

## Press Releases

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### OTS 00-26 - OTS Gives Sovereign Green Light To Acquire 289 Branches From Fleet

#### Office of Thrift Supervision

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For further information

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### OTS Gives Sovereign Green Light To Acquire 289 Branches From Fleet

WASHINGTON, D.C., Feb. 29, 2000 - In the largest transaction involving the acquisition of branches by a federal thrift institution, Sovereign Bank, Wyomissing, Pa., got the green light today from the Office of Thrift Supervision (OTS) to acquire 289 branches in four New England states from FleetBoston Corporation, Boston.

Sovereign will pay FleetBoston \$1.4 billion for the branches in Connecticut, Massachusetts, New Hampshire and Rhode Island, and will acquire them in three increments beginning with the first closing on March 24, 2000. Additional increments are scheduled for June 16 and July 21, 2000. As part of the deal, Sovereign will be permitted to defer a portion of the payment at the final closing, according to an agreement with FleetBoston not to compete for Sovereign's newly acquired customers or employees.

Sovereign, a \$25.4 billion asset federal stock institution incorporated in 1907, has 308 branches in Pennsylvania, New Jersey and Delaware. The FleetBoston branch purchase will nearly double Sovereign's branch network and make it the third largest branch system in New England. The deal will add up to \$12 billion in deposits to Sovereign's current \$11 billion deposit base. The branch network will operate as Sovereign Bank New England.

Sovereign also is acquiring \$8.4 billion in residential, consumer and commercial loans over the same period. The branches, deposits and loans to be acquired are primarily associated with the small business, middle market and consumer banking markets. Sovereign will continue to meet the qualified thrift lender test based on its holdings of residential mortgages, mortgage related products and certain consumer loans, as well as the statutory limitation on thrift commercial loan holdings.

Sovereign is expected to remain well capitalized following completion of the deal, OTS said. The minimum capital ratios for well capitalized status are 5 percent core and 10 percent risk based, and Sovereign currently exceeds those levels. The incremental purchase of the branches and payment of any deferred contingent amounts are designed to facilitate preserving capital at the thrift and its holding company. Sovereign also must report to OTS any material adverse deviations from its financial projections.

Sovereign is not to make any prepayment of the principal to FleetBoston without approval of OTS, and within five days of the closing, Sovereign is to certify that consummation of the deal met all provisions of the agreement. In addition, Sovereign is to advise each accountholder whose withdrawable accounts would exceed the \$100,000 insured limit as to the impact of the acquisition on the account holder's insurance coverage. The institution must submit to OTS a risk management plan that identifies specific material risks and the mechanisms for managing those risks, as well as a comprehensive compliance management plan covering consumer protection laws and regulations.

Sovereign will provide OTS a written analysis of its progress in meeting the goals in its CRA plan submitted to the agency as part of the acquisition plan. The analysis is to be submitted on a quarterly basis over the first two years following the final closing. It will cover loans, investments and services in both Sovereign's historical assessment areas and those assessment areas added by the acquisition, and the number and dollar volume of loans granted in each assessment area, including low- and moderate-income census tracts and to low- and moderate-income persons.

Approval: Sovereign - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2000-26a.pdf>

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The Office of Thrift Supervision (OTS), an office of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).