

Dear Fellow Shareholders,

The theme of our recent annual report was “Striving To Be The Best We Can Be”, which you should have received this spring if you were a shareholder of record as of March 1, 2006 (if you have not received a copy, please visit sovereignbank.com, Investor Relations, Contact Us, and click on the web link to request an Annual Report). I would like to take this opportunity to update you on the progress we’ve made in the first half of 2006 in building a better bank for our team members, customers, communities and shareholders.

Today Sovereign is an \$89 billion financial institution focused on consumer banking, small/medium sized businesses, emerging markets and multi-family lending within our footprint with nearly 800 Community Banking Offices and over 2,000 ATMs. We also have a national presence in some specialty lending areas such as auto finance, residential mortgage, healthcare, asset based lending and multi-family lending.

On June 1, 2006, we closed on our acquisition of Independence Community Bank Corp. (“Independence”) based in Brooklyn, New York, which brings us into the Metro New York market in a very meaningful way by adding 125 Community Banking Offices with \$11 billion in deposits to our existing franchise.

We also closed on our \$2.4 billion equity offering, at a significant premium over market, to Banco Santander Central Hispano, S.A. (“Santander”) of Madrid, Spain. We look forward to working closely with Santander as both companies look for ways to leverage each other’s experience and knowledge. Santander continues to buy our shares in the open market increasing their ownership towards 24.9% as permitted under the investment agreement. We are also pleased to share with you that following the closing of these transactions Sovereign received credit rating upgrades from both Moody’s and S&P.

Since the beginning of this year, we have announced a number of important initiatives that we believe will continue to position Sovereign to achieve its long-term strategic goals and above average long-term shareholder returns. I’d like to highlight a few of these initiatives, as we believe they will provide greater convenience for our customers and generate growth in customer deposits.

- We have installed Sovereign branded ATMs in over 1,200 CVS/pharmacy locations throughout the northeast United States, providing our customers with additional delivery alternatives.
- Also, we announced a partnership with ADP Small Business Services whereby ADP is providing 200 dedicated employees throughout our footprint to assist our commercial relationship managers in providing payroll, tax filing and other value-added services to our small and medium sized business customers.
- We also were the first bank in the country to offer a co-branded American Express® card for small business customers.

Sovereign Bank made its presence known in the community in a variety of ways during the first half of 2006. The bank established a disaster relief loan program to help businesses, consumers and non-profit organizations that suffered millions of dollars in damage caused by flooding in New England and Mid-Atlantic states. Over 600 non-profit organizations within the bank’s footprint have benefited from nearly \$3 million in grants disbursed so far this year. In particular, Sovereign continues to build on its partnership with several state-level Special Olympics organizations. Team members actively support many Special Olympics events and the program has received nearly \$100,000 from Sovereign as of June of this year.

As we look to the second half of 2006, we are focused on four priorities. First, maintaining our adherence to our critical success factors through a very difficult yield curve, while at the same time striving to achieve earnings growth and improvement in certain key performance metrics. Second, achieving a flawless integration of Independence into Sovereign, which is on target for the weekend of September 8th. Third, executing our strategy to improve organic growth rates by attracting more than our share of emerging markets within our footprint, especially Hispanic, Latino, Portuguese and other Latin America markets; and take full advantage of best practices sharing with Santander and their extensive franchise in Latin America, Mexico, Puerto Rico and Europe. And fourth, maintaining our relentless focus on shareholder value creation. Our goal, as in the past, remains to about double our shareholder value over the next four to five years.

Thank you for your continued interest in Sovereign. We hope you are using Sovereign for all your financial needs and would always welcome your suggestions on becoming a better bank.

Sincerely,



Jay S. Sidhu, Chairman, President and Chief Executive Officer

Sovereign Bancorp, Inc., (“Sovereign”) (NYSE: SOV), is the parent company of Sovereign Bank, an \$89 billion financial institution with nearly 800 community banking offices, over 2,000 ATMs after giving effect to the recently announced branding agreement in which Sovereign ATMs will be placed in CVS/pharmacy locations and approximately 12,000 team members with principal markets in the Northeast United States. 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 17th largest banking institution in the United States. For more information on Sovereign Bank, visit sovereignbank.com or call 1-877-SOV-BANK.

Sovereign Bancorp Introduces Electronic Delivery of Proxy Materials

We are pleased to offer our shareholders the benefits and convenience of viewing Proxy Statements, Annual Reports and other shareholder materials online. With your consent, we can stop sending paper copies of these documents beginning this year and until you notify us otherwise. To enroll, log onto the Internet at: sovereignbank.com, Investor Relations, Shareholder Services, Electronic Delivery Enrollment. Next, enter your account, Social Security or tax I.D. number (as printed on your check or statement) on the secure site; then enter your e-mail address and a PIN number of your choice, which will be used for electronic voting. Reduce paper mailed to your home—enroll today!

Mellon Investor Services Telephonic System Tips

Mellon Investor Services utilizes to a more sophisticated speech recognition system called the “Tell Me” system. The system recognizes speech patterns and is thus able to handle many calls that previously were routed to a Customer Service representative, which sometimes resulted in extended waiting periods.

The system is easy to use. Dial 1-800-685-4524; after the system introduction, registered shareholders can simply say what they need.

Mellon Investor Services can only assist registered shareholders; beneficial holders should contact their brokers for assistance.

Some examples of how to request assistance:

- To enroll in Dividend Reinvestment, say “Dividend Reinvestment” or “enroll in Dividend Reinvestment”
- To change the address of record, say “change address”
- To report lost stock certificates and receive replacement paperwork, say “replace certificate”
- To transfer ownership of a certificate or book shares, say “transfer ownership of stock”
- To request replacement of a lost dividend check, say “replace dividend check”
- At any time, shareholders may interrupt the system (after the introduction) to make their request. To speak with a Customer Service Representative, shareholders can say “customer service” or “operator” at any time.

Common Stock Direct Stock Purchase Plan with Dividend Reinvestment

Sovereign Bancorp, Inc. now offers a Direct Stock Purchase Plan along with our Dividend Reinvestment Plan. The Plan provides a convenient and economical method for new investors to make an initial investment in our common stock and for existing investors to increase their holdings of our common stock. Interested investors may request the new prospectus and enrollment form by calling 1-800-842-7629 and following the telephone prompts. Alternatively, investors may also view the prospectus and enroll online over the Internet via Investor Service Direct® at www.melloninvestor.com

Corporate Information

CONTACT INFORMATION

Mailing Address

Sovereign Bancorp Investor Relations
Mail Code: 11-900-IR5
P.O. Box 12646
Reading, PA 19612

Phone

Operator: 610-320-8400
Investor Relations Voice Mail: 1-800-628-2673

Internet

Web Site: sovereignbank.com
E-mail: investor@sovereignbank.com

DIVIDENDS

Cash dividends on common stock are customarily paid on a quarterly basis on or about the 15th of February, May, August, and November.

Sovereign Trust Preferred Capital Securities (SOVTRA) dividends are customarily paid on a quarterly basis on or about March 31, June 30, September 30, and December 31.

Sovereign’s Series C Non-Cumulative Perpetual Preferred stock (SOVPRC) dividends are customarily paid quarterly in arrears on or about the 15th of February, May, August and November.

REGISTRAR AND TRANSFER AGENT

Registered shareholders who wish to change the name, address, or ownership of stock, report lost stock certificates, or consolidate stock accounts should contact:

Common Stock – NYSE: SOV
Mellon Investor Services
P.O. Box 3315
South Hackensack NJ 07606
1-800-685-4524

Trust Preferred Securities – NYSE: SOVTRA
The Bank of New York
101 Barclay Street-8W
New York, NY 10286
212-815-4812

FINANCIAL INFORMATION

Investors, brokers, security analysts, and others desiring financial information should contact:

Mark R. McCollom, CPA
Chief Financial Officer
610-208-6426
Mmccollo@sovereignbank.com

Stacey V. Weikel
Senior Vice President,
Investor Relations and Strategic Planning
610-208-6112
Sweikel@sovereignbank.com