



Sovereign Bancorp

NEWS RELEASE

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Sovereign Bancorp, Inc. Announces First Quarter 2007 Earnings

PHILADELPHIA, PA...Sovereign Bancorp, Inc. ("**Sovereign**") (NYSE: **SOV**), parent company of Sovereign Bank ("Bank"), today reported net income for the first quarter of 2007 of \$48.1 million, or \$.09 per diluted share as compared to \$141 million, or \$.36 per diluted share, for the first quarter of 2006. Net income in first quarter of 2007 included net charges related to the previously announced expense reduction initiative and balance sheet restructuring of \$52.3 million after-tax or \$.11 per share, as well as merger related and other one-time charges which in the aggregate was less than \$.01 per share. In addition, a charge related to the correspondent home equity held for sale portfolio was recorded of \$76.4 million after-tax or \$.15 per share. Net income in the first quarter of 2006 included charges related to proxy and related professional fees of \$9.3 million after-tax, or \$.02 per share.

For the quarter ended March 31, 2007, Sovereign's operating earnings for EPS purposes were \$180 million, or \$.35 per diluted share, which excluded the charges mentioned above, as compared to \$155 million, or \$.38 per diluted share a year ago, which also excluded the above-mentioned charges. A reconciliation of net income to operating earnings, as well as the related earnings per share amounts, is included in a later section of this release.

Commenting on results for the first quarter of 2007, Joseph P. Campanelli, Sovereign's President and CEO, stated, "We are on-track with respect to our cost-cutting goals, as our G & A expenses declined \$25 million on a linked quarter basis. We substantially completed our balance sheet restructuring during the quarter, and despite the additional charges required, we are pleased to report reductions in wholesale assets in excess of \$6 billion, and reductions of wholesale borrowings in excess of \$9 billion. Credit quality remains within an expected tolerance. Our core commercial and consumer loan growth was strong during the quarter."

Net Interest Income and Margin

For the first quarter of 2007, Sovereign reported net interest income of \$488 million as compared to \$404 million in the first quarter of 2006. Sovereign's average loan balances, including acquisitions and loans held-for-sale, increased by \$17.0 billion over last year. Reflecting the loan sales that settled during the first quarter of 2007, average loan balances decreased about \$2.2 billion on a linked quarter basis to \$61.2

billion. The period-end loan portfolio decreased by approximately \$6.4 billion from fourth quarter levels, reflecting the sale of approximately \$2.5 billion of residential mortgage loans, \$1.3 billion of multi-family loans, and \$3.3 billion of correspondent home equity loans that settled during the first quarter as well as planned runoff in residential mortgage loans. This decrease was partially offset by strong auto loan growth and growth in commercial loans. Sovereign's average core deposits, including acquisitions, increased \$9.2 billion over last year and decreased \$267 million linked quarter to \$36.1 billion, driven by reductions in higher-cost categories.

Net interest margin was 2.70% for the first quarter of 2007 as compared to 2.60% in the fourth quarter of 2006 and 3.00% a year ago. The increase in net interest margin reflects the partial effects of the balance sheet restructuring, which settled throughout the first quarter of 2007, as well as additional loan prepayment fees. The yield on interest earning assets expanded 15 basis points during the quarter while total funding costs increased 6 basis points during the same period.

Non-Interest Income

Total fees and other income before security gains totaled \$45.9 million for the first quarter of 2007 compared to \$134 million a year ago and \$149 million last quarter. Included in first quarter fee income was the aforementioned charge of \$120 million related to the correspondent home equity portfolio due primarily to widening of credit spreads. Consumer and commercial banking fees increased 18% from a year ago, primarily a result of the Independence acquisition, and were down 3.6% from the fourth quarter of 2006. Fee revenues on a linked quarter basis were impacted by seasonal factors typically present in the consumer banking fees the first quarter of each year.

Mortgage banking revenues for the quarter were a loss of \$107 million, compared to a loss of \$7.6 million last quarter and gains of \$13.0 million in the same quarter a year ago. Included in mortgage banking revenues for the quarter was an additional charge of \$120 million related to the sale of correspondent home equity loans, which included the establishment of a reserve for any potential loan repurchases that may result from certain obligations under the sales agreement as well as the lower of cost or market adjustment for the loans that were not sold. Also included in mortgage banking revenues was a \$6.1 million net gain related to the sale of approximately \$1.3 billion of multi-family loans.

Non-Interest Expense

G&A expenses were \$330 million for the first quarter of 2007, down \$25 million or 7.0% from the fourth quarter of 2006 as a result of expense reduction initiatives implemented late in the fourth quarter and during the first quarter of 2007 and decreased marketing expenditures in the first quarter of 2007. G&A expenses to average assets were 1.53% for the quarter, compared to 1.56% in the fourth quarter of 2006 and 1.77% a year ago.

First Quarter Charges

Several charges are reflected in Sovereign's financial statements this quarter. These charges relate to the previously announced cost cutting and balance sheet restructuring program and the Independence acquisition. Management believes that these events are unusual in nature, and therefore has excluded these charges from its operating earnings definition in order for analysts and investors to obtain a clearer picture of Sovereign's earnings stream going forward. Because these charges impact several categories of Sovereign's income statement, the following table highlights which items management has designated as special charges, and where these charges are reflected:

<u>Income Statement Line Item</u>	<u>Pre-tax (Charge)/Benefit</u>	<u>Explanation</u>
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Balance Sheet Restructuring Gain/(Loss):

Mortgage Banking Revenue	\$(120) million \$6.1 million	Charge related to correspondent home equity loans Net gain on sale of \$1.3 billion multi-family loans
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Expense Reduction Initiative and Independence Acquisition Charges:

Other Expense	\$(43.4) million \$(20.0) million \$(2.1) million	Charges associated with the freezing of the ESOP Reduction in workforce and other restructuring Merger and integration charges related to Independence
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Asset Quality

Annualized net charge-offs were .16% of average loans for the first quarter, compared to .29% (excluding special charges) in the fourth quarter of 2006 and .26% a year ago. In dollars, net charge-offs were \$24.1 million this quarter versus \$46.4 million (excluding credit charges related to the correspondent home equity portfolio and residential mortgage loans) in the prior quarter and \$28.3 million a year ago.

Non-performing loans to total loans held for investment increased 4 basis points from fourth quarter levels to .39%. Non-performing loans increased by \$23.7 million from last quarter to \$218 million. The allowance for credit losses to non-performing loans was 231% at March 31, 2007, as compared to 251% at December 31, 2006 and 239% at March 31, 2006.

Sovereign's provision for credit losses was \$46.0 million this quarter, compared to \$366 million in the fourth quarter of 2006 and \$29.0 million in the first quarter of 2006. The provision for credit losses in the prior quarter included a \$296 million lower of cost or market adjustment on the correspondent home equity portfolio held-for-sale.

Sovereign has limited exposure to both sub-prime and Alt-A residential mortgages. Sovereign's sub-prime mortgage exposure is approximately \$320 million, or about 2% of residential mortgage loans outstanding. Sovereign's Alt-A exposure is \$2.6 billion, or 18% of residential mortgage loans outstanding, down from about 25% at year-end due to the sale of residential mortgage loans during the quarter. Delinquencies in the Alt-A mortgage portfolio were 3.43% at March 31, 2007 as compared to 3.79% at year-end and 2.14% a year ago.

Capital

Sovereign's Tier 1 leverage ratio was 6.25% at March 31, 2007, up from 5.73% at year-end. Tangible equity to tangible assets, which includes preferred stock, was 4.20%. Tangible common equity to tangible assets was 3.94%. The equity to assets ratio was 10.57% at March 31, 2007. Sovereign Bank's Tier 1 leverage ratio was 6.82% and the Bank's total risk-based capital ratio was 10.48% at March 31, 2007.

On April 13, 2007, Moody's raised the ratings of Sovereign and its affiliates one notch. Sovereign's senior unsecured rating was raised to A3 from Baa1, the long-term deposits rating on Sovereign Bank was raised to A2 from A3 and the short-term deposits rating was raised to P-1 from P-2. Moody's noted that the ratings reflect Sovereign's solid market shares in its direct banking franchise in the New England and Mid-Atlantic states and a diversified loan portfolio. Upward pressure on the rating would occur if Sovereign were to demonstrate the successful integration of Independence resulting in an improved franchise and profitability and restoring its capital ratios promptly.

About Sovereign

Sovereign Bancorp, Inc., ("**Sovereign**") (NYSE: **SOV**), is the parent company of Sovereign Bank, a financial institution with \$82 billion in assets as of March 31, 2007 with principal markets in the Northeast United States. Sovereign Bank has nearly 785 community banking offices, over 2,300 ATMs and approximately 11,350 team members. Sovereign offers a broad array of financial services and products including retail banking, business and corporate banking, cash management, capital markets, wealth management and insurance. Sovereign is the 18th largest banking institution in the United States. For more information on Sovereign Bank, or call **1-877-SOV-BANK**

Investors, analysts and other interested parties will have the opportunity to listen to a live web-cast of Sovereign's First Quarter 2007 earnings call on Thursday, April 19 beginning at 9:00 a.m. ET at <http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=67999&eventID=1511632> . International parties are invited to dial into the conference call at 706-679-7706. The webcast and replay can be accessed anytime from 9:00 a.m. ET on Thursday, April 19, 2007 through 12:00 a.m. ET on July 18, 2007. Questions may be submitted during the call via email accessible from Sovereign Bancorp's broadcast and Investor Relations sites. A telephone replay will be accessible from 11:00 a.m. ET on Thursday, April 19, 2007 through 12:00 a.m. ET (midnight) on Thursday, April 26 2007 by dialing 1-800-642-1687, confirmation id #3572082.

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Note:

This press release contains financial information determined by methods other than in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Sovereign's management uses the non-GAAP measure of Operating Earnings, and the related per share amount, in their analysis of the company's performance. This measure, as used by Sovereign, adjusts net income determined in accordance with GAAP to exclude the effects of special items, including significant gains or losses that are unusual in nature or are associated with acquiring and integrating businesses. Operating earnings for 2006 and 2007 EPS purposes represent net income adjusted for the after-tax effects of merger-related and integration charges, certain restructuring charges, other-than-temporary impairment charges on Fannie Mae and Freddie Mac preferred equity securities and proxy and related professional fees. Since certain of these items and their impact on Sovereign's performance are difficult to predict, management believes presentations of financial measures excluding the impact of these items provide useful supplemental information in evaluating the operating results of Sovereign's core businesses. These disclosures should not be viewed as a substitute for net income determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

This press release contains statements of Sovereign's strategies, plans, and objectives, as well as estimates of financial condition, operating and cash efficiencies and revenue generation. These statements and estimates constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995), which involve significant risks and uncertainties. Actual results may differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, general economic conditions, changes in interest rates, deposit flows, loan demand, real estate values and competition; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; Sovereign's ability in connection with any acquisition to complete such acquisition and to successfully integrate assets, liabilities, customers, systems and management personnel Sovereign acquires into its operations and to realize expected cost savings and revenue enhancements within expected time frame; the possibility that expected one time merger-related charges are materially greater than forecasted or that final purchase price allocations based on the fair value of acquired assets and liabilities and related adjustments to yield and/or amortization of the acquired assets and liabilities at any acquisition date are materially different from those forecasted; other economic, competitive, governmental, regulatory, and technological factors affecting the Company's operations, integrations, pricing, products and services; and acts of God, including natural disasters.

Sovereign Bancorp is followed by several market analysts. Please note that any opinions, estimates, forecasts, or predictions regarding Sovereign Bancorp's performance or recommendations regarding Sovereign's securities made by these analysts are theirs alone and do not represent opinions, estimates, forecasts, predictions or recommendations of Sovereign Bancorp or its management. Sovereign Bancorp does not by its reference to any analyst opinions, estimates, forecasts regarding Sovereign's performance or recommendations regarding Sovereign's securities imply Sovereign's endorsement of or concurrence with such information, conclusions or recommendations.

Sovereign Bancorp, Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS

(unaudited)

	Quarter Ended				
	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
(dollars in millions, except per share data)					
Operating Data					
Net income (loss)	\$48.1	\$(129.4)	\$184.0	\$(59.1)	\$141.4
Net income (loss) for EPS purposes	44.4	(133.1)	188.5	(61.5)	147.7
Operating earnings for EPS purposes (1)	179.6	166.6	207.0	163.2	155.2
Net interest income	487.9	487.0	491.8	438.8	404.0
Provision for credit losses (6)	46.0	366.0	45.0	44.5	29.0
Total fees and other income before securities transactions (7)	45.9	149.4	171.9	142.0	134.3
Net gain (loss) on investment securities (8)	1.0	(36.1)	29.2	(305.0)	-
G&A expense	330.0	354.9	351.8	303.3	280.0
Other expenses (9)	116.8	134.5	75.3	58.9	44.8

Performance Statistics

Bancorp

Net interest margin	2.70%	2.60%	2.64%	2.86%	3.00%
Return on average assets	0.22%	-0.57%	0.81%	-0.32%	0.90%
Operating return on average assets (1)	0.83%	0.73%	0.91%	0.89%	0.98%
Return on average equity	2.23%	-5.82%	8.47%	-3.54%	9.72%
Operating return on average equity (1)	8.34%	7.49%	9.52%	9.77%	10.68%
Return on average tangible equity	6.01%	-15.54%	23.72%	-8.16%	19.29%
Operating return on average tangible equity (1)	22.46%	20.00%	26.68%	22.54%	21.18%
Annualized net loan charge-offs to average loans (10)	0.16%	2.75%	0.23%	0.23%	0.26%
G & A expense to average assets	1.53%	1.56%	1.55%	1.66%	1.77%
Efficiency ratio (3)	61.83%	55.77%	53.01%	52.22%	52.01%

Per Share Data

Basic earnings (loss) per share (2)	\$0.09	\$(0.28)	\$0.39	\$(0.15)	\$0.38
Diluted earnings (loss) per share (2)	0.09	(0.28)	0.37	(0.15)	0.36
Operating earnings per share (1)(2)	0.35	0.33	0.41	0.37	0.38
Dividend declared per share	0.080	0.080	0.080	0.080	0.060
Common book value (4)	17.87	17.83	18.07	17.50	15.64
Common stock price:					

High	\$26.42	\$25.90	\$21.60	\$21.76	\$21.53
Low	24.07	21.27	20.07	20.19	19.57
Close	25.44	25.39	21.51	20.31	20.87
Weighted average common shares:					
Basic (2)	475.1	473.4	472.4	412.0	376.9
Diluted (2)(5)	475.1	473.4	506.1	412.0	410.4
End-of-period common shares:					
Basic	475.7	473.8	472.6	471.8	359.3
Diluted	509.8	508.7	506.5	505.5	391.1

NOTES:

- (1) Operating earnings represent net income excluding the after-tax effects of certain items, such as significant gains or losses that are unusual in nature or are associated with acquiring or integrating businesses, and certain other charges. See page H and I for a reconciliation of GAAP and Non-GAAP measures.
- (2) Prior period earnings per share and weighted average common shares have been restated to reflect the 5% stock dividend paid to shareholders of record on June 15, 2006.
- (3) Efficiency ratio equals general and administrative expense as a percentage of total revenue, defined as the sum of net interest income and total fees and other income before securities transactions.
- (4) Common book value equals common stockholders' equity at period-end divided by common shares outstanding.
- (5) The conversion of warrants and equity awards and the after-tax add back of Sovereign's contingently convertible trust preferred interest expense was excluded from Sovereign's GAAP diluted earnings per share calculation for the first quarter of 2007 and the second and fourth quarters of 2006 since the result would have been anti-dilutive. However, for operating earning purposes these items are dilutive and as a result they have been added back for operating earnings and operating earnings per share purposes.
- (6) The fourth quarter of 2006 includes a lower of cost or market adjustment on the correspondent home equity portfolio held for sale of \$296 million.
- (7) The first quarter of 2007 includes a lower of cost or market adjustment of \$119.9 million on correspondent home equity loans that were not sold as of March 31, 2007. The fourth quarter of 2006 includes a net lower of cost or market adjustment associated with the residential loan portfolio held for sale of \$28.2 million.
- (8) The fourth quarter of 2006 includes a loss of \$43 million associated with the sale of \$1.5 billion of CMO investments.
- (9) The first quarter of 2007 includes \$43.4 million of ESOP expense related to freezing of the plan and \$20 million of charges related to employee severance and charges associated with closing certain branch

locations. The fourth quarter of 2006 includes \$78.7 million of severance and restructuring charges.

- (10) Charge-offs for the fourth quarter of 2006 include \$389.5 million of charge-offs related to the lower of cost or market valuation adjustments recorded for correspondent home equity and residential loan portfolios that are held for sale as well as a \$14 million charge-off on a large commercial loan.

Sovereign Bancorp, Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS

(unaudited)

Quarter Ended

	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
	2007	2006	2006	2006	2006

(dollars in millions)

Financial Condition Data:

General

Total assets	\$82,194	\$89,642	\$90,410	\$88,753	\$65,060
Loans (1)	56,125	62,589	63,178	61,610	45,164
Total deposits and customer related accounts:					
Core deposits and other customer related accounts	52,563	52,385	52,784	52,592	38,820
Time deposits	37,001	36,321	36,031	36,593	27,143
Borrowings	15,562	16,064	16,753	15,999	11,678
Minority interests	19,162	26,850	27,101	26,171	19,216
Stockholders' equity	157	156	210	209	206
Goodwill	8,695	8,644	8,734	8,451	5,900
Core deposit and other intangibles	5,006	5,005	4,990	4,930	2,715
	465	498	533	633	197

Asset Quality

Non-performing assets (2)	\$253.9	\$221.6	\$273.1	\$259.1	\$200.5
Non-performing loans (2)	217.6	193.9	232.8	219.7	183.5
Non-performing assets to total assets (2)(3)	0.31%	0.27%	0.30%	0.29%	0.31%
Non-performing loans to loans (2)(3)	0.39%	0.35%	0.37%	0.36%	0.41%
Allowance for credit losses	\$503.3	\$486.3	\$558.1	\$551.4	\$438.5
Allowance for credit losses to total loans (3)	0.90%	0.88%	0.88%	0.90%	0.97%
Allowance for credit losses to non-performing loans (2)	231%	251%	240%	251%	239%

Capitalization - Bancorp (4)

Stockholders' equity to total assets	10.58%	9.64%	9.66%	9.52%	9.07%
Tier 1 leverage capital ratio	6.25%	5.73%	5.82%	5.69%	6.74%

Tangible equity to tangible assets	4.20%	3.73%	3.78%	3.49%	4.81%
Tangible common equity to tangible assets	3.94%	3.50%	3.55%	3.25%	4.81%
Capitalization - Bank (4)					
Stockholders' equity to total assets	12.79%	11.76%	11.65%	9.70%	10.59%
Tier 1 leverage capital ratio	6.82%	6.22%	6.21%	6.28%	6.97%
Tier 1 risk-based capital ratio	7.77%	7.52%	7.67%	7.91%	8.52%
Total risk-based capital ratio	10.48%	10.07%	10.34%	10.28%	10.97%

- (1) Loans at December 31, 2006 include \$7.6 billion of loans held for sale.
- (2) Non performing loans and assets at March 31, 2007 exclude \$22.4 million of correspondent home equity loans that were written down to fair value at March 31, 2007 since they were previously classified as held for sale at December 31, 2006. Sovereign has reclassified these loans back into our loan portfolio as of March 31, 2007. Non-performing loans and assets at December 31, 2006 exclude \$21.5 million of residential non-accrual loans and \$66.0 million of home equity non-accrual loans that are classified as held for sale.
- (3) The calculation of these ratios at March 31, 2007 excludes approximately \$600 million of loans that have been marked down to fair value as of March 31, 2007. The calculation of these ratios at December 31, 2006 excludes \$7.6 billion of loans held for sale.
- (4) All capital ratios are calculated based upon adjusted end of period assets consistent with OTS guidelines. The current quarter ratios are estimated as of the date of this earnings release.

Sovereign Bancorp, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(unaudited)

(dollars in thousands)	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006
Assets			
Cash and amounts due from depository institutions	\$1,669,623	\$1,804,117	\$1,932,603
Investments:			
Available-for-sale	13,640,209	13,874,628	12,821,075
Held-to-maturity	-	-	-
Other investments	703,738	1,003,012	1,020,723
Total investments	14,343,947	14,877,640	13,841,798
Loans:			

Commercial	29,852,212	30,472,343	29,984,325
Consumer	26,273,285	32,116,253	33,193,395
Total loans (1)	56,125,497	62,588,596	63,177,720
Less allowance for loan losses	(487,286)	(471,030)	(544,482)
Total loans, net	55,638,211	62,117,566	62,633,238
Premises and equipment, net	588,695	605,707	591,601
Accrued interest receivable	363,013	422,901	413,018
Goodwill	5,006,290	5,005,185	4,989,539
Core deposit and other intangibles	465,421	498,420	532,626
Bank owned life insurance	1,745,145	1,725,222	1,704,955
Other assets	2,373,220	2,585,091	3,770,681
Total assets	\$82,193,565	\$89,641,849	\$90,410,059

Liabilities and Stockholders' Equity

Liabilities:

Deposits and other customer related accounts:

Core and other customer related accounts

Core and other customer related accounts	\$37,001,193	\$36,320,674	\$36,030,850
Time deposits	15,561,764	16,063,880	16,752,764
Total	52,562,957	52,384,554	52,783,614

Borrowings and other debt

obligations	19,162,252	26,849,717	27,100,522
Other liabilities	1,616,574	1,606,794	1,582,174
Total liabilities	73,341,783	80,841,065	81,466,310
Minority interests	156,896	156,385	209,972

Stockholders' equity:

Preferred Stock	195,445	195,445	195,445
Common Stock	6,186,470	6,183,281	6,166,992
Warrants and stock options	344,979	343,391	338,867
Unallocated ESOP shares	(19,019)	(19,019)	(21,396)
Treasury stock	(22,257)	(49,028)	(57,646)
Accumulated other comprehensive loss	(13,177)	(24,746)	(74,543)
Retained earnings	2,022,445	2,015,075	2,186,058
Total stockholders' equity	8,694,886	8,644,399	8,733,777
Total liabilities and stockholders' equity	\$82,193,565	\$89,641,849	\$90,410,059

(dollars in thousands) June 30
2006 Mar. 31
2006

Assets

Cash and amounts due from depository institutions

Cash and amounts due from depository institutions	\$1,714,042	\$997,447
Investments:		
Available-for-sale	12,218,168	7,063,492
Held-to-maturity	-	4,936,066
Other investments	933,507	670,353
Total investments	13,151,675	12,669,911

Loans:

Commercial	28,999,921	17,250,897
Consumer	32,610,190	27,913,516
Total loans (1)	61,610,111	45,164,413
Less allowance for loan losses	(537,372)	(421,860)
Total loans, net	61,072,739	44,742,553

Premises and equipment, net	587,254	408,119
Accrued interest receivable	375,213	275,343
Goodwill	4,929,586	2,715,217
Core deposit and other intangibles	632,665	196,756
Bank owned life insurance	1,686,571	1,027,403
Other assets	4,603,322	2,027,191
Total assets	\$88,753,067	\$65,059,940

Liabilities and Stockholders' Equity

Liabilities:

Deposits and other customer related accounts:

Core and other customer related accounts	\$36,593,254	\$27,142,655
Time deposits	15,999,234	11,677,492
Total	52,592,488	38,820,147
Borrowings and other debt obligations	26,170,589	19,216,159
Other liabilities	1,329,383	917,661
Total liabilities	80,092,460	58,953,967
Minority interests	209,466	206,141

Stockholders' equity:

Preferred Stock	195,445	-
Common Stock	6,156,925	3,657,038
Warrants and stock options	337,637	335,717
Unallocated ESOP shares	(21,396)	(21,396)
Treasury stock	(65,984)	(466,328)
Accumulated other comprehensive loss	(193,186)	(211,760)
Retained earnings	2,041,700	2,606,561
Total stockholders' equity	8,451,141	5,899,832
Total liabilities and stockholders' equity	\$88,753,067	\$65,059,940

(1) Loans at December 31, 2006 include \$7.6 billion of loans held for sale.

Sovereign Bancorp, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

Quarter Ended

(dollars in thousands, except per share data)

	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
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Interest and dividend income:

Interest on interest-earning deposits	\$6,236	\$6,274	\$5,408	\$2,954	\$2,116
Interest on investment securities					
Available for sale	189,835	192,996	202,831	116,653	90,095

Held to maturity	-	-	-	50,473	53,553
Other	14,301	19,508	13,287	13,016	5,603
Interest on loans	1,016,967	1,035,224	1,019,325	808,922	688,166
Total interest and dividend income	1,227,339	1,254,002	1,240,851	992,018	839,533
Interest expense:					
Deposits and related customer accounts	413,251	421,472	412,858	306,030	231,837
Borrowings	326,235	345,498	336,206	247,217	203,738
Total interest expense	739,486	766,970	749,064	553,247	435,575
Net interest income	487,853	487,032	491,787	438,771	403,958
Provision for credit losses (3)	46,000	365,961	45,000	44,500	29,000
Net interest income after provision for credit losses	441,853	121,071	446,787	394,271	374,958
Non-interest income:					
Consumer banking fees	68,014	73,389	74,298	67,467	60,798
Commercial banking fees	49,408	48,405	47,690	43,949	39,016
Mortgage banking revenue (1)	(107,205)	(7,606)	14,329	4,524	12,992
Capital markets revenue	5,689	7,358	4,009	2,313	3,889
Bank owned life insurance income	20,509	20,237	20,116	15,359	11,327
Other	9,467	7,586	11,409	8,363	6,319
Total fees and other income before security gains	45,882	149,369	171,851	141,975	134,341
Net gain/(loss) on securities (4)	970	(36,089)	29,154	(305,027)	-
Total non-interest income	46,852	113,280	201,005	(163,052)	134,341
Non-interest expense:					
General and administrative					
Compensation and benefits	173,796	176,851	182,607	149,467	143,778
Occupancy and equipment	80,519	79,221	78,594	68,155	64,193
Technology expense	23,336	25,680	25,128	23,114	21,566
Outside services	15,278	19,920	17,928	16,592	14,755
Marketing expense	8,832	15,731	14,552	14,548	10,222
Other					

administrative expenses	28,235	37,496	33,009	31,417	25,465
Total general and administrative	329,996	354,899	351,818	303,293	279,979
Other expenses:					
Amortization of intangibles	33,253	34,302	34,092	24,225	17,219
Other minority interest expense and equity method expense	18,415	10,974	12,850	17,033	16,034
Loss on economic hedges	-	-	-	11,387	-
Proxy and related professional fees	(391)	-	-	-	14,337
Restructuring, other employee severance and debt repurchase charges	20,032	78,668	-	-	-
ESOP expense related to freezing of plan	43,385	-	-	-	-
Merger-related and integration charges	2,076	10,558	28,403	6,257	(2,798)
Total other expenses	116,770	134,502	75,345	58,902	44,792
Total non-interest expense	446,766	489,401	427,163	362,195	324,771
Income/(loss) before income taxes	41,939	(255,050)	220,629	(130,976)	184,528
Income tax expense/(benefit)	(6,120)	(125,610)	36,620	(71,920)	43,130
Net income/(loss)	\$48,059	\$(129,440)	\$184,009	\$(59,056)	\$141,398

(1) Mortgage banking activity is summarized below:

(Losses)/gains on sale of mortgage loans and related securities, multifamily loans, and home equity loans (2)	\$(107,064)	\$(7,838)	\$14,665	\$3,136	\$9,762
Net gains/(loss) recorded under SFAS 133	(388)	821	(423)	(663)	1,090
Mortgage servicing fees, net of mortgage servicing rights amortization	247	2,863	3,758	2,051	2,140
Mortgage servicing					

right impairments	-	(3,452)	(3,671)	-	-
Total mortgage banking revenues	\$(107,205)	\$(7,606)	\$14,329	\$4,524	\$12,992

- (2) First quarter of 2007 results include a lower of cost or market adjustment of \$119.9 million on correspondent home equity loans that were not sold as of March 31, 2007. Fourth quarter of 2006 includes a \$28.2 million lower of cost or market adjustment on the residential loans held for sale, as well as a \$5.2 million gain on sale of \$455 million of multi-family loans.
- (3) The fourth quarter of 2006 includes a lower of cost or market adjustment on the correspondent home equity portfolio held for sale of \$296 million as well a \$14 million commercial loan charge-off.
- (4) The fourth quarter of 2006 includes a loss of \$43 million associated with the sale of \$1.5 billion of CMO investments.

Sovereign Bancorp, Inc. and Subsidiaries

AVERAGE BALANCE, INTEREST AND YIELD/RATE ANALYSIS

(unaudited)

Quarter Ended
March 31, 2007

(dollars in thousands)	Average Balance	Interest(1)	Yield/Rate
Earning assets:			
Investment securities	\$15,175,372	\$230,601	6.09%
Loans:			
Commercial	24,599,792	438,157	7.21%
Multi-Family	5,890,879	98,783	6.72%
Consumer:			
Residential mortgages	15,592,954	223,023	5.72%
Home equity loans and lines of credit	9,497,940	165,351	7.04%
Total consumer loans secured by real estate	25,090,894	388,374	6.22%
Auto Loans	5,186,143	86,142	6.74%
Other	422,161	8,821	8.47%
Total Consumer	30,699,198	483,337	6.34%
Total loans	61,189,869	1,020,277	6.72%
Allowance for loan losses	(474,518)		
Total earning assets	75,890,723	\$1,250,878	6.64%
Other assets	11,724,949		
Total assets	\$87,615,672		
Funding liabilities:			
Deposits and other customer related accounts:			
NOW accounts	\$5,994,720	\$16,439	1.11%

NOW accounts- government & wholesale	4,876,155	61,329	5.10%
Customer repurchase agreements	1,486,310	16,639	4.54%
Savings accounts	4,572,309	7,179	0.64%
Money market accounts	9,150,410	74,261	3.29%
Money market accounts- wholesale	3,642,754	49,656	5.53%
Core and other customer related accounts	29,722,658	225,503	3.08%
Time deposits	15,747,878	187,748	4.84%
Total deposits and other customer related accounts	45,470,536	413,251	3.69%
Borrowings:			
Wholesale borrowings	19,842,592	249,264	5.07%
Other borrowings	5,412,697	76,971	5.71%
Total borrowings	25,255,289	326,235	5.21%
Total funding liabilities	70,725,825	739,486	4.23%
Non-interest bearing DDA	6,335,301		
Other liabilities	1,819,565		
Total liabilities	78,880,691		
Stockholders' equity	8,734,981		
Total liabilities and stockholders' equity	\$87,615,672		
Net interest income		\$511,392	
Interest rate spread			2.41%
Contribution from interest free funds			0.29%
Net interest margin			2.70%

Quarter Ended
December 31, 2006

(dollars in thousands)	Average Balance	Interest (1)	Yield/ Rate
Earning assets:			
Investment securities	\$15,546,680	\$239,227	6.15%
Loans:			
Commercial	24,196,553	437,496	7.18%
Multi-Family	6,103,412	97,708	6.39%
Consumer:			
Residential mortgages	17,897,922	252,415	5.64%
Home equity loans and lines of credit	10,145,548	166,656	6.53%
Total consumer loans secured by real estate	28,043,470	419,071	5.96%
Auto Loans	4,628,603	74,578	6.39%
Other	427,026	9,375	8.71%
Total Consumer	33,099,099	503,024	6.06%
Total loans	63,399,064	1,038,228	6.52%
Allowance for loan losses	(544,425)		
Total earning assets	78,401,319	\$1,277,455	6.49%
Other assets	11,743,219		
Total assets	\$90,144,538		

Funding liabilities:

Deposits and other customer related accounts:			
NOW accounts	\$6,125,347	\$17,703	1.15%
NOW accounts- government & wholesale	4,660,198	60,073	5.11%
Customer repurchase agreements	1,499,900	17,953	4.75%
Savings accounts	4,755,332	7,722	0.64%
Money market accounts	8,688,901	66,816	3.05%
Money market accounts- wholesale	3,999,190	55,546	5.51%
Core and other customer related accounts			
Time deposits	29,728,868	225,813	3.01%
Time deposits	16,469,164	195,659	4.71%
Total deposits and other customer related accounts	46,198,032	421,472	3.62%
Borrowings:			
Wholesale borrowings	21,523,167	267,556	4.95%
Other borrowings	5,389,251	77,942	5.76%
Total borrowings	26,912,418	345,498	5.12%
Total funding liabilities	73,110,450	766,970	4.17%
Non-interest bearing DDA	6,596,008		
Other liabilities	1,621,142		
Total liabilities	81,327,600		
Stockholders' equity	8,816,938		
Total liabilities and stockholders' equity	\$90,144,538		
Net interest income		\$510,485	
Interest rate spread			2.32%
Contribution from interest free funds			0.28%
Net interest margin			2.60%

Quarter Ended
March 31, 2006

(dollars in thousands)	Average Balance	Interest (1)	Yield/Rate
Earning assets:			
Investment securities	\$12,715,041	\$168,049	5.29%
Loans:			
Commercial	16,884,583	290,843	6.98%
Multi-Family	-	-	0.00%
Consumer:			
Residential mortgages	12,777,623	176,652	5.53%
Home equity loans and lines of credit	9,673,570	151,660	6.32%
Total consumer loans secured by real estate	22,451,193	328,312	5.87%
Auto Loans	4,409,850	61,383	5.65%
Other	476,946	9,185	7.81%
Total Consumer	27,337,989	398,880	5.87%
Total loans	44,222,572	689,723	6.29%

Allowance for loan losses	(419,386)		
Total earning assets	56,518,227	\$857,772	6.11%
Other assets	7,521,366		
Total assets	\$64,039,593		
Funding liabilities:			
Deposits and other customer related accounts:			
NOW accounts	\$4,848,755	\$6,737	0.56%
NOW accounts- government & wholesale	4,275,759	47,772	4.53%
Customer repurchase agreements	1,025,807	9,898	3.91%
Savings accounts	3,411,827	6,388	0.76%
Money market accounts	7,542,671	40,567	2.18%
Money market accounts- wholesale	648,202	7,501	4.69%
Core and other customer related accounts	21,753,021	118,863	2.22%
Time deposits	11,597,261	112,974	3.95%
Total deposits and other customer related accounts	33,350,282	231,837	2.82%
Borrowings:			
Wholesale borrowings	14,164,905	149,718	4.27%
Other borrowings	4,415,349	54,020	4.91%
Total borrowings	18,580,254	203,738	4.43%
Total funding liabilities	51,930,536	435,575	3.39%
Non-interest bearing DDA	5,086,989		
Other liabilities	1,125,329		
Total liabilities	58,142,854		
Stockholders' equity	5,896,739		
Total liabilities and stockholders' equity	\$64,039,593		
Net interest income		\$422,197	
Interest rate spread			2.72%
Contribution from interest free funds			0.28%
Net interest margin			3.00%

(1) Tax equivalent basis

Sovereign Bancorp, Inc. and Subsidiaries
SUPPLEMENTAL INFORMATION
(unaudited)

NON-PERFORMING ASSETS

	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
(dollars in thousands)	2007	2006	2006	2006	2006
Non-accrual loans:					
Consumer:					
Residential mortgages	\$38,396	\$33,682	\$35,365	\$34,812	\$31,874
Home equity loans and lines of credit	12,131	10,312	62,002	63,632	61,078
Auto loans	416	191	327	388	363
Other consumer loans	1,504	2,764	1,384	2,524	1,920
Total consumer loans	52,447	46,949	99,078	101,356	95,235

Commercial real estate	87,896	77,196	64,138	48,494	31,531
Commercial and industrial and other	76,669	69,207	68,995	69,264	56,035
Total non-accrual loans	217,012	193,352	232,211	219,114	182,801
Restructured loans	552	557	570	576	692
Total non-performing loans (1)	217,564	193,909	232,781	219,690	183,493
Real estate owned, net	29,655	22,562	34,775	35,899	13,622
Other repossessed assets	6,722	5,126	5,500	3,487	3,352
Total non-performing assets (1)	\$253,941	\$221,597	\$273,056	\$259,076	\$200,467
Non-performing loans as a percentage of loans (1)(2)	0.39%	0.35%	0.37%	0.36%	0.41%
Non-performing assets as a percentage of total assets (1)(2)	0.31%	0.27%	0.30%	0.29%	0.31%
Non-performing assets as a percentage of total loans, real estate owned and repossessed assets (1)(2)	0.45%	0.40%	0.43%	0.42%	0.44%
Allowance for credit losses as a percentage of non-performing loans(1)	231%	251%	240%	251%	239%

NET LOAN CHARGE-OFFS

Quarters ended (in thousands)	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
Commercial real estate	\$5,782	\$(282)	\$1,188	\$3,938	\$(744)
Commercial and industrial and other (3)	6,089	18,651	6,402	4,718	8,948
Total commercial	11,871	18,369	7,590	8,656	8,204
Residential mortgages (4)	564	8,028	422	156	159
Home equity loans and lines of credit (5)	1,523	399,609	19,909	15,032	10,654
Total consumer loans secured by real estate	2,087	407,637	20,331	15,188	10,813
Auto loans	10,115	9,574	7,271	5,678	7,995
Other consumer loans	17	453	135	(97)	1,286
Total consumer	12,219	417,664	27,737	20,769	20,094
Total loan charge-offs	\$24,090	\$436,033	\$35,327	\$29,425	\$28,298

COMPONENTS OF THE PROVISION OF CREDIT LOSSES AND ALLOWANCE FOR CREDIT LOSSES

Quarters ended (in thousands)	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
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Provision for loan losses (6)	\$45,239	\$364,309	\$45,437	\$47,113	\$30,559
Provision/(recoveries) for unfunded commitments	761	1,652	(437)	(2,613)	(1,559)
Total provision for credit losses	\$46,000	\$365,961	\$45,000	\$44,500	\$29,000
Allowance for loan losses	\$487,286	\$471,030	\$544,482	\$537,372	\$421,860
Reserve for unfunded commitments	16,016	15,255	13,603	14,040	16,653
Total allowance for credit losses	\$503,302	\$486,285	\$558,085	\$551,412	\$438,513

- (1) Non-performing loans and non-performing assets exclude \$22.4 million of non-accrual loans at March 31, 2007 related to \$578 million of correspondent home equity loans that had been previously classified as held for sale. Credit losses related to these loans were considered in our lower of cost or market adjustment at March 31, 2007. Non-performing loans and non-performing assets at December 31, 2006 exclude \$21.5 million of residential non-accrual loans and \$66.0 million of home equity non-accrual loans that are classified as held for sale.
- (2) The calculation of these ratios at March 31, 2007 excludes approximately \$600 million of loans that have been marked down to fair value as of March 31, 2007. The calculation of these ratios at December 31, 2006 excludes \$7.6 billion of loans held for sale.
- (3) The fourth quarter of 2006 includes a \$14 million commercial loan charge-off.
- (4) Fourth quarter of 2006 includes a \$7 million charge-off related to the lower of cost or market adjustment on the residential loans held for sale.
- (5) The fourth quarter of 2006 includes \$382.5 million of charge-offs related to the lower of cost or market adjustment on the correspondent home equity portfolio held for sale.
- (6) The fourth quarter of 2006 includes a lower of cost or market adjustment on the correspondent home equity portfolio held for sale of \$296 million.

Sovereign Bancorp, Inc. and Subsidiaries
SUPPLEMENTAL INFORMATION
(unaudited)

DEPOSIT AND OTHER CUSTOMER RELATED ACCOUNT COMPOSITION - End of period

Quarters ended	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
(in thousands)	2007	2006	2006	2006	2006

Demand deposit accounts	\$6,420,046	\$6,577,583	\$6,687,150	\$6,821,660	\$5,165,140
NOW accounts	6,159,701	6,333,667	6,347,484	6,306,173	4,940,276
NOW accounts-government & wholesale	5,856,899	4,293,056	4,170,334	4,749,015	4,169,729
Customer repurchase agreements	1,462,288	1,487,251	1,457,129	1,205,345	1,086,010
Savings accounts	4,558,367	4,637,346	4,919,190	5,189,459	3,397,183
Money market accounts	9,452,904	8,875,354	8,380,908	9,185,266	7,561,492
Money market accounts-government & wholesale	3,090,988	4,116,417	4,068,655	3,136,336	822,825
Time deposits	15,561,764	16,063,880	16,752,764	15,999,234	11,677,492
Total deposits and other customer related accounts	\$52,562,957	\$52,384,554	\$52,783,614	\$52,592,488	\$38,820,147

LOAN COMPOSITION - End of period

Quarters ended (in thousands)	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
Commercial real estate	\$11,584,728	\$11,514,983	\$11,401,902	\$10,817,068	\$7,128,116
Commercial industrial loans	12,908,765	12,654,746	11,212,315	10,722,844	8,994,845
Multi-family	4,806,028	5,768,451	5,970,795	6,134,167	-
Other	552,691	534,164	1,399,313	1,325,842	1,127,936
Total commercial loans	29,852,212	30,472,344	29,984,325	28,999,921	17,250,897
Residential mortgages	14,403,371	17,404,730	17,817,283	17,236,025	13,161,773
Home equity loans and lines of credit	5,932,136	9,443,560	10,506,607	10,515,700	9,892,235
Total consumer loans secured by real estate	20,335,507	26,848,290	28,323,890	27,751,725	23,054,008
Auto loans	5,526,953	4,848,204	4,431,891	4,399,047	4,400,980
Other consumer loans	410,825	419,758	437,614	459,418	458,528
Total consumer					

loans	26,273,285	32,116,252	33,193,395	32,610,190	27,913,516
Total loans	\$56,125,497	\$62,588,596	\$63,177,720	\$61,610,111	\$45,164,413

DEPOSIT AND OTHER CUSTOMER RELATED ACCOUNT COMPOSITION - Average

Quarters ended (in thousands)	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
Demand deposit accounts	\$6,335,301	\$6,596,008	\$6,707,400	\$5,662,902	\$5,086,989
NOW accounts	5,994,720	6,125,347	6,085,520	5,245,597	4,848,755
NOW accounts- government & wholesale	4,876,155	4,660,198	4,769,445	5,100,516	4,275,759
Customer repurchase agreements	1,486,310	1,499,900	1,273,055	1,114,934	1,025,807
Savings accounts	4,572,309	4,755,332	5,013,163	3,956,176	3,411,827
Money market accounts	9,150,410	8,688,901	9,050,048	8,082,178	7,542,671
Money market accounts- government & wholesale	3,642,754	3,999,190	4,017,420	1,516,528	648,202
Time deposits	15,747,878	16,469,164	16,504,794	13,193,359	11,597,261
Total deposits and other customer related accounts	\$51,805,837	\$52,794,040	\$53,420,845	\$43,872,190	\$38,437,271

LOAN COMPOSITION - Average

Quarters ended (in thousands)	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
Commercial real estate	\$11,513,005	\$11,421,431	\$10,869,370	\$8,358,231	\$7,193,994
Commercial industrial loans	11,566,055	11,347,975	10,805,007	9,564,869	8,603,198
Multi-family	5,890,879	6,103,412	6,184,739	1,992,727	-
Other	1,520,732	1,427,147	1,359,632	1,189,303	1,087,391
Total commercial loans	30,490,671	30,299,965	29,218,748	21,105,130	16,884,583
Residential mortgages	15,592,954	17,897,922	17,860,553	14,467,374	12,777,623
Home equity loans and lines of					

credit	9,497,940	10,145,548	10,519,717	10,129,080	9,673,570
Total consumer loans secured by real estate	25,090,894	28,043,470	28,380,270	24,596,454	22,451,193
Auto loans	5,186,143	4,628,603	4,394,903	4,396,659	4,409,850
Other consumer loans	422,161	427,026	451,333	453,383	476,946
Total consumer loans	30,699,198	33,099,099	33,226,506	29,446,496	27,337,989
Total loans	\$61,189,869	\$63,399,064	\$62,445,254	\$50,551,626	\$44,222,572

Sovereign Bancorp, Inc. and Subsidiaries

RECONCILIATION OF OPERATING EARNINGS TO REPORTED EARNINGS

(unaudited)

Operating earnings for EPS purposes represents net income excluding the after-tax effects of certain items, such as significant gains or losses that are unusual in nature or are associated with acquiring or integrating businesses, and certain other charges. The table below reconciles our GAAP earnings to operating earnings for EPS purposes.

(dollars in thousands, except per share data - all amounts are after tax)

	Quarter Ended				
	Total dollars				
	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
	2007	2006	2006	2006	2006
Net income/ (loss) as reported	\$48,059	\$(129,440)	\$184,009	\$(59,056)	\$141,398
Dividends on preferred stock	(3,650)	(3,650)	(1,825)	(2,433)	-
Net income available to common shareholders	44,409	(133,090)	182,184	(61,489)	141,398
Contingently convertible trust preferred interest expense, net of tax	-	-	6,344	-	6,327
Net income/ (loss) for EPS purposes	\$44,409	\$(133,090)	\$188,528	\$(61,489)	\$147,725
Non GAAP adjustments to adjust antidilutive EPS					
Net income available to common shareholders	\$44,409	\$(133,090)		\$(61,489)	
Trust IV expense, net of tax	6,412	6,354		6,335	
Antidilutive net					

income/ (loss) for operating EPS calculation	\$50,821	\$(126,736)		\$(55,154)	
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Reconciliation to
Operating earnings EPS

Net income/ (loss) for Operating earnings EPS purposes	\$50,821	\$(126,736)	\$188,528	\$(55,154)	\$147,725
Merger related and integration costs	1,323	6,863	18,463	4,067	(1,819)
Provision for loan losses	-	192,374	-	8,125	-
Loss on economic hedges	-	-	-	7,402	-
Loss on investment restructuring	-	27,961	-	154,884	-
Loss on mortgage banking loan sale restructuring	-	14,954	-	-	-
Loss on restructuring, other employee severance and debt repurchase charges	12,771	51,134	-	-	-
ESOP expense related to freezing of plan	43,385	-	-	-	-
Hedge loss on sale of multifamily loans	(3,860)	-	-	-	-
Impairment on FNMA and FHLMC preferred stock	-	-	-	43,875	-
Gain on redemption of FNMA and FHLMC preferred stock	(953)	-	-	-	-
Writedown on correspondent home equity loans	76,394	-	-	-	-
Proxy and related professional fees	(249)	-	-	-	9,319
Operating earnings for EPS purposes	\$179,632	\$166,550	\$206,991	\$163,199	\$155,225
Weighted average diluted shares for GAAP EPS	475,115	473,404	506,135	412,000	410,366
Add back of diluted shares for operating EPS not factored into GAAP diluted shares due to antidilution (1)	34,353	34,583	-	33,599	-
Adjusted weighted average diluted shares for Operating EPS	509,468	507,987	506,135	445,599	410,366

(1) The conversion of warrants and equity awards and the after-tax add

back of Sovereign's contingently convertible trust preferred interest expense was excluded from Sovereign's GAAP diluted earnings per share calculation for the first quarter of 2007 and the second and fourth quarters of 2006 since the result would have been anti-dilutive. However, for operating earning purposes these items are dilutive and as a result they have been added back for operating earnings and operating earnings per share purposes.

Sovereign Bancorp, Inc. and Subsidiaries
 RECONCILIATION OF OPERATING EARNINGS TO REPORTED EARNINGS
 (unaudited)

Operating earnings for EPS purposes represents net income excluding the after-tax effects of certain items, such as significant gains or losses that are unusual in nature or are associated with acquiring or integrating businesses, and certain other charges. The table below reconciles our GAAP earnings to operating earnings for EPS purposes.

(dollars in thousands, except per share data - all amounts are after tax)

Quarter Ended

Per share

	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
Net income/ (loss) as reported					
Dividends on preferred stock					
Net income available to common shareholders					
Contingently convertible trust preferred interest expense, net of tax					
Net income/ (loss) for EPS purposes	\$0.09	\$(0.28)	\$0.37	\$(0.15)	\$0.36

Non GAAP adjustments to
adjust antidilutive EPS

Net income available to
common shareholders
Trust IV expense, net
of tax
Antidilutive net
income/ (loss) for
operating EPS calculation

Reconciliation to
Operating earnings EPS

Net income/ (loss) for Operating earnings					
EPS purposes	\$0.10	\$(0.25)	\$0.37	\$(0.12)	\$0.36
Merger related and integration costs	0.00	0.01	0.04	0.01	(0.00)
Provision for loan losses	-	0.38	-	0.02	-
Loss on economic hedges	-	-	-	0.02	-
Loss on investment restructuring	-	0.06	-	0.34	-
Loss on mortgage banking loan sale restructuring	-	0.03	-	-	-
Loss on restructuring, other employee severance and debt repurchase charges	0.02	0.10	-	-	-
ESOP expense related to freezing of plan	0.09	-	-	-	-
Hedge loss on sale of multifamily loans	(0.01)	-	-	-	-
Impairment on FNMA and FHLMC preferred stock	-	-	-	0.10	-
Gain on redemption of FNMA and FHLMC preferred stock	(0.00)	-	-	-	-
Writedown on correspondent home equity loans	0.15	-	-	-	-
Proxy and related professional fees	(0.00)	-	-	-	0.02
Operating earnings for EPS purposes	\$0.35	\$0.33	\$0.41	\$0.37	\$0.38

(1) The conversion of warrants and equity awards and the after-tax add back of Sovereign's contingently convertible trust preferred interest expense was excluded from Sovereign's GAAP diluted earnings per share calculation for the first quarter of 2007 and the second and fourth quarters of 2006 since the result would have been anti-dilutive. However, for operating earning purposes these items are dilutive and as a result they have been added back for operating earnings and operating earnings per share purposes.

Sovereign Bancorp, Inc. and Subsidiaries
RECONCILIATION OF AVERAGE EQUITY TO AVERAGE TANGIBLE EQUITY AND RELATED
OPERATING RETURN ON AVERAGE TANGIBLE EQUITY
(unaudited)

Reconciliation of Equity to Tangible Equity and Operating Return on
Average Equity to Tangible Returns on Average Equity

Quarter Ended

(dollars in thousands)	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
Average Equity	\$8,734,981	\$8,816,938	\$8,621,910	\$6,698,547	\$5,896,739
Average Goodwill	(5,005,119)	(4,992,610)	(4,932,536)	(3,452,687)	(2,716,324)
Average CDI and other intangibles	(486,214)	(519,891)	(611,329)	(342,279)	(207,908)
Average Tangible Equity	\$3,243,648	\$3,304,437	\$3,078,045	\$2,903,581	\$2,972,507
Operating Return on Average Equity	8.34%	7.49%	9.52%	9.77%	10.68%
Effect of Goodwill	12.87%	11.32%	15.26%	11.62%	9.76%
Effect of CDI and other intangibles	1.25%	1.18%	1.89%	1.15%	0.75%
Tangible Return on Average Equity	22.46%	20.00%	26.68%	22.54%	21.18%