WEBSTER FINANCIAL CORP Form 10-Q May 02, 2012 Table of Contents

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## **FORM 10-Q**

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended March 31, 2012.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-31486

# WEBSTER FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of

06-1187536 (I.R.S. Employer

incorporation or organization)

Identification No.)

145 Bank Street (Webster Plaza), Waterbury, Connecticut (Address of principal executive offices)

06702 (Zip Code)

(203) 578-2202

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. b Yes "No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). b Yes "No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer b Accelerated filer

Non-accelerated filer " (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). "Yes b No

The number of shares of common stock, par value \$.01 per share, outstanding as of April 27, 2012 was 87,868,904

#### **INDEX**

	Page No.
PART I FINANCIAL INFORMATION	
Item 1. <u>Financial Statements</u>	3
Item 2. <u>Management s Discussion and Analysis of Financial Condition and Results of Operation</u>	s 46
Item 3. Quantitative and Qualitative Disclosures about Market Risk	71
Item 4. <u>Controls and Procedures</u>	71
PART II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	72
Item 1A. Risk Factors	72
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	72
Item 3. <u>Defaults Upon Senior Securities</u>	72
Item 4. <u>Mine Safety Disclosures</u>	72
Item 5. Other Information	72
Item 6. <u>Exhibits</u>	73
<u>SIGNATURES</u>	74
EXHIBIT INDEX	75

#### PART I. FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

#### WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	March 31, 2012 (Unaudited)	December 31, 2011
Assets:		
Cash and due from banks	\$ 173,027	\$ 195,957
Interest-bearing deposits	77,921	96,062
Securities available for sale, at fair value	3,144,867	2,874,764
Securities held-to-maturity (fair value of \$3,234,584 and \$3,130,546)	3,079,654	2,973,727
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	142,595	143,874
Loans held for sale	59,615	57,391
Loans and leases	11,312,150	11,225,404
Allowance for loan and lease losses	(210,288)	(233,487)
Loans and leases, net	11,101,862	10,991,917
Deferred tax asset, net	81,676	105,665
Premises and equipment, net	141,088	147,379
Goodwill	529,887	529,887
Other intangible assets, net	14,293	15,690
Cash surrender value of life insurance policies	309,556	307,039
Prepaid FDIC premiums	32,507	37,946
Accrued interest receivable and other assets	245,594	237,042
Total assets	\$ 19,134,142	\$ 18,714,340
Liabilities and Equity:		
Deposits:		
Non-interest-bearing	\$ 2,491,442	\$ 2,473,693
Interest-bearing	11,453,055	11,182,332
Total deposits	13,944,497	13,656,025
Securities sold under agreements to repurchase and other short-term borrowings	1,268,589	1,164,706
Federal Home Loan Bank advances	1,352,466	1,252,609
Long-term debt	474,318	552,589
Accrued expenses and other liabilities	199,330	242,637
Total liabilities	17,239,200	16,868,566
Shareholders equity:		
Preferred stock, \$.01 par value; Authorized - 3,000,000 shares:		
Series A issued and outstanding - 28,939 shares	28,939	28,939
Common stock, \$.01 par value; Authorized - 200,000,000 shares		
Issued - 90,713,626 and 90,709,350 shares	907	907
Paid-in capital	1,146,141	1,145,346
Retained earnings	898,031	865,427
Less: Treasury stock, at cost (3,467,612 and 3,493,915 shares)	(132,631)	(134,641)
Accumulated other comprehensive loss, net	(46,445)	(60,204)

Total equity 1,894,942 1,845,774

Total liabilities and equity \$ 19,134,142 \$ 18,714,340

See accompanying Notes to Condensed Consolidated Financial Statements.

3

#### WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Interest and fees on loans and leases   \$120,741   \$121,943   \$120,945   \$1		Three months ended March 31,	
Interest and fees on loans and leases	(In thousands, except per share data)		,
Taxable interest and dividends on securities         45,888         46,943           Non-taxable interest on securities         6,989         7,251           Loans held for sale         498         422           Total interest income         174,107         176,209           Interest Expense:           Deposits         16,056         22,769           Securities sold under agreements to repurchase and other short-term borrowings         4,544         3,552           Federal Home Loan Bank advances         4,564         3,355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         19,368         130,161           Net interest income after provision for loan and lease losses         30,33         130,161           Net interest income         139,368         130,161           Net interest income         23,363         25,340           Net interest income after provision for loan and lease losses         32,363         25,340           Net interest income         2,217         6,722           Mortigage banking activities         2,517         2,237	Interest Income:		
Non-tarbele interest on securities         6,980         7,351           Loans held for sale         498         422           Total interest income         174,107         176,209           Interest Expense:         2           Deposits         16,056         22,769           Securities sold under agreements to repurchase and other short-term borrowings         4,434         3,562           Federal Home Loan Bank advances         4,564         3,355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         139,368         130,161           Non-interest Income:         2         23,363         25,340           Loan related fees         4,869         4,443         4,454         3,58           Deposit service fees         23,363         2,53         1,672         4,672	Interest and fees on loans and leases	\$ 120,741	\$ 121,943
Loans held for sale         498         422           Total interest income         174,107         176,209           Interest Expense:         16,056         2.2,769           Securities sold under agreements to repurchase and other short-term borrowings         4,564         3,352           Federal Home Loan Bank advances         4,564         3,352           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         19,368         130,161           Net interest income after provision for loan and lease losses         139,368         130,161           Non-interest Income:         2         1,000           Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Mortigage banking activities         7,221         6,722           Mortgage banking activities         2,517         2,533           Net joss on trading securities         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2,176         6,7071           Compens	Taxable interest and dividends on securities	45,888	46,493
Total interest income         174,107         176,209           Interest Expense:         22,769           Deposits         4,434         3,562           Federal Home Loan Bank advances         4,564         3,355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         139,368         130,161           Non-interest Income         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         4,869         4,443           Wet late and investment services         4,869         4,443           Wet loss on trading securities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net gain on sale of investment securities         2,176         2,216           Other income         43,986         43,916           Non-interest income         43,986         43,916           Non-interest income         43,986         43,916           Non-interest Expense:         2         17,929	Non-taxable interest on securities	6,980	7,351
Interest Expense:           Deposits         16.056         22,769           Securities sold under agreements to repurchase and other short-term borrowings         4.434         3.562           Federal Home Loan Bank advances         4.564         3.355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         19,000         10,000           Net interest income after provision for loan and lease losses         30,33         25,340           Non-interest Income:         23,363         25,340           Loan related fees         23,363         25,440           Met admit investment services         7,221         6,722           Mortgage banking activities         2,517         2,533           Net loss on trading securities         2,517         2,533           Net loss on trading securities         1,633         3,248           Total non-interest income         43,986         43,916           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Compensation and benefits         6	Loans held for sale	498	422
Interest Expense:           Deposits         16.056         22,769           Securities sold under agreements to repurchase and other short-term borrowings         4.434         3.562           Federal Home Loan Bank advances         4.564         3.355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         19,000         10,000           Net interest income after provision for loan and lease losses         30,33         25,340           Non-interest Income:         23,363         25,340           Loan related fees         23,363         25,440           Met admit investment services         7,221         6,722           Mortgage banking activities         2,517         2,533           Net loss on trading securities         2,517         2,533           Net loss on trading securities         1,633         3,248           Total non-interest income         43,986         43,916           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Compensation and benefits         6			
Deposits         16,056         22,769           Securities sold under agreements to repurchase and other short-term borrowings         4,434         3,562           Federal Home Loan Bank advances         4,564         3,355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         19,368         130,161           Net interest income after provision for loan and lease losses         23,363         25,340           Non-interest Income         23,363         25,340           Loan related fees         2,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net gain on sale of investment securities         2,176         0           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2         1,677           Compensation and benefits         68,619         67,071     <	Total interest income	174,107	176,209
Deposits         16,056         22,769           Securities sold under agreements to repurchase and other short-term borrowings         4,434         3,562           Federal Home Loan Bank advances         4,564         3,355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         19,368         130,161           Net interest income after provision for loan and lease losses         23,363         25,340           Non-interest Income         23,363         25,340           Loan related fees         2,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net gain on sale of investment securities         2,176         0           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2         1,677           Compensation and benefits         68,619         67,071     <			
Deposits         16,056         22,769           Securities sold under agreements to repurchase and other short-term borrowings         4,434         3,562           Federal Home Loan Bank advances         4,564         3,355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         19,368         130,161           Net interest income after provision for loan and lease losses         23,363         25,340           Non-interest Income         23,363         25,340           Loan related fees         2,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net gain on sale of investment securities         2,176         0           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2         1,677           Compensation and benefits         68,619         67,071     <	Interest Expense:		
Securities sold under agreements to repurchase and other short-term borrowings         4,344         3,562           Federal Home Loan Bank advances         4,564         3,355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         4,000         10,000           Net interest income after provision for loan and lease losses         139,368         130,161           Non-interest Income         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         2,217         6,722           Mortgage banking activities         4,338         1,253           Increase in cash surrender value of life insurance policies         2,176         2,253           Net loss on trading securities         2,176         (1,799)           Net gain on sale of investment securities         2,176         (1,799)           Other income         43,986         43,916           Non-interest Expense:         2         2,070           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,		16.056	22,769
Federal Home Loan Bank advances         4,564         3,355           Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         4,000         10,000           Net interest income after provision for loan and lease losses         33,368         130,161           Non-interest Income:         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net gain on sale of investment securities         2,176         Other income           Total non-interest income         43,986         43,916           Non-interest Expense:         2         1,633         3,248           Compensation and benefits         68,619         67,071         Occupancy         1,397         1,397         1,397           Cocupancy         12,882         14,735         1,592         1,592         1,592         1,436         1,435         1,5			
Long-term debt         5,685         6,362           Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         4,000         10,000           Net interest income after provision for loan and lease losses         139,368         130,161           Non-interest Income:         2         23,363         25,340           Loan related fees         4,869         4,443         4,269         4,443           Wealth and investment services         7,221         6,722         6,722         Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533         1,253           Increase in cash surrender value of life insurance policies         2,176         (1,799)         Net gain on sale of investment securities         2,176         (1,799)           Net gain on sale of investment securities         43,986         43,916           Total non-interest income         43,986         43,916           Non-interest Expense:         2,072         12,882         14,735           Compensation and benefits         68,619         67,071         67,071         67,071           Occupancy<			
Total interest expense         30,739         36,048           Net interest income         143,368         140,161           Provision for loan and lease losses         4,000         10,000           Net interest income after provision for loan and lease losses         139,368         130,161           Non-interest Income:         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         1,799         1,799           Net gain on sale of investment securities         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2         1,76           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,209         2,430 <tr< td=""><td></td><td></td><td></td></tr<>			
Net interest income         143,368         140,00           Provision for loan and lease losses         4,000         10,000           Net interest income after provision for loan and lease losses         139,368         130,161           Non-interest Income:           Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net gain on sale of investment securities         2,176         2,176           Other income         1,633         3,248           Non-interest Expense:         2         1,732           Compensation and benefits         68,619         67,071           Non-interest Expense:         12,882         14,735           Technology and equipment         15,582         15,392           Intagible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709	Zong term deor	2,002	0,502
Net interest income         143,368         140,00           Provision for loan and lease losses         4,000         10,000           Net interest income after provision for loan and lease losses         139,368         130,161           Non-interest Income:           Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net gain on sale of investment securities         2,176         2,176           Other income         1,633         3,248           Non-interest Expense:         2         1,732           Compensation and benefits         68,619         67,071           Non-interest Expense:         12,882         14,735           Technology and equipment         15,582         15,392           Intagible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709	Total interest expense	30 730	36.048
Provision for loan and lease losses         4,000         10,000           Net interest income after provision for loan and lease losses         139,368         130,161           Non-interest Income:           Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         1(1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2         1           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intagible assets amortization         13,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430	Total interest expense	30,739	30,040
Provision for loan and lease losses         4,000         10,000           Net interest income after provision for loan and lease losses         139,368         130,161           Non-interest Income:           Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         1(1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2         1           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intagible assets amortization         13,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430	Not interest in some	142 269	140 161
Non-interest Income         139,368         130,161           Non-interest Income:         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         13,97         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292         Other expenses         16,832         16,507			
Non-interest Income:           Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Increase in cash surrender value of life insurance policies         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507	Provision for foan and lease fosses	4,000	10,000
Non-interest Income:           Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Increase in cash surrender value of life insurance policies         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507		120.260	120 161
Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in eash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507	Net interest income after provision for loan and lease losses	139,368	130,161
Deposit service fees         23,363         25,340           Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in eash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507			
Loan related fees         4,869         4,443           Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507		22.242	27.210
Wealth and investment services         7,221         6,722           Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507	•		,
Mortgage banking activities         4,383         1,253           Increase in cash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,520           Deposit insurance         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507			
Increase in cash surrender value of life insurance policies         2,517         2,533           Net loss on trading securities         (1,799)           Net gain on sale of investment securities         2,176           Other income         1,633         3,248           Total non-interest income         43,986         43,916           Non-interest Expense:         2         5,001           Compensation and benefits         68,619         67,071           Occupancy         12,882         14,735           Technology and equipment         15,582         15,392           Intangible assets amortization         1,397         1,397           Marketing         4,100         5,520           Professional and outside services         2,692         2,430           Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507			
Net loss on trading securities       (1,799)         Net gain on sale of investment securities       2,176         Other income       1,633       3,248         Total non-interest income       43,986       43,916         Non-interest Expense:			
Net gain on sale of investment securities       2,176         Other income       1,633       3,248         Total non-interest income       43,986       43,916         Non-interest Expense:         Compensation and benefits       68,619       67,071         Occupancy       12,882       14,735         Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507		2,517	
Other income       1,633       3,248         Total non-interest income       43,986       43,916         Non-interest Expense:       8,619       67,071         Compensation and benefits       68,619       67,071         Occupancy       12,882       14,735         Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507			
Total non-interest income       43,986       43,916         Non-interest Expense:       8,619       67,071         Occupancy       12,882       14,735         Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507		4 600	
Non-interest Expense:         Compensation and benefits       68,619       67,071         Occupancy       12,882       14,735         Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507	Other income	1,633	3,248
Non-interest Expense:         Compensation and benefits       68,619       67,071         Occupancy       12,882       14,735         Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507			
Compensation and benefits       68,619       67,071         Occupancy       12,882       14,735         Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507	Total non-interest income	43,986	43,916
Compensation and benefits       68,619       67,071         Occupancy       12,882       14,735         Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507			
Occupancy       12,882       14,735         Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507			
Technology and equipment       15,582       15,392         Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507	Compensation and benefits	68,619	67,071
Intangible assets amortization       1,397       1,397         Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507	Occupancy		
Marketing       4,100       5,520         Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507	Technology and equipment	15,582	15,392
Professional and outside services       2,692       2,430         Deposit insurance       5,709       5,781         Litigation       292         Other expenses       16,832       16,507			1,397
Deposit insurance         5,709         5,781           Litigation         292           Other expenses         16,832         16,507		· · · · · · · · · · · · · · · · · · ·	
Litigation         292           Other expenses         16,832         16,507			
Other expenses 16,832 16,507		5,709	
	Litigation		292
Total non-interest expense 127,813 129,125	Other expenses	16,832	16,507
Total non-interest expense 127,813 129,125			
	Total non-interest expense	127,813	129,125

Income from continuing operations before income tax expense	55,541	44,952
Income tax expense	16,603	12,368
Income from continuing operations	38,938	32,584
Income from discontinued operations, net of tax		1,995
Net income	38,938	34,579
Less: Net loss attributable to non controlling interests		(1)
Net income attributable to Webster Financial Corporation	38,938	34,580
Preferred stock dividends	(615)	(831)
Net income available to common shareholders	\$ 38,323	\$ 33,749
Net income per common share:		
Basic		
Net income from continuing operations	\$ 0.44	\$ 0.36
Net income available to common shareholders	0.44	0.38
Diluted		
Net income from continuing operations	0.42	0.34
Net income available to common shareholders	0.42	0.36
See accompanying Notes to Condensed Consolidated Financial Statements.		

#### WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three months ended March 31,	
(In thousands, except per share data)	2012	2011
Net income	\$ 38,938	\$ 34,579
Other comprehensive income, net of taxes:		
Securities:		
Net change in unrealized gain on securities available for sale	11,619	4,308
Net change in non-credit related other-than-temporary impairment		746
Amortization of unrealized loss on securities transferred to held to maturity	39	28
Unrealized gain on derivative instruments	1,041	1,865
Defined benefit pension plans:		
Amortization of net loss	1,048	406
Amortization of prior service cost	12	12
Current year actuarial gain		365
Other comprehensive income	13,759	7,730
Comprehensive income	52,697	42,309

Less: comprehensive loss attributable to non controlling interest