



## ANNUAL USE OF CAPITAL SURVEY - 2009

### NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sovereign Bancshares, Inc. ; Sovereign Bank

Person to be contacted regarding this report:	R. Michael Russell	RSSD: (For Bank Holding Companies)	3269602
UST Sequence Number:	910	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Received:	18,215,000	FDIC Certificate Number: (For Depository Institutions)	57787
CPP Funds Repaid to Date:	0	City:	Dallas
Date Funded (first funding):	Mar 13, 2009	State:	Texas
Date Repaid <sup>1</sup> :	N/A		

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Although loans decreased marginally from 12/31/08 to 12/31/09, the decrease would have been substantially more without the CPP capital.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The CPP capital allowed for increased investments in mortgage backed securities (MBS) and municipal bonds.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The loan loss reserve from 12/31/08 to 12/31/09 increased \$4.4 million.
<input checked="" type="checkbox"/>	Reduce borrowings	Federal Home Loan Bank borrowings decreased by \$20 million from 12/31/08 to 12/31/09.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	All capital ratios increased substantially from 2008 to 2009 due in part to the CPP capital.

What actions were you able to avoid because of the capital infusion of CPP funds?

The CPP capital allowed the Bank to avoid larger decreases in loan balances, specifically real estate based loans.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The CPP capital allowed the Bank to minimize its decrease in loan balances, increase investments in MBS and municipal bonds, reduce borrowings, and increase loan loss reserves and capital ratios.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

None

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.