, PA MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Lancaster AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community

development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Lancaster, PA MSA Assessment Area

Table 102 illustrates the institution’s lending activity in the Lancaster AA during the review period.

Table 102 - Loan Originations within the Lancaster AA 1/1/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA	Lancaster AA		Combined AA	Lancaster AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	1,627	2.4%	\$16,437,291	\$245,961	1.5%
Small Business	10,507	134	1.3%	1,310,314	12,669	1.0%
Total	77,746	1,761	2.3%	\$17,747,605	\$258,630	1.5%

Table 102 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Lancaster AA is consistent with other activities in this AA. Approximately two percent of branches are in the Lancaster AA, as are one percent of geographies and 1.3 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall PA AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending. Sovereign was the 7th leading HMDA mortgage loan originator in the Lancaster AA in 2008 and 5th in 2009. Sovereign was a less significant participant in the small business loan market in the Lancaster AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Lancaster AA.

Table 103 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 103 - Distribution of Sovereign Bank's HMDA-Reportable Loans by Borrower Income Level in the Lancaster AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	55	11.7%	61	8.4%	41	9.6%	157	9.6%	7.8%	7.5%
Moderate	128	27.1%	177	24.4%	107	24.9%	412	25.3%	22.8%	24.1%
Middle	132	28.0%	202	27.8%	141	32.9%	475	29.2%	29.7%	28.0%
Upper	151	32.0%	280	38.6%	137	31.9%	568	35.0%	35.5%	32.6%
Income NA	6	1.2%	6	0.8%	3	0.7%	15	0.9%	4.2%	7.8%
Total	472	100.0%	726	100.0%	429	100.0%	1,627	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$4,484	6.9%	\$6,582	5.5%	\$3,583	5.8%	\$14,649	6.0%	4.3%	4.5%
Moderate	14,934	23.0%	22,495	18.9%	12,146	19.5%	49,575	20.2%	17.7%	19.3%
Middle	17,092	26.3%	30,408	25.6%	19,759	31.7%	67,259	27.3%	27.2%	26.6%
Upper	27,593	42.5%	58,087	49.0%	25,964	41.7%	111,644	45.4%	43.0%	40.8%
Income NA	819	1.3%	1,227	1.0%	788	1.3%	2,834	1.1%	7.8%	8.8%
Total	\$64,922	100.0%	\$118,799	100.0%	\$62,240	100.0%	\$245,961	100.0%	100.0%	100.0%

Table 103 details solid penetration into the LMI borrower market in the Lancaster AA. Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin in 2008 and by a more modest amount in 2009. That performance continued at the same solid level in 2010.

Table 104 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 104 - Distribution of Sovereign Bank's Small Business Loans by Loan Origination Amount in the Lancaster AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	61	83.5%	17	81.0%	33	82.5%	111	82.8%	88.3%	83.0%
\$100,001-\$250,000	4	5.5%	2	9.5%	5	12.5%	11	8.2%	5.4%	7.7%
\$250,001-\$1 mill.	8	11.0%	2	9.5%	2	5.0%	12	9.0%	6.3%	9.3%
Total	73	100.0%	21	100.0%	40	100.0%	134	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$1,991	26.9%	\$673	31.0%	\$1,286	41.7%	\$3,950	31.2%	23.3%	20.3%
\$100,001-\$250,000	703	9.5%	428	19.7%	1,000	32.4%	2,131	16.8%	17.5%	17.3%
\$250,001-\$1 mill.	4,720	63.6%	1,068	49.3%	800	25.9%	6,588	52.0%	59.2%	62.4%
Total	\$7,414	100.0%	\$2,169	100.0%	\$3,086	100.0%	\$12,669	100.0%	100.0%	100.0%

Table 104 shows a strong majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 91 percent of small business lending through loans under \$250 thousand with 83 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Lancaster AA.

Table 105 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Company's Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Rev. < \$1 million	59	80.8%	14	66.7%	32	80.0%	105	78.3%	35.8%	39.8%
Rev. > \$1 million	8	11.0%	5	23.8%	6	15.0%	19	14.2%	NA	NA
Revenue NA	6	8.2%	2	9.5%	2	5.0%	10	7.5%	64.2%	60.2%
Total	73	100.0%	21	100.0%	40	100.0%	134	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$4,998	67.4%	\$772	35.6%	\$1,651	53.5%	\$7,421	58.6%	37.6%	36.1%
Rev. > \$1 million	1,788	24.1%	1,318	60.8%	1,110	36.0%	4,216	33.3%	NA	NA
Revenue NA	628	8.5%	79	3.6%	325	10.5%	1,032	8.1%	62.4%	63.9%
Total	\$7,414	100.0%	\$2,169	100.0%	\$3,086	100.0%	\$12,669	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 105 shows that approximately 78 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Lancaster AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Lancaster AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign's lending activity with respect to the distribution of loans among geographic areas of different income levels within the Lancaster AA. Table 106 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Low	5	1.1%	7	1.0%	6	1.4%	18	1.1%	1.5%	0.7%
Moderate	42	8.9%	37	5.1%	35	8.2%	114	7.0%	7.2%	5.0%
Middle	385	81.5%	589	81.1%	345	80.4%	1,319	81.1%	80.5%	81.3%
Upper	40	8.5%	93	12.8%	43	10.0%	176	10.8%	10.8%	13.0%
Total	472	100.0%	726	100.0%	429	100.0%	1,627	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$329	0.5%	\$614	0.5%	\$460	0.7%	\$1,403	0.6%	1.1%	0.4%
Moderate	3,035	4.7%	4,023	3.4%	2,937	4.7%	9,995	4.1%	4.9%	3.1%
Middle	55,149	84.9%	93,654	78.8%	50,484	81.2%	199,287	81.0%	79.5%	79.9%
Upper	6,409	9.9%	20,508	17.3%	8,359	13.4%	35,276	14.3%	14.5%	16.6%
Total	\$64,922	100.0%	\$118,799	100.0%	\$62,240	100.0%	\$245,961	100.0%	100.0%	100.0%

Table 106 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the Lancaster AA by a slight margin in both years where aggregate is available. Bank lending in LMI geographies in 2010 increased to near 2008 levels.

Table 107 reflects Sovereign’s geographic distribution of small business loans within the Lancaster AA.

Table 107 - Distribution of Sovereign Bank’s Small Business Loans By Geography Income Level in the Lancaster AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	4	5.5%	0	0.0%	2	5.0%	6	4.5%	2.4%	3.0%
Moderate	1	1.4%	1	4.8%	1	2.5%	3	2.2%	6.6%	6.4%
Middle	60	82.1%	17	81.0%	34	85.0%	111	82.9%	78.2%	77.6%
Upper	8	11.0%	3	14.2%	3	7.5%	14	10.4%	12.8%	13.0%
Total	73	100.0%	21	100.0%	40	100.0%	134	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$1,505	20.3%	\$0	0.0%	\$75	2.4%	\$1,580	12.5%	3.2%	3.2%
Moderate	5	0.1%	10	0.5%	75	2.4%	90	0.7%	6.2%	6.5%
Middle	5,382	72.6%	1,016	46.8%	2,526	81.9%	8,924	70.4%	73.9%	74.2%
Upper	522	7.0%	1,143	52.7%	410	13.3%	2,075	16.4%	16.7%	16.1%
Total	\$7,414	100.0%	\$2,169	100.0%	\$3,086	100.0%	\$12,669	100.0%	100.0%	100.0%

Table 107 shows the bank to have under performed when compared to aggregate in small business lending in LMI geographies in the Lancaster AA in 2008 and 2009. Bank lending in LMI geographies in 2010 improved to its highest level for the three-year review period.

Community Development Lending

While Sovereign extended no CD loans in the Lancaster AA during the review period, this AA is relatively small and the bank has a limited presence therein. The Lancaster AA is responsible for two percent of all HMDA reportable lending, one percent of reportable small business lending, and two percent of branches.

Innovative and Flexible Lending Practices

Sovereign originated over 150 SBA loans for more than \$13 million in Pennsylvania as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009, began tracking by MSA. In 2009-10, the bank originated seven SBA loans for \$154 thousand in the Lancaster AA. This level of production is commensurate with the bank’s presence in this AA.

Other innovative/flexible loan program offerings in this AA include the PATF Program which provides low cost loans to people with disabilities who need to borrow money to buy assistive

technology devices and services. For the three year review period, the bank originated 21 PATF loans providing over \$322 thousand in credit in the Lancaster AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Of the \$65.4 million in qualified traditional CD investments made during the review period in the combined AAs, \$775.7 thousand or 1.2 percent is directly allocated to the Lancaster AA. The Lancaster AA accounts for 2.4 percent of HMDA reportable lending, 1.3 percent of small business lending, 1.7 percent of branches, one percent of geographies, and 1.3 percent of the population.

Contributions to qualified organizations benefiting several groups in the Lancaster AA totaled \$64.0 thousand or 0.5 percent of total contributions made during the review period in the combined AAs. The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and included participation in the EITC. This program awards tax credits to businesses that make contributions to scholarship or educational improvement not-for-profit organizations.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the AA. The full complement of available deposit and loan products are available throughout the AA through the bank's branch network and alternative access methods. Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution's branches are reasonably accessible to residents of the Lancaster AA. Table 108 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 108 - Distribution of Banking Offices Lancaster AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	1	8.3%	5	5.3%	3,114	2.5%
Moderate	0	0.0%	11	11.7%	9,172	7.3%
Middle	10	83.4%	71	75.6%	100,232	80.3%
Upper	1	8.3%	7	7.4%	12,347	9.9%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	12	100.0%	94	100.0%	124,865	100.0%

The raw percentages in Table 108 show a lower penetration of branches in LMI geographies, especially in moderate-income geographies. However, the low overall number of branches in the AA makes such an analysis less meaningful and yields the conclusion that the above distribution is reasonable. There were no branches opened during the review period and one branch in a middle-income geography was closed in the Lancaster AA.

Community Development Services

Sovereign’s performance in providing CD services in this AA was consistent with its performance in the state as a whole. The following examples represent efforts where the bank responded to community development service needs during the review period.

- A bank officer serves in a financial capacity for the Spanish American Civic Association, an organization serving an economic development and affordable housing creation purpose.
- A bank officer serves in a financial capacity with the Community First CDFI Fund, an organization dedicated to economic development and affordable housing.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution's Operations in Williamsport, PA MSA

Sovereign maintains a presence within the Williamsport, PA MSA (Williamsport AA) through its branches in Lycoming County. Sovereign's eight AA branches represent 1.1 percent of its total banking offices. This AA accounted for 1.3 percent of review period HMDA reportable lending and 0.8 percent of reportable small business lending.

Description of Williamsport, PA MSA AA

This AA consists of Lycoming County, PA. The AA, which is located in the Williamsport, PA MSA #48700, contains 27 geographies. Table 109 illustrates demographic data on population, families, and housing units within the AA.

Demographic Data	2000 Census
Population	120,044
Total Families	31,916
1-4 Family Units	43,677
Multi-family Units	4,585
% Owner-Occupied Units	62%
% Rental-Occupied Units	27%
% Vacant Housing Units	10%
Weighted Average Median Housing	\$83,118

Table 110 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	6	22.2%	4,352	13.6%	7,451	17.1%
Middle	19	70.4%	26,153	82.0%	34,497	78.9%
Upper	2	7.4%	1,411	4.4%	1,729	4.0%
Total	27	100.0%	31,916	100.0%	43,677	100.0%

According to 2000 census data, 36.7 percent of the families in the AA are classified as low- to moderate-income, with 7.9 percent of the families reporting income below the poverty level. Table 111(a) indicates the median family income ranges of each income category based on the 2010 HUD

adjustment; table 111(b) reflects the updated HUD median family income for each year during the review period; and table 111(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$26,199
Moderate (50% - 79%)	\$26,200	\$41,919
Middle (80% - 119%)	\$41,920	\$62,879
Upper (>= 120%)	\$62,880	+

Year	Amount
2008	\$50,500
2009	\$52,300
2010	\$52,400

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	5,311	16.6%
Moderate (50% - 79%)	6,392	20.0%
Middle (80% - 119%)	7,902	24.8%
Upper (>= 120%)	12,311	38.6%
Total	31,916	100.0%

The Williamsport MSA economy is predicted to track the national recovery. Strengths include economic stability from a large healthcare industry and a number of state-sponsored redevelopment efforts. Weaknesses include a high dependence on a declining manufacturing base and the MSA's remote location and poor transportation links.

In general, most economic indicators are trending positively across the state. The Williamsport MSA unemployment rate was 8.0 percent as of March 2011, down from 10.1 percent a year earlier. Housing price indices show a modest increase in single family house prices since the time of the prior evaluation, but a small decline over the past year.

Conclusions with Respect to Performance Tests in Williamsport, PA MSA AA

As part of the CRA review, an analysis of the institution's performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution's level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution's lending activity within its Williamsport AA, the geographic distribution of loans, the borrowers' profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals,

community development lending activities, and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Williamsport, PA MSA Assessment Area

Table 112 illustrates the institution’s lending activity in the Williamsport AA during the review period.

Table 112 - Loan Originations within the Williamsport AA						
1/1/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA	Williamsport AA		Combined AA	Williamsport AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	859	1.3%	\$16,437,291	\$95,263	0.6%
Small Business	10,507	87	0.8%	1,310,314	14,851	1.1%
Total	77,746	946	1.2%	\$17,747,605	\$110,114	0.6%

Table 112 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Williamsport AA is consistent with other activities in this AA. Approximately one percent of branches are in the Williamsport AA as are 0.3 percent of geographies and 0.3 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall PA AA performance, and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending.

Sovereign was the 5th leading HMDA mortgage loan originator in the Williamsport AA in 2008 and 4th in 2009. Sovereign was a modest participant in the small business loan market in the Williamsport AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Williamsport AA. Table 113 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	14	6.8%	21	6.4%	20	6.2%	55	6.4%	6.5%	5.8%
Moderate	37	17.9%	78	23.7%	56	17.3%	171	19.9%	19.4%	16.9%
Middle	53	25.6%	82	24.9%	100	31.0%	235	27.4%	25.3%	24.8%
Upper	100	48.3%	145	44.1%	146	45.2%	391	45.5%	43.9%	45.5%
Income NA	3	1.4%	3	0.9%	1	0.3%	7	0.8%	4.9%	7.0%
Total	207	100.0%	329	100.0%	323	100.0%	859	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$775	3.6%	\$1,389	3.6%	\$1,363	3.8%	\$3,527	3.7%	3.4%	2.8%
Moderate	2,963	13.8%	7,348	19.2%	4,726	13.3%	15,037	15.8%	13.4%	11.4%
Middle	4,986	23.3%	8,155	21.3%	10,028	28.1%	23,169	24.3%	21.2%	20.5%
Upper	12,419	58.1%	20,890	54.8%	19,463	54.6%	52,772	55.4%	51.0%	53.7%
Income NA	256	1.2%	429	1.1%	73	0.2%	758	0.8%	11.0%	11.6%
Total	\$21,399	100.0%	\$38,211	100.0%	\$35,653	100.0%	\$95,263	100.0%	100.0%	100.0%

Table 113 details solid penetration into the LMI borrower market in the Williamsport AA. Sovereign's lending to both LMI borrowers roughly matched that of aggregate lenders in 2008 and exceeded aggregate by a substantial margin in 2009. Lending to LMI borrowers in 2010 (23.5 percent) declined to slightly below the levels of 2008 (24.7 percent).

Table 114 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	34	63.0%	8	72.7%	12	54.6%	54	62.1%	95.0%	93.7%
\$100,001-\$250,000	13	24.0%	1	9.1%	3	13.6%	17	19.5%	2.8%	3.4%
\$250,001-\$1 mill.	7	13.0%	2	18.2%	7	31.8%	16	18.4%	2.2%	2.9%
Total	54	100.0%	11	100.0%	22	100.0%	87	100.0%	100.0%	100.0%
By \$ Amount:										
≤ \$100,000	\$1,706	20.6%	\$327	26.3%	\$486	9.1%	\$2,519	17.0%	38.9%	37.4%
\$100,001-\$250,000	2,316	28.0%	115	9.3%	500	9.4%	2,931	19.7%	18.7%	17.4%
\$250,001-\$1 mill.	4,251	51.4%	800	64.4%	4,350	81.5%	9,401	63.3%	42.4%	45.2%
Total	\$8,273	100.0%	\$1,242	100.0%	\$5,336	100.0%	\$14,851	100.0%	100.0%	100.0%

Table 114 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 82 percent of small business lending through loans under \$250 thousand with 62 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Williamsport AA.

Table 115 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Company's Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Rev. < \$1 million	37	68.5%	7	63.6%	12	54.5%	56	64.4%	32.3%	31.0%
Rev. > \$1 million	15	27.8%	2	18.2%	2	9.1%	19	21.8%	NA	NA
Revenue NA	2	3.7%	2	18.2%	8	36.4%	12	13.8%	67.7%	69.0%
Total	54	100.0%	11	100.0%	22	100.0%	87	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$5,256	63.5%	\$655	52.7%	\$486	9.1%	\$6,397	43.1%	41.9%	13.0%
Rev. > \$1 million	2,952	35.7%	381	30.7%	510	9.6%	3,843	25.9%	NA	NA
Revenue NA	65	0.8%	206	16.6%	4,340	81.3%	4,611	31.0%	58.1%	87.0%
Total	\$8,273	100.0%	\$1,242	100.0%	\$5,336	100.0%	\$14,851	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 115 shows that approximately 64 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Williamsport AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Williamsport AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign's lending activity with respect to the distribution of loans among geographic areas of different income levels within the Williamsport AA. Table 116 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders. (There are no low-income geographies in this AA.)

Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Moderate	14	6.8%	27	8.2%	21	6.5%	62	7.2%	10.9%	7.8%
Middle	181	87.4%	280	85.1%	278	86.1%	739	86.0%	83.6%	86.7%
Upper	12	5.8%	22	6.7%	24	7.4%	58	6.8%	5.5%	5.5%
Total	207	100.0%	329	100.0%	323	100.0%	859	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Moderate	\$816	3.8%	\$2,005	5.2%	\$1,350	3.8%	\$4,171	4.4%	9.4%	5.6%
Middle	18,929	88.5%	33,635	88.1%	31,568	88.5%	84,132	88.3%	83.9%	87.6%
Upper	1,654	7.7%	2,571	6.7%	2,735	7.7%	6,960	7.3%	6.7%	6.8%
Total	\$21,399	100.0%	\$38,211	100.0%	\$35,653	100.0%	\$95,263	100.0%	100.0%	100.0%

Table 116 shows the bank to have under performed when compared to aggregate in HMDA-reportable lending in moderate-income geographies in the Williamsport AA in 2008. LMI lending

improved to surpass aggregate lending results in 2009. Bank lending in LMI geographies in 2010 declined to below 2008 levels. There are no low-income geographies in the Williamsport AA.

Table 117 reflects Sovereign’s geographic distribution of small business loans within the Williamsport AA.

Table 117 - Distribution of Sovereign Bank’s Small Business Loans by Geography Income Level in the Williamsport AA
(Dollars in thousands)

Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Moderate	13	24.1%	2	18.2%	4	18.2%	19	21.8%	18.8%	19.8%
Middle	35	64.8%	7	63.6%	18	81.8%	60	69.0%	77.1%	74.8%
Upper	6	11.1%	2	18.2%	0	0.0%	8	9.2%	4.1%	5.4%
Total	54	100.0%	11	100.0%	22	100.0%	87	100.0%	100.0%	100.0%
By \$ Amt:										
Moderate	\$3,149	38.1%	\$591	47.6%	\$1,650	30.9%	\$5,390	36.3%	25.5%	23.5%
Middle	4,388	53.0%	612	49.3%	3,686	69.1%	8,686	58.5%	70.2%	72.0%
Upper	736	8.9%	39	3.1%	0	0.0%	775	5.2%	4.3%	4.5%
Total	\$8,273	100.0%	\$1,242	100.0%	\$5,336	100.0%	\$14,851	100.0%	100.0%	100.0%

Table 117 shows the bank to have out performed aggregate in small business lending in moderate-income geographies in the Williamsport AA by a solid margin in 2008. Bank LMI lending declined to below aggregate in 2009 and remained at that level for 2010.

Community Development Lending

While Sovereign extended no CD loans in the Williamsport AA during the review period, this AA is relatively small and the bank has a limited presence therein. The Williamsport AA is responsible for one percent of all HMDA reportable lending, one percent of reportable small business lending, and one percent of branches.

Innovative and Flexible Lending Practices

Sovereign originated over 150 SBA loans for more than \$13 million in Pennsylvania as a whole for the three year review period. In 2009-10, the bank originated one SBA loan for \$10 thousand in the Williamsport AA. This level of production is commensurate with the bank’s presence in this AA. The bank also originated six PATF loans providing over \$54 thousand in credit in the Williamsport AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Williamsport AA accounts for 1.3 percent of HMDA reportable lending, 0.8 percent of small business lending, 1.1 percent of branches, 0.3 percent of geographies, and 0.3 percent of the population.

Contributions to qualified organizations benefiting several groups in the Williamsport AA totaled \$72.5 thousand or 0.5 percent of total contributions made during the review period in the combined AAs. The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, and homeless services.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the AA. The full complement of available deposit and loan products are available throughout the AA through the bank's branch network and alternative access methods. Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution's branches are reasonably accessible to residents of the Williamsport PA MSA. Table 118 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 118 - Distribution of Banking Offices Williamsport AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	1	12.5%	6	22.2%	4,352	13.6%
Middle	7	87.5%	19	70.4%	26,153	82.0%
Upper	0	0.0%	2	7.4%	1,411	4.4%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	8	100.0%	27	100.0%	31,916	100.0%

The raw percentages in Table 118 show a lower penetration of branches in LMI geographies, especially in low-income geographies. There were no branches opened during the review period and one branch in a middle-income geography was closed in the Williamsport AA.

Community Development Services

Sovereign’s performance in providing CD services in this AA was consistent with its performance in the state as a whole. The following examples represent efforts where the bank responded to community development service needs during the review period.

- A bank officer serves in a financial capacity for the Transitional Living Center, an organization targeting LMI women, reintegrating them into society after they have been in prison.
- A bank officer serves in a financial capacity with Hope Enterprises Inc., an organization dedicated to supporting mentally handicapped persons.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution's Operations in York-Hanover, PA MSA

Sovereign maintains a presence within the York-Hanover, PA MSA (York MSA AA) through its branches in York County. Sovereign's 17 AA branches represent 2.4 percent of its total banking offices. This AA accounted for 1.9 percent of review period HMDA reportable lending and 1.1 percent of reportable small business lending.

Description of York-Hanover, PA MSA AA

This AA consists of York County, PA. The AA, which is located in the York-Hanover, PA MSA #49620 (York MSA), contains 82 geographies. Table 119 illustrates demographic data on population, families, and housing units within the AA.

Demographic Data	2000 Census
Population	381,751
Total Families	105,861
1-4 Family Units	134,844
Multi-family Units	11,364
% Owner-Occupied Units	72%
% Rental-Occupied Units	23%
% Vacant Housing Units	5%
Weighted Average Median Housing	\$105,407

Table 120 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	6	7.3%	3,141	3.0%	5,395	4.0%
Moderate	11	13.4%	7,213	6.8%	12,333	9.1%
Middle	58	70.8%	87,511	82.6%	107,256	79.6%
Upper	7	8.5%	7,996	7.6%	9,860	7.3%
Total	82	100.0%	105,861	100.0%	134,844	100.0%

According to 2000 census data, 35.6 percent of the families in the AA are classified as low- to moderate-income, with 4.6 percent of the families reporting income below the poverty level. Table 121(a) indicates the median family income ranges of each income category based on the 2010 HUD

adjustment; table 121(b) reflects the updated HUD median family income for each year during the review period; and table 121(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$34,349
Moderate (50% - 79%)	\$34,350	\$54,959
Middle (80% - 119%)	\$54,960	\$82,439
Upper (>= 120%)	\$82,440	+

Year	Amount
2008	\$65,100
2009	\$67,200
2010	\$68,700

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	16,908	16.0%
Moderate (50% - 79%)	20,726	19.6%
Middle (80% - 119%)	28,640	27.1%
Upper (>= 120%)	39,587	37.3%
Total	105,861	100.0%

The York-Hanover MSA economy experienced strong job gains in late 2010 that are predicted to slow into 2011. Strengths include a still strong population growth and good transportation linkages. Weaknesses include a large exposure to a sizable manufacturing base and a lack of access to highly skill workers.

In general, most economic indicators are trending positively across the state. The York-Hanover MSA unemployment rate was 7.7 percent as of March 2011, down from 9.6 percent a year earlier. Housing price indices show a small increase in single family house prices since the time of the prior evaluation and a small decline over the past year.

Conclusions with Respect to Performance Tests in York-Hanover, PA MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its York AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community

development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the York-Hanover, PA MSA Assessment Area

Table 122 illustrates the institution’s lending activity in the York AA during the review period.

Table 122 - Loan Originations within the York AA						
1/1/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA	York MSA AA		Combined AA	York MSA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	1,319	2.0%	\$16,437,291	\$184,689	1.1%
Small Business	10,507	114	1.1%	1,310,314	10,839	0.8%
Total	77,746	1,433	1.8%	\$17,747,605	\$195,528	1.1%

Table 122 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the York AA are consistent with other activities in this AA. Approximately 2.0 percent of branches are in the York AA as are 0.9 percent of geographies and 1.1 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall PA AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending.

Sovereign was the 11th leading HMDA mortgage loan originator in the York AA in 2008 and 8th in 2009. Sovereign was relatively minor participant in the small business loan market in the York AA. to the small business market.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the York AA. Table 123 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	39	11.9%	58	10.5%	71	16.3%	168	12.7%	7.1%	7.9%
Moderate	95	28.9%	159	28.6%	102	23.4%	356	27.0%	22.9%	21.1%
Middle	89	27.1%	145	26.1%	112	25.7%	346	26.2%	29.3%	27.0%
Upper	98	29.8%	185	33.4%	147	33.9%	430	32.7%	35.3%	33.7%
Income NA	8	2.3%	8	1.4%	3	0.7%	19	1.4%	5.4%	10.3%
Total	329	100.0%	555	100.0%	435	100.0%	1,319	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$3,100	7.0%	\$5,007	6.3%	\$6,322	10.4%	\$14,429	7.8%	3.6%	4.7%
Moderate	10,499	23.7%	18,066	22.7%	11,174	18.3%	39,739	21.5%	17.1%	16.0%
Middle	11,897	26.9%	19,627	24.7%	14,517	23.8%	46,041	24.9%	27.1%	25.2%
Upper	17,871	40.4%	35,926	45.3%	28,429	46.6%	82,226	44.6%	43.1%	42.0%
Income NA	891	2.0%	830	1.0%	533	0.9%	2,254	1.2%	9.1%	12.1%
Total	\$44,258	100.0%	\$79,456	100.0%	\$60,975	100.0%	\$184,689	100.0%	100.0%	100.0%

Table 123 details excellent penetration into the LMI borrower market in the York AA. For both years where aggregate data is available (2008-09), Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin and that performance continued at the same high level in 2010. Nearly 40 percent of mortgage loans each year of the review period were extended to LMI borrowers.

Table 124 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	54	87.1%	15	71.4%	23	74.2%	92	80.7%	91.0%	85.9%
\$100,001-\$250,000	3	4.8%	3	14.3%	4	12.9%	10	8.8%	4.1%	6.8%
\$250,001-\$1 mill.	5	8.1%	3	14.3%	4	12.9%	12	10.5%	4.9%	7.3%
Total	62	100.0%	21	100.0%	31	100.0%	114	100.0%	100.0%	100.0%
By \$ Amount:										
≤ \$100,000	\$2,702	50.0%	\$482	24.3%	\$1,041	30.1%	\$4,225	39.0%	25.9%	22.9%
\$100,001-\$250,000	556	10.3%	487	24.6%	825	23.9%	1,868	17.2%	16.3%	18.5%
\$250,001-\$1 mill.	2,145	39.7%	1,013	51.1%	1,588	46.0%	4,746	43.8%	57.8%	58.6%
Total	\$5,403	100.0%	\$1,982	100.0%	\$3,454	100.0%	\$10,839	100.0%	100.0%	100.0%

Table 124 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 90 percent of small business lending through loans under \$250 thousand with 81 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the York AA.

Table 125 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Company's Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	50	80.7%	11	52.4%	21	67.7%	82	71.9%	34.9%	39.6%
Rev. > \$1 million	9	14.5%	7	33.3%	7	22.6%	23	20.2%	NA	NA
Revenue NA	3	4.8%	3	14.3%	3	9.7%	9	7.9%	65.1%	60.4%
Total	62	100.0%	21	100.0%	31	100.0%	114	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$3,332	61.6%	\$736	37.1%	\$918	26.6%	\$4,986	46.0%	36.1%	41.8%
Rev. > \$1 million	1,625	30.1%	1,126	56.8%	1,686	48.8%	4,437	40.9%	NA	NA
Revenue NA	446	8.3%	120	6.1%	850	24.6%	1,416	13.1%	63.9%	58.2%
Total	\$5,403	100.0%	\$1,982	100.0%	\$3,454	100.0%	\$10,839	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 125 shows that approximately 72 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the York AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the York AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign's lending activity with respect to the distribution of loans among geographic areas of different income levels within the York AA. Table 126 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	12	3.6%	10	1.8%	4	0.9%	26	2.0%	1.5%	0.9%
Moderate	22	6.7%	31	5.6%	20	4.6%	73	5.5%	5.4%	3.7%
Middle	259	78.8%	456	82.1%	365	83.9%	1,080	81.9%	84.5%	84.7%
Upper	36	10.9%	58	10.5%	46	10.6%	140	10.6%	8.6%	10.7%
Total	329	100.0%	555	100.0%	435	100.0%	1,319	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$835	1.9%	\$684	0.9%	\$231	0.4%	\$1,750	0.9%	1.0%	0.7%
Moderate	1,921	4.3%	2,532	3.2%	1,634	2.7%	6,087	3.3%	3.5%	2.2%
Middle	35,489	80.2%	64,660	81.3%	50,439	82.7%	150,588	81.6%	85.0%	83.6%
Upper	6,013	13.6%	11,580	14.6%	8,671	14.2%	26,264	14.2%	10.5%	13.5%
Total	\$44,258	100.0%	\$79,456	100.0%	\$60,975	100.0%	\$184,689	100.0%	100.0%	100.0%

Table 126 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the York AA in both years where aggregate data is available. Bank lending in LMI geographies in 2010 declined slightly but remains at a reasonable level.

Table 127 reflects Sovereign’s geographic distribution of small business loans within the York AA.

Table 127 - Distribution of Sovereign Bank’s Small Business Loans By Geography Income Level in the York AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	1	1.6%	2	9.5%	2	6.5%	5	4.4%	3.6%	3.6%
Moderate	7	11.3%	1	4.8%	2	6.5%	10	8.8%	7.8%	7.3%
Middle	54	87.1%	12	57.1%	23	74.1%	89	78.0%	79.4%	79.9%
Upper	0	0.0%	6	28.6%	4	12.9%	10	8.8%	9.2%	9.2%
Total	62	100.0%	21	100.0%	31	100.0%	114	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$90	1.7%	\$350	17.7%	\$285	8.3%	\$725	6.7%	4.2%	4.2%
Moderate	1,403	26.0%	373	18.8%	425	12.3%	2,201	20.3%	11.1%	11.0%
Middle	3,910	72.3%	813	41.0%	2,044	59.1%	6,767	62.4%	74.9%	75.3%
Upper	0	0.0%	446	22.5%	700	20.3%	1,146	10.6%	9.8%	9.5%
Total	\$5,403	100.0%	\$1,982	100.0%	\$3,454	100.0%	\$10,839	100.0%	100.0%	100.0%

Table 127 shows the bank to have out-performed aggregate by a good margin in small business lending in LMI geographies in the York AA in 2008 and 2009. Bank lending in LMI geographies in 2010 continued at approximately the same levels.

Community Development Lending

Sovereign extended three CD loans for \$422 thousand in the York AA during the review period. This AA is relatively small and the bank has a limited presence therein. The York AA is responsible for two percent of all HMDA reportable lending, one percent of reportable small business lending, and two percent of branches.

Innovative and Flexible Lending Practices

Sovereign originated over 150 SBA loans for more than \$13 million in Pennsylvania as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009, began tracking by MSA. In 2009-10, the bank originated five SBA loans for \$374 thousand in the York AA. This level of production is commensurate with the bank’s presence in this AA.

During the three year review period, the bank also originated eight PATF loans providing over \$87 thousand in credit in the York AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution’s traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The York AA accounts for 1.9 percent of HMDA reportable lending, 1.1 percent of small business lending, 2.4 percent of branches, 0.9 percent of geographies, and 1.1 percent of the population.

Contributions to qualified organizations benefiting various groups in the York AA totaled \$54.5 thousand or 0.4 percent of total contributions made during the review period in the combined AAs.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution’s branches are reasonably accessible to residents of the York PA MSA. Table 128 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 128 - Distribution of Banking Offices York AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	1	5.9%	6	7.3%	3,141	3.0%
Moderate	0	0.0%	11	13.4%	7,213	6.8%
Middle	16	94.1%	58	70.8%	87,511	82.6%
Upper	0	0.0%	7	8.5%	7,996	7.6%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	17	100.0%	82	100.0%	105,861	100.0%

The percentages in Table 128 show a lower penetration of branches in LMI geographies, especially in low-income geographies; however, the low overall number of branches in the AA makes such an analysis less meaningful. There were no branches opened during the review period and one branch in a middle-income geography was closed in the York AA.

Community Development Services

Sovereign's performance in providing CD services in this AA was consistent with its performance in the state as a whole. The following examples represent efforts where the bank responded to community development service needs during the review period.

- A bank officer serves in a financial capacity for the York Area Habitat for Humanity, an organization dedicated to providing affordable housing for LMI persons.
- A bank officer serves in a financial capacity with York County Economic Development Corp., which seeks to provide economic development and affordable housing in York County.

State Metropolitan Area & State Reviewed

(for each metropolitan area where no assessment areas were reviewed using full-scope review)

Description of Institution's Operations in State College, PA MSA

Sovereign maintains a presence within the State College, PA MSA (State College AA) through its branches in Centre County. Sovereign's three AA branches represent 0.4 percent of its total banking offices. Due to the minor presence within the AA it was evaluated on a limited scope basis as allowed by the CRA. This AA accounted for 0.2 percent of review period HMDA reportable lending and 0.3 percent of reportable small business lending.

Description of State College, PA MSA AA

This AA consists of Centre County, PA. The AA, which comprises the State College, PA MSA #44300, contains 29 geographies. Table 129 illustrates demographic data on population, families, and housing units within the AA.

Demographic Data	2000 Census
Population	135,758
Total Families	28,628
1-4 Family Units	36,951
Multi-family Units	12,183
% Owner-Occupied Units	56%
% Rental-Occupied Units	37%
% Vacant Housing Units	7%
Weighted Average Median Housing	\$115,536

Table 130 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	2	6.9%	277	1.0%	375	1.0%
Moderate	6	20.7%	5,454	19.1%	7,476	20.2%
Middle	10	34.5%	13,843	48.3%	17,057	46.2%
Upper	10	34.5%	9,054	31.6%	12,004	32.5%
Income NA	1	3.4%	0	0.0%	39	0.1%
Total	29	100.0%	28,628	100.0%	36,951	100.0%

According to 2000 census data, 37.5 percent of the families in the AA are classified as low- to moderate-income, with 6.1 percent of the families reporting income below the poverty level. Table 131(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 131(b) reflects the updated HUD median family income for each year during the review period; and table 131(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$33,149
Moderate (50% - 79%)	\$33,150	\$53,039
Middle (80% - 119%)	\$53,040	\$79,559
Upper (>= 120%)	\$79,560	+

Year	Amount
2008	\$64,200
2009	\$65,800
2010	\$66,300

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	5,170	18.1%
Moderate (50% - 79%)	5,559	19.4%
Middle (80% - 119%)	6,709	23.4%
Upper (>= 120%)	11,190	39.1%
Total	28,628	100.0%

The State College MSA economy is driven both directly and indirectly by the presence of Penn State University (PSU). Strengths include low exposure to hard hit industries and a youthful, well-educated population even if just for their time enrolled at PSA. Weaknesses include a general inability to retain PSU graduates, low industrial diversity, and poor location without adequate transportation links.

In general, most economic indicators are trending positively across the state. The State College MSA unemployment rate was 5.6 percent as of March 2011, down from 6.7 percent a year earlier. Housing price indices show a rather large increase in single family house prices since the time of the prior evaluation and a continued small increase over the past year.

Conclusions with Respect to Performance Tests in State College, PA MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance. For this particular AA, we used limited scope evaluation procedures as allowed by the CRA due to the small size of this AA coupled with the bank’s limited presence in the AA.

Lending in the State College, PA MSA Assessment Area

Table 132 illustrates the institution’s lending activity in the State College AA during the review period.

Table 132 - Loan Originations within the State College AA						
1/1/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA	State College AA		Combined AA	State College AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	143	0.2%	\$16,437,291	\$21,375	0.1%
Small Business	10,507	35	0.3%	1,310,314	8,399	0.6%
Total	77,746	178	0.2%	\$17,747,605	\$29,774	0.2%

Table 132 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the State College AA is consistent with other activities in this AA. Less than 1 percent of branches are in the State College AA as are 0.3 percent of geographies and 0.3 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall PA AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending.

Sovereign was the 29th leading HMDA mortgage loan originator in the State College AA in 2008 and 24th in 2009. Sovereign was relatively minor participant in the small business loan market in the State College AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the State College AA.

Table 133 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 133 - Distribution of Sovereign Bank's HMDA-Reportable Loans by Borrower Income Level in the State College AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	3	11.5%	3	6.0%	3	4.5%	9	6.3%	8.0%	6.3%
Moderate	8	30.8%	11	22.0%	17	25.4%	36	25.2%	17.1%	16.2%
Middle	8	30.8%	16	32.0%	20	29.9%	44	30.8%	26.1%	24.9%
Upper	5	19.2%	17	34.0%	26	38.8%	48	33.6%	45.4%	48.4%
Income NA	2	7.7%	3	6.0%	1	1.4%	6	4.1%	3.4%	4.2%
Total	26	100.0%	50	100.0%	67	100.0%	143	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$202	5.7%	\$232	3.2%	\$367	3.5%	\$801	3.7%	3.7%	2.8%
Moderate	909	25.5%	1,235	16.9%	2,000	19.1%	4,144	19.4%	11.2%	10.9%
Middle	1,185	33.3%	2,240	30.6%	2,585	24.6%	6,010	28.1%	20.9%	20.6%
Upper	856	24.0%	2,909	39.7%	5,455	52.0%	9,220	43.2%	52.2%	58.5%
Income NA	410	11.5%	704	9.6%	86	0.8%	1,200	5.6%	12.0%	7.2%
Total	\$3,562	100.0%	\$7,320	100.0%	\$10,493	100.0%	\$21,375	100.0%	100.0%	100.0%

Table 133 details excellent penetration into the LMI borrower market in the State College AA in 2008 at approximately 42 percent to LMI borrowers. This level of lending is substantially above aggregate lending results at about 25 percent. Bank lending to LMI declined to 28 percent in 2009 but was still above aggregate at 22 percent. Bank lending to LMI increased to approximately 30 percent in 2010.

Table 134 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 134 - Distribution of Sovereign Bank's Small Business Loans by Loan Origination Amount in the State College AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	10	55.5%	5	71.4%	3	30.0%	18	51.5%	92.1%	85.2%
\$100,001-\$250,000	1	5.6%	1	14.3%	4	40.0%	6	17.1%	3.7%	7.1%
\$250,001-\$1 mill.	7	38.9%	1	14.3%	3	30.0%	11	31.4%	4.2%	7.7%
Total	18	100.0%	7	100.0%	10	100.0%	35	100.0%	100.0%	100.0%
By \$ Amount:										
≤ \$100,000	\$437	8.8%	\$152	18.5%	\$140	5.4%	\$729	8.7%	28.8%	22.8%
\$100,001-\$250,000	240	4.8%	171	20.8%	868	33.4%	1,279	15.2%	16.4%	17.9%
\$250,001-\$1 mill.	4,300	86.4%	500	60.7%	1,591	61.2%	6,391	76.1%	54.8%	59.3%
Total	\$4,977	100.0%	\$823	100.0%	\$2,599	100.0%	\$8,399	100.0%	100.0%	100.0%

Table 134 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 69 percent of small business lending through loans under \$250 thousand with 52 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the State College AA.

Table 135 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Company's Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	8	44.5%	3	42.8%	5	50.0%	16	45.7%	37.4%	43.1%
Rev. > \$1 million	6	33.3%	2	28.6%	3	30.0%	11	31.4%	NA	NA
Revenue NA	4	22.2%	2	28.6%	2	20.0%	8	22.9%	62.6%	56.9%
Total	18	100.0%	7	100.0%	10	100.0%	35	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$1,022	20.5%	\$575	69.9%	\$1,332	51.3%	\$2,929	34.9%	48.6%	46.8%
Rev. > \$1 million	2,867	57.6%	182	22.1%	624	24.0%	3,673	43.7%	NA	NA
Revenue NA	1,088	21.9%	66	8.0%	643	24.7%	1,797	21.4%	51.4%	53.2%
Total	\$4,977	100.0%	\$823	100.0%	\$2,599	100.0%	\$8,399	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 135 shows that approximately 46 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the State College AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the State College AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign's lending activity with respect to the distribution of loans among geographic areas of different income levels within the State College MSA AA. Table 136 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	0	0.0%	1	1.5%	1	0.7%	0.6%	0.4%
Moderate	7	26.9%	9	18.0%	12	17.9%	28	19.6%	16.3%	12.5%
Middle	12	46.2%	23	46.0%	32	47.8%	67	46.8%	46.4%	44.6%
Upper	7	26.9%	18	36.0%	22	32.8%	47	32.9%	36.7%	42.5%
Total	26	100.0%	50	100.0%	67	100.0%	143	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$0	0.0%	\$0	0.0%	\$209	2.0%	\$209	1.0%	0.7%	0.4%
Moderate	750	21.1%	929	12.7%	1,497	14.3%	3,176	14.9%	10.1%	8.5%
Middle	1,662	46.6%	2,822	38.6%	4,753	45.3%	9,237	43.2%	45.7%	40.7%
Upper	1,150	32.3%	3,569	48.7%	4,034	38.4%	8,753	40.9%	43.5%	50.4%
Total	\$3,562	100.0%	\$7,320	100.0%	\$10,493	100.0%	\$21,375	100.0%	100.0%	100.0%

Table 136 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the State College AA in both years where aggregate is available. Bank lending in LMI geographies in 2010 increased slightly over 2008.

Table 137 reflects Sovereign’s geographic distribution of small business loans within the State College AA.

Table 137 - Distribution of Sovereign Bank’s Small Business Loans by Geography Income Level in the State College AA										
<i>(Dollars in thousands)</i>										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	3	16.7%	0	0.0%	0	0.0%	3	8.6%	8.0%	6.5%
Moderate	5	27.8%	0	0.0%	1	10.0%	6	17.1%	13.1%	12.1%
Middle	8	44.4%	4	57.1%	5	50.0%	17	48.6%	43.3%	44.3%
Upper	2	11.1%	3	42.9%	4	40.0%	9	25.7%	35.4%	36.9%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.2%	0.2%
Total	18	100.0%	7	100.0%	10	100.0%	35	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$1,480	29.7%	\$0	0.0%	\$0	0.0%	\$1,480	17.6%	8.0%	9.1%
Moderate	1,477	29.7%	0	0.0%	430	16.5%	1,907	22.7%	11.9%	11.4%
Middle	1,495	30.1%	126	15.3%	867	33.4%	2,488	29.6%	43.9%	41.7%
Upper	525	10.5%	697	84.7%	1,302	50.1%	2,524	30.1%	35.5%	36.6%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.7%	1.2%
Total	\$4,977	100.0%	\$823	100.0%	\$2,599	100.0%	\$8,399	100.0%	100.0%	100.0%

Table 137 shows a general low volume of small business lending in the State College AA with dramatic changes in volume for each year in the review period. Considering the review period as a whole, the bank extended 26 percent of small business loans in LMI geographies and this compares favorably to both years’ of aggregate data.

Community Development Lending

Sovereign extended one CD loan for \$260 thousand in the State College AA during the review period. This AA is relatively small, the bank has a limited presence therein, and it is being evaluated on a limited scope basis. The State College AA is responsible for less than one percent each of all HMDA reportable lending, reportable small business lending, and branches.

Innovative and Flexible Lending Practices

Sovereign originated over 150 SBA loans for more than \$13 million in Pennsylvania as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009, began tracking by MSA. In 2009-10, the bank originated three SBA loans for \$360 thousand in the State College AA. This level of production is commensurate with the bank’s presence in this AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution’s traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The State College AA accounts for 0.2 percent of HMDA reportable lending, 0.3 percent of small business lending, 0.4 percent of branches, 0.3 percent of geographies, and 0.3 percent of the population.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the AA. The full complement of available deposit and loan products are available throughout the AA through the bank’s branch network and alternative access methods. Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution’s branches are reasonably accessible to residents of the State College PA MSA. Table 138 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Geog Inc Level	Branches		Geographies		Total Area Families	
	#	%	#	%	#	%
2000 Census:						
Low	1	33.3%	2	6.9%	277	1.0%
Moderate	0	0.0%	6	20.7%	5,454	19.1%
Middle	1	33.3%	10	34.5%	13,843	48.3%
Upper	1	33.4%	10	34.5%	9,054	31.6%
Income NA	0	0.0%	1	3.4%	0	0.0%
Total	3	100.0%	29	100.0%	28,628	100.0%

The percentages in Table 138 show a good penetration of branches in LMI geographies, especially in low-income geographies; however, the low overall number of branches in the AA makes such an analysis less meaningful. There were no branches opened or closed during the review period in the State College AA.

Community Development Services

Sovereign's performance in providing CD services in this AA was consistent with its performance in the state as a whole. No specific examples were sought as this AA was evaluated on a limited scope basis.

State Nonmetropolitan Area & State Reviewed^f

(if some or all of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)

Description of Institution's Operations in Non-MSA, Pennsylvania

Sovereign maintains a presence within several non-MSA counties in Pennsylvania. Banking offices are located in Clinton (4), Franklin (2), Montour (1), Northumberland (3), Schuylkill (10), and Union (2) Counties. Sovereign's 22 Non-MSA AA branches represent 3.1 percent of its total banking offices. This AA accounted for 2.5 percent of review period HMDA reportable lending and 2.1 percent of reportable small business lending.

Description of Non-MSA, PA AA

This AA consists of seven counties in Pennsylvania that are not located in an MSA. The AA (Non-MSA PA AA), which includes the counties of Adams, Clinton, Franklin, Montour, Northumberland, Schuylkill, and Union, contains 132 geographies. Table 139 illustrates demographic data on population, families, and housing units within the AA.

Demographic Data	2000 Census
Population	563,271
Total Families	151,425
1-4 Family Units	209,525
Multi-family Units	13,592
% Owner-Occupied Units	69%
% Rental-Occupied Units	22%
% Vacant Housing Units	9%
Weighted Average Median Housing	\$81,675

Table 140 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

^f The discussion of an institution's CRA performance within a nonmetropolitan statewide area is only required for institutions with branches in two or more states. A separate discussion of CRA performance within a nonmetropolitan statewide area for intrastate banks that have branches in metropolitan and nonmetropolitan areas is optional because the examiner has reviewed and discussed the performance in the nonmetropolitan areas in the overall evaluation of the institution. However, for intrastate institutions with branches in both metropolitan and nonmetropolitan areas, or for intrastate banks with branches in only nonmetropolitan areas, the examiner may wish to discuss in greater detail the AAs within nonmetropolitan areas that were reviewed using a full-scope review.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	15	11.4%	13,754	9.1%	25,692	12.3%
Middle	89	67.4%	103,716	68.5%	141,669	67.6%
Upper	28	21.2%	33,955	22.4%	42,164	20.1%
Total	132	100.0%	151,425	100.0%	209,525	100.0%

According to 2000 census data, 33.9 percent of the families in the AA are classified as low- to moderate-income, with 6.4 percent of the families reporting income below the poverty level. Table 141(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 141(b) reflects the updated HUD median family income for each year during the review period; and table 141(c) shows the distribution of families in each income range of the AA.

Income Category (% of Non-MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$27,049
Moderate (50% - 79%)	\$27,050	\$43,279
Middle (80% - 119%)	\$43,280	\$64,919
Upper (>= 120%)	\$64,920	+

Year	Amount
2008	\$51,500
2009	\$53,800
2010	\$54,100

* Based on HUD 2010 Median Family Income of the Non-MSA

Family Income Category (% of Non-MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	23,254	15.4%
Moderate (50% - 79%)	28,028	18.5%
Middle (80% - 119%)	37,108	24.5%
Upper (>= 120%)	63,035	41.6%
Total	151,425	100.0%

Detailed economic information is not as readily available for non-MSA areas; hence the following pertains to the state as a whole. The Pennsylvania economy is predicted to lag national trends due to the state's fiscal problems. The absence of large home price declines and a manageable foreclosure pipeline has positioned the state for a stronger 2011 recovery. Strengths include affordable housing relative to other Northeast states, below average cost of living, and a strong roster of educational institutions. Weaknesses include aging infrastructure, below average population growth, and a high share of beleaguered manufacturing employment.

In general, most economic indicators are trending positively across the state. The state unemployment rate was 7.8 percent as of March 2011, down from 8.8 percent a year earlier. Housing price indices show consistent but modest declines in single family house prices both since the time of the prior evaluation and over the past year.

Conclusions with Respect to Performance Tests in Non-MSA, PA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Non-MSA PA AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities, and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Non-MSA, PA Assessment Area

Table 142 illustrates the institution’s lending activity in the Non-MSA PA AA during the review period.

<i>Table 142 - Loan Originations within the Non-MSA PA AA 1/1/2008 – 12/31/2010 (Dollars in thousands)</i>						
Loan Type	Combined AA	Non-MSA, PA AA		Combined AA	Non-MSA, PA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	1,441	2.1%	\$16,437,291	\$172,267	1.0%
Small Business	10,507	267	2.5%	1,310,314	27,628	2.1%
Total	77,746	1,708	2.2%	\$17,747,605	\$199,895	1.1%

Table 142 shows that the percentage of the number and dollar volume of both HMDA and small business loans in the Non-MSA PA AA is consistent with other activities in this AA. Approximately three percent of branches are in the Non-MSA PA AA as are 1.4 percent of geographies and 1.5 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall PA AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending. Sovereign was the 9th leading HMDA mortgage loan originator in the Non-MSA PA AA in 2008 and 5th in 2009.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Non-MSA PA AA. Table 143 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 143 - Distribution of Sovereign Bank’s HMDA-Reportable Loans by Borrower Income Level in the Non-MSA PA AA
(Dollars in thousands)

Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	37	8.1%	29	5.0%	30	7.4%	96	6.7%	5.6%	5.1%
Moderate	102	22.2%	122	21.1%	82	20.3%	306	21.2%	16.9%	18.0%
Middle	123	26.8%	161	27.8%	100	24.8%	384	26.6%	25.3%	24.9%
Upper	189	41.2%	261	45.1%	189	47.0%	639	44.4%	48.3%	45.9%
Income NA	8	1.7%	6	1.0%	2	0.5%	16	1.1%	3.9%	6.1%
Total	459	100.0%	579	100.0%	403	100.0%	1,441	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$2,134	4.3%	\$1,882	2.5%	\$1,796	3.9%	\$5,812	3.4%	2.3%	2.4%
Moderate	7,782	15.8%	10,626	13.9%	7,513	16.2%	25,921	15.0%	10.9%	12.0%
Middle	10,739	21.8%	20,310	26.5%	10,613	22.9%	41,662	24.2%	22.0%	22.1%
Upper	27,243	55.3%	43,293	56.5%	26,245	56.7%	96,781	56.2%	58.9%	55.6%
Income NA	1,390	2.8%	542	0.6%	159	0.3%	2,091	1.2%	5.9%	7.9%
Total	\$49,288	100.0%	\$76,653	100.0%	\$46,326	100.0%	\$172,267	100.0%	100.0%	100.0%

Table 143 details solid penetration into the LMI borrower market in the Non-MSA PA AA. For both years where aggregate data is available (2008-09), Sovereign’s lending to both LMI borrowers exceeded that of aggregate lenders by a solid margin and that performance continued at the same level in 2010.

Table 144 provides an analysis of Sovereign’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 144 - Distribution of Sovereign Bank’s Small Business Loans by Loan Origination Amount in the Non-MSA PA AA
(Dollars in thousands)

Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	117	82.4%	27	79.4%	70	76.9%	214	80.1%	93.8%	89.8%
\$100,001-\$250,000	14	9.9%	5	14.7%	10	11.0%	29	10.9%	3.3%	5.7%
\$250,001-\$1 mill.	11	7.7%	2	5.9%	11	12.1%	24	9.0%	2.9%	4.5%
Total	142	100.0%	34	100.0%	91	100.0%	267	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$5,167	41.9%	\$1,046	30.7%	\$2,895	24.4%	\$9,108	33.0%	34.2%	30.3%
\$100,001-\$250,000	2,475	20.0%	806	23.7%	1,781	15.0%	5,062	18.3%	18.4%	20.9%
\$250,001-\$1 mill.	4,708	38.1%	1,550	45.6%	7,200	60.6%	13,458	48.7%	47.4%	48.8%
Total	\$12,350	100.0%	\$3,402	100.0%	\$11,876	100.0%	\$27,628	100.0%	100.0%	100.0%

Table 144 shows a strong majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 91 percent of small business lending through loans under \$250 thousand with 80 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Non-MSA PA AA.

Table 145 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Company’s Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	102	71.8%	25	73.6%	70	76.9%	197	73.8%	35.5%	38.8%
Rev. > \$1 million	37	26.1%	8	23.5%	18	19.8%	63	23.6%	NA	NA
Revenue NA	3	2.1%	1	2.9%	3	3.3%	7	2.6%	64.5%	61.2%
Total	142	100.0%	34	100.0%	91	100.0%	267	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$6,054	49.0%	\$1,195	35.1%	\$5,992	50.4%	\$13,241	48.0%	41.6%	43.5%
Rev. > \$1 million	5,906	47.8%	2,136	62.8%	4,674	39.4%	12,716	46.0%	NA	NA
Revenue NA	390	3.2%	71	2.1%	1,210	10.2%	1,671	6.0%	58.4%	56.5%
Total	\$12,350	100.0%	\$3,402	100.0%	\$11,876	100.0%	\$27,628	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the “Revenue Unknown” category.

Table 145 shows that approximately 74 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Non-MSA PA AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Non-MSA PA AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Non-MSA PA AA.

Table 146 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders. There are no low-income geographies in this AA.

Table 146 - Distribution of Sovereign Bank's HMDA-Reportable Loans by Geography Income Level in the Non-MSA PA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Moderate	44	9.6%	27	4.7%	20	5.0%	91	6.3%	6.6%	5.1%
Middle	321	69.9%	383	66.1%	282	70.0%	986	68.4%	64.3%	61.9%
Upper	94	20.5%	169	29.2%	101	25.0%	364	25.3%	29.1%	33.0%
Total	459	100.0%	579	100.0%	403	100.0%	1,441	100.0%	100.0%	100.0%
By \$ Amt:										
Moderate	\$3,376	6.8%	\$2,528	3.3%	\$1,544	3.3%	\$7,448	4.3%	4.6%	3.3%
Middle	32,909	66.8%	47,474	61.9%	29,938	64.7%	110,321	64.1%	59.4%	56.6%
Upper	13,003	26.4%	26,651	34.8%	14,844	32.0%	54,498	31.6%	36.0%	40.1%
Total	\$49,288	100.0%	\$76,653	100.0%	\$46,326	100.0%	\$172,267	100.0%	100.0%	100.0%

Table 146 shows the bank to have out-performed aggregate in HMDA-reportable lending in moderate-income geographies in the Non-MSA PA AA in 2008 with 2009 bank performance declining to just below aggregate levels for the year. Bank lending in moderate-income geographies in 2010 improved slightly in 2010. Please note that there are no low-income geographies in this AA.

Table 147 reflects Sovereign's geographic distribution of small business loans within the Non-MSA, PA AA.

Table 147 - Distribution of Sovereign Bank's Small Business Loans by Geography Income Level in the Non-MSA PA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Moderate	20	14.1%	8	23.5%	19	20.9%	47	17.6%	8.2%	7.9%
Middle	90	63.4%	19	55.9%	64	70.3%	173	64.8%	63.1%	62.9%
Upper	32	22.5%	7	20.6%	8	8.8%	47	17.6%	28.7%	29.2%
Total	142	100.0%	34	100.0%	91	100.0%	267	100.0%	100.0%	100.0%
By \$ Amt:										
Moderate	\$1,660	13.4%	\$1,198	35.2%	\$1,400	11.8%	\$4,258	15.4%	7.9%	7.8%
Middle	8,248	66.8%	1,755	51.6%	9,229	77.7%	19,232	69.6%	60.4%	63.4%
Upper	2,442	19.8%	449	13.2%	1,247	10.5%	4,138	15.0%	31.7%	28.8%
Total	\$12,350	100.0%	\$3,402	100.0%	\$11,876	100.0%	\$27,628	100.0%	100.0%	100.0%

Table 147 shows the bank to have out-performed aggregate in small business lending in LMI geographies in the Non-MSA PA AA in both years where aggregate data is available (2008-09). Bank lending in LMI geographies in 2010 continued at that same high level.

Community Development Lending

Sovereign extended one CD loan for \$260 thousand in the Non-MSA PA AA during the review period. This AA is relatively small and the bank has a limited presence therein. The Non-MSA PA

AA is responsible for two percent of all HMDA reportable lending, three percent of reportable small business lending, and three percent of branches.

Innovative and Flexible Lending Practices

Sovereign originated over 150 SBA loans for more than \$13 million in Pennsylvania as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009, began tracking by MSA. In 2009-10, the bank originated seven SBA loans for \$347 thousand in the Non-MSA PA AA. This level of production is commensurate with the bank's presence in this AA.

The bank also originated 28 PATF loans providing over \$200 thousand in credit in the Non-MSA PA AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Non-MSA PA AA accounts for 2.1 percent of HMDA reportable lending, 2.5 percent of small business lending, 3.1 percent of branches, 1.4 percent of geographies, and 1.5 percent of the population.

Contributions to qualified organizations benefiting various groups in the Non-MSA PA AA totaled \$49.8 thousand or 0.4 percent of total contributions made during the review period in the combined AAs.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the AA. The full complement of available deposit and loan products are available throughout the AA through the bank's branch network and alternative access methods. Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution’s branches are reasonably accessible to residents of the Non MSA PA AA.

Table 148 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 148 - Distribution of Banking Offices PA Non MSA AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	6	27.3%	15	11.4%	13,754	9.1%
Middle	12	54.5%	89	67.4%	103,716	68.5%
Upper	4	18.2%	28	21.2%	33,955	22.4%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	22	100.0%	132	100.0%	151,425	100.0%

As Table 148 shows, the distribution of branches in moderate income geographies is excellent when compared to the distribution of geographies and families in the Non MSA PA AA. There are no low-income geographies in this AA. There were no branches opened and one branch located in a middle-income geography was closed during the review period in the Non-MSA PA AA.

Community Development Services

Sovereign’s performance in providing CD services in this AA was consistent with its performance in the state as a whole. The following examples represent efforts where the bank responded to community development service needs during the review period.

- The bank offers IDA accounts in conjunction with the Schuylkill Community Action Committee.
- A bank officer serves in a financial capacity with the Community First CDFI Fund, an organization dedicated to economic development and affordable housing.

State

Summary

CRA Rating for Massachusetts

CRA RATING[§]:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Satisfactory

Low Satisfactory

Low Satisfactory

High Satisfactory

LENDING TEST

Under the Lending Test, the bank extended a substantial volume of HMDA-reportable loans in the AA during the review period. The bank rose to be the third leading mortgage lender in the AA in 2009, the most recent year where aggregate data is available. Small business production levels are also solid, but the bank has substantial competition from larger commercial banks in the market. Sovereign's record of lending to LMI borrowers exceeded aggregate in 2008, matched aggregate in 2009, and decreased further in 2010 reflecting an overall declining trend. HMDA Lending in LMI geographies fell short of aggregate in both 2008 and 2009 and fell further in 2010. Small business lending in LMI geographies was also below aggregate data in 2008 and 2009, but improved in 2010. The bank's small business loans were primarily targeted to smaller businesses. Sovereign originated a lower level of community development loans during the review period when compared to the levels of other AA activities. The bank has an adequate record of lending under a variety of innovative and flexible lending products that target residents and businesses most in need in the AA.

INVESTMENT TEST

Under the Investment Test, the bank has not extended funding for traditional community development investment needs during the review period in the MA AA. The overall dollar volume of qualified donations in the MA AA was reasonable, but the allocation of donations to this AA was significantly lower when compared to the distribution of HMDA and small business lending, branches, and demographic data.

[§] For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

SERVICE TEST

Under the Service Test, the bank maintains a reasonable distribution of banking offices among geographies of different income levels that is comparable to demographic data. The bank is involved in a solid level of community development services in the MA AA.

Scope of Examination in Massachusetts

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three Tests: Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009 and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are considered when assigning a final CRA rating.

Description of Institution's Operations in Massachusetts

Sovereign maintains banking offices within the Massachusetts AA (MA AA). This particular evaluation considered banking offices in Massachusetts yet outside of the multi-state Boston CSA AA. MA AA offices are located in the Barnstable, MA MSA (12), the Springfield, MA MSA (4), and in two non-MSA counties (8). The breakdown of branches by county is included within the separate MSA/non-MSA discussions that follow this MA AA evaluation document.

In total, Sovereign's activities through 24 of its 721 offices, or 3.3 percent, are included in this MA AA evaluation. This AA accounted for approximately six percent of review period HMDA reportable lending and seven percent of reportable small business lending.

Sovereign operates in competitive markets throughout its geographic footprint. The bank’s Massachusetts AA, consisting of 199 geographies, was home to 36 thousand HMDA-reportable mortgage loans in 2009 for a total dollar amount of approximately \$8.0 billion

While not at the higher levels of the NY, Boston, and Philadelphia CSA AAs, this AA represents a moderate level of overall activity and as such commands some weight in arriving at the bank’s overall CRA rating.

Description of Massachusetts AA

Sovereign has three AAs exclusively within the state of Massachusetts. (Multi-state AAs that contain a part of Massachusetts are excluded from this state analysis). These three AAs include:

MSA #	MSA Name	County
12700	Barnstable Town, MA MSA	Barnstable
44140	Springfield, MA MSA	Franklin, Hampden, & Hampshire
NA	Non-MSA, PA	Dukes & Nantucket

Table 150 illustrates demographic data on population, families, and housing units within the MA AA.

Demographic Data	2000 Census
Population	926,751
Total Families	236,231
1-4 Family Units	384,744
Multi-family Units	57,156
% Owner-Occupied Units	55%
% Rental-Occupied Units	27%
% Vacant Housing Units	18%
Weighted Average Median Housing	\$162,146

Table 151 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 151 - Distribution of Geographies, Families and Housing Units MA AA						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	19	9.5%	13,106	5.5%	12,076	3.1%
Moderate	29	14.6%	29,977	12.7%	48,610	12.6%
Middle	105	52.8%	138,775	58.8%	240,451	62.6%
Upper	45	22.6%	54,373	23.0%	83,607	21.7%
Income NA	1	0.5%	0	0.0%	0	0.0%
Total	199	100.0%	236,231	100.0%	384,744	100.0%

According to 2000 census data, 38.2 percent of the families in the MA AA are classified as low- to moderate-income, with 5.7 percent of the families reporting income below the poverty level. Table 152 shows the distribution of families in each income range of the Massachusetts AA.

Table 152 - Distribution of Families MA AA		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	47,786	20.2%
Moderate (50% - 79%)	42,436	18.0%
Middle (80% - 119%)	53,624	22.7%
Upper (>= 120%)	92,385	39.1%
Total	236,231	100.0%

The Massachusetts economic recovery is expected to further solidify in 2011 as stronger US and global growth supports business spending. A recovery in housing and a turnaround in government revenues will also contribute to the recovery. Strengths include access to ample venture capital, a highly educated work force, large recipient of defense spending, and many high-tech firms with strong long-term growth prospects and well-paying jobs. Weaknesses include low housing affordability, slow population growth, and very high costs of doing business.

In general, most economic indicators are trending positively across the state. The state unemployment rate was 8.0 percent as of March 2011, down from 8.7 percent a year earlier. Housing price indices show substantial declines in single family house prices since the time of the prior evaluation with less sharp declines over the past year.

Conclusions with Respect to Performance Tests in Massachusetts

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within the AAs in Massachusetts, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Massachusetts AAs

Table 153 illustrates the institution’s lending activity in the MA AA during the review period.

Table 153 - Loan Originations within the MA AA						
1/1/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA	Massachusetts AAs		Combined AA	Massachusetts AAs	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	3,703	5.5%	\$16,437,291	\$1,023,597	6.2%
Small Business	10,507	733	7.0%	1,310,314	92,241	7.0%
Total	77,746	4,436	5.7%	\$17,747,605	\$1,115,838	6.3%

Table 153 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the MA AA is higher when compared with other activities in this AA. Approximately three percent of branches are in the MA AA as are 2.1 percent of geographies and 2.4 percent of all families.

Total HMDA reportable activity rose 103 percent between 2008 and 2009, but subsequently declined by 24 percent for 2010. Total HMDA lending nationwide also increased by 25 percent in 2009. Sovereign was the 4th leading HMDA mortgage loan originator in the MA AA in 2008 with 803 loans at \$218.4 million. The bank rose to the 3th leading mortgage originator in the MA AA in 2009 with 1,644 loans at \$449.9 million.

Small business loan production trends differ markedly when compared to HMDA reportable mortgage loan activity during the review period in the MA AA. The number of small business loans originated declined between 2008 and 2009 by 70 percent and subsequently declined again in 2010 by another 13 percent. Total small business lending nationwide for all reporting lenders also declined by 42 percent in 2009. Management attributed the 2010 lending decline in the MA AA to New England economy lagging behind the remainder of the bank’s AAs.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the MA AA. Table 154 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 154 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Borrower Income Level in the MA AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	59	7.3%	94	5.7%	51	4.1%	204	5.5%	6.0%	5.5%
Moderate	165	20.4%	291	17.7%	208	16.7%	664	17.9%	19.4%	18.4%
Middle	175	21.6%	361	21.9%	244	19.5%	780	21.1%	26.2%	24.3%
Upper	386	47.7%	884	53.8%	739	59.2%	2,009	54.3%	45.0%	46.9%
Income NA	24	3.0%	15	0.9%	7	0.5%	46	1.2%	3.4%	4.9%
Total	809	100.0%	1,645	100.0%	1,249	100.0%	3,703	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$6,984	3.2%	\$10,490	2.3%	\$5,155	1.5%	\$22,629	2.2%	2.4%	2.6%
Moderate	25,715	11.7%	49,015	10.9%	31,425	8.9%	106,155	10.4%	11.4%	11.9%
Middle	34,349	15.6%	77,166	17.1%	51,632	14.6%	163,147	15.9%	19.7%	19.9%
Upper	146,469	66.5%	310,674	69.1%	261,054	73.9%	718,197	70.2%	60.6%	60.0%
Income NA	6,649	3.0%	2,766	0.6%	4,054	1.1%	13,469	1.3%	5.9%	5.6%
Total	\$220,166	100.0%	\$450,111	100.0%	\$353,320	100.0%	\$1,023,597	100.0%	100.0%	100.0%

Table 154 details good penetration into the LMI borrower market in the MA AA early in the review period but a decline in LMI lending was noted in 2009-2010. In 2008, Sovereign’s lending to both LMI borrowers exceeded that of aggregate lenders by a slight margin. The bank extended 27.7 percent of its 2008 mortgage loans to LMI borrowers versus 25.4 percent for the aggregate. LMI lending declined in 2009 to 23.4 percent (5.7 percent to low- and 17.7 percent to moderate) which roughly matches aggregate at 23.9 percent (5.5 to low- and 18.4 percent to moderate). Performance in 2010 further declined to 20.8 percent (4.1 percent to low- and 16.7 percent to moderate) to LMI borrowers.

Sovereign was the 5th leading LMI lender in 2008 and 3rd in 2009 in the MA AA. These rankings are similar to the bank’s overall mortgage origination lending ranks (4th and 3rd) in the MA AA. The above results are partially attributable to the bank’s extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs.

Table 155 provides an analysis of Sovereign’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 155 - Distribution of Sovereign Bank’s Small Business Loans by Loan Origination Amount in the MA AA <i>(Dollars in thousands)</i>										
Loan Amount At Origination	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	352	75.0%	100	70.9%	96	78.0%	548	74.8%	96.0%	92.9%
\$100,001-\$250,000	50	10.7%	17	12.1%	13	10.6%	80	10.9%	2.0%	3.6%
\$250,001-\$1 mill.	67	14.3%	24	17.0%	14	11.4%	105	14.3%	2.0%	3.5%
Total	469	100.0%	141	100.0%	123	100.0%	733	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$13,419	22.8%	\$3,790	19.0%	\$4,395	32.6%	\$21,604	23.4%	41.2%	31.9%
\$100,001-\$250,000	8,812	15.0%	2,759	13.8%	2,105	15.6%	13,676	14.8%	14.8%	18.0%
\$250,001-\$1 mill.	36,559	62.2%	13,434	67.2%	6,968	51.8%	56,961	61.8%	44.0%	50.1%
Total	\$58,790	100.0%	\$19,983	100.0%	\$13,468	100.0%	\$92,241	100.0%	100.0%	100.0%

Table 155 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 86 percent of small business lending through loans under \$250 thousand with 75 percent under \$100 thousand for the three-year review period. While aggregate data shows nearly 93 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand. The above results represent a more than reasonable commitment to lending to smaller business needs in the MA AA.

Table 156 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 156 - Distribution of Sovereign Bank’s Small Business Loans by Company’s Revenue Category in the MA AA <i>(Dollars in thousands)</i>										
Company’s Rev. Category	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	362	77.2%	31	22.0%	34	27.6%	427	58.2%	30.0%	30.0%
Rev. > \$1 million	89	19.0%	106	75.2%	87	70.8%	282	38.5%	NA	NA
Revenue NA	18	3.8%	4	2.8%	2	1.6%	24	3.3%	70.0%	70.0%
Total	469	100.0%	141	100.0%	123	100.0%	733	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$38,936	66.2%	\$5,815	29.1%	\$2,485	18.5%	\$47,236	51.2%	39.1%	38.5%
Rev. > \$1 million	17,144	29.2%	13,154	65.8%	9,483	70.4%	39,781	43.1%	NA	NA
Revenue NA	2,710	4.6%	1,014	5.1%	1,500	11.1%	5,224	5.7%	60.9%	61.5%
Total	\$58,790	100.0%	\$19,983	100.0%	\$13,468	100.0%	\$92,241	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the “Revenue Unknown” category.

Table 156 shows that approximately 58 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the MA AA. Comparisons to aggregate data is flawed in two respects: 1) aggregate data is dominated by nation-wide lenders that originate and purchase large volumes of credit card lines to larger businesses, and 2) aggregate data does not specifically include the volume of lending to businesses with revenues over \$1 million. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the MA AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the MA AA. Table 157 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 157 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Geography Income Level in the MA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	10	1.2%	11	0.7%	16	1.3%	37	1.0%	1.8%	0.9%
Moderate	56	6.9%	105	6.4%	58	4.6%	219	5.9%	10.0%	7.9%
Middle	588	72.7%	1,217	73.9%	905	72.5%	2,710	73.2%	63.8%	64.1%
Upper	155	19.2%	312	19.0%	270	21.6%	737	19.9%	24.4%	27.1%
Total	809	100.0%	1,645	100.0%	1,249	100.0%	3,703	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$1,279	0.6%	\$958	0.2%	\$1,764	0.5%	\$4,001	0.4%	0.9%	0.6%
Moderate	12,157	5.5%	21,807	4.8%	11,137	3.2%	45,101	4.4%	8.1%	6.8%
Middle	148,785	67.6%	321,855	71.6%	253,262	71.6%	723,902	70.7%	61.3%	62.0%
Upper	57,945	26.3%	105,491	23.4%	87,157	24.7%	250,593	24.5%	29.7%	30.6%
Total	\$220,166	100.0%	\$450,111	100.0%	\$353,320	100.0%	\$1,023,597	100.0%	100.0%	100.0%

Table 157 shows the bank to have under-performed compared to aggregate in HMDA-reportable lending in LMI geographies in the MA AA by a moderate margin in 2008 and by a smaller margin in 2009. The bank extended 8.1 percent of 2008 loans in LMI geographies while aggregate data reflected an 11.8 percent rate. The bank extended 7.1 percent of loans in LMI geographies in 2009 versus the aggregate at 8.8 percent. Bank lending in LMI geographies declined further to 5.9 percent in 2010.

Table 158 reflects Sovereign’s geographic distribution of small business loans within the Massachusetts AAs.

Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	18	3.8%	8	5.7%	7	5.7%	33	4.5%	6.9%	7.4%
Moderate	23	4.9%	9	6.4%	11	8.9%	43	5.9%	9.7%	9.9%
Middle	269	57.4%	79	56.0%	68	55.3%	416	56.7%	58.1%	56.9%
Upper	159	33.9%	45	31.9%	37	30.1%	241	32.9%	25.3%	25.8%
Total	469	100.0%	141	100.0%	123	100.0%	733	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$3,157	5.4%	\$1,568	7.8%	\$1,335	9.9%	\$6,060	6.6%	12.2%	12.2%
Moderate	1,574	2.7%	323	1.6%	698	5.2%	2,595	2.8%	8.4%	9.3%
Middle	33,636	57.2%	11,090	55.6%	6,022	44.7%	50,748	55.0%	55.9%	55.5%
Upper	20,423	34.7%	7,002	35.0%	5,413	40.2%	32,838	35.6%	23.5%	23.0%
Total	\$58,790	100.0%	\$19,983	100.0%	\$13,468	100.0%	\$92,241	100.0%	100.0%	100.0%

Table 158 shows the bank to have under-performed compared to aggregate in small business lending in LMI geographies in the MA AA by a sizable margin in both years where aggregate data is available (2008-2009). The bank extended 8.7 percent of 2008 small business loans in LMI geographies while aggregate data reflected a 16.6 percent rate. The bank extended 12.1 percent of small business loans in LMI geographies in 2009 versus aggregate at 17.3 percent. On a positive note, bank small business lending in LMI geographies increased each year of the review period and climbed to 14.6 percent in 2010.

Community Development Lending

Sovereign continues to provide an adequate level, in terms of both numbers and dollar volume, of CD loans in the MA AA. These loans provide or further enable 1) affordable housing for LMI (LMI) residents, 2) services primarily targeted to LMI individuals and families, 3) financing for small businesses, or 4) the stabilization or revitalization of LMI areas or areas targeted as distressed, underserved, or in need of economic development.

For the three year review period, the bank extended four CD loans totaling \$925 thousand in the MA AA. Table 159 provides further detailed for these loans.

CD Loan Type	# CD loans	% of total all AAs	\$(000) CD loans	% of total all AAs
Commercial	4	4.9%	\$925	0.8%
Multi-Family	0	NA	\$0	NA

The bank's commitment to CD lending in the MA AA is slightly lower when compared with other AA activity levels. The MA AA is responsible for five percent of all HMDA reportable lending, seven percent of reportable small business lending, and three percent of branches. The availability of

CD type lending opportunities is less extensive in the small MSA and non-MSA segments of the state.

Innovative and Flexible Lending Practices

The bank's involvement with MassHousing (formerly Massachusetts Housing Finance Agency) has resulted in 1,366 mortgage loans totaling \$142 million over the course of the review period with some level of the benefit of those loans realized in the MA AA. One example of the type of affordable mortgage loans available in the state is the MassHousing Home Improvement Loan and Lead Abatement program which provides state-funded low-interest rate loans for the purpose noted in the program title. Sovereign generated historical high loan levels through this particular program but saw limited production during the current review period likely due to the economy. Fewer than 10 loans for just under \$100 thousand were granted in 2008-2010 in the state as a whole. On May 24, 2010, MassHousing recognized Sovereign during their annual awards ceremony for being the top originator of MassHousing home improvement loans in 2009.

SMALL BUSINESS PROGRAMS

Sovereign originated 241 SBA loans for more than \$26 million in Massachusetts for the three year review period. In 2009-10, six SBA loans for \$285 thousand were originated in the MA AA. This level of production represents 1.2 percent of the total number and 0.7 percent of the total dollar volume of SBA loans originated by the bank in 2009-2010 and is low when compared to other activity levels in this AA. Approximately six percent of HMDA reportable loans, seven percent of small business loans, and three percent of branches are in the MA AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. Contributions to qualified organizations benefiting various groups in the MA AA totaled \$22.5 thousand or 0.2 percent of total contributions made during the review period in the combined AAs. The allocation of contributions is significantly lower when compared to AA activities. On a positive note, donations granted were based on the demographic needs and economic opportunities available in the AA. The recipients of these donations supported community development services including affordable housing needs, food pantries, and homeownership counseling. Table 160 highlights the activities of some of the groups that received contributions.

Table 160 - Community Development Contributions in the MA AA		
Entity Name	Location	Service
Food Bank of Western Massachusetts	Hatfield, MA	Health and human services
Housing Assistance Corp.	Hyannis, MA	Economic development
Total Contributions MA AA	\$15,000	

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The institution’s branches are reasonably accessible to residents of the MA AA. Table 161 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 161 - Distribution of Banking Offices MA AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	2	8.3%	19	9.5%	13,106	5.5%
Moderate	4	16.7%	29	14.6%	29,977	12.7%
Middle	17	70.8%	105	52.8%	138,775	58.8%
Upper	1	4.2%	45	22.6%	54,373	23.0%
Income NA	0	0.0%	1	0.5%	0	0.0%
Total	24	100.0%	199	100.0%	236,231	100.0%

As Table 161 shows, the distribution of branches in LMI geographies is reasonable compared to the distribution of geographies and families in the MA AA. The bank’s branches in low income census tracts (8.3 percent) compares favorably to distribution of geographies (9.5 percent) and (5.5 percent) for families in the MA AA. Access to branches in moderate income geographies is also favorable at (16.7 percent) versus comparable data for AA geographies (14.6 percent) and (12.7 percent) for families. There was one branch opened and no branches closed during the review period in the MA AA.

Banking offices in the MA AA feature various customer conveniences including Saturday banking hours, regular and speech recognition ATMs, drive-up and walk-up windows, and night depositories. The services offered at each branch are generally consistent and do not vary in a way that would be inconvenient to residents of the AA. Branch operating hours are reasonable and comparable to banks operating in the respective communities. No major differences were noted in daily operating hours across various banking offices. Alternate service and product delivery systems include on-line

banking, bank-by-mail, and telephone banking. Customers can open deposit accounts on-line or by phone.

Community Development Services

Sovereign's performance in providing CD services in the MA AA was good. During the review period, the bank was responsive to a number of community development needs by providing financial and technical assistance to development organizations in the MA AA. Sovereign has partnered with local organizations to focus on educational programs to improve financial literacy. The following are examples of some of the many qualified CD activities in which the bank is involved with in the MA AA.

- Sovereign entered into an agreement with Massachusetts Affordable Housing Alliance (MAHA) to provide the Soft Second Mortgage products to first time home buyers in Massachusetts. MAHA is a non profit housing organization that works to increase public and private investment in affordable housing and break down the barriers facing low to moderate income home buyers. This activity benefits both the MA AA and the Boston CSA AA.
- The bank is an active participant in the IOLTA programs. Interest earned on IOLTA NOW accounts is forwarded to the state bar association to provide legal services to persons unable to afford legal representation. The bank maintains 1,341 active IOLTA accounts in the state as a whole. Over \$1.7 million in interest was remitted to the state in 2010 under this program.
- Sovereign has partnered with the Building Educated Leaders for Life (BELL). This organization help increase academic achievements, self esteems and life opportunities of children living in low-income, urban communities. Personnel participated in many programs which strengthen their outreach and mentorship to children.
- Institution personnel provided technical assistance to various organizations including Housing Assistance Corporation, Mashpee Chamber of Commerce, United Way of Massachusetts Bay, and Cape and Islands American Red Cross.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution's Operations in Barnstable Town, MA MSA

Sovereign maintains a presence within the Barnstable, MA MSA (Barnstable AA) through its branches in Barnstable County. Sovereign's 12 AA branches represent 1.7 percent of its total banking offices. This AA accounted for 2.7 percent of review period HMDA reportable lending and 1.1 percent of reportable small business lending.

Description of Barnstable Town, MA MSA AA

This AA consists of Barnstable County, MSA. The AA, which comprises the entire Barnstable Town, MA MSA #12700, contains 50 geographies. Table 162 illustrates demographic data on population, families, and housing units within the AA.

Demographic Data	2000 Census
Population	222,230
Total Families	61,313
1-4 Family Units	136,901
Multi-family Units	9,585
% Owner-Occupied Units	50%
% Rental-Occupied Units	14%
% Vacant Housing Units	36%
Weighted Average Median Housing	\$195,098

Table 163 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	2	4.0%	687	1.1%	849	0.6%
Moderate	5	10.0%	3,562	5.8%	11,227	8.2%
Middle	35	70.0%	47,326	77.2%	103,512	75.6%
Upper	8	16.0%	9,738	15.9%	21,313	15.6%
Total	50	100.0%	61,313	100.0%	136,901	100.0%

According to 2000 census data, 36.8 percent of the families in this AA are classified as low- to moderate-income, with 4.6 percent of the families reporting income below the poverty level. HUD

annually adjusts the 2000 census data to update the income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance Evaluation. Table 164(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 164(b) reflects the updated HUD median family income for each year during the review period; and table 164(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$37,649
Moderate (50% - 79%)	\$37,650	\$60,239
Middle (80% - 119%)	\$60,240	\$90,359
Upper (>= 120%)	\$90,360	+

Year	Amount
2008	\$73,500
2009	\$75,400
2010	\$75,300

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	10,613	17.3%
Moderate (50% - 79%)	11,928	19.5%
Middle (80% - 119%)	14,699	24.0%
Upper (>= 120%)	24,073	39.2%
Total	61,313	100.0%

The Barnstable MSA economy will continue to recover riding on growing healthcare and resurging tourism. Strengths include close proximity to the greater Boston economy and stable healthcare sector. Weaknesses include a dependence on low wage and seasonal tourism, high living and business costs, and a large elderly population dependant on fixed incomes.

In general, most economic indicators are trending positively across the state. The Barnstable MSA unemployment rate was 10.5 percent as of March 2011, down from 11.4 percent a year earlier. Note that Cape Cod is a summer tourist destination and the unemployment rates are typically higher during non-summer months. Housing price indices show a substantial decline in single family house prices since the time of the prior evaluation and a much smaller decline over the past year.

Conclusions with Respect to Performance Tests in Barnstable Town, MA MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Barnstable AA, the geographic distribution of loans, the borrowers, profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Barnstable Town, MA MSA Assessment Area

Table 165 illustrates the institution’s lending activity in the Barnstable AA during the review period.

Table 165 - Loan Originations within the Barnstable AA						
01/01/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA		Barnstable Town AA		Combined AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	1,813	2.7%	\$16,437,291	\$430,402	2.6%
Small Business	10,507	118	1.1%	1,310,314	20,133	1.5%
Total	77,746	1,931	2.5%	\$17,747,605	\$450,535	2.5%

Table 165 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Barnstable AA is consistent with other activities in this AA. Approximately two percent of branches are in the Barnstable AA as are 0.5 percent of geographies and 0.6 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall MA AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending.

Sovereign was the 5th leading HMDA mortgage loan originator in the Barnstable AA in 2008 and 3rd in 2009. Sovereign was a less significant participant in the small business loan market in the Barnstable AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Barnstable AA.

Table 166 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Borrower Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	28	7.8%	55	6.7%	22	3.5%	105	5.8%	4.5%	4.8%
Moderate	84	23.5%	149	18.2%	106	16.7%	339	18.7%	14.6%	14.9%
Middle	74	20.7%	187	22.8%	121	19.0%	382	21.1%	21.5%	21.1%
Upper	156	43.6%	422	51.6%	387	60.8%	965	53.2%	55.9%	55.8%
Income NA	16	4.4%	6	0.7%	0	0.0%	22	1.2%	3.5%	3.4%
Total	358	100.0%	819	100.0%	636	100.0%	1,813	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$3,307	3.9%	\$6,599	3.5%	\$2,223	1.4%	\$12,129	2.8%	1.8%	2.2%
Moderate	13,261	15.8%	25,944	13.7%	16,986	10.8%	56,191	13.1%	8.7%	9.9%
Middle	16,396	19.5%	38,738	20.4%	24,870	15.8%	80,004	18.6%	16.3%	17.6%
Upper	46,728	55.8%	117,065	61.8%	112,969	72.0%	276,762	64.3%	68.9%	66.4%
Income NA	4,213	5.0%	1,103	0.6%	0	0.0%	5,316	1.2%	4.3%	3.9%
Total	\$83,905	100.0%	\$189,449	100.0%	\$157,048	100.0%	\$430,402	100.0%	100.0%	100.0%

Table 166 details solid penetration into the LMI borrower market in the Barnstable AA. For both years where aggregate data is available (2008-2009), Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin. LMI lending performance declined slightly in 2010 but remains at a reasonably high level.

Table 167 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Loan Amount At Origination	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	38	67.9%	18	72.0%	31	83.8%	87	73.8%	95.5%	92.5%
\$100,001-\$250,000	4	7.1%	1	4.0%	0	0.0%	5	4.2%	2.2%	3.6%
\$250,001-\$1 mill.	14	25.0%	6	24.0%	6	16.2%	26	22.0%	2.3%	3.9%
Total	56	100.0%	25	100.0%	37	100.0%	118	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$1,957	19.1%	\$735	15.7%	\$1,693	32.6%	\$4,385	21.8%	39.8%	32.5%
\$100,001-\$250,000	585	5.7%	121	2.6%	0	0.0%	706	3.5%	14.5%	16.9%
\$250,001-\$1 mill.	7,724	75.2%	3,818	81.7%	3,500	67.4%	15,042	74.7%	45.7%	50.6%
Total	\$10,266	100.0%	\$4,674	100.0%	\$5,193	100.0%	\$20,133	100.0%	100.0%	100.0%

Table 167 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 78 percent of small business lending through loans under \$250 thousand with 74 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Barnstable AA.

Table 168 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 168 - Distribution of Sovereign Bank’s Small Business Loans By Company’s Revenue Category in the Barnstable AA (Dollars in thousands)										
Company’s Rev. Category	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	48	85.7%	19	76.0%	24	64.9%	91	77.2%	30.7%	33.0%
Rev. > \$1 million	7	12.5%	4	16.0%	11	29.7%	22	18.6%	NA	NA
Revenue NA	1	1.8%	2	8.0%	2	5.4%	5	4.2%	69.3%	67.0%
Total	56	100.0%	25	100.0%	37	100.0%	118	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$8,986	87.5%	\$2,795	59.8%	\$1,795	34.6%	\$13,576	67.5%	43.5%	42.1%
Rev. > \$1 million	1,180	11.5%	1,118	23.9%	1,898	36.5%	4,196	20.8%	NA	NA
Revenue NA	100	1.0%	761	16.3%	1,500	28.9%	2,361	11.7%	56.5%	57.9%
Total	\$10,266	100.0%	\$4,674	100.0%	\$5,193	100.0%	\$20,133	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the “Revenue Unknown” category.

Table 168 shows that approximately 77 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Barnstable AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Barnstable AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Barnstable AA.

Table 169 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 169 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Geography Income Level in the Barnstable AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	6	1.7%	5	0.6%	6	0.9%	17	0.9%	0.5%	0.4%
Moderate	27	7.5%	65	7.9%	28	4.4%	120	6.6%	7.9%	6.9%
Middle	278	77.7%	623	76.1%	475	74.7%	1,376	76.0%	75.7%	75.8%
Upper	47	13.1%	126	15.4%	127	20.0%	300	16.5%	15.9%	16.9%
Total	358	100.0%	819	100.0%	636	100.0%	1,813	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$979	1.2%	\$488	0.3%	\$759	0.5%	\$2,226	0.5%	0.4%	0.3%
Moderate	6,151	7.3%	13,964	7.4%	6,370	4.1%	26,485	6.2%	7.5%	7.2%
Middle	62,737	74.8%	141,759	74.8%	113,362	72.1%	317,858	73.8%	71.7%	72.1%
Upper	14,038	16.7%	33,238	17.5%	36,557	23.3%	83,833	19.5%	20.4%	20.4%
Total	\$83,905	100.0%	\$189,449	100.0%	\$157,048	100.0%	\$430,402	100.0%	100.0%	100.0%

Table 169 shows the bank to have out-performed aggregate by a moderate margin in HMDA-reportable lending in LMI geographies in the Barnstable AA in both years where aggregate is available. Bank lending in LMI geographies in 2010 declined moderately.

Table 170 reflects Sovereign's geographic distribution of small business loans within the Barnstable AA.

Table 170 - Distribution of Sovereign Bank's Small Business Loans by Geography Income Level in the Barnstable AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	11	19.6%	5	20.0%	5	13.5%	21	17.8%	6.2%	6.8%
Moderate	4	7.1%	3	12.0%	7	18.9%	14	11.9%	8.1%	7.6%
Middle	33	59.0%	15	60.0%	17	46.0%	65	55.0%	70.3%	71.0%
Upper	8	14.3%	2	8.0%	8	21.6%	18	15.3%	15.4%	14.6%
Total	56	100.0%	25	100.0%	37	100.0%	118	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$2,179	21.2%	\$1,475	31.6%	\$1,235	23.8%	\$4,889	24.3%	11.7%	11.6%
Moderate	325	3.2%	150	3.2%	398	7.7%	873	4.3%	7.4%	6.8%
Middle	6,905	67.3%	2,954	63.2%	1,370	26.4%	11,229	55.8%	68.5%	71.7%
Upper	857	8.3%	95	2.0%	2,190	42.1%	3,142	15.6%	12.4%	9.9%
Total	\$10,266	100.0%	\$4,674	100.0%	\$5,193	100.0%	\$20,133	100.0%	100.0%	100.0%

Table 170 shows the bank to have out-performed aggregate by a substantial margin in small business lending in LMI geographies in the Barnstable AA in 2008 and 2009. Bank lending in LMI geographies in 2010 continued at that high level.

Community Development Lending

While Sovereign extended no CD loans in the Barnstable AA during the review period, this AA is relatively small and the bank has a limited presence therein. The Barnstable AA is responsible for three percent of all HMDA reportable lending, one percent of reportable small business lending, and two percent of branches.

Innovative and Flexible Lending Practices

Sovereign originated 241 SBA loans for more than \$26 million in Massachusetts as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009 began tracking by MSA. In 2009-10, the bank originated three SBA loans for \$130 thousand in the Barnstable AA. This level of production is slightly lower when compared to either AA activity levels, such as HMDA and small business lending and branches. The bank also originated 16 MATF loans providing over \$254 thousand in credit in the Barnstable AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Barnstable MA MSA accounts for 2.7 percent of HMDA reportable lending, 1.1 percent of small business lending, 1.7 percent of branches, 0.5 percent of geographies, and 0.6 percent of the population.

Contributions to qualified organizations benefiting various groups in the Barnstable MA MSA totaled \$8.0 thousand or 0.1 percent of total contributions made during the review period in the combined AAs. The recipients of these donations support community development services including affordable housing development, food pantries, health and human services.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the AA. The full complement of available deposit and loan products are available throughout the AA through the bank’s branch network and alternative access methods. Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution’s branches are reasonably accessible to residents of the Barnstable AA. Table 171 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 171 - Distribution of Banking Offices Barnstable AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	1	8.3%	2	4.0%	687	1.1%
Moderate	1	8.3%	5	10.0%	3,562	5.8%
Middle	10	83.4%	35	70.0%	47,326	77.2%
Upper	0	0.0%	8	16.0%	9,738	15.9%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	12	100.0%	50	100.0%	61,313	100.0%

As Table 171 shows, the distribution of branches in LMI geographies is reasonable compared to the distribution of geographies and families in the Barnstable MA AA. The bank’s branches in low income census tracts (8.3 percent) compared favorably to distribution of geographies (4.0 percent) and (1.1 percent) for families in the Barnstable MA AA. Access to branches in moderate income geographies is also good at 8.3 percent versus comparable data for AA geographies (10.0 percent) and 5.8 percent for families. Note however, the low overall number of branches in the AA (12) makes such an analysis less meaningful. The bank opened one branch in a middle-income geography and there were no branch closing during the review period in the Barnstable AA.

Community Development Services

Sovereign’s performance in providing CD services in this AA was consistent with its performance in the state as a whole. The following examples represent efforts where the bank responded to community development service needs during the review period.

- A bank officer serves in a financial capacity for the Housing Assistance Corporation supporting first time homebuyer seminars and credit re-building work shops.
- The bank supports Mass Maritime Academy with efforts to assist LMI students in attending the school.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution’s Operations in Springfield, MA MSA

Sovereign maintains a presence within the Springfield, MA MSA (Springfield AA) through its branches in Hampden County. Sovereign’s four AA branches represent 0.6 percent of its total banking offices. This AA accounted for 1.2 percent of review period HMDA reportable lending and 0.4 percent of reportable small business lending.

Description of Springfield, MA MSA AA

This AA consists of Franklin, Hampden and Hampshire Counties, MA. The AA, which comprises the entire Springfield, MA MSA #44140, contains 140 geographies. Table 172 illustrates demographic data on population, families, and housing units within the Springfield AA.

Table 172 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	680,014
Total Families	168,966
1-4 Family Units	224,243
Multi-family Units	47,159
% Owner-Occupied Units	60%
% Rental-Occupied Units	35%
% Vacant Housing Units	5%
Weighted Average Median Housing	\$119,209

Table 173 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 173 - Distribution of Geographies, Families and Housing Units Springfield AA						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	17	12.1%	12,419	7.3%	11,227	5.0%
Moderate	23	16.4%	26,288	15.6%	36,450	16.3%
Middle	64	45.8%	86,340	51.1%	119,187	53.1%
Upper	35	25.0%	43,919	26.0%	57,379	25.6%
Income NA	1	0.7%	0	0.0%	0	0.0%
Total	140	100.0%	168,966	100.0%	224,243	100.0%

According to 2000 census data, 38.8 percent of the families in this AA are classified as low- to moderate-income, with 9.6 percent of the families reporting income below the poverty level. Table 174(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 174(b) reflects the updated HUD median family income for each year during the review period; and table 174(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$33,699
Moderate (50% - 79%)	\$33,700	\$53,919
Middle (80% - 119%)	\$53,920	\$80,879
Upper (>= 120%)	\$80,880	+

Year	Amount
2008	\$64,800
2009	\$67,200
2010	\$67,400

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	36,161	21.4%
Moderate (50% - 79%)	29,315	17.3%
Middle (80% - 119%)	37,505	22.2%
Upper (>= 120%)	65,985	39.1%
Total	168,966	100.0%

The Springfield MSA economy will continue to recover, although job growth will remain tepid through 2013. The economy will increasingly rely on the fortunes of UMass, healthcare, and defense. Strengths include affordable housing compared to nearby areas, easy access to the northeast corridor, and a stable employment base in education, healthcare, and defense. Weaknesses include high energy costs, lack of growth drivers, especially high-tech, and out migration of skilled work force.

In general, most economic indicators are trending positively across the state. The Springfield MSA unemployment rate was 9.4 percent as of March 2011, down from 10.0 percent a year earlier. Housing price indices show a moderate decline in single family house prices since the time of the prior evaluation and a minor decline over the past year.

Conclusions with Respect to Performance Tests in Springfield, MA MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Springfield AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Springfield, MA MSA Assessment Area

Table 175 illustrates the institution’s lending activity in the Springfield AA during the review period.

Table 175 - Loan Originations within the Springfield AA 01/01/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA	Springfield, MA AA		Combined AA	Springfield, MA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	793	1.2%	\$16,437,291	\$129,920	0.8%
Small Business	10,507	37	0.4%	1,310,314	5,681	0.4%
Total	77,746	830	1.1%	\$17,747,605	\$135,601	0.8%

Table 175 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Springfield AA is consistent with other activities in this AA. Less than one percent of branches are in the Springfield AA as are 1.5 percent of geographies and 1.7 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall MA AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending.

Sovereign was the 23rd leading HMDA mortgage loan originator in the Springfield AA in 2008 and 24th in 2009. Sovereign was also a less significant participant in the small business loan market in the Springfield AA

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Springfield AA. Table 176 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Borrower Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	25	12.4%	27	9.1%	27	9.2%	79	10.0%	7.0%	6.2%
Moderate	60	29.9%	91	30.5%	79	26.9%	230	29.0%	22.9%	21.8%
Middle	56	27.9%	85	28.5%	67	22.8%	208	26.2%	29.7%	27.4%
Upper	57	28.4%	90	30.2%	118	40.1%	265	33.4%	37.0%	38.5%
Income NA	3	1.4%	5	1.7%	3	1.0%	11	1.4%	3.4%	6.1%
Total	201	100.0%	298	100.0%	294	100.0%	793	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$2,253	7.8%	\$2,475	4.9%	\$2,697	5.3%	\$7,425	5.7%	3.7%	3.4%
Moderate	7,068	24.4%	11,358	22.6%	9,816	19.4%	28,242	21.7%	17.1%	16.2%
Middle	8,403	29.0%	15,623	31.1%	11,179	22.0%	35,205	27.1%	28.0%	25.4%
Upper	10,850	37.5%	20,053	39.9%	26,508	52.3%	57,411	44.2%	45.8%	47.3%
Income NA	371	1.3%	753	1.5%	513	1.0%	1,637	1.3%	5.4%	7.7%
Total	\$28,945	100.0%	\$50,262	100.0%	\$50,713	100.0%	\$129,920	100.0%	100.0%	100.0%

Table 176 details solid penetration into the LMI borrower market in the Springfield AA. For both years where aggregate data is available (2008-2009), Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin and that performance continued at nearly the same high level for 2010.

Table 177 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Loan Amount At Origination	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	18	72.0%	4	57.1%	4	80.0%	26	70.3%	96.4%	93.1%
\$100,001-\$250,000	2	8.0%	1	14.3%	1	20.0%	4	10.8%	1.9%	3.6%
\$250,001-\$1 mill.	5	20.0%	2	28.6%	0	0.0%	7	18.9%	1.7%	3.3%
Total	25	100.0%	7	100.0%	5	100.0%	37	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$687	20.2%	\$113	6.1%	\$215	51.8%	\$1,015	17.9%	42.8%	31.7%
\$100,001-\$250,000	362	10.6%	250	13.4%	200	48.2%	812	14.3%	15.2%	18.9%
\$250,001-\$1 mill.	2,354	69.2%	1,500	80.5%	0	0.0%	3,854	67.8%	42.0%	49.4%
Total	\$3,403	100.0%	\$1,863	100.0%	\$415	100.0%	\$5,681	100.0%	100.0%	100.0%

Table 177 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 81 percent of small business lending through loans under \$250 thousand with 70 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Springfield AA.

Table 178 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Company's Rev. Category	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Rev. < \$1 million	13	52.0%	2	28.6%	3	60.0%	18	48.7%	29.6%	29.9%
Rev. > \$1 million	9	36.0%	3	42.8%	2	40.0%	14	37.8%	NA	NA
Revenue NA	3	12.0%	2	28.6%	0	0.0%	5	13.5%	70.4%	70.1%
Total	25	100.0%	7	100.0%	5	100.0%	37	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$317	9.3%	\$1,020	54.7%	\$165	39.8%	\$1,502	26.4%	33.7%	37.6%
Rev. > \$1 million	1,745	51.3%	590	31.7%	250	60.2%	2,585	45.5%	NA	NA
Revenue NA	1,341	39.4%	253	13.6%	0	0.0%	1,594	28.1%	66.3%	62.4%
Total	\$3,403	100.0%	\$1,863	100.0%	\$415	100.0%	\$5,681	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 178 shows that approximately 49 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Springfield AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Springfield AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign's lending activity with respect to the distribution of loans among geographic areas of different income levels within the Springfield MSA AA.

Table 179 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Geography Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Low	4	2.0%	6	2.0%	10	3.4%	20	2.5%	2.6%	1.3%
Moderate	25	12.4%	29	9.7%	28	9.5%	82	10.3%	11.5%	8.9%
Middle	124	61.7%	154	51.7%	159	54.1%	437	55.2%	56.6%	55.0%
Upper	48	23.9%	109	36.6%	97	33.0%	254	32.0%	29.3%	34.8%
Total	201	100.0%	298	100.0%	294	100.0%	793	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$300	1.0%	\$470	0.9%	\$1,005	2.0%	\$1,775	1.4%	1.8%	1.0%
Moderate	3,126	10.8%	3,558	7.1%	3,524	6.9%	10,208	7.9%	9.3%	6.6%
Middle	16,258	56.2%	23,636	47.0%	25,174	49.7%	65,068	50.0%	53.0%	50.8%
Upper	9,261	32.0%	22,598	45.0%	21,010	41.4%	52,869	40.7%	35.9%	41.6%
Total	\$28,945	100.0%	\$50,262	100.0%	\$50,713	100.0%	\$129,920	100.0%	100.0%	100.0%

Table 179 shows the bank to have out-performed aggregate in HMDA-reportable lending by a slight margin in 2008 and a larger margin in 2009 in LMI geographies in the Springfield AA. Bank lending in LMI geographies in 2010 remained at a similar level.

Table 180 reflects Sovereign’s geographic distribution of small business loans within the Springfield AA.

Table 180 - Distribution of Sovereign Bank’s Small Business Loans by Geography Income Level in the Springfield AA										
(Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period		Aggregate	
	#	%	#	%	#	%	01/01/08 – 12/31/10	%	2008	2009
By Number:										
Low	7	28.0%	3	42.8%	2	40.0%	12	32.4%	8.3%	8.5%
Moderate	8	32.0%	1	14.3%	2	40.0%	11	29.8%	11.8%	11.9%
Middle	6	24.0%	1	14.3%	0	0.0%	7	18.9%	48.6%	47.6%
Upper	4	16.0%	2	28.6%	1	20.0%	7	18.9%	31.3%	32.0%
Total	25	100.0%	7	100.0%	5	100.0%	37	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$978	28.7%	\$93	5.0%	\$100	24.1%	\$1,171	20.6%	14.8%	13.8%
Moderate	515	15.1%	20	1.1%	265	63.9%	800	14.1%	10.4%	11.5%
Middle	1,295	38.1%	1,000	53.6%	0	0.0%	2,295	40.4%	45.6%	45.3%
Upper	615	18.1%	750	40.3%	50	12.0%	1,415	24.9%	29.2%	29.4%
Total	\$3,403	100.0%	\$1,863	100.0%	\$415	100.0%	\$5,681	100.0%	100.0%	100.0%

Table 180 shows the bank to have well exceeded aggregate in small business lending in LMI geographies in the Springfield AA in 2008 and 2009 with continued strong performance in 2010.

Community Development Lending

While Sovereign extended no CD loans in the Springfield AA during the review period, this AA is relatively small and the bank has a limited presence therein. The Springfield AA is responsible for one percent of all HMDA reportable lending, less than one percent of reportable small business lending, and one percent of branches.

Innovative and Flexible Lending Practices

Sovereign originated 241 SBA loans for more than \$26 million in Massachusetts as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009 began tracking by MSA. In 2009-2010, the bank originated no SBA loans in the Springfield AA. While the bank’s presence and extent of other lending in this AA is also low, Springfield is an area where commercial lending in general and the SBA loan in particular, would greatly benefit the revitalization of the Greater Springfield area.

The bank also originated 28 MATF loans providing over \$416 thousand in credit in the Springfield AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution’s traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Springfield AA accounted for 1.2 percent of HMDA reportable lending, 0.4 percent of small business lending, 0.6 percent of branches, 1.5 percent of geographies, and 1.7 percent of the population.

Contributions to qualified organizations benefiting various groups in the Springfield AA totaled \$7.0 thousand or 0.1 percent of total contributions made during the review period in the combined AAs. The recipients of these donations support community development services including affordable housing development, food pantries, health and human services.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The institution’s branches are reasonably accessible to residents of the Springfield AA. Table 181 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification

Table 181 - Distribution of Banking Offices Springfield AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	1	25.0%	17	12.1%	12,419	7.3%
Moderate	3	75.0%	23	16.4%	26,288	15.6%
Middle	0	0.0%	64	45.8%	86,340	51.1%
Upper	0	0.0%	35	25.0%	43,919	26.0%
Income NA	0	0.0%	1	0.7%	0	0.0%
Total	4	100.0%	140	100.0%	168,966	100.0%

As Table 181 shows, the distribution of branches in LMI geographies is excellent compared to the distribution of geographies and families in the Springfield AA. Note however, the low overall

number of branches in the AA (4) makes such an analysis less meaningful. There were no branches opened or closed during the review period in the Springfield AA.

Community Development Services

Sovereign's performance in providing CD services in this AA was consistent with its performance in the state as a whole. The following example represents efforts where the bank responded to community development service needs during the review period.

- The bank's effort with the Square One/Springfield Day Nursery provides financial access and educational support to the children from disadvantaged families.

State Nonmetropolitan Area & State Reviewed^h

(if some or all of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)

Description of Institution’s Operations in Non-MSA, Massachusetts

Sovereign maintains a presence within several non-MSA counties in Massachusetts. Banking offices are located in Dukes (5) and Nantucket (3) Counties. Sovereign’s eight Non-MSA AA branches represent 1.1 percent of its total banking offices. This AA accounted for 1.6 percent of review period HMDA reportable lending and 5.5 percent of reportable small business lending.

Description of Non-MSA, MA AA

This AA consists of two counties in Massachusetts that are not located in an MSA. The AA (Non-MSA MA AA), which includes Dukes and Nantucket Counties, contains nine geographies. Table 182 illustrates demographic data on population, families, and housing units within the AA.

Table 182 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	24,507
Total Families	5,952
1-4 Family Units	23,600
Multi-family Units	412
% Owner-Occupied Units	29%
% Rental-Occupied Units	13%
% Vacant Housing Units	58%
Weighted Average Median Housing	\$454,223

Table 183 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

^h The discussion of an institution’s CRA performance within a nonmetropolitan statewide area is only required for institutions with branches in two or more states. A separate discussion of CRA performance within a nonmetropolitan statewide area for intrastate banks that have branches in metropolitan and nonmetropolitan areas is optional because the examiner has reviewed and discussed the performance in the nonmetropolitan areas in the overall evaluation of the institution. However, for intrastate institutions with branches in both metropolitan and nonmetropolitan areas, or for intrastate banks with branches in only nonmetropolitan areas, the examiner may wish to discuss in greater detail the AAs within nonmetropolitan areas that were reviewed using a full-scope review.

Table 183 - Distribution of Geographies, Families and Housing Units Non-MSA MA AA						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	1	11.1%	127	2.1%	933	4.0%
Middle	6	66.7%	5,109	85.9%	17,752	75.2%
Upper	2	22.2%	716	12.0%	4,915	20.8%
Total	9	100.0%	5,952	100.0%	23,600	100.0%

According to 2000 census data, 37.0 percent of the families in the AA are classified as low- to moderate-income, with 4.8 percent of the families reporting income below the poverty level. Table 184(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 184(b) reflects the updated HUD median family income for each year during the review period; and table 184(c) shows the distribution of families in each income range of the AA.

Table 184(a) - Median Family Income Ranges*		
Income Category (% of Non-MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$39,099
Moderate (50% - 79%)	\$39,100	\$62,559
Middle (80% - 119%)	\$62,560	\$93,839
Upper (>= 120%)	\$93,840	+

Table 184(b) - Annual HUD Median Family Income	
Year	Amount
2008	\$74,000
2009	\$77,600
2010	\$78,200

* Based on HUD 2010 Median Family Income of the Non-MSA

Table 184(c) - Distribution of Families Non-MSA MA AA		
Family Income Category (% of Non-MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	23,254	15.4%
Moderate (50% - 79%)	28,028	18.5%
Middle (80% - 119%)	37,108	24.5%
Upper (>= 120%)	63,035	41.6%
Total	151,425	100.0%

Detailed economic information is not as readily available for non-MSA areas; hence the following pertains to the state as a whole. The Massachusetts economic recovery is expected to further solidify in 2011 as stronger US and global growth supports business spending. A recovery in housing and a turnaround in government revenues will also contribute. Strengths include access to ample venture capital, a highly educated work force, large recipient of defense spending, and many high-tech firms with strong long-term growth prospects and well-paying jobs. Weaknesses include low housing affordability, slow population growth, and very high costs of doing business.

In general, most economic indicators are trending positively across the state. The state unemployment rate was 8.0 percent as of March 2011, down from 8.7 percent a year earlier. Housing price indices show significant declines in single family house prices since the time of the prior evaluation and more modest declines over the past year.

Conclusions with Respect to Performance Tests in Non-MSA MA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Non-MSA MA AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Non-MSA, MA Assessment Area

Table 185 illustrates the institution’s lending activity in the Non-MSA MA AA during the review period.

<i>Table 185 - Loan Originations within the Non-MSA MA AA 01/01/2008 – 12/31/2010 (Dollars in thousands)</i>						
Loan Type	Combined AA	Non-MSA, MA AA		Combined AA	Non-MSA, MA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	1,097	1.6%	\$16,437,291	\$463,275	2.8%
Small Business	10,507	578	5.5%	1,310,314	66,427	5.1%
Total	77,746	1,675	2.2%	\$17,747,605	\$529,702	3.0%

Table 185 shows that the percentage of the number and dollar volume of both HMDA and small business loans in the Non-MSA MA AA is consistent with other activities in this AA. Approximately one percent of branches are in the Non-MSA MA AA, as are 0.1 percent of geographies and 0.1 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall MA AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending. Sovereign was the leading HMDA mortgage loan originator in the Non-MSA MA AA in 2008 and 2009.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Non-MSA MA AA.

Table 186 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 186 - Distribution of Sovereign Bank’s HMDA-Reportable Loans by Borrower Income Level in the Non-MSA MA AA										
(Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	6	2.4%	12	2.3%	2	0.6%	20	1.8%	1.0%	1.4%
Moderate	21	8.4%	51	9.6%	23	7.2%	95	8.7%	5.1%	5.8%
Middle	45	18.0%	89	16.9%	56	17.6%	190	17.3%	8.8%	11.9%
Upper	173	69.2%	372	70.4%	234	73.4%	779	71.0%	80.6%	78.2%
Income NA	5	2.0%	4	0.8%	4	1.2%	13	1.2%	4.5%	2.7%
Total	250	100.0%	528	100.0%	319	100.0%	1,097	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$1,424	1.3%	\$1,416	0.7%	\$235	0.2%	\$3,075	0.7%	0.2%	0.5%
Moderate	5,386	5.0%	11,713	5.6%	4,623	3.2%	21,722	4.7%	1.3%	2.6%
Middle	9,550	8.9%	22,805	10.8%	15,583	10.7%	47,938	10.3%	2.9%	6.8%
Upper	88,891	82.9%	173,556	82.5%	121,577	83.5%	384,024	82.9%	81.9%	85.2%
Income NA	2,065	1.9%	910	0.4%	3,541	2.4%	6,516	1.4%	13.7%	4.9%
Total	\$107,316	100.0%	\$210,400	100.0%	\$145,559	100.0%	\$463,275	100.0%	100.0%	100.0%

Table 186 details solid penetration into the LMI borrower market in the Non-MSA MA AA. For both years where aggregate data is available (2008-2009), Sovereign’s lending to both LMI borrowers exceeded that of aggregate lenders by a good margin. The number of loans to LMI borrowers is lower when compared to other Massachusetts AAs, but it is attributable to the high cost of housing on Nantucket and Martha’s Vineyard, both high profile tourist destinations. LMI lending performance waned in 2010 but remains at a reasonably high level given the demographics of the Non-MSA MA AA.

Table 187 provides an analysis of Sovereign’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 187 - Distribution of Sovereign Bank's Small Business Loans By Loan Origination Amount in the Non-MSA MA AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	296	76.3%	78	71.5%	61	75.3%	435	75.3%	95.1%	92.9%
\$100,001-\$250,000	44	11.3%	15	13.8%	12	14.8%	71	12.3%	2.4%	3.4%
\$250,001-\$1 mill.	48	12.4%	16	14.7%	8	9.9%	72	12.4%	2.5%	3.7%
Total	388	100.0%	109	100.0%	81	100.0%	578	100.0%	100.0%	100.0%
By \$ Amount:										
≤ \$100,000	\$10,775	23.9%	\$2,942	21.9%	\$2,487	31.6%	\$16,204	24.4%	37.7%	30.0%
\$100,001-\$250,000	7,865	17.4%	2,388	17.8%	1,905	24.2%	12,158	18.3%	14.5%	16.2%
\$250,001-\$1 mill.	26,481	58.7%	8,116	60.3%	3,468	44.2%	38,065	57.3%	47.8%	53.8%
Total	\$45,121	100.0%	\$13,446	100.0%	\$7,860	100.0%	\$66,427	100.0%	100.0%	100.0%

Table 187 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 88 percent of small business lending through loans under \$250 thousand with 75 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Non-MSA MA AA.

Table 188 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 188 - Distribution of Sovereign Bank's Small Business Loans By Company's Revenue Category in the Non-MSA MA AA (Dollars in thousands)										
Company's Rev. Category	2008		2009		2010		Review Period 01/01/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	301	77.6%	10	9.2%	7	8.6%	318	55.0%	29.3%	16.2%
Rev. > \$1 million	73	18.8%	99	90.8%	74	91.4%	246	42.6%	NA	NA
Revenue NA	14	3.6%	0	0.0%	0	0.0%	14	2.4%	70.7%	83.8%
Total	388	100.0%	109	100.0%	81	100.0%	578	100.0%	100.0%	100.0%
By \$ Amount:										
Rev. < \$1 million	\$29,633	65.7%	\$2,000	14.9%	\$525	6.7%	\$32,158	48.4%	51.2%	26.9%
Rev. > \$1 million	14,219	31.5%	11,446	85.1%	7,335	93.3%	33,000	49.7%	NA	NA
Revenue NA	1,269	2.8%	0	0.0%	0	0.0%	1,269	1.9%	48.8%	73.1%
Total	\$45,121	100.0%	\$13,446	100.0%	\$7,860	100.0%	\$66,427	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 188 shows that approximately 55 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Non-MSA MA AA. The analyses of small business lending by both loan size and

revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Non-MSA MA AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Non-MA, MA AA. Table 189 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders. There are no low-income geographies in this AA.

Table 189 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Geography Income Level in the Non-MSA MA AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Moderate	4	1.6%	11	2.1%	2	0.6%	17	1.5%	3.2%	3.7%
Middle	186	74.4%	440	83.3%	271	85.0%	897	81.8%	71.4%	74.4%
Upper	60	24.0%	77	14.6%	46	14.4%	183	16.7%	25.4%	21.9%
Total	250	100.0%	528	100.0%	319	100.0%	1,097	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Moderate	\$2,880	2.7%	\$4,285	2.0%	\$1,243	0.9%	\$8,408	1.8%	5.6%	5.8%
Middle	69,790	65.0%	156,460	74.4%	114,726	78.8%	340,976	73.6%	50.7%	62.0%
Upper	34,646	32.3%	49,655	23.6%	29,590	20.3%	113,891	24.6%	43.7%	32.2%
Total	\$107,316	100.0%	\$210,400	100.0%	\$145,559	100.0%	\$463,275	100.0%	100.0%	100.0%

Table 189 shows the bank to have under-performed when compared to aggregate in HMDA-reportable lending in moderate-income geographies in the Non-MSA MA AA in both years where aggregate is available. Bank lending in LMI geographies further declined in 2010. This AA represents the islands of Nantucket and Martha’s Vineyard off of Cape Cod and comprises an area that has very high housing costs. Please see Table 182 which notes the weighted average median housing value at over \$424 thousand. The above bank performance reflects a reasonable effort to try to meet the housing needs for residents in moderate-income geographies in this AA. There are no low-income geographies in this AA.

Table 190 reflects Sovereign’s geographic distribution of small business loans within the Non-MSA MA AA.

Table 190 - Distribution of Sovereign Bank's Small Business Loans by Geography Income Level in the Non-MSA MA AA										
(Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Moderate	11	2.8%	5	4.6%	2	2.5%	18	3.1%	1.5%	1.4%
Middle	230	59.3%	63	57.8%	51	63.0%	344	59.5%	74.0%	76.0%
Upper	147	37.9%	41	37.6%	28	34.5%	216	37.4%	24.5%	22.6%
Total	388	100.0%	109	100.0%	81	100.0%	578	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Moderate	\$734	1.6%	\$153	1.1%	\$35	0.4%	\$922	1.4%	1.5%	2.9%
Middle	25,436	56.4%	7,136	53.1%	4,652	59.2%	37,224	56.0%	62.1%	63.3%
Upper	18,951	42.0%	6,157	45.8%	3,173	40.4%	28,281	42.6%	36.4%	33.8%
Total	\$45,121	100.0%	\$13,446	100.0%	\$7,860	100.0%	\$66,427	100.0%	100.0%	100.0%

Table 190 shows the bank to have exceeded aggregate in small business lending in moderate-income geographies in the Non-MSA MA AA in 2008 and 2009. Bank lending in moderate-income geographies in 2010 returned to 2008 levels.

Community Development Lending

Sovereign extended four CD loans for \$925 thousand in the Non-MSA MA AA during the review period. This AA is relatively small and the bank has a limited presence therein. The Non-MSA MA AA is responsible for two percent of all HMDA reportable lending, six percent of reportable small business lending, and one percent of branches.

Innovative and Flexible Lending Practices

Sovereign originated 241 SBA loans for more than \$26 million in Massachusetts as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009 began tracking by MSA. In 2009-10, the bank originated three SBA loans for \$155 thousand in the Non-MSA MA AA. This level of production is commensurate with the bank's presence in the AA.

For the three year review period, the bank also originated one MATF loans providing \$55 thousand in credit in the Non-MSA MA AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Non-MSA MA AA accounts for 1.6 percent of HMDA reportable lending, 5.5 percent of small business lending, 1.1 percent of branches, 0.1 percent of geographies, and 0.1 percent of the population.

Contributions to qualified organizations benefiting various groups in the Non-MSA MA AA totaled \$7.5 thousand or 0.1 percent of total contributions made during the review period in the combined AAs. The recipients of these donations support community development services including affordable housing and economic development projects.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The institution’s branches are reasonably accessible to residents of the Non-MSA MA AA. Table 191 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 191 - Distribution of Banking Offices Non-MSA MA AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	1	11.1%	127	2.1%
Middle	7	87.5%	6	66.7%	5,109	85.9%
Upper	1	12.5%	2	22.2%	716	12.0%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	8	100.0%	9	100.0%	5,952	100.0%

As Table 191 shows, there are no low-income geographies in the AA and the bank has no branches in the one moderate-income geography in the AA. Note however, the low overall number of branches in the AA (8) makes such an analysis less meaningful. The one moderate-income geography is home to approximately two percent of the AA population, hence the above distribution of branches is considered reasonable. No branches were opened or closed during the review period in the Non-MSA MA AA.

Community Development Services

Sovereign's performance in providing CD services in this AA was consistent with its performance in the state as a whole. No specific examples were sought in this AA due to its limited size.

State

Summary

CRA Rating for Maryland

CRA RATINGⁱ:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Satisfactory

Low Satisfactory

Low Satisfactory

Low Satisfactory

LENDING TEST

Under the Lending Test, the bank extended a reasonable volume of HMDA-reportable loans in the AA during the review period. The bank was well down the rankings in terms of leading mortgage lenders in 2009, the most recent year where aggregate data is available. Small business production levels are also relatively low, but consistent with the bank's presence in the AA. Sovereign outperformed aggregate HMDA lenders in lending to LMI borrowers and to a lesser degree in LMI geographies in 2008, but performance declined in 2009 to match aggregate in LMI borrower lending and fell below aggregate in LMI geography lending. Lending to LMI borrowers and in LMI geographies declined significantly in 2010. The bank's small business lending is primarily targeted to smaller businesses. The bank originated a reasonable level of community development loans during the review period and has an unremarkable record of lending under innovative and flexible lending products that target residents and businesses most in need in the AA.

INVESTMENT TEST

Under the Investment Test, the bank had not extended funding for traditional community development investment needs during the review period in the MD AA. The overall dollar volume of qualified donations in the MD AA was reasonable, but the allocation of donations to this AA was significantly lower when compared to the distribution of HMDA and small business lending, branches, and demographic data.

SERVICE TEST

Under the Service Test, the bank maintained a reasonable distribution of banking offices among geographies of different income levels. No branches in low-or-moderate-income geographies were closed during the review period. The bank is involved in a low level of community development services in the MD AA.

ⁱ For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Scope of Examination in Maryland

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three Tests, Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009 and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are considered when assigning a final CRA rating.

Description of Institution's Operations in Maryland

Sovereign maintains banking offices within the Maryland AA (MD AA) located within the Bethesda-Frederick-Gaithersburg, MD Metropolitan Division (4), the Baltimore-Towson, MD MSA (3), and the Hagerstown-Martinsburg MD-WV MSA (4). Note that the City of Baltimore is not included in this AA as the bank does not have a presence in the city proper. The breakdown of branches by county is included within the separate MSA discussions that follow this MD AA evaluation document.

In total, Sovereign's activities through 11 of its 721 offices, or 1.5 percent, are included in this MD AA. This AA accounted for less than ONE percent of review period HMDA reportable and small business lending.

Sovereign operates in competitive markets throughout its geographic footprint. The bank’s MD AA consisting of 490 geographies was home to 95 thousand HMDA-reportable mortgage loans in 2009 for a total dollar amount of approximately \$27.1 billion. This AA represents a small portion of overall activity and as such commands little weight in arriving at the bank’s overall CRA rating.

Description of Maryland AA

Sovereign has three AAs exclusively within Maryland. These three AAs include:

MSA/MD #	MSA/MD Name	County
13644	Bethesda-Frederick-Gaithersburg, MD MD	Frederick & Montgomery Counties
12580	Baltimore-Towson, MD MSA	Baltimore & Harford Counties (Baltimore city not included)
25180	Hagerstown-Martinsburg, MD-WV MSA	Washington County, MD

Table 193 illustrates demographic data on population, families, and housing units within the MD AA.

Demographic Data	2000 Census
Population	2,173,423
Total Families	573,205
1-4 Family Units	650,497
Multi-family Units	197,479
% Owner-Occupied Units	67%
% Rental-Occupied Units	29%
% Vacant Housing Units	4%
Weighted Average Median Housing	\$173,532

Table 194 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	11	2.2%	6,214	1.1%	7,650	1.2%
Moderate	99	20.2%	110,265	19.2%	109,314	16.8%
Middle	244	49.9%	290,685	50.7%	337,822	51.9%
Upper	132	26.9%	166,041	29.0%	195,711	30.1%
Income NA	4	0.8%	0	0.0%	0	0.0%
Total	490	100.0%	573,205	100.0%	650,497	100.0%

According to 2000 census data, 36.4 percent of the families in the Maryland AA are classified as low-to moderate-income, with 4.1 percent of the families reporting income below the poverty level. Table 195 shows the distribution of families in each income range of the Maryland AA.

Table 195 - Distribution of Families MD AA		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	100,069	17.5%
Moderate (50% - 79%)	108,365	18.9%
Middle (80% - 119%)	137,899	24.1%
Upper (>= 120%)	226,872	39.5%
Total	573,205	100.0%

The Maryland economic recovery will regain its lost momentum in the coming quarters via a strengthening private sector combined with gains in population and investment from the 2005 Base Closure and Realignment Act. Strengths include the state being a center for security and biomedical research, high per capita incomes, and a well-educated work force. Weaknesses include exposure to down turns in global trade and old line manufacturing, high business costs compared to most states, and weak state financial condition.

In general, most economic indicators are trending positively across the state. The state unemployment rate was 6.9 percent as of March 2011, down from 7.6 percent a year earlier. Housing Price Indices show significant declines in single family house prices since the time of the prior evaluation and smaller declines over the past year.

No Community Contacts were directly conducted or any recent contacts reviewed due to the bank’s relatively small presence in this AA.

Conclusions with Respect to Performance Tests in Maryland

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its MD AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AAs credit needs.

Lending in the Maryland Assessment Areas

Table 196 illustrates the institution’s lending activity in the three MD AAs during the review period.

Table 196 - Loan Originations within the MD AA						
1/1/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA	Maryland AAs		Combined AA	Maryland AAs	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	518	0.8%	\$16,437,291	\$279,743	1.7%
Small Business	10,507	91	0.9%	1,310,314	12,211	0.9%
Total	77,746	609	0.8%	\$17,747,605	\$291,954	1.6%

Table 197 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the MD AA is somewhat lower when compared to other activities in this AA. Approximately two percent of branches are in the MD AA as are 5.2 percent of geographies and 5.8 percent of all families.

Total HMDA reportable activity rose 66 percent between 2008 and 2009, and rose an additional 7 percent in 2010. Total HMDA lending nationwide also increased by 25 percent in 2009. Sovereign was the 98th leading HMDA mortgage loan originator in the MD AA in 2008 with 115 loans at \$92.2 million. The bank rose to the 75th leading mortgage originator in the MD AA in 2009 with 193 loans at \$45.8 million.

Small business loan production trends differ markedly when compared to HMDA reportable mortgage loan activity during the review period in the MD AA. The number of small business loans originated declined between 2008 and 2009 by 84 percent and subsequently increased by 167 percent in 2010. Total small business lending nationwide for all reporting lenders also declined by 42 percent in 2009. With respect to both HMDA and small business lending trends, the lower overall volume of lending in the MD AA causes relatively small changes to result in large percentage changes. Sovereign has a relatively small presence in the MD AA and its HMDA and small business lending is commensurate with its limited presence.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Maryland AAs. Table 197 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 197 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Borrower Income Level in the MD AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	13	11.1%	20	10.3%	9	4.3%	42	8.1%	8.4%	8.9%
Moderate	33	28.2%	36	18.6%	23	11.1%	92	17.8%	23.1%	20.2%
Middle	30	25.6%	64	33.0%	47	22.7%	141	27.2%	27.7%	24.8%
Upper	34	29.1%	69	35.6%	119	57.6%	222	42.9%	36.4%	36.7%
Income NA	7	6.0%	5	2.5%	9	4.3%	21	4.0%	4.4%	9.4%
Total	117	100.0%	194	100.0%	207	100.0%	518	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$1,753	1.9%	\$2,341	5.1%	\$999	0.7%	\$5,093	1.8%	4.5%	4.8%
Moderate	5,688	6.1%	6,605	14.3%	3,685	2.6%	15,978	5.7%	16.9%	14.8%
Middle	6,920	7.5%	14,947	32.5%	10,634	7.5%	32,501	11.6%	24.9%	22.6%
Upper	8,704	9.4%	20,926	45.4%	52,536	37.3%	82,166	29.4%	46.5%	46.8%
Income NA	69,590	75.1%	1,223	2.7%	73,192	51.9%	144,005	51.5%	7.2%	11.0%
Total	\$92,655	100.0%	\$46,042	100.0%	\$141,046	100.0%	\$279,743	100.0%	100.0%	100.0%

Table 197 details solid penetration into the LMI borrower market in the MD AA early in the review period with a declining trend noted. In 2008, Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin. The bank extended 39.3 percent of its 2008 mortgage loans to LMI borrowers versus 31.5 percent for aggregate. LMI lending declined in 2009 to 28.9 percent (10.3 percent to low- and 18.6 percent to moderate) which roughly matches the aggregate at 29.1 percent (8.9 to low- and 20.2 percent to moderate). Performance in 2010 declined by nearly half to 15.4 percent (4.3 percent to low- and 11.1 percent to moderate) to LMI borrowers.

Sovereign was the 83rd leading LMI lender in 2008 and 77th in 2009 in the MD AA. These rankings are similar to the bank's overall mortgage origination lending ranks (98th and 75th) in the MD AA. The above results are partially attributable to the bank's extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs.

Table 198 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 198 - Distribution of Sovereign Bank's Small Business Loans By Loan Origination Amount in the MD AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	47	81.0%	9	100.0%	15	62.5%	71	78.0%	95.5%	92.1%
\$100,001-\$250,000	7	12.1%	0	0.0%	3	12.5%	10	11.0%	2.1%	3.9%
\$250,001-\$1 mill.	4	6.9%	0	0.0%	6	25.0%	10	11.0%	2.4%	4.0%
Total	58	100.0%	9	100.0%	24	100.0%	91	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$3,012	44.5%	\$590	100.0%	\$895	18.4%	\$4,497	36.8%	38.1%	28.8%
\$100,001-\$250,000	1,626	24.0%	0	0.0%	550	11.3%	2,176	17.8%	14.1%	17.3%
\$250,001-\$1 mill.	2,128	31.5%	0	0.0%	3,410	70.3%	5,538	45.4%	47.8%	53.9%
Total	\$6,766	100.0%	\$590	100.0%	\$4,855	100.0%	\$12,211	100.0%	100.0%	100.0%

Table 198 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 89 percent of small business lending through loans under \$250 thousand with 78 percent under \$100 thousand for the three-year review period. While aggregate data shows over 92 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand. The above results represent a more than reasonable commitment to lending to smaller business needs in the MD AA.

Table 199 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 199 - Distribution of Sovereign Bank's Small Business Loans By Company's Revenue Category in the MD AA (Dollars in thousands)										
Company's Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	39	67.2%	5	55.6%	10	41.7%	54	59.3%	27.2%	28.3%
Rev. > \$1 million	19	32.8%	3	33.3%	11	45.8%	33	36.3%	NA	NA
Revenue NA	0	0.0%	1	11.1%	3	12.5%	4	4.4%	72.8%	71.7%
Total	58	100.0%	9	100.0%	24	100.0%	91	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$4,268	63.1%	\$335	56.8%	\$790	16.3%	\$5,393	44.2%	32.3%	33.1%
Rev. > \$1 million	2,498	36.9%	245	41.5%	2,265	46.6%	5,008	41.0%	NA	NA
Revenue NA	0	0.0%	10	1.7%	1,800	37.1%	1,810	14.8%	67.7%	66.9%
Total	\$6,766	100.0%	\$590	100.0%	\$4,855	100.0%	\$12,211	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 199 shows that approximately 60 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting

year in the MD AA. Comparisons to aggregate data is flawed in two respects: 1) aggregate data is dominated by nation-wide lenders that originate and purchase large volumes of credit card lines to larger businesses, and 2) aggregate data does not specifically include the volume of lending to businesses with revenues over \$1 million.

The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the MD AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Maryland AAs.

Table 200 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 200 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Geography Income Level in the MD AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	1	0.5%	0	0.0%	1	0.2%	0.7%	0.5%
Moderate	23	19.7%	16	8.2%	10	4.8%	49	9.5%	15.2%	11.4%
Middle	56	47.8%	104	53.7%	83	40.1%	243	46.9%	55.1%	51.3%
Upper	38	32.5%	73	37.6%	114	55.1%	225	43.4%	29.0%	36.8%
Total	117	100.0%	194	100.0%	207	100.0%	518	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$0	0.0%	\$148	0.3%	\$0	0.0%	\$148	0.1%	0.6%	0.3%
Moderate	69,602	75.1%	2,843	6.2%	42,104	29.9%	114,549	40.9%	12.7%	9.5%
Middle	13,805	14.9%	23,200	50.4%	23,383	16.6%	60,388	21.6%	48.8%	44.4%
Upper	9,248	10.0%	19,851	43.1%	75,559	53.5%	104,658	37.4%	37.9%	45.8%
Total	\$92,655	100.0%	\$46,042	100.0%	\$141,046	100.0%	\$279,743	100.0%	100.0%	100.0%

Table 200 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the MD AA by a moderate margin in 2008. The bank extended 19.7 percent of 2008 loans in LMI geographies while aggregate data reflected a 15.9 percent rate. Bank lending in LMI geographies declined to below that of aggregate in 2009; the bank extended 8.7 percent of loans in LMI geographies in 2009 versus the aggregate at 11.9 percent. Bank lending in LMI geographies further declined to 4.8 percent in 2010.

Table 201 reflects Sovereign’s geographic distribution of small business loans within the MD AA.

Table 201 - Distribution of Sovereign Bank’s Small Business Loans By Geography Income Level in the MD AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	3	5.2%	1	11.1%	2	8.3%	6	6.6%	1.0%	1.2%
Moderate	12	20.7%	3	33.3%	5	20.8%	20	22.0%	14.6%	14.4%
Middle	25	43.1%	2	22.2%	13	54.2%	40	44.0%	49.4%	48.4%
Upper	18	31.0%	3	33.4%	4	16.7%	25	27.4%	35.0%	36.0%
Total	58	100.0%	9	100.0%	24	100.0%	91	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$98	1.4%	\$10	1.7%	\$335	6.9%	\$443	3.6%	1.7%	2.0%
Moderate	1,163	17.2%	250	42.4%	2,075	42.7%	3,488	28.6%	14.9%	14.5%
Middle	3,076	45.5%	115	19.5%	2,195	45.3%	5,386	44.1%	51.8%	51.7%
Upper	2,429	35.9%	215	36.4%	250	5.1%	2,894	23.7%	31.6%	31.8%
Total	\$6,766	100.0%	\$590	100.0%	\$4,855	100.0%	12,211	100.0%	100.0%	100.0%

Table 201 shows the bank to have out-performed aggregate in small business lending in LMI geographies in the MD AA by a substantial margin in both years where aggregate data is available (2008-2009). The bank extended 25.9 percent of 2008 small business loans in LMI geographies while aggregate data reflected a 15.6 percent rate. The bank extended 44.4 percent of small business loans in LMI geographies in 2009 versus the aggregate at 15.6 percent. Bank small business lending in LMI geographies remained fairly consistently strong at 29.1 percent in 2010.

Community Development Lending

Sovereign continues to provide a good level, in terms of both numbers and dollar volume, of CD loans in the MD AA. These loans provide or further enable 1) affordable housing for LMI (LMI) residents, 2) services primarily targeted to LMI individuals and families, 3) financing for small businesses, or 4) the stabilization or revitalization of LMI areas or areas targeted as distressed, underserved, or in need of economic development.

For the three year review period, the bank extended seven CD loans totaling \$26.5 million in the MD AA. Table 202 provides further detailed for these loans.

Table 202: - CD Loans in the MD AA				
CD Loan Type	# CD loans	% of total all AA's	\$ (000) CD loans	% of total all AA's
Commercial	1	1.2%	\$24	0.02%
Multi-Family	6	2.8%	\$26,445	4.8%
Total	7	2.4%	\$26,469	4.0%

The bank's commitment to CD lending in the MD AA is slightly better when compared to the bank's presence and other activity in the AA. The MD AA is responsible for one percent of all HMDA reportable lending, one percent of reportable small business lending, and two percent of branches.

SMALL BUSINESS PROGRAMS

Sovereign offers and extends SBA loans across all AAs. Sovereign originated 12 SBA loans for more than \$2.3 million in Maryland for the three year review period. This level of production represents 1.7 percent of the total number and 3.2 percent of the total dollar volume of all SBA loans originated by the bank during the review period and is consistent with other activity levels in this AA. Approximately 0.8 percent of HMDA reportable loans, 0.9 percent of small business loans, and 1.5 percent of branches are in the MD AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The MD AA is very small when compared to the combined AA and the opportunity for traditional investments is more limited in these smaller metropolitan areas.

This area is part of the bank's defined CRA AA and resources should be allocated for the CRA needs of the AA. Management indicated that the lower level of CD activity in the MD AA is attributable to the geographic separation of MD branches which provides for little contiguous community engagement. Management continues to work on improving outreach in the MD AA and is actively considering traditional investments that cover a broader state-wide area that includes the individual MSAs in the MD AA. The MD AA accounts for 0.8 percent of HMDA reportable lending, 0.9 percent of small business lending, 1.5 percent of branches, 5.2 percent of geographies, and 5.8 percent of the population.

Contributions to qualified organizations benefiting various groups in the MD AA totaled \$9.5 thousand or 0.1 percent of total contributions made during the review period in the combined AAs. Once again, the allocation of contributions is lower when compared to AA activities. On a positive note, donations granted were based on the demographic needs and economic opportunities available in the AA. The recipients of these donations supported community development services including affordable housing needs, increasing the availability of health and human services, and providing assistance for homeownership counseling.

Table 203 highlights the activities of some of the groups that received contributions.

Table 203 - Community Development Contributions in the MD AA		
Entity Name	Location	Service
Habitat for Humanity - Maryland	MD AA	Economic development – Affordable housing
Latino Economic Development Corp.	Wheaton, MD	Affordable housing – counseling program
A Wider Circle	Bethesda, MD	Health and human services
Interfaith Housing Alliance, Inc.	Frederick, MD	Affordable housing
Total Contributions MD AA	\$9,547	

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the MD AA. A full menu of checking, savings, certificates of deposit, and retirement accounts are available. Sovereign offers a basic checking account, the “Classic Checking”, which features a \$5 monthly fee when a \$500 average daily balance is not met. This product compares reasonably with other similar products that provide LMI individuals a means to conduct routine periodic transactions. Loans are available for all commercial, residential, and personal purposes and include many federal and state guaranteed/subsidized programs, proprietary affordable housing products, and a number of specialized lending programs developed in response to specifically identified needs. The full complement of available deposit and loan products are available throughout the MD AA through the bank’s extensive branch network and alternative access methods.

The institution’s branches are reasonably accessible to residents of the MD AA. Table 204 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 204 - Distribution of Banking Offices MD AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	1	9.1%	11	2.2%	6,214	1.1%
Moderate	2	18.2%	99	20.2%	110,265	19.2%
Middle	3	27.3%	244	49.9%	290,685	50.7%
Upper	5	45.4%	132	26.9%	166,041	29.0%
Income NA	0	0.0%	4	0.8%	0	0.0%
Total	11	100.0%	490	100.0%	573,205	100.0%

As Table 204 shows, the distribution of branches in LMI geographies is favorable compared to the distribution of geographies and families in the AA. The bank's branches in low income census tracts (9.1 percent) compared favorably to distribution of geographies (2.2 percent) and (1.1 percent) for families in the MD AA. Access to branches in moderate income geographies is reasonable at 18.7 percent versus comparable data for AA geographies (14.6% percent) and 12.7 percent for families.

Community Development Services

The bank's performance in providing CD services in the MD AA was weak. The following was the sole example provided of a qualified CD activity in which the bank is involved with in the MD AA.

- The bank is a participant in the IOLTA programs. The bank maintains 11 active IOLTA accounts in the state. Over \$1.4 thousand in interest was remitted to the state in 2010 under this program.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution’s Operations in Bethesda-Frederick-Gaithersburg, MD MD

Sovereign maintains a presence within the Bethesda-Frederick-Gaithersburg, MD Metropolitan Division (Bethesda AA) through its branches in Frederick (1) and Montgomery (3) Counties. Sovereign’s four AA branches represent 0.6 percent of its total banking offices. This AA accounted for 0.3 percent of review period HMDA reportable lending and 0.4 percent of reportable small business lending.

Description of Bethesda-Frederick-Gaithersburg, MD MD AA

This AA consists of Frederick and Montgomery Counties, MD. The AA, which encompasses the entire Bethesda-Frederick-Gaithersburg, MD Metropolitan Division (Bethesda AA) #13644, contains 209 geographies. Table 205 illustrates demographic data on population, families, and housing units within the Bethesda AA.

Demographic Data	2000 Census
Population	1,068,618
Total Families	278,302
1-4 Family Units	301,050
Multi-family Units	105,253
% Owner-Occupied Units	68%
% Rental-Occupied Units	29%
% Vacant Housing Units	3%
Weighted Average Median Housing	\$217,548

Table 206 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
2000 Census:						
Low	5	2.4%	3,005	1.1%	3,615	1.2%
Moderate	51	24.4%	61,722	22.2%	53,581	17.8%
Middle	89	42.6%	130,423	46.8%	147,143	48.9%
Upper	64	30.6%	83,152	29.9%	96,711	32.1%
Total	209	100.0%	278,302	100.0%	301,050	100.0%

According to 2000 census data, 37.6 percent of the families in the Bethesda AA are classified as low-to moderate-income, with 3.6 percent of the families reporting income below the poverty level. Table 207(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 207(b) reflects the updated HUD median family income for each year during the review period; and table 207(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MD Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$54,799
Moderate (50% - 79%)	\$54,800	\$87,679
Middle (80% - 119%)	\$87,680	\$131,519
Upper (>= 120%)	\$131,520	+

Year	Amount
2008	\$104,400
2009	\$108,800
2010	\$109,600

* Based on HUD 2010 Median Family Income of the MD

Family Income Category (As a % of MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	51,391	18.5%
Moderate (50% - 79%)	53,157	19.1%
Middle (80% - 119%)	65,300	23.4%
Upper (>= 120%)	108,454	39.0%
Total	278,302	100.0%

The Bethesda MSA economy will be driven from the recent mild recession in the near term by federal spending, including expansion of the National Naval Medical Center. Strengths include above average per capita income, strong presence of biotech, pharmaceutical, and medical research industries, and a highly skilled and well educated work force. Weaknesses include ongoing housing corrections in the market, dependence on government spending, and very high costs of living and business.

In general, most economic indicators are trending positively across the state. The Bethesda MSA unemployment rate was 5.9 percent as of March 2011, down from 6.1 percent a year earlier. Housing price indices shows a substantial decline in single family house prices since the time of the prior evaluation with a minor increase over the past year.

**Conclusions with Respect to Performance Tests in Bethesda-Frederick-Gaithersburg, MD
 MD AA**

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its Bethesda AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Bethesda-Frederick-Gaithersburg, MD MD Assessment Area

Table 208 illustrates the institution’s lending activity in the Bethesda AA during the review period.

Table 208 - Loan Originations within the Bethesda AA						
1/1/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA	Bethesda, MD AA		Combined AA	Bethesda, MD AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	235	0.3%	\$16,437,291	\$176,138	1.1%
Small Business	10,507	41	0.4%	1,310,314	7,283	0.6%
Total	77,746	276	0.4%	\$17,747,605	\$183,421	1.0%

Table 208 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Bethesda AA is consistent with other activities in this AA. Less than one percent of branches are in the Bethesda AA as are 2.2 percent of geographies and 2.8 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall MD AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending. Sovereign was the 90th leading HMDA mortgage loan originator in the Bethesda AA in 2008 and 77th in 2009. Sovereign was also a less significant participant in the small business loan market in the Bethesda AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Bethesda AA.

Table 209 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 209 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Borrower Income Level in the Bethesda AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	4	9.1%	4	4.8%	4	3.7%	12	5.1%	9.5%	9.5%
Moderate	11	25.0%	11	13.3%	9	8.3%	31	13.2%	22.7%	19.6%
Middle	12	27.3%	30	36.1%	22	20.4%	64	27.2%	27.1%	25.1%
Upper	12	27.3%	38	45.8%	69	63.9%	119	50.7%	37.9%	39.6%
Income NA	5	11.3%	0	0.0%	4	3.7%	9	3.8%	2.8%	6.2%
Total	44	100.0%	83	100.0%	108	100.0%	235	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$710	0.9%	\$455	1.8%	\$587	0.8%	\$1,752	1.0%	4.8%	4.9%
Moderate	2,557	3.3%	2,710	10.4%	2,103	2.9%	7,370	4.2%	16.3%	14.2%
Middle	3,716	4.8%	8,767	33.7%	6,623	9.2%	19,106	10.8%	23.7%	22.8%
Upper	4,657	6.0%	14,068	54.1%	35,681	49.6%	54,406	30.9%	48.7%	49.9%
Income NA	66,476	85.0%	0	0.0%	27,028	37.5%	93,504	53.1%	6.5%	8.2%
Total	\$78,116	100.0%	\$26,000	100.0%	\$72,022	100.0%	\$176,138	100.0%	100.0%	100.0%

Table 209 details solid penetration into the LMI borrower market in the Bethesda AA in 2008 with approximately 34 percent of loans to LMI borrowers versus 32 percent for the aggregate. LMI lending declined significantly in 2009 and 2010. LMI lending in 2009 dropped to 18 percent versus 29 percent for aggregate and further declined to 12 percent in 2010.

Table 210 provides an analysis of Sovereign’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 210 - Distribution of Sovereign Bank's Small Business Loans By Loan Origination Amount in the Bethesda AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	20	80.0%	5	100.0%	3	27.3%	28	68.3%	96.1%	93.1%
\$100,001-\$250,000	3	12.0%	0	0.0%	3	27.3%	6	14.6%	1.8%	3.5%
\$250,001-\$1 mill.	2	8.0%	0	0.0%	5	45.4%	7	17.1%	2.1%	3.4%
Total	25	100.0%	5	100.0%	11	100.0%	41	100.0%	100.0%	100.0%
By \$ Amount:										
≤ \$100,000	\$1,640	53.3%	\$380	100.0%	\$175	4.6%	\$2,195	30.1%	41.7%	30.9%
\$100,001-\$250,000	650	21.1%	0	0.0%	550	14.4%	1,200	16.5%	13.2%	17.3%
\$250,001-\$1 mill.	788	25.6%	0	0.0%	3,100	81.0%	3,888	53.4%	45.1%	51.8%
Total	\$3,078	100.0%	\$380	100.0%	\$3,825	100.0%	\$7,283	100.0%	100.0%	100.0%

Table 210 shows a strong majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 83 percent of small business lending through loans under \$250 thousand with 68 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Bethesda AA.

Table 211 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 211 - Distribution of Sovereign Bank's Small Business Loans By Company's Revenue Category in the Bethesda AA (Dollars in thousands)										
Company's Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	14	56.0%	2	40.0%	1	9.1%	17	41.5%	25.2%	25.8%
Rev. > \$1 million	11	44.0%	3	60.0%	8	72.7%	22	53.6%	NA	NA
Revenue NA	0	0.0%	0	0.0%	2	18.2%	2	4.9%	74.8%	74.2%
Total	25	100.0%	5	100.0%	11	100.0%	41	100.0%	100.0%	100.0%
By \$ Amount:										
Rev. < \$1 million	\$1,500	48.7%	\$135	35.5%	\$50	1.3%	\$1,685	23.1%	32.4%	33.7%
Rev. > \$1 million	1,578	51.3%	245	64.5%	2,025	52.9%	3,848	52.9%	NA	NA
Revenue NA	0	0.0%	0	0.0%	1,750	45.8%	1,750	24.0%	67.6%	66.3%
Total	\$3,078	100.0%	\$380	100.0%	\$3,825	100.0%	\$7,283	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 211 shows that approximately 42 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Bethesda AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Bethesda AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign's lending activity with respect to the distribution of loans among geographic areas of different income levels within the Bethesda AA. Table 212 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 212 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Geography Income Level in the Bethesda AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	1	1.2%	0	0.0%	1	0.4%	0.7%	0.5%
Moderate	12	27.3%	8	9.6%	7	6.5%	27	11.5%	17.1%	12.8%
Middle	22	50.0%	41	49.4%	37	34.3%	100	42.6%	52.9%	48.7%
Upper	10	22.7%	33	39.8%	64	59.2%	107	45.5%	29.3%	38.0%
Total	44	100.0%	83	100.0%	108	100.0%	235	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$0	0.0%	\$148	0.6%	\$0	0.0%	\$148	0.1%	0.5%	0.3%
Moderate	67,928	87.0%	1,883	7.2%	27,461	38.1%	97,272	55.3%	14.2%	10.7%
Middle	6,037	7.7%	12,018	46.2%	10,383	14.4%	28,438	16.1%	45.6%	40.7%
Upper	4,151	5.3%	11,951	46.0%	34,178	47.5%	50,280	28.5%	39.7%	48.3%
Total	\$78,116	100.0%	\$26,000	100.0%	\$72,022	100.0%	\$176,138	100.0%	100.0%	100.0%

Table 212 shows the bank to have out-performed aggregate by a wide margin in HMDA-reportable lending in LMI geographies in the Bethesda AA in 2008. A substantial decline in LMI geography lending in 2009 to below that of aggregate was noted and a further decline was noted in 2010.

Table 213 reflects Sovereign's geographic distribution of small business loans within the Bethesda AA.

Table 213 - Distribution of Sovereign Bank's Small Business Loans By Geography Income Level in the Bethesda AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1.0%	1.0%
Moderate	9	36.0%	3	60.0%	5	45.5%	17	41.5%	18.7%	18.5%
Middle	13	52.0%	0	0.0%	6	54.5%	19	46.3%	46.1%	44.9%
Upper	3	12.0%	2	40.0%	0	0.0%	5	12.2%	34.2%	35.6%
Total	25	100.0%	5	100.0%	11	100.0%	41	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	2.1%	2.1%
Moderate	1,078	35.0%	250	65.8%	2,075	54.2%	3,403	46.7%	18.9%	20.3%
Middle	1,785	58.0%	0	0.0%	1,750	45.8%	3,535	48.5%	48.4%	47.1%
Upper	215	7.0%	130	34.2%	0	0.0%	345	4.8%	30.6%	30.5%
Total	\$3,078	100.0%	\$380	100.0%	\$3,825	100.0%	\$7,283	100.0%	100.0%	100.0%

Table 213 shows no lending in low-income geographies but including moderate-income geographies, the bank exceeded aggregate small business lending in 2008 and 2009 in the Bethesda AA. Bank lending in LMI geographies in 2010 continued at these high levels.

Community Development Lending

Sovereign extended four CD loans for \$26.1 million in the Bethesda AA during the review period. This AA is relatively small and the bank has a limited presence therein. The Bethesda AA is responsible for less than one percent each of all HMDA reportable lending, reportable small business lending, and branches.

Innovative and Flexible Lending Practices

Sovereign originated 12 SBA loans for more than \$2.3 million in Maryland as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009 began tracking by MSA. In 2009-10, the bank originated seven SBA loans in the Bethesda AA providing over \$1.6 million in credit. This level of production is stronger when compared with other activity levels in this AA. Approximately 0.3 percent of HMDA reportable loans, 0.4 percent of small business loans, and 0.6 percent of branches are in the Bethesda AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Bethesda AA accounts for 0.3 percent of HMDA reportable lending, 0.4 percent of small business lending, 0.6 percent of branches, 0.3 percent of geographies, and 0.3 percent of the population.

Contributions to qualified organizations benefiting various groups in the Bethesda AA totaled \$2 thousand or less than 0.1 percent of total contributions made during the review period in the combined AAs. The recipients of these donations support community development services including affordable housing development, food pantries, and homeless services.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the AA. The full complement of available deposit and loan products are available throughout the AA through the bank’s branch network and alternative access methods. Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution’s branches are reasonably accessible to residents of the Bethesda AA. Table 214 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 214 - Distribution of Banking Offices Bethesda AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	5	2.4%	3,005	1.1%
Moderate	1	25.0%	51	24.4%	61,722	22.2%
Middle	2	50.0%	89	42.6%	130,423	46.8%
Upper	1	25.0%	64	30.6%	83,152	29.9%
Income NA	0	0.0%	0	0.0%	0	0.0%
Total	4	100.0%	209	100.0%	278,302	100.0%

Table 214 shows no branches in low-income geographies and the percentages in Table 214 show a solid penetration of branches in moderate-income geographies; however, the low overall number of branches in the AA (4) makes such an analysis less meaningful and yields the conclusion that the above distribution is reasonable given the bank’s presence in the AA. There were no branches opened during the review period and two branches were closed, one in a moderate and the other in a middle income geography. For these branch closures, management complied with all regulatory requirements to include attempting to improve the branch’s performance, notifying customers in advance of the closure, and arranging for continued access to services for customers.

Community Development Services

The bank’s performance in providing CD services in the Bethesda AA was weak. The following was the sole example provided of a qualified CD activity in which the bank is involved with in the AA.

- Over \$1.4 thousand in interest was remitted to the state in 2010 under the IOLTA program.

State Metropolitan Area & State Reviewed

(for each metropolitan area where no assessment areas were reviewed using full-scope review)

Description of Institution's Operations in Baltimore-Towson, MD MSA

Sovereign maintains a presence within the Baltimore-Towson, MD MSA (Baltimore AA) through branches in Baltimore and Harford Counties. Sovereign's three AA branches represent 0.4 percent of its total banking offices. Due to the minor presence within the AA it was evaluated on a limited scope basis as allowed by the CRA. This AA accounted for 0.3 percent of review period HMDA reportable lending and 0.2 percent of reportable small business lending.

Description of Baltimore-Towson, MD MSA AA

This AA consists of Baltimore County (excluding Baltimore City) and Harford County, MD. The AA, which is located in the Baltimore-Towson, MD MSA #12580 (Baltimore AA), contains 249 geographies. Table 215 illustrates demographic data on population, families, and housing units within the AA.

Demographic Data	2000 Census
Population	972,882
Total Families	260,668
1-4 Family Units	305,612
Multi-family Units	85,463
% Owner-Occupied Units	67%
% Rental-Occupied Units	29%
% Vacant Housing Units	4%
Weighted Average Median Housing	\$136,851

Table 216 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	5	2.0%	2,772	1.1%	3,303	1.1%
Moderate	42	16.9%	44,102	16.9%	49,579	16.2%
Middle	139	55.8%	141,161	54.1%	166,622	54.5%
Upper	60	24.1%	72,633	27.9%	86,108	28.2%
Income NA	3	1.2%	0	0.0%	0	0.0%
Total	249	100.0%	260,668	100.0%	305,612	100.0%

According to 2000 census data, 35.3 percent of the families in the AA are classified as low- to moderate-income, with 4.3 percent of the families reporting income below the poverty level. Table 217(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 217(b) reflects the updated HUD median family income for each year during the review period; and table 217(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$41,099
Moderate (50% - 79%)	41,100	\$65,759
Middle (80% - 119%)	65,760	\$98,639
Upper (>= 120%)	98,640	+

Year	Amount
2008	\$78,200
2009	\$82,100
2010	\$82,200

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	42,925	16.5%
Moderate (50% - 79%)	49,136	18.9%
Middle (80% - 119%)	64,416	24.6%
Upper (>= 120%)	104,191	40.0%
Total	260,668	100.0%

The Baltimore MSA economy will gain momentum in the coming months, but it will take several years for the labor market to reach full employment. Strengths include a large concentration of defense and life science facilities, proximity to Washington DC, and strong transportation and distribution industries. Weaknesses include above average living and business costs, decline in old line manufacturing, and weak population trends.

In general, most economic indicators are trending positively across the state. The Baltimore MSA unemployment rate was 7.4 percent as of March 2011, down from 8.0 percent a year earlier. Housing price indices show a moderate decline in single family house prices since the time of the prior evaluation and a less severe decline over the past year.

Conclusions with Respect to Performance Tests in Baltimore-Towson, MD MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance. For this particular AA, we used limited scope evaluation procedures as allowed by the CRA due to the small size of this AA coupled with the bank’s limited presence in the AA.

Lending in the Baltimore-Towson, MD MSA Assessment Area

Table 218 illustrates the institution’s lending activity in the Baltimore AA during the review period.

Table 218 - Loan Originations within the Baltimore AA						
1/1/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA		Baltimore, MD AA		Combined AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	173	0.3%	\$16,437,291	\$87,868	0.5%
Small Business	10,507	18	0.2%	1,310,314	2,606	0.2%
Total	77,746	191	0.2%	\$17,747,605	\$90,474	0.5%

Table 219 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Baltimore AA is low but reasonably consistent with other activities in this AA. Less than one percent of branches are in the Baltimore AA as are 2.7 percent of the geographies and 2.6 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period consistent with the overall MD AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending. Sovereign was the 142nd leading HMDA mortgage loan originator in the Baltimore AA in 2008 and 82nd in 2009. Sovereign was also a less significant participant in the small business loan market in the Baltimore AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Baltimore AA.

Table 219 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 219 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Borrower Income Level in the Baltimore AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Low	4	14.3%	12	17.4%	4	5.3%	20	11.6%	7.6%	8.3%
Moderate	10	35.7%	12	17.4%	10	13.1%	32	18.5%	23.8%	21.3%
Middle	8	28.6%	22	31.9%	16	21.1%	46	26.6%	28.3%	24.3%
Upper	5	17.9%	18	26.1%	42	55.3%	65	37.6%	34.5%	33.0%
Income NA	1	3.5%	5	7.2%	4	5.2%	10	5.7%	5.8%	13.1%
Total	28	100.0%	69	100.0%	76	100.0%	173	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$605	7.9%	\$1,474	10.5%	\$354	0.5%	\$2,433	2.8%	4.2%	4.8%
Moderate	1,645	21.5%	2,053	14.7%	1,177	1.8%	4,875	5.5%	18.2%	16.1%
Middle	1,797	23.5%	4,432	31.6%	3,119	4.7%	9,348	10.6%	26.7%	22.3%
Upper	849	11.1%	4,828	34.5%	15,562	23.5%	21,239	24.2%	43.4%	41.1%
Income NA	2,750	36.0%	1,223	8.7%	46,000	69.5%	49,973	56.9%	7.5%	15.7%
Total	\$7,646	100.0%	\$14,010	100.0%	\$66,212	100.0%	\$87,868	100.0%	100.0%	100.0%

Table 219 details good penetration into the LMI borrower market in the Baltimore AA, especially early in the review period. Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin in 2008 and by a good margin in 2009. LMI lending in 2008 accounted for 50 percent of all loans, dropped to 35 percent in 2009, and further declined to 18 percent in 2010.

Table 220 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 220 - Distribution of Sovereign Bank's Small Business Loans By Loan Origination Amount in the Baltimore AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
≤ \$100,000	7	63.6%	1	100.0%	6	100.0%	14	77.8%	95.0%	91.0%
\$100,001-\$250,000	2	18.2%	0	0.0%	0	0.0%	2	11.1%	2.3%	4.2%
\$250,001-\$1 mill.	2	18.2%	0	0.0%	0	0.0%	2	11.1%	2.7%	4.8%
Total	11	100.0%	1	100.0%	6	100.0%	18	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
≤ \$100,000	\$425	18.9%	\$85	100.0%	\$270	100.0%	\$780	29.9%	34.3%	26.0%
\$100,001-\$250,000	486	21.6%	0	0.0%	0	0.0%	486	18.6%	14.6%	16.7%
\$250,001-\$1 mill.	1,340	59.5%	0	0.0%	0	0.0%	1,340	51.5%	51.1%	57.3%
Total	\$2,251	100.0%	\$85	100.0%	\$270	100.0%	\$2,606	100.0%	100.0%	100.0%

Table 220 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 89 percent of small business lending through loans under \$250 thousand

with 78 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Baltimore AA.

Table 221 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 221 - Distribution of Sovereign Bank’s Small Business Loans By Company’s Revenue Category in the Baltimore AA (Dollars in thousands)										
Company’s Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	9	81.8%	1	100.0%	4	66.6%	14	77.7%	29.8%	31.3%
Rev. > \$1 million	2	18.2%	0	0.0%	1	16.7%	3	16.7%	NA	NA
Revenue NA	0	0.0%	0	0.0%	1	16.7%	1	5.6%	70.2%	68.7%
Total	11	100.0%	1	100.0%	6	100.0%	18	100.0%	100.0%	100.0%
By \$ Amount:										
Rev. < \$1 million	\$2,051	91.1%	\$85	100.0%	\$180	66.7%	\$2,316	88.9%	31.8%	32.1%
Rev. > \$1 million	200	8.9%	0	0.0%	40	14.8%	240	9.2%	NA	NA
Revenue NA	0	0.0%	0	0.0%	50	18.5%	50	1.9%	68.2%	67.9%
Total	\$2,251	100.0%	\$85	100.0%	\$270	100.0%	\$2,606	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the “Revenue Unknown” category.

Table 221 shows that approximately 78 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Baltimore AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Baltimore AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the Baltimore AA.

Table 222 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 222 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Geography Income Level in the Baltimore AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.6%	0.4%
Moderate	7	25.0%	3	4.3%	1	1.3%	11	6.4%	13.9%	10.0%
Middle	14	50.0%	41	59.5%	30	39.5%	85	49.1%	57.3%	54.2%
Upper	7	25.0%	25	36.2%	45	59.2%	77	44.5%	28.2%	35.4%
Total	28	100.0%	69	100.0%	76	100.0%	173	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	0.7%	0.3%
Moderate	1,033	13.5%	479	3.4%	14,500	21.9%	16,012	18.2%	11.0%	7.5%
Middle	5,007	65.5%	7,983	57.0%	11,112	16.8%	24,102	27.4%	53.2%	50.5%
Upper	1,606	21.0%	5,548	39.6%	40,600	61.3%	47,754	54.4%	35.1%	41.7%
Total	\$7,646	100.0%	\$14,010	100.0%	\$66,212	100.0%	\$87,868	100.0%	100.0%	100.0%

Table 222 shows the bank to have out-performed aggregate by a wide margin in HMDA-reportable lending in LMI geographies in the Baltimore AA in 2008, but performance declined significantly in 2009 to well below that of aggregate with a further sharp decline in 2010.

Table 223 reflects Sovereign's geographic distribution of small business loans within the Baltimore AA.

Table 223 - Distribution of Sovereign Bank's Small Business Loans By Geography Income Level in the Baltimore AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.7%	1.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%	8.7%	7.6%
Middle	2	18.2%	0	0.0%	3	50.0%	5	27.8%	53.7%	53.7%
Upper	9	81.8%	1	100.0%	3	50.0%	13	72.2%	36.9%	37.7%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%
Total	11	100.0%	1	100.0%	6	100.0%	18	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	0.7%	1.2%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%	9.1%	6.9%
Middle	650	28.9%	0	0.0%	120	44.4%	770	29.5%	56.7%	58.3%
Upper	1,601	71.1%	85	100.0%	150	55.6%	1,836	70.5%	33.3%	33.6%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.2%	0.0%
Total	\$2,251	100.0%	\$85	100.0%	\$270	100.0%	\$2,606	100.0%	100.0%	100.0%

Table 223 shows the bank to have made no small business loans in LMI geographies in the Baltimore AA during the review period.

Community Development Lending

Sovereign extended one CD loan for \$15 thousand in the Baltimore AA during the review period. This AA is relatively small and the bank has a limited presence therein. The Baltimore AA is responsible for less than one percent each of all HMDA reportable lending, reportable small business lending, and branches.

Innovative and Flexible Lending Practices

Sovereign originated 12 SBA loans for more than \$2.3 million in Maryland as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009 began tracking by MSA. In 2009-10, the bank originated one SBA loan in the Baltimore AA providing \$50 thousand in credit. This level of production is consistent with other activity levels in this AA. Approximately 0.3 percent of HMDA reportable loans, 0.2 percent of small business loans, and 0.4 percent of branches are in the Baltimore AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Baltimore AA accounts for 0.3 percent of HMDA reportable lending, 0.2 percent of small business lending, 0.4 percent of branches, 2.7 percent of geographies, and 2.6 percent of the population.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

Sovereign provides a broad range of traditional thrift deposit services and loan products targeted to consumers, businesses, and municipalities in the AA. The full complement of available deposit and loan products are available throughout the AA through the bank's branch network and alternative access methods. Services offered at each AA branch are generally consistent and do not vary in a way that would be inconvenient to any particular residents of the AA.

The institution’s branches are reasonably accessible to residents of the Baltimore AA. Table 224 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 224 - Distribution of Banking Offices Baltimore AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	0	0.0%	5	2.0%	2,772	1.1%
Moderate	0	0.0%	42	16.9%	44,102	16.9%
Middle	0	0.0%	139	55.8%	141,161	54.1%
Upper	3	100.0%	60	24.1%	72,633	27.9%
Income NA	0	0.0%	3	1.2%	0	0.0%
Total	3	100.0%	249	100.0%	260,668	100.0%

Table 224 shows no branches in LMI geographies; however, the low overall number of branches in the AA (3) makes such an analysis less meaningful and yields the conclusion that the above distribution is reasonable given the bank’s limited presence in the AA. There were no branches opened or closed during the review period in the Baltimore AA.

Community Development Services

The bank’s performance in providing CD services in the Baltimore AA was weak. The following was the sole example provided of a qualified CD activity in which the bank is involved with in the AA.

- The bank maintains eleven active IOLTA accounts in the state. Over \$1.4 thousand in interest was remitted to the state in 2010 under this program. The bank tracks IOLTA accounts by state; we could not determine if any of the noted IOLTA accounts are within the Baltimore AA.

State Metropolitan Area & State Reviewed

(for each metropolitan area where no assessment areas were reviewed using full-scope review)

Description of Institution's Operations in Hagerstown-Martinsburg, MD-WV MSA

Sovereign maintains a presence within the Hagerstown-Martinsburg, MD-WV MSA (Hagerstown AA) through branches in Washington County. Sovereign's four AA branches represent 0.6 percent of its total banking offices. Due to the minor presence within the AA, it was evaluated on a limited scope basis as allowed by the CRA. This AA accounted for 0.2 percent of review period HMDA reportable lending and 0.3 percent of reportable small business lending.

Description of Hagerstown-Martinsburg, MD-WV MSA AA

This AA consists of Washington County, MD. The AA, which is located in the Hagerstown-Martinsburg, MD MSA #25180 (Hagerstown, MD MSA), contains 32 geographies. Table 225 illustrates demographic data on population, families, and housing units within the AA.

Demographic Data	2000 Census
Population	131,923
Total Families	34,235
1-4 Family Units	43,835
Multi-family Units	6,763
% Owner-Occupied Units	62%
% Rental-Occupied Units	32%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$109,631

Table 226 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	1	3.1%	437	1.3%	732	1.7%
Moderate	6	18.8%	4,441	13.0%	6,154	14.0%
Middle	16	50.0%	19,101	55.7%	24,057	54.9%
Upper	8	25.0%	10,256	30.0%	12,892	29.4%
Income NA	1	3.1%	0	0.0%	0	0.0%
Total	32	100.0%	34,235	100.0%	43,835	100.0%

According to 2000 census data, 34.5 percent of the families in the AA are classified as low- to moderate-income, with 7.0 percent of the families reporting income below the poverty level. Table 227(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 227(b) reflects the updated HUD median family income for each year during the review period; and table 227(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$32,349
Moderate (50% - 79%)	32,350	\$51,759
Middle (80% - 119%)	51,760	\$77,639
Upper (>= 120%)	77,640	+

Year	Amount
2008	\$62,600
2009	\$64,200
2010	\$64,700

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	5,753	16.8%
Moderate (50% - 79%)	6,072	17.7%
Middle (80% - 119%)	8,183	23.9%
Upper (>= 120%)	14,227	41.6%
Total	34,235	100.0%

The Hagerstown MSA economy is in recovery. Strengths include easy access to major transportation routes, proximity to Washington DC and Baltimore, and a retail outlet destination for Southeastern Pennsylvania and Western Maryland. Weaknesses include high exposure to manufacturing and low educational attainment.

In general, most economic indicators are trending positively across the state. The Hagerstown MSA unemployment rate was 10.0 percent as of March 2011, down from 10.7 percent a year earlier. Housing price indices show a significant decline in single family house prices since the time of the prior evaluation and a minor decline over the past year.

Conclusions with Respect to Performance Tests in Hagerstown, MD MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance. For this particular AA, we used limited scope evaluation procedures as allowed by the CRA due to the small size of this AA coupled with the bank’s limited presence in the AA.

Lending in the Hagerstown, MD MSA Assessment Area

Table 228 illustrates the institution’s lending activity in the Hagerstown AA during the review period.

Table 228 - Loan Originations within the Hagerstown AA						
1/1/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA	Hagerstown, MD AA		Combined AA	Hagerstown, MD AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	110	0.2%	\$16,437,291	\$15,737	0.1%
Small Business	10,507	32	0.3%	1,310,314	2,322	0.2%
Total	77,746	142	0.2%	\$17,747,605	\$18,059	0.1%

Table 228 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the Hagerstown AA is consistent with other activities in this AA. Less than 1 percent of branches are in the Hagerstown AA as are 0.3 percent of geographies and 0.3 percent of all families.

Total HMDA and small business loan reportable activity fluctuated over the three-year review period in sync with the overall MA AA performance and this was found to be attributable to economic or market conditions or the result of bank actions to improve lending. Sovereign was the 23rd leading HMDA mortgage loan originator in the Hagerstown AA in 2008 and 20th in 2009. Sovereign was also a less significant participant in the small business loan market in the Hagerstown AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the Hagerstown AA.

Table 229 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 229 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Borrower Income Level in the Hagerstown AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	5	11.1%	4	9.5%	1	4.3%	10	9.1%	5.9%	6.4%
Moderate	12	26.7%	13	31.0%	4	17.4%	29	26.4%	20.3%	17.9%
Middle	10	22.2%	12	28.5%	9	39.2%	31	28.2%	27.9%	25.3%
Upper	17	37.8%	13	31.0%	8	34.8%	38	34.5%	39.3%	36.8%
Income NA	1	2.2%	0	0.0%	1	4.3%	2	1.8%	6.6%	13.6%
Total	45	100.0%	42	100.0%	23	100.0%	110	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$438	6.4%	\$412	6.8%	\$58	2.1%	\$908	5.8%	3.0%	3.2%
Moderate	1,486	21.6%	1,842	30.5%	405	14.4%	3,733	23.7%	13.7%	12.9%
Middle	1,407	20.4%	1,748	29.0%	892	31.7%	4,047	25.7%	24.4%	23.3%
Upper	3,198	46.4%	2,030	33.7%	1,293	46.0%	6,521	41.4%	45.1%	44.4%
Income NA	364	5.2%	0	0.0%	164	5.8%	528	3.4%	13.8%	16.2%
Total	\$6,893	100.0%	\$6,032	100.0%	\$2,812	100.0%	\$15,737	100.0%	100.0%	100.0%

Table 229 details solid penetration into the LMI borrower market in the Hagerstown AA. For both years where aggregate data is available (2008-09), Sovereign's lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin. LMI lending performance declined significantly in 2010 (from 41 percent in 2009 to 22 percent in 2010).

Table 230 provides an analysis of Sovereign's small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 230 - Distribution of Sovereign Bank's Small Business Loans By Loan Origination Amount in the Hagerstown AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	20	90.9%	3	100.0%	6	85.7%	29	90.6%	92.7%	88.8%
\$100,001-\$250,000	2	9.1%	0	0.0%	0	0.0%	2	6.3%	3.7%	6.1%
\$250,001-\$1 mill.	0	0.0%	0	0.0%	1	14.3%	1	3.1%	3.6%	5.1%
Total	22	100.0%	3	100.0%	7	100.0%	32	100.0%	100.0%	100.0%
By \$ Amount:										
≤ \$100,000	\$947	65.9%	\$125	100.0%	\$450	59.2%	\$1,522	65.5%	32.8%	29.9%
\$100,001-\$250,000	490	34.1%	0	0.0%	0	0.0%	490	21.1%	17.5%	20.5%
\$250,001-\$1 mill.	0	0.0%	0	0.0%	310	40.8%	310	13.4%	49.7%	49.6%
Total	\$1,437	100.0%	\$125	100.0%	\$760	100.0%	\$2,322	100.0%	100.0%	100.0%

Table 230 shows that the vast majority of small business loans were extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 97 percent of small business lending through loans under \$250 thousand with 91 percent under \$100 thousand for the three-year review period. The above results represent a more than reasonable commitment to lending to smaller business needs in the Hagerstown AA.

Table 231 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 231 - Distribution of Sovereign Bank's Small Business Loans By Company's Revenue Category in the Hagerstown AA (Dollars in thousands)										
Company's Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	16	72.7%	2	66.7%	5	71.4%	23	71.9%	31.5%	34.9%
Rev. > \$1 million	6	27.3%	0	0.0%	2	28.6%	8	25.0%	NA	NA
Revenue NA	0	0.0%	1	33.3%	0	0.0%	1	3.1%	68.5%	65.1%
Total	22	100.0%	3	100.0%	7	100.0%	32	100.0%	100.0%	100.0%
By \$ Amount:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Rev. < \$1 million	\$717	49.9%	\$115	92.0%	\$560	73.7%	\$1,392	60.0%	34.8%	35.3%
Rev. > \$1 million	720	50.1%	0	0.0%	200	26.3%	920	39.6%	NA	NA
Revenue NA	0	0.0%	10	8.0%	0	0.0%	10	0.4%	65.2%	64.7%
Total	\$1,437	100.0%	\$125	100.0%	\$760	100.0%	\$2,322	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 231 shows that approximately 72 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the Hagerstown AA. The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the Hagerstown AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign's lending activity with respect to the distribution of loans among geographic areas of different income levels within the Hagerstown AA.

Table 232 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 232 - Distribution of Sovereign Bank's HMDA-Reportable Loans By Geography Income Level in the Hagerstown AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.7%	0.3%
Moderate	4	8.9%	5	11.9%	2	8.7%	11	10.0%	10.8%	7.5%
Middle	20	44.4%	22	52.4%	16	69.6%	58	52.7%	54.8%	56.0%
Upper	21	46.7%	15	35.7%	5	21.7%	41	37.3%	33.7%	36.2%
Total	45	100.0%	42	100.0%	23	100.0%	110	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	0.6%	0.2%
Moderate	641	9.3%	481	8.0%	143	5.1%	1,265	8.0%	7.7%	5.8%
Middle	2,761	40.1%	3,199	53.0%	1,888	67.1%	7,848	49.9%	50.8%	54.0%
Upper	3,491	50.6%	2,352	39.0%	781	27.8%	6,624	42.1%	40.9%	40.0%
Total	\$6,893	100.0%	\$6,032	100.0%	\$2,812	100.0%	\$15,737	100.0%	100.0%	100.0%

Table 232 shows the bank to have under-performed when compared to aggregate in HMDA-reportable lending in LMI geographies in the Hagerstown AA in 2008. LMI geography lending improved in 2009 to exceed aggregate by a good margin. Bank lending in LMI geographies in 2010 declined to 2008 levels.

Table 233 reflects Sovereign's geographic distribution of small business loans within the Hagerstown AA.

Table 233 - Distribution of Sovereign Bank's Small Business Loans By Geography Income Level in the Hagerstown AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	3	13.6%	1	33.3%	2	28.6%	6	18.8%	4.3%	4.3%
Moderate	3	13.6%	0	0.0%	0	0.0%	3	9.4%	12.6%	15.6%
Middle	10	45.5%	2	66.7%	4	57.1%	16	50.0%	53.6%	50.6%
Upper	6	27.3%	0	0.0%	1	14.3%	7	21.8%	29.5%	29.5%
Total	22	100.0%	3	100.0%	7	100.0%	32	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$98	6.8%	\$10	8.0%	\$335	44.1%	\$443	19.1%	4.7%	5.2%
Moderate	85	5.9%	0	0.0%	0	0.0%	85	3.7%	17.7%	15.3%
Middle	641	44.6%	115	92.0%	325	42.7%	1,081	46.5%	48.4%	48.4%
Upper	613	42.7%	0	0.0%	100	13.2%	713	30.7%	29.2%	31.1%
Total	\$1,437	100.0%	\$125	100.0%	\$760	100.0%	\$2,322	100.0%	100.0%	100.0%

Table 233 shows the bank to have exceeded aggregate in small business lending in LMI geographies in the Hagerstown AA in 2008 and 2009. Bank lending in LMI geographies in 2010 continued at these high levels.

Community Development Lending

Sovereign extended two CD loans for \$388 thousand in the Hagerstown AA during the review period. This AA is relatively small and the bank has a limited presence therein. The Hagerstown AA is responsible for less than ONE percent each of all HMDA reportable lending, reportable small business lending, and branches.

Innovative and Flexible Lending Practices

Sovereign originated 12 SBA loans for more than \$2.3 million in Maryland as a whole for the three year review period. The bank historically tracked SBA production by state, but since 2009 began tracking by MSA. In 2009-10, the bank originated two SBA loans in the Hagerstown AA providing over \$300 thousand in credit. This level of production is consistent with other activity levels in this AA. Approximately 0.3 percent of HMDA reportable loans, 0.4 percent of small business loans, and 0.6 percent of branches are in the Hagerstown AA.

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Sovereign did not provide traditional CD investments within this AA during the review period. The Hagerstown AA accounts for 0.2 percent of HMDA reportable lending, 0.3 percent of small business lending, 0.6 percent of branches, 0.3 percent of geographies, and 0.3 percent of the population.

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The institution’s branches are reasonably accessible to residents of the Hagerstown AA. Table 234 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 234 - Distribution of Banking Offices Hagerstown AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	1	25.0%	1	3.1%	437	1.3%
Moderate	1	25.0%	6	18.8%	4,441	13.0%
Middle	1	25.0%	16	50.0%	19,101	55.7%
Upper	1	25.0%	8	25.0%	10,256	30.0%
Income NA	0	0.0%	1	3.1%	0	0.0%
Total	4	100.0%	32	100.0%	34,235	100.0%

Table 224 shows a perfectly aligned distribution of branches in each income class of geography; however, the low overall number of branches in the AA (4) makes such an analysis less meaningful and yields the conclusion that the above distribution is reasonable given the bank’s limited presence in the AA. There were no branches opened or closed during the review period in the Hagerstown AA.

Community Development Services

The bank’s performance in providing CD services in the Hagerstown AA was weak. The following was the sole example provided of a qualified CD activity in which the bank is involved in the AA.

- The bank maintains eleven active IOLTA accounts in the state. Over \$1.4 thousand in interest was remitted to the state in 2010 under this program. The bank tracks IOLTA accounts by state; we could not determine if any of the noted IOLTA accounts are within the Hagerstown AA.

State

Summary

CRA Rating for Connecticut

CRA RATING^j:

The Lending Test is rated:

The Investment Test is rated:

The Service Test is rated:

Satisfactory

High Satisfactory

Low Satisfactory

High Satisfactory

LENDING TEST

Under the Lending Test, the bank extended a substantial volume of HMDA-reportable loans in the AA during the review period. The bank rose to be the ninth leading mortgage lender in the AA in 2009, the most recent year where aggregate data is available. Small business production levels are also strong, but the bank has substantial competition from larger commercial banks in the market. Sovereign outperformed aggregate HMDA reporters in lending to LMI borrowers by a solid margin and in LMI geographies by a smaller margin. The bank's small business loans are primarily targeted to smaller businesses. Sovereign originated an adequate level of community development loans during the review period and has a good record of lending under a variety of innovative and flexible lending products that target residents and businesses most in need in the AA.

INVESTMENT TEST

Under the Investment Test, the bank continues to extend funding for traditional community development investment needs, such as low-income housing tax credits in the Connecticut (CT) AA. While the overall dollar volume of traditional investments extended during the review period was solid, the allocation to this AA was lower when compared to the distribution HMDA and small business lending, branches, and demographic data for the CT AA. The overall level of donations in the CT AA was again solid, but the allocation of donations in this AA was lower than the comparative items noted above.

SERVICE TEST

Under the Service Test, the bank maintains a reasonable distribution of banking offices among geographies of different income levels that is comparable to demographic data. Several branches were closed during the review period in the CT AA, two of which were in LMI geographies.

^j For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Management took appropriate steps to mitigate the impact of the closings. The bank is involved in a high level of community development services in the CT AA.

Scope of Examination

Sovereign's CRA evaluation utilized Large Savings Association examination procedures applied to banks with total assets generally greater than \$1 billion (adjusted annually for inflation since September 2005). Large Savings Association procedures consist of three Tests: Lending, Investment, and Service. HMDA reportable mortgage loans and reportable small business loans originated or purchased between January 1, 2008 and December 31, 2010 comprise the data utilized for most Lending Test factors. Community Development loans as well as innovative and flexible loan products originated in 2008, 2009 and 2010 were also included.

The time periods used as the bases for the various types of community development investments varied depending on the type of investment. Traditional CD investments, such as equity investments, made during the three-year review period formed the basis for that portion of the Investment Test. Any prior period traditional CD investments with a remaining book balance were also included. CD investments in the form of charitable contributions for the three full years of 2008, 2009, and 2010 were also included in the Investment Test. Retail and CD service activities undertaken during the three-year review period were considered under the Service Test.

Compliance with fair lending and consumer protection laws and regulations are considered when assigning a final CRA rating.

Description of Institution's Operations in Connecticut

Sovereign maintains banking offices within the CT AA. This particular evaluation considers banking offices in Connecticut that are outside of the multi-state NY CSA AA which was subjected to a separate CRA evaluation. The CT AA that remains after excluding Connecticut offices within the NY CSA AA matches the bank's operations in the Hartford-West Hartford-East Hartford, CT MSA AA. Offices are located in Hartford (24) and Tolland (1) Counties. In total, Sovereign's activities through 25 of its 721 offices, or 3.5 percent, are included in this CT AA. This AA accounted for 3.8 percent of review period HMDA reportable and 3.4 percent of review period small business lending.

Sovereign operates in competitive markets throughout its geographic footprint. The bank's Connecticut AA consisting of 283 geographies was home to 40.7 thousand HMDA-reportable mortgage loans in 2009 for a total dollar amount of approximately \$8.2 billion. This translates to approximately 144 loans for \$29.1 million per geography for the year made by all HMDA reporters. This AA represents a small portion of overall activity and as such commands little weight in arriving at the bank's overall CRA rating.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Hartford-West Hartford-East Hartford, CT AA

This AA consists of the counties of Hartford, Middlesex and Tolland, CT. The AA, which comprises the entire Hartford-West Hartford-East Hartford, CT MSA #25540 (Hartford, CT MSA), contains 283 geographies. Table 235 illustrates demographic data on population, families, and housing units within the AA.

Demographic Data	2000 Census
Population	1,148,618
Total Families	298,162
1-4 Family Units	379,123
Multi-family Units	89,143
% Owner-Occupied Units	62%
% Rental-Occupied Units	32%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$144,727

Table 236 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
	#	%	#	%	#	%
<i>2000 Census:</i>						
Low	40	14.1%	24,092	8.1%	23,273	6.1%
Moderate	44	15.5%	38,795	13.0%	50,513	13.3%
Middle	128	45.3%	144,762	48.5%	192,066	50.7%
Upper	69	24.4%	90,513	30.4%	113,271	29.9%
Income NA	2	0.7%	0	0.0%	0	0.0%
Total	283	100.0%	298,162	100.0%	379,123	100.0%

According to 2000 census data, 37.9 percent of the families in the AA are classified as low- to moderate-income, with 4.1 percent of the families reporting income below the poverty level. Table 237(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 237(b) reflects the updated HUD median family income for each year during the review period; and table 237(c) shows the distribution of families in each income range of the AA.

Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$42,349
Moderate (50% - 79%)	\$42,350	\$67,759
Middle (80% - 119%)	\$67,760	\$101,639
Upper (>= 120%)	\$101,640	+

Year	Amount
2008	\$81,100
2009	\$85,100
2010	\$84,700

* Based on HUD 2010 Median Family Income of the MSA

Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	60,212	20.2%
Moderate (50% - 79%)	52,736	17.7%
Middle (80% - 119%)	69,791	23.4%
Upper (>= 120%)	115,423	38.7%
Total	298,162	100.0%

The pace of Connecticut’s recovery will be moderate with the economy not regaining its 2008 peak payrolls until 2014. Strengths include a highly educated work force, a large and stable aerospace industry, and a strong roster of universities and hospitals. Weaknesses include a high cost of doing business, especially energy, highly skewed income distribution, low housing affordability, and weak population growth.

In general, most economic indicators are trending positively across the state. The state unemployment rate was 9.1 percent as of March 2011, only down from 9.2 percent a year earlier. Housing price indices show a substantial decline in single family house prices since the time of the prior evaluation and a slowing pace of decline over the past year.

No community contacts were conducted due to the bank’s relatively small presence in this AA.

Conclusions with Respect to Performance Tests in Hartford-West Hartford-East Hartford, CT MSA AA

As part of the CRA review, an analysis of the institution’s performance under the Lending Test, Investment Test, and Service Test was conducted. In consideration of each Test, various reviews were performed to assess the institution’s level of performance.

Lending Test:

Under the Lending Test, the areas reviewed consisted of the institution’s lending activity within its CT AA, the geographic distribution of loans, the borrowers’ profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution’s responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities and the use of innovative and flexible loan products to serve the AA credit needs.

Lending in the Hartford-West Hartford-East Hartford, CT MSA Assessment Area

Table 238 illustrates the institution’s lending activity in the CT AA during the review period.

Table 238 - Loan Originations within the CT AA						
1/1/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA	CT AA		Combined AA	CT AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	67,239	2,529	3.8%	\$16,437,291	\$500,642	3.0%
Small Business	10,507	357	3.4%	1,310,314	52,211	4.0%
Total	77,746	2,886	3.7%	\$17,747,605	\$552,853	3.1%

Table 238 shows that the percentage of the number and dollar volume of both HMDA and small business loans within the CT AA is consistent with other activities in this AA. Approximately four percent of branches are in the CT AA as are three percent of geographies and three percent of all families.

Total HMDA reportable activity rose 73 percent between 2008 and 2009, and declined 38 percent in 2010. Total HMDA lending nationwide also increased by 25 percent in 2009. Sovereign was the 11th leading HMDA mortgage loan originator in the CT AA in 2008 with 626 loans at \$113.8 million. The bank rose to the 9th leading mortgage originator in the CT AA in 2009 with 1,090 loans at \$217.4 million.

Small business loan production trends differ markedly when compared to HMDA reportable mortgage loan activity during the review period in the CT AA. The number of small business loans originated declined between 2008 and 2009 by 56 percent and subsequently increased by 34 percent in 2010. Total small business lending nationwide for all reporting lenders also declined by 42 percent in 2009.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among borrowers of different income levels within the CT AA.

Table 239 illustrates loan originations, categorized by borrower income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 239 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Borrower Income Level in the CT AA (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	91	13.6%	128	11.1%	68	9.6%	287	11.3%	7.4%	8.2%
Moderate	213	32.0%	324	28.1%	165	23.2%	702	27.8%	24.2%	23.3%
Middle	157	23.5%	296	25.7%	179	25.2%	632	25.0%	29.9%	26.8%
Upper	178	26.7%	381	33.1%	292	41.2%	851	33.6%	35.8%	35.3%
Income NA	28	4.2%	23	2.0%	6	0.8%	57	2.3%	2.7%	6.4%
Total	667	100.0%	1,152	100.0%	710	100.0%	2,529	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$10,717	8.8%	\$14,621	6.4%	\$7,207	4.8%	\$32,545	6.5%	3.9%	4.8%
Moderate	31,545	25.8%	50,495	22.0%	23,802	16.0%	105,842	21.1%	18.1%	17.8%
Middle	30,086	24.6%	59,587	26.0%	33,796	22.7%	123,469	24.7%	27.4%	25.3%
Upper	42,813	35.0%	99,421	43.3%	77,351	52.0%	219,585	43.9%	45.0%	44.6%
Income NA	7,136	5.8%	5,294	2.3%	6,771	4.5%	19,201	3.8%	5.6%	7.5%
Total	\$122,297	100.0%	\$229,418	100.0%	\$148,927	100.0%	\$500,642	100.0%	100.0%	100.0%

Table 239 details solid penetration into the LMI borrower market in the CT AA. For both years where aggregate data is available (2008-2009), Sovereign’s lending to both LMI borrowers exceeded that of aggregate lenders by a substantial margin, especially in 2008. Sovereign was the 7th leading LMI lender in 2008 and 2009 in the CT AA. These rankings are better than the bank’s overall mortgage origination lending rank (11th and 9th) in the CT AA. The bank’s LMI performance, on a percentage basis, declined modestly in 2010.

The above results are partially attributable to the bank’s extensive involvement in affordable mortgage products, including most state housing agency programs, federal guaranteed/subsidized programs (i.e. VA/FHA), and both internal and secondary market affordable mortgage programs.

Table 240 provides an analysis of Sovereign’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 240 - Distribution of Sovereign Bank's Small Business Loans By Loan Origination Amount in the CT AA (Dollars in thousands)										
Loan Amount At Origination	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
≤ \$100,000	108	61.0%	50	64.9%	77	74.7%	235	65.8%	96.0%	92.4%
\$100,001-\$250,000	35	19.8%	15	19.5%	12	11.7%	62	17.4%	1.9%	3.6%
\$250,001-\$1 mill.	34	19.2%	12	15.6%	14	13.6%	60	16.8%	2.1%	4.0%
Total	177	100.0%	77	100.0%	103	100.0%	357	100.0%	100.0%	100.0%
By \$ Amount:										
≤ \$100,000	\$5,862	21.2%	\$2,225	19.8%	\$3,406	25.6%	\$11,493	22.0%	40.7%	28.5%
\$100,001-\$250,000	6,194	22.4%	3,015	26.8%	1,835	13.8%	11,044	21.2%	14.3%	17.0%
\$250,001-\$1 mill.	15,582	56.4%	6,018	53.4%	8,074	60.6%	29,674	56.8%	45.0%	54.5%
Total	\$27,638	100.0%	\$11,258	100.0%	\$13,315	100.0%	\$52,211	100.0%	100.0%	100.0%

Table 240 shows a solid majority of small business loans extended in smaller original principal balance amounts which serve as a proxy for the size of the business receiving the loan. Sovereign extended approximately 83 percent of small business lending through loans under \$250 thousand with 66 percent under \$100 thousand for the three-year review period. While aggregate data shows over 92 percent of small business loans under \$100 thousand, aggregate small business data is dominated by large credit card lenders that originate large numbers of loans, the vast majority of which are under business credit card arrangements with credit lines under \$100 thousand. The above results represent a more than reasonable commitment to lending to smaller business needs in the CT AA.

Table 241 illustrates small business loan originations, based on company's annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 241 - Distribution of Sovereign Bank's Small Business Loans By Company's Revenue Category in the CT AA (Dollars in thousands)										
Company's Rev. Category	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Rev. < \$1 million	109	61.6%	41	53.2%	65	63.1%	215	60.2%	29.0%	27.5%
Rev. > \$1 million	56	31.6%	34	44.2%	31	30.1%	121	33.9%	NA	NA
Revenue NA	12	6.8%	2	2.6%	7	6.8%	21	5.9%	71.0%	72.5%
Total	177	100.0%	77	100.0%	103	100.0%	357	100.0%	100.0%	100.0%
By \$ Amount:										
Rev. < \$1 million	\$12,774	46.2%	\$2,719	24.2%	\$4,094	30.7%	\$19,587	37.5%	28.1%	26.5%
Rev. > \$1 million	12,013	43.5%	8,389	74.5%	6,746	50.7%	27,148	52.0%	NA	NA
Revenue NA	2,851	10.3%	150	1.3%	2,475	18.6%	5,476	10.5%	71.9%	73.5%
Total	\$27,638	100.0%	\$11,258	100.0%	\$13,315	100.0%	\$52,211	100.0%	100.0%	100.0%

* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the "Revenue Unknown" category.

Table 241 shows that approximately 60 percent of small business loans extended during the review period were to businesses with gross annual revenues under \$1 million for their most recent reporting year in the CT AA. Comparisons to aggregate data is flawed in two respects: 1) aggregate data is dominated by nation-wide lenders that originate and purchase large volumes of credit card lines to larger businesses, and 2) aggregate data does not specifically include the volume of lending to businesses with revenues over \$1 million.

The analyses of small business lending by both loan size and revenues supports a more than reasonable commitment on the part of the bank to lending to smaller businesses in the CT AA.

Geographic Distribution of Loans

Part of the Lending Test includes an analysis of Sovereign’s lending activity with respect to the distribution of loans among geographic areas of different income levels within the CT AA.

Table 242 illustrates loan originations, categorized by geography income level, that were reported by Sovereign during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders.

Table 242 - Distribution of Sovereign Bank’s HMDA-Reportable Loans By Geography Income Level in the CT AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	19	2.8%	13	1.1%	9	1.3%	41	1.6%	2.5%	1.5%
Moderate	72	10.8%	79	6.9%	56	7.9%	207	8.2%	9.4%	6.6%
Middle	368	55.2%	588	51.0%	357	50.2%	1,313	51.9%	54.0%	51.8%
Upper	208	31.2%	472	41.0%	288	40.6%	968	38.3%	34.1%	40.1%
Total	667	100.0%	1,152	100.0%	710	100.0%	2,529	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$2,615	2.1%	\$1,332	0.6%	\$1,129	0.8%	\$5,076	1.0%	2.3%	1.5%
Moderate	10,570	8.6%	10,425	4.5%	7,219	4.8%	28,214	5.6%	7.0%	4.7%
Middle	64,567	52.9%	107,613	46.9%	69,850	46.9%	242,030	48.4%	50.3%	47.3%
Upper	44,545	36.4%	110,048	48.0%	70,729	47.5%	225,322	45.0%	40.4%	46.5%
Total	\$122,297	100.0%	\$229,418	100.0%	\$148,927	100.0%	\$500,642	100.0%	100.0%	100.0%

Table 242 shows the bank to have out-performed aggregate in HMDA-reportable lending in LMI geographies in the CT AA by a good margin in 2008. The bank extended 13.6 percent of 2008 loans in LMI geographies while aggregate data reflected an 11.9 percent rate. Bank lending in LMI geographies declined to approximate aggregate in 2009; the bank extended 8.0 percent of loans in LMI geographies in 2009 versus aggregate at 8.1 percent. Bank lending in LMI geographies increased to 9.2 percent in 2010.

Table 243 reflects Sovereign’s geographic distribution of small business loans within the CT AA.

Table 243 - Distribution of Sovereign Bank’s Small Business Loans By Geography Income Level in the CT AA (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:									% by #	% by #
Low	8	4.5%	5	6.5%	2	1.9%	15	4.2%	5.6%	5.7%
Moderate	19	10.7%	11	14.3%	13	12.6%	43	12.0%	10.2%	9.4%
Middle	97	54.8%	39	50.6%	50	48.5%	186	52.1%	49.9%	50.2%
Upper	53	30.0%	22	28.6%	37	36.0%	112	31.4%	34.2%	34.6%
Income NA	0	0.0%	0	0.0%	1	1.0%	1	0.3%	0.1%	0.1%
Total	177	100.0%	77	100.0%	103	100.0%	357	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$541	2.0%	\$1,458	13.0%	\$80	0.6%	\$2,079	4.0%	7.5%	7.9%
Moderate	2,212	8.0%	2,240	19.9%	1,752	13.2%	6,204	11.9%	12.4%	13.3%
Middle	14,440	52.2%	4,472	39.7%	6,779	50.9%	25,691	49.2%	51.3%	51.8%
Upper	10,445	37.8%	3,088	27.4%	4,614	34.7%	18,147	34.8%	28.7%	26.4%
Income NA	0	0.0%	0	0.0%	90	0.6%	90	0.1%	0.1%	0.6%
Total	\$27,638	100.0%	\$11,258	100.0%	\$13,315	100.0%	\$52,211	100.0%	100.0%	100.0%

Table 243 shows the bank to have slightly under-performed when compared to aggregate in small business lending in LMI geographies in the CT AA in 2008. The bank extended 15.2 percent of 2008 small business loans in LMI geographies while aggregate data reflected a 15.8 percent rate. Bank lending in LMI geographies improved substantially in 2009; the bank extended 20.8 percent of small business loans in LMI geographies in 2009 versus the aggregate at 15.1 percent. Bank small business lending in LMI geographies returned to 2008 levels at 14.5 percent in 2010.

Community Development Lending

Sovereign continues to provide an adequate level, in terms of both numbers and dollar volume, of CD loans in the CT AA. These loans provide or further enable affordable housing for LMI residents and provide for the stabilization or revitalization of LMI areas.

For the three year review period, the bank extended four CD loans totaling \$2.3 million in the CT AA. Table 244 provides further detailed for these loans.

Table 244 - CD Loans in the CT AA				
CD Loan Type	# CD loans	% of total all AAs	\$ (000s) CD loans	% of total all AAs
Commercial	0	NA	\$0	NA
Multi-Family	4	1.9%	\$2,343	0.4%
Total	4	1.3%	\$2,343	0.4%

The bank's level of CD lending in the CT AA is slightly below the overall activity level and presence within the AA, but reasonable nonetheless. The CT AA is responsible for four percent of all HMDA reportable lending, three percent of reportable small business lending, and four percent of branches. While commercial type CD lending activity was absent and a mere four multi-family loans were extended during the review period, the dollar level of credit was significant and benefitted four affordable housing projects in Hartford (2), East Hartford, and Middletown.

Innovative and Flexible Lending Practices

Bank performance under this factor is strong. Sovereign participates in numerous innovative and/or flexible loan programs that benefit home owners and home seekers and small businesses. The bank also established several loan programs prior to and during the current review period in an attempt to meet specific credit needs across all bank AAs. The bank's involvement with the Connecticut Housing Finance Authority (CHFA) resulted in the origination of 179 mortgage loans for over \$21.2 million during the review period.

Note that the Connecticut state production numbers above likely include some loan activity that is technically outside of the CT AA. Approximately half of the territory delineated as part of the bank's combined AA in Connecticut is within the CT AA. The remaining segments of delineated Connecticut territory are part of the NY CSA AA which was subjected to a separate CRA evaluation. This includes the New Haven-Milford, CT MSA and Litchfield County

SMALL BUSINESS PROGRAMS

Sovereign originated 45 SBA loans for more than \$4.9 million in Connecticut for the three -year review period. As was the case with mortgage loans, the bank historically tracked SBA production by state only so the above levels reflect activity state-wide including some level of lending in the NY CSA AA. Since 2009, the bank began SBA loan tracking by MSA. In 2009-2010, 23 SBA loans provided over \$2.2 million in credit to CT AA (Hartford MSA) businesses. This level of production represents 4.8 percent of the total number and 5.3 percent of the total dollar volume of SBA loans originated by the bank in 2009-2010. This reflects solid performance when compared to other activity levels in this AA. Approximately four percent of HMDA reportable loans, three percent of small business loans, and four percent of branches are in the CT AA

Investment Test:

Under the Investment Test, the areas reviewed consisted of the institution's traditional investment and grant activity, the innovativeness or complexity of such activity, and its responsiveness to credit and community development needs.

Of the \$65.4 million in qualified traditional CD investments made during the review period in the combined AAs, \$567.2 thousand or 0.9 percent is directly allocated to the CT AA. This level of traditional investment dollars is somewhat lower but reasonable when compared with the allocation of various comparable AA activities. The CT AA accounts for 3.8 percent of HMDA reportable lending, 3.4 percent of small business lending, 3.5 percent of branches, three percent of geographies, and three percent of the population.

Table 245 highlights the activities of some of the groups that received funds through the LIHTC investments. The bank made no New Market Investments in the CT AA, during the review period.

Table 245 - Low-Income Housing Tax Credit and New Market Tax Credit Investments in the CT AA		
Entity Name	Location	Service
LIHTC – Hartford Assisted Living.	Hartford, CT	Elderly affordable housing
Total Qualified Investments	\$567,231	

Contributions to qualified organizations benefiting several groups in the CT AA totaled \$125.4 thousand or 0.9 percent of total contributions made during the review period in the combined AAs.

The allocation of contributions is also lower when compared to AA activity; however, it reflects a reasonable effort in the CT AA. The recipients of these donations support a broad range of community development services including affordable housing development, residential facilities for low-income physically-challenged residents, food pantries, homeless services, and homeownership counseling. Table 246 highlights the activities of some of the groups that received contributions.

Table 246 - Community Development Contributions in the CT AA		
Entity Name	Location	Service
United Way	Hartford, CT	Health and human services
Hartford Economic Development Corp	Hartford, CT	Economic development
Community Economic Development Fund	Meridian, CT	Economic development
Habitat for Humanity	Hartford, CT	Affordable housing
Foodshare	Bloomfield, CT	Health and human services
Total Contributions CT AA	\$350,933	

Service Test:

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Retail Services

The institution’s branches are reasonably accessible to residents of the CT AA. Table 247 details the number and percentage of branches in each census tract income category and compares that to the number and percentage of geographies and families in each income classification.

Table 247 - Distribution of Banking Offices CT AA						
Geog Inc Level	Branches		Geographies		Total Area Families	
2000 Census:	#	%	#	%	#	%
Low	2	8.0%	40	14.1%	24,092	8.1%
Moderate	4	16.0%	44	15.5%	38,795	13.0%
Middle	13	52.0%	128	45.3%	144,762	48.5%
Upper	6	24.0%	69	24.4%	90,513	30.4%
Income NA	0	0.0%	2	0.7%	0	0.0%
Total	25	100.0%	283	100.0%	298,162	100.0%

As Table 247 shows, the distribution of branches in LMI geographies is reasonable compared to the distribution of geographies and families in the CT AA. The bank’s branches in low income census tracts (8.0 percent) compared adequately to the distribution of families at 8.1 percent in the CT AA. Access to branches in moderate income geographies is also reasonable at (16.0 percent versus comparable data for AA geographies (15.5 percent) and for families (13 percent).

The bank opened one branch in a middle-income geography. Three branches were closed, one in a low-income geography, one in a moderate-income geography, and one in an upper-income geography during the review period. These closures do not appear to have had an adverse impact on LMI individuals; management complied with all regulatory requirements including attempts to improve the branches’ performance, notifying customers in advance of the closures, and arranging for continued access to services for customers.

Community Development Services

Sovereign’s performance in providing CD services in the CT AA was good. The bank was responsive to a number of community development needs by providing financial and technical assistance to development organizations in the CT AA. Sovereign has partnered with local organizations to focus on educational programs designed to improve financial literacy. The following are examples of some of the qualified CD activities in which the bank within the CT AA.

- Bank personnel play an active role in the board of the Local Initiatives Support Corporation (LISC) in Hartford. This organization helps the CDCs restore economic vitality and quality of life to areas plagued by blight and abandonment, with the goal of bringing opportunities to Hartford neighborhoods.

- Sovereign employees play active roles on the boards and other key positions in the Community Economic Development Fund (CEDF). This organization was formed to strengthen neighborhood economies by providing financial and technical support to small businesses, community organizations, and initiatives in targeted communities and to low and moderate income individuals throughout Connecticut.
- The bank maintains 205 active IOLTA accounts in the state. Over \$140 thousand in interest was remitted to the state in 2010 under this program.
- Sovereign services nearly 400 mortgage loans with a combined principal balance of over \$56 million for CHFA.

Appendix A

Scope of Examination

SCOPE OF EXAMINATION		
Full Scope Examination		
TIME PERIOD REVIEWED:	January 1, 2008 through December 31, 2010	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Sovereign Bank		HMDA reportable mortgage loans and reportable small business loans.
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Sovereign Bank Foundation	Affiliate	Community development investments.
Sovereign Endowment Foundation	Affiliate	Community development investments.

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED ¹	OTHER INFORMATION
New York-Newark-Bridgeport, NY-NJ-CT CSA	Full Scope	None	Multi-State AA
Boston-Worcester-Manchester MA-RI-NH CSA	Full Scope	None	Multi-State AA
Philadelphia-Camden-Vineland PA-NJ-DE-MD CSA	Full Scope	None	Multi-State AA
Allentown-Bethlehem-Easton PA-NJ MSA	Full Scope	None	Multi-State AA
State of Pennsylvania	Full Scope	None	Includes five MSAs and one non-MSA area.
State of Massachusetts	Full Scope	None	Includes two MSAs and one non-MSA area.
State of Maryland	Full Scope	None	Includes three MSAs.
State of Connecticut	Full Scope	None	Hartford MSA

¹ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

Appendix B

Summary of State and Multistate Metropolitan Area Ratings

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
New York CSA Multi-State AA	Outstanding	High Satisfactory	High Satisfactory	Outstanding
Boston CSA Multi-State AA	Outstanding	Outstanding	Outstanding	Outstanding
Philadelphia CSA Multi-State AA	Outstanding	Outstanding	Outstanding	Outstanding
Allentown MSA Multi-State AA	Outstanding	Outstanding	High Satisfactory	Outstanding
Pennsylvania	Outstanding	High Satisfactory	Outstanding	Outstanding
Massachusetts	Low Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
Maryland	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Connecticut	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

CRA Rating Definitions

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.