

WEBSTER FINANCIAL CORP
Form 10-Q
November 02, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2011.

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

06-1187536
(I.R.S. Employer
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. 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). 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

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 No

The number of shares of common stock, par value \$.01 per share, outstanding as of October 25, 2011 was 87,503,485.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>(In thousands, except share data)</i>	September 30, 2011 (Unaudited)	December 31, 2010
Assets:		
Cash and due from banks	\$ 168,776	\$ 159,849
Interest-bearing deposits	87,240	52,811
Trading securities, at fair value		11,554
Securities available for sale, at fair value	2,500,151	2,413,776
Securities held-to-maturity (fair value of \$3,261,733 and \$3,141,775)	3,106,013	3,072,453
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	143,874	143,874
Loans held for sale	28,266	52,224
Loans and leases	11,056,446	11,024,639
Allowance for loan and lease losses	(257,352)	(321,665)
Loans and leases, net	10,799,094	10,702,974
Deferred tax asset, net	96,310	104,774
Premises and equipment, net	148,274	157,724
Goodwill	529,887	529,887
Other intangible assets, net	17,087	21,277
Cash surrender value of life insurance policies	305,901	298,149
Prepaid FDIC premiums	42,424	57,548
Accrued interest receivable and other assets	254,796	259,194
Total assets	\$ 18,228,093	\$ 18,038,068
Liabilities and Equity:		
Deposits:		
Non-interest bearing	\$ 2,292,673	\$ 2,216,987
Interest bearing	11,293,261	11,391,798
Total deposits	13,585,934	13,608,785
Securities sold under agreements to repurchase and other short-term borrowings	1,220,905	1,091,477
Federal Home Loan Bank advances	760,964	768,005
Long-term debt	554,478	582,837
Accrued expenses and other liabilities	255,892	203,898
Total liabilities	16,378,173	16,255,002
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 - 90,703,887 shares and 90,688,879 shares	907	907
Paid-in capital	1,145,146	1,160,690
Retained earnings	839,816	746,057
Less: Treasury stock, (at cost; 3,657,626 shares and 3,830,050 shares)	(141,338)	(149,462)

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Accumulated other comprehensive loss, net	(33,127)	(13,709)
Total Webster Financial Corporation shareholders' equity	1,840,343	1,773,422
Non controlling interests	9,577	9,644
Total equity	1,849,920	1,783,066
Total liabilities and equity	\$ 18,228,093	\$ 18,038,068

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
<i>(In thousands, except per share data)</i>				
Interest Income:				
Interest and fees on loans and leases	\$ 120,018	\$ 123,042	\$ 362,848	\$ 368,839
Taxable interest and dividends on securities	45,753	45,709	138,504	140,268
Tax-exempt interest and dividends on securities	7,221	7,473	21,841	22,513
Loans held for sale	266	79	865	537
Total interest income	173,258	176,303	524,058	532,157
Interest Expense:				
Deposits	18,930	26,409	63,540	88,842
Securities sold under agreements to repurchase and other short-term borrowings	4,384	4,048	11,723	12,172
Federal Home Loan Bank advances	3,551	4,682	10,201	13,847
Long-term debt	6,012	6,430	18,647	18,836
Total interest expense	32,877	41,569	104,111	133,697
Net interest income	140,381	134,734	419,947	398,460
Provision for loan and lease losses	5,000	25,000	20,000	100,000
Net interest income after provision for loan and lease losses	135,381	109,734	399,947	298,460
Non-interest Income:				
Deposit service fees	27,074	26,822	78,509	83,951
Loan related fees	6,823	6,119	18,071	19,349
Wealth and investment services	6,486	6,220	20,662	18,273
Mortgage banking activities	1,324	1,658	3,811	1,947
Increase in cash surrender value of life insurance policies	2,642	2,677	7,751	7,867
Net gain (loss) on trading securities		1,205	(1,799)	9,789
Net gain on sale of investment securities		1,027	3,823	9,709
Total other-than-temporary impairment loss on securities		(5,314)		(14,445)
Less: Portion of loss recognized in other comprehensive income		4,344		8,607
Net impairment loss recognized in earnings		(970)		(5,838)
Other income	1,857	2,510	6,698	14,757
Total non-interest income	46,206	47,268	137,526	159,804
Non-interest Expense:				
Compensation and benefits	61,897	60,133	194,501	181,402
Occupancy	13,150	13,777	40,741	41,763
Technology and equipment	15,141	15,886	45,667	46,811
Intangible assets amortization	1,397	1,397	4,191	4,191
Marketing	4,144	4,634	13,916	14,651
Professional and outside services	3,125	4,038	8,368	10,206
Deposit insurance	4,472	5,882	16,171	19,128
Litigation		2,800		22,476
Other expenses	19,892	21,174	60,849	70,384

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Total non-interest expense	123,218	129,721	384,404	411,012
Income from continuing operations before income tax expense	58,369	27,281	153,069	47,252
Income tax expense	15,990	4,597	44,183	5,502
Income from continuing operations	42,379	22,684	108,886	41,750
Income from discontinued operations, net of tax			1,995	
Net income	42,379	22,684	110,881	41,750
Less: Net (loss) income attributable to non controlling interests		(3)	(1)	4
Net income attributable to Webster Financial Corporation	42,379	22,687	110,882	41,746
Preferred stock dividends	(831)	(4,581)	(2,493)	(14,616)
Accretion of preferred stock discount		(327)		(2,689)
Net income available to common shareholders	\$ 41,548	\$ 17,779	\$ 108,389	\$ 24,441
Net income per common share:				
Basic				
Income from continuing operations	\$ 0.48	\$ 0.23	\$ 1.22	\$ 0.31
Net income available to common shareholders	0.48	0.23	1.24	0.31
Diluted				
Income from continuing operations	0.45	0.22	1.15	0.30
Net income available to common shareholders	0.45	0.22	1.17	0.30

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Unaudited)

Nine months ended September 30, 2011

(In thousands, except share and per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss), Net		Non Controlling Interests	Total
						(Loss), Net	Non Controlling Interests		
Balance, December 31, 2010	\$ 28,939	\$ 907	\$ 1,160,690	\$ 746,057	\$ (149,462)	\$ (13,709)	\$ 9,644	\$ 1,783,066	
Comprehensive income:									
Net income				110,882				(1)	110,881
Other comprehensive income (loss), net of taxes:									
Net change in unrealized gain on securities available for sale						557			557
Net change in non-credit related other than temporary impairment on securities						746			746
Amortization of unrealized loss on securities transferred to held to maturity						77			77
Net unrealized loss on derivative instruments						(22,416)			(22,416)
Change in actuarial loss and prior service cost for pension and other postretirement benefits						1,618			1,618
Other comprehensive loss, net of taxes						(19,418)			(19,418)
Total comprehensive income, net of taxes									91,463
Dividends declared on common stock of \$.11 per share				(9,607)					(9,607)
Dividends declared on Series A preferred stock \$63.75 per share				(1,846)					(1,846)
Subsidiary preferred stock dividends \$0.65 per share				(647)					(647)
Common Stock Warrants Repurchased			(16,246)						(16,246)
Exercise of stock options			(209)		312				103
Dissolution of Joint Venture								(66)	(66)
Net shares acquired related to employee share-based compensation plans			3		(1,345)				(1,342)
Stock-based compensation expense			712	(4,698)	8,438				4,452
Issuance of common stock			196	(325)	719				590
Balance, September 30, 2011	\$ 28,939	\$ 907	\$ 1,145,146	\$ 839,816	\$ (141,338)	\$ (33,127)	\$ 9,577	\$ 1,849,920	

Nine months ended September 30, 2010

(In thousands, except share and per share data)	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss), Net		Non Controlling Interests	Total
						(Loss), Net	Non Controlling Interests		
Balance, December 31, 2009	\$ 422,109	\$ 820	\$ 1,007,740	\$ 708,024	\$ (161,911)	\$ (28,389)	\$ 9,641	\$ 1,958,034	
Comprehensive income:									
Net income				41,746				4	41,750
Other comprehensive income (loss), net of taxes:						26,369			26,369

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Net change in unrealized gain on securities available for sale									
Net change in non-credit related other than temporary impairment on securities				(2,754)					(2,754)
Amortization of unrealized loss on securities transferred to held to maturity				262					262
Net unrealized loss on derivative instruments				(6,064)					(6,064)
Change in actuarial loss and prior service cost for pension and other postretirement benefits				1,162					1,162
Other comprehensive income, net of taxes				18,975					18,975
Total comprehensive income, net of taxes									60,725
Dividends declared on common stock of \$.03 per share				(2,351)					(2,351)
Dividends declared on Series A preferred stock \$63.75 per share				(1,846)					(1,846)
Dividends incurred on Series B preferred stock \$37.50 per share				(12,123)					(12,123)
Redemption of Preferred Stock	(98,365)			(1,635)					(100,000)
Subsidiary preferred stock dividends \$0.65 per share				(647)					(647)
Exercise of stock options		(426)		749					323
Net shares acquired related to employee share-based compensation plans				(884)					(884)
Stock-based compensation expense		975		(4,652)	7,254				3,577
Accretion of preferred stock discount	1,054			(1,054)					
Issuance of common stock		88		(2,012)	3,612				1,688
Balance, September 30, 2010		\$ 324,798	\$ 820	\$ 1,008,377	\$ 723,450	\$ (151,180)	\$ (9,414)	\$ 9,645	\$ 1,906,496

See accompanying Notes to Condensed Consolidated Financial Statements.

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<i>(In thousands)</i>	Nine months ended September 30,	
	2011	2010
Operating Activities:		
Net income	\$ 110,881	\$ 41,750
Income from discontinued operations, net of tax	1,995	
Income from continuing operations	108,886	41,750
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Provision for loan and lease losses	20,000	100,000
Deferred tax expense	22,509	5,584
Depreciation and amortization	59,673	67,423
Stock-based compensation	4,452	3,577
Loss on sale and write-down of foreclosed and repossessed assets	4,830	5,110
Write-down of premises and equipment	707	135
Loss on sale of premises and equipment	961	
Loss on write-down of investments to fair value		5,838
Gain on fair value adjustment of direct investments	(1,488)	(1,264)
Loss on fair value adjustment of derivative instruments	1,813	2,504
Net gain on the sale of investment securities	(3,823)	(9,709)
Net decrease (increase) in trading securities	11,554	(9,991)
Increase in cash surrender value of life insurance policies	(7,751)	(7,867)
Gain from life insurance policies		(1,972)
Net decrease (increase) in loans held for sale	23,958	(496)
Net decrease in accrued interest receivable and other assets	13,524	56,797
Net increase in accrued expenses and other liabilities	5,671	27,975
Net cash provided by operating activities	265,476	285,394
Investing Activities:		
Net (increase) decrease in interest-bearing deposits	(34,429)	325,055
Purchases of available for sale securities	(755,911)	(929,273)
Proceeds from maturities and principal payments of available for sale securities	383,313	482,170
Proceeds from sales of available for sale securities	278,757	341,059
Purchases of held-to-maturity securities	(435,586)	(836,094)
Proceeds from maturities and principal payments of held-to-maturity securities	393,378	389,531
Purchases of FHLB and FRB stock		(3,000)
Net increase in loans	(133,085)	(12,755)
Proceeds from life insurance policies		2,237
Proceeds from sale of foreclosed properties and repossessed assets	12,572	21,195
Proceeds from sale of premises and equipment	3,881	675
Purchases of premises and equipment	(19,708)	(10,873)
Net cash used for investing activities	(306,818)	(230,073)
Financing Activities:		
Net decrease in deposits	(22,851)	(58,092)
Proceeds from Federal Home Loan Bank advances	748,934	749,000
Repayments of Federal Home Loan Bank advances	(755,487)	(819,320)
Net increase in securities sold under agreements to repurchase and other short-term debt	129,428	192,718
Redemption of preferred stock		(100,000)

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Repayment of long-term debt	(22,689)	
Cash dividends paid to common shareholders	(9,607)	(2,351)
Cash dividends paid to preferred shareholders of consolidated subsidiary	(647)	(647)
Cash dividends paid to preferred shareholders	(1,846)	(13,969)
Exercise of stock options	103	323
Issuance of common stock	590	1,688
Common stock repurchased	(1,342)	(884)
Common stock warrants repurchased	(16,246)	
Dissolution of Joint Venture	(66)	
Net cash provided by (used for) financing activities	48,274	(51,534)
Cash Flows from Discontinued Operations:		
Operating Activities	1,995	
Net cash provided by discontinued operations	1,995	
Net increase in cash and due from banks	8,927	3,787
Cash and due from banks at beginning of period	159,849	171,184
Cash and due from banks at end of period	\$ 168,776	\$ 174,971
Supplemental disclosure of cash flow information:		
Interest paid	\$ 108,582	\$ 134,711
Income taxes paid	12,889	15,009
Noncash investing and financing activities:		
Transfer of loans and leases, net to foreclosed properties and repossessed assets	\$ 8,088	\$ 30,184
<i>See accompanying Notes to Condensed Consolidated Financial Statements.</i>		

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

NOTE 1: Summary of Significant Accounting Policies

Nature of Operations. Webster Financial Corporation (together, with its consolidated subsidiaries, Webster, the Company, our company, we or us), is a bank holding company and financial holding company under the Bank Holding Company Act of 1956, as amended, headquartered in Waterbury, Connecticut and incorporated under the laws of Delaware in 1986. Webster Financial Corporation's principal asset at September 30, 2011 was all of the outstanding capital stock of Webster Bank, National Association (Webster Bank).

Webster, through Webster Bank and various non-banking financial services subsidiaries, delivers financial services to individuals, families and businesses throughout New England and into Westchester County, New York. Webster provides business and consumer banking, mortgage lending, financial planning, trust and investment services through 171 banking offices, 485 ATMs, telephone banking, mobile banking and its Internet website (www.websteronline.com). Webster Bank offers, through its HSA Bank division, health savings accounts on a nationwide basis. Webster also offers equipment financing, commercial real estate lending and asset-based lending.

Basis of Presentation. The Condensed Consolidated Financial Statements include the accounts of Webster Financial Corporation and all other entities in which it has a controlling financial interest (collectively referred to as Webster or the Company). All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and financial reporting policies Webster follows conform, in all material respects, to accounting principles generally accepted in the United States (GAAP) and to general practices within the financial services industry.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under accounting principles generally accepted in the United States. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. Subsidiaries of the Company that have issued trust preferred securities are not consolidated.

The Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q have not been audited by an independent registered public accounting firm, but, in the opinion of management, reflect all adjustments necessary for a fair presentation of the Company's financial position and results of operations. All such adjustments were of a normal and recurring nature. The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q adopted by the Securities and Exchange Commission (SEC). Accordingly, the Condensed Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company's Consolidated Financial Statements, and notes thereto, for the year ended December 31, 2010, included in Webster's Annual Report on Form 10-K filed with the SEC on February 25, 2011 (the 2010 Form 10-K). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Use of Estimates. The preparation of the Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements. Actual results could differ from those estimates. The allowance for loan and lease losses, the fair values of financial instruments, the deferred tax asset valuation allowance, status of contingencies, valuation of investments for other-than-temporary impairment (OTTI) and the goodwill valuation are particularly subject to change.

Reclassifications. Certain items in prior financial statements have been reclassified to conform to current presentation. These reclassifications had no impact on the Company's consolidated financial position, results of operations or net change in cash or cash equivalents. There have been no changes to our significant accounting policies that were disclosed in the 2010 Form 10-K.

Loans. Loans are stated at the principal amounts outstanding, net of unamortized premiums and discounts and net of deferred loan fees and/or costs which are recognized as a yield adjustment using the interest method. These yield adjustments are amortized over the contractual life of the related loans adjusted for estimated prepayments when applicable. Interest on loans is credited to interest income as earned based on the interest rate applied to principal amounts outstanding. Loans are placed on nonaccrual status when timely collection of principal and interest in

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accordance with contractual terms is doubtful. Loans are transferred to a nonaccrual basis generally when principal or interest payments become 90 days delinquent, unless the loan is well secured and in process of collection, or sooner when management concludes circumstances indicate that borrowers may be unable to meet contractual principal or interest payments.

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Accrual of interest is discontinued if the loan is placed on nonaccrual status. Residential real estate and consumer loans are placed on nonaccrual status at 90 days past due and a charge-off is recorded at 180 days if the loan balance exceeds the fair value of the collateral less costs to sell. All commercial, commercial real estate and equipment finance loans are subject to a detailed review by the Company's credit risk team when 90 days past due and a specific determination is made to put a loan on nonaccrual status. A charge off is recorded on a case by case basis when all or a portion of the loan is deemed to be uncollectible. Therefore, loans are monitored to ensure they are well secured and in the process of being collected. Webster has a policy in place to charge off the remaining balance when the collectability becomes uncertain.

When a loan is put on nonaccrual status, unpaid accrued interest is reversed and charged against interest income. If ultimate repayment of a nonaccrual loan is expected, any payments received are applied in accordance with contractual terms. If ultimate repayment is not expected on commercial, commercial real estate and equipment finance loans, any payment received on a nonaccrual loan is applied to principal until the unpaid balance has been fully recovered. Any excess is then credited to interest income when received. If the Company determines, through a current valuation analysis, that principal can be repaid on residential real estate and consumer loans, interest payments may be taken into income as received or on a cash basis. Loans are removed from nonaccrual status when they become current as to principal and interest or demonstrate a period of performance under contractual terms and, in the opinion of management, are fully collectible as to principal and interest.

Allowance for Credit Losses. The allowance for credit losses includes the allowance for loan and lease losses and the reserve for unfunded credit commitments.

Allowance for Loan and Lease Losses (ALLL). The allowance for loan and lease losses is a reserve established through a provision for loan and lease losses charged to expense, and represents management's best estimate of probable losses that may be incurred within the existing loan portfolio as of the balance sheet date. The level of the allowance reflects management's view of trends in loan loss activity, current loan portfolio quality and present economic, political and regulatory conditions. Portions of the allowance may be allocated for specific loans; however, the entire allowance is available for any loan that is charged off. While management utilizes its best judgment based on the information available at the time, the ultimate adequacy of the allowance is dependent upon a variety of factors that are beyond the Company's control, which include the performance of the Company's loan portfolio, economic conditions, interest rate sensitivity and the view of the regulatory authorities regarding loan classifications.

The Company's allowance for loan and lease losses consists of three elements: (i) specific valuation allowances established for probable losses on impaired loans; (ii) quantitative valuation allowances calculated using loan loss experience for like loans with similar characteristics and trends, adjusted, as necessary, to reflect the impact of current conditions; and (iii) qualitative factors determined based on general economic conditions and other qualitative risk factors both internal and external to the Company.

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on a pooled basis for smaller-balance loans of a similar nature and on an individual loan basis depending on risk rating, accrual status and loan size for other loans primarily residential and consumer loans. Commercial, commercial real estate and equipment financing loans over a specific dollar amount and all trouble debt restructurings are evaluated individually for impairment. A loan identified as a troubled debt restructuring (TDR) is considered an impaired loan for the entire term of the loan, with few exceptions. If a loan is impaired, a specific valuation allowance may be established, and the loan is reported net, at the present value of estimated future cash flows using the loan's original interest rate or at the fair value of collateral less costs to sell if repayment is expected from collateral liquidation. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible. Factors considered by management in determining impairment include payment status, collateral value, and the likelihood of collecting scheduled principal and interest payments. Consumer modified loans are analyzed for re-default probability which is factored into the impaired reserve calculation for ALLL. The current or weighted average (for multiple notes within a commercial borrowing arrangement) rate is used as the discount rate when the interest rate floats with a specified index. A change in terms or payments would be included in the impairment calculation.

Reserve for Unfunded Commitments. The reserve for unfunded commitments provides for potential losses inherent with funding the unused portion of legal commitments to lend.

Troubled Debt Restructurings. A modified loan is considered a TDR when two conditions are met: 1) the borrower is experiencing documented financial difficulty and 2) concessions are made by the Company that would not otherwise be considered for a borrower with similar credit characteristics. Modified terms are dependent upon the financial position and needs of the individual borrower, as the Company does not employ modification programs for temporary or trial periods. The most common types of modifications include covenant modifications, forbearance and/or concessions. If the modification agreement is violated, the loan is handled by the Company's Restructuring and Recovery group for resolution, which may result in foreclosure.

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The Company's policy is to place all consumer loan TDRs on non-accrual status for a minimum period of six months. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of six months. Commercial TDRs are evaluated on a case by case basis. Initially, all TDRs are reported as impaired. Generally, TDRs are classified as impaired loans and TDRs for the remaining life of the loan. Impaired and TDR classification may be removed if the borrower demonstrates compliance with the modified terms and the restructuring agreement specifies an interest rate equal to that which would be provided to a borrower with similar credit at the time of restructuring.

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Earnings Per Share. Earnings per common share is computed using the two-class method. Basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation and warrants for common stock using the treasury stock method. A reconciliation of the weighted-average shares used in calculating basic earnings per common share and the weighted average common shares used in calculating diluted earnings per common share for the reported periods is provided in Note 11 Earnings Per Common Share.

Comprehensive Income. Comprehensive income includes all changes in shareholders' equity during a period, except those resulting from transactions with shareholders. In addition to net income, other components of Webster's comprehensive income include the after-tax effect of changes in the net unrealized gain/loss on securities available for sale, changes in the net actuarial gain/loss on defined benefit post-retirement benefit plans and changes in the accumulated gain/loss on derivative instruments.

Accounting Standards Updates

ASU No. 2011-02, Receivables (Topic 310) - A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. In April 2011, the FASB issued ASU No. 2011-02 to clarify when a loan modification or restructuring is considered a troubled debt restructuring (TDR). The changes apply to a lender that modifies a receivable covered by Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors. In evaluating whether a restructuring constitutes a TDR, a creditor must separately conclude that both of the following exist: (i) the restructuring constitutes a concession and (ii) the debtor is experiencing financial difficulties. A creditor may determine that a debtor is experiencing financial difficulties, even though the debtor is not currently in default, if the creditor determines it is probable that the debtor would default on its payments for any of its debts in the foreseeable future without the loan modification. Lenders who determine that they are making a concession on the terms of the loan to a borrower who is having financial problems should follow the guidance found in ASU No. 2011-02. The guidance on identifying and disclosing TDRs is effective for interim and annual reporting periods beginning on or after June 15, 2011 and applies retrospectively to restructuring occurring on or after the beginning of the year. The guidance on measuring the impairment of a receivable restructured in a troubled debt restructuring is effective on a prospective basis. The provisions of ASU No. 2011-02 became effective for the Company on July 1, 2011 and did not have a significant impact on the Company's consolidated financial statements.

ASU No. 2011-03, Transfers and Servicing (Topic 860) - Reconsideration of Effective Control for Repurchase Agreements. In April 2011, the FASB issued ASU No. 2011-03 to clarify the determination of whether an entity may or may not recognize a sale upon transfer of financial assets subject to repurchase agreements. The changes remove from the assessment of effective control: (i) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance implementation guidance related to that criterion. As a result, it is anticipated that most repurchase agreements will not qualify for derecognition from the transferor's financial statements. This change is effective for the Company's interim and annual reporting periods beginning on or after December 15, 2011 and will be applied prospectively to new transactions or modifications of existing transactions after the effective date. The Company is currently evaluating the impact of the adoption of this accounting standards update on its financial statements and does not expect the application of this guidance will have a significant impact as the Company has been accounting for its repurchase agreements as secured financing.

ASU No. 2011-04, Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs. In May 2011, the FASB issued ASU No. 2011-04 which will supersede most of the accounting guidance currently found in Topic 820 of FASB's ASC. The amendments will improve comparability of fair value measurements presented and disclosed in financial statements prepared with GAAP and International Financial Reporting Standards (IFRS). The amendments also clarify the application of existing fair value measurement requirements. These amendments include (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and (3) disclosing quantitative information about the unobservable inputs used within the Level 3 hierarchy. The guidance is effective for the Company's interim and annual periods beginning after December 15, 2011 and will be applied prospectively. The Company is currently evaluating the impact of the adoption of this accounting standards update on the Company's financial statements.

ASU No. 2011-05, Comprehensive Income (Topic 220) - Presentation of Comprehensive Income. In June 2011, the FASB issued ASU No. 2011-05 which eliminates the option to present the components of other comprehensive income as part of the statement of stockholders' equity. The amendments require that all nonowner changes in stockholders' equity must be presented in a single continuous statement of comprehensive income or in two separate but consecutive statements. Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. The guidance is effective for the Company's interim and annual periods beginning after December 15, 2011 and will be applied retrospectively. Early adoption is permitted. The Company is

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currently evaluating the impact of the adoption of this accounting standards update on the Company's financial statements.

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ASU No. 2011-08, Intangibles - Goodwill and Other (Topic 350) - Testing Goodwill for Impairment. In September 2011, the FASB issued ASU No. 2011-08 which no longer requires an entity to initially perform the two-step goodwill impairment test. An entity may first make an assessment of qualitative factors in order to determine whether events and circumstances would more likely than not result in an impairment of goodwill. Only if this assessment concludes that impairment is more likely than not would the two-step goodwill impairment testing be required. An entity may bypass the qualitative assessment during any reporting period. The guidance is effective for the Company's interim and annual periods beginning after December 15, 2011 and will be applied prospectively. Early adoption is permitted, including interim or annual goodwill impairment tests performed before September 15, 2011, for interim or annual reports that have not been issued. The Company is currently evaluating the impact of the adoption of this accounting standards update on the Company's financial statements.

ASU No. 2011-09, Compensation - Retirement Benefits - Multiemployer Plans (Topic 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan. In September 2011, the FASB issued ASU No. 2011-09 which requires quantitative and qualitative disclosures about each significant plan including, the legal name and the plan's employer identification number; the most recent certified funding status or percentage funded and report plans subject to funding improvement; expiration dates of collective bargaining agreements; whether employer's contribution exceeds 5% of total contributions; contributions to each significant plan and contributions to all plans; and the nature and effect of changes that impact comparability between periods an income statement is presented. The guidance is effective for the Company's interim and annual periods ending after December 15, 2011 and will be applied prospectively. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this accounting standards update on the Company's financial statements.

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A summary of the amortized cost, carrying value, and fair value of Webster's investment securities is presented in the tables below for the periods indicated:

<i>(In thousands)</i>	At September 30, 2011						
	Amortized cost ^{(a)(b)}	Recognized in OCI		Carrying value	Not Recognized in OCI		Fair value
		unrealized gains	Gross unrealized losses		Gross unrealized gains	Gross unrealized losses	
Available for sale:							
U.S. Treasury Bills	\$ 200	\$	\$	\$ 200	\$	\$	\$ 200
Agency collateralized mortgage obligations (CMOs) - GSE	1,673,602	37,523	(383)	1,710,742			1,710,742
Pooled trust preferred securities ^(a)	54,364		(23,580)	30,784			30,784
Single issuer trust preferred securities	50,975		(13,833)	37,142			37,142
Equity securities-financial institutions ^(b)	7,370	589	(245)	7,714			7,714
Mortgage-backed securities - GSE	393,510	27,484		420,994			420,994
Commercial mortgage-backed securities (CMBS)	290,092	18,604	(16,121)	292,575			292,575
Total available for sale	\$ 2,470,113	\$ 84,200	\$ (54,162)	\$ 2,500,151	\$	\$	\$ 2,500,151
Held to maturity:							
Municipal bonds and notes	\$ 659,610	\$	\$	\$ 659,610	\$ 24,000	\$ (450)	\$ 683,160
Agency collateralized mortgage obligations (CMOs) - GSE	754,297			754,297	28,192		782,489
Mortgage-backed securities - GSE	1,521,145			1,521,145	102,202		1,623,347
Commercial mortgage-backed securities (CMBS)	144,518			144,518	1,524	(235)	145,807
Private Label MBS	26,443			26,443	487		26,930
Total held to maturity	\$ 3,106,013	\$	\$	\$ 3,106,013	\$ 156,405	\$ (685)	\$ 3,261,733
Total investment securities	\$ 5,576,126	\$ 84,200	\$ (54,162)	\$ 5,606,164	\$ 156,405	\$ (685)	\$ 5,761,884

(a) Amortized cost is net of \$10.5 million of credit related other-than-temporary impairments at September 30, 2011.

(b) Amortized cost is net of \$21.6 million of other-than-temporary impairments at September 30, 2011.

<i>(In thousands)</i>	At December 31, 2010						
	Amortized cost ^{(a)(b)}	Recognized in OCI		Carrying value	Not Recognized in OCI		Fair value
		unrealized gains	Gross unrealized losses		Gross unrealized gains	Gross unrealized losses	
Available for sale:							
U.S. Treasury Bills	\$ 200	\$	\$	\$ 200	\$	\$	\$ 200
Agency notes - GSE	100,020	29		100,049			100,049
Agency collateralized mortgage obligations (CMOs) - GSE	1,172,942	12,524	(6,307)	1,179,159			1,179,159
Pooled trust preferred securities ^(a)	65,054	2,693	(14,558)	53,189			53,189
Single issuer trust preferred securities	50,852		(8,577)	42,275			42,275
Equity securities-financial institutions ^(b)	6,510	1,064	(233)	7,341			7,341
Mortgage-backed securities - GSE	691,567	32,103	(88)	723,582			723,582

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Commercial mortgage-backed securities (CMBS)	296,730	14,736	(3,485)	307,981			307,981
Total available for sale	\$ 2,383,875	\$ 63,149	\$ (33,248)	\$ 2,413,776	\$	\$	\$ 2,413,776
Held to maturity:							
Municipal bonds and notes	\$ 670,287	\$	\$	\$ 670,287	\$ 7,978	\$ (25,199)	\$ 653,066
Agency collateralized mortgage obligations (CMOs) - GSE	643,189			643,189	13,292	(515)	655,966
Mortgage-backed securities - GSE	1,707,893			1,707,893	77,204	(4,263)	1,780,834
Commercial mortgage-backed securities (CMBS)	14,997			14,997	39		15,036
Private Label MBS	36,087			36,087	786		36,873
Total held to maturity	\$ 3,072,453	\$	\$	\$ 3,072,453	\$ 99,299	\$ (29,977)	\$ 3,141,775
Total investment securities	\$ 5,456,328	\$ 63,149	\$ (33,248)	\$ 5,486,229	\$ 99,299	\$ (29,977)	\$ 5,555,551

- (a) Amortized cost is net of \$26.3 million of credit related other-than-temporary impairments at December 31, 2010.
(b) Amortized cost is net of \$21.7 million of other-than-temporary impairments at December 31, 2010.

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Securities with a carrying value totaling \$2.4 billion at September 30, 2011 and \$2.6 billion at December 31, 2010 were pledged to secure public funds, trust deposits, repurchase agreements and for other purposes, as required or permitted by law.

At September 30, 2011 and December 31, 2010, the Company had no investments in obligations of individual states, counties, or municipalities which exceed 10% of consolidated shareholders equity.

The amortized cost and fair value of debt securities at September 30, 2011, by contractual maturity, are set forth below:

<i>(In thousands)</i>	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 200	\$ 200	\$ 19,802	\$ 19,808
Due after one year through five years			6,148	6,427
Due after five years through ten years	37,221	29,108	288,153	305,765
Due after ten years	2,425,322	2,463,129	2,791,910	2,929,733
Totals	\$ 2,462,743	\$ 2,492,437	\$ 3,106,013	\$ 3,261,733

For the purposes of the maturity schedule, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the expected maturity of the underlying collateral. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. At September 30, 2011, the Company had \$671.1 million of callable securities in its investment portfolio.

Management evaluates securities for OTTI on a quarterly basis. All securities classified as held to maturity or available for sale that are in an unrealized loss position are evaluated for OTTI. Consideration is given to, among other qualitative factors, current market conditions, fair value in relationship to cost, extent and nature of change in fair value, issuer rating changes and trends, volatility of earnings, current analysts evaluations, and all available information relevant to the collectability of debt securities. If the Company intends to sell the security or, if it is more likely than not that the Company will be required to sell the security prior to recovery of its amortized cost basis, the security's amortized cost is written down to fair value and the respective loss is recorded as non-interest expense in the Condensed Consolidated Statements of Operations. If the Company does not intend to sell the security and if it is more likely than not that the Company will not be required to sell the security prior to recovery of its amortized cost basis, only the credit component of the impairment charge of a debt security is recognized as a loss in non-interest income in the Condensed Consolidated Statements of Operations. The remaining non credit impairment component is recorded in other comprehensive income (OCI). A decline in the value of an equity security that is considered OTTI is recorded as a loss in non-interest income in the Condensed Consolidated Statements of Operations.

The following tables provide information on the gross unrealized losses and fair value of the Company's investment securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment security category and length of time that individual investment securities have been in a continuous unrealized loss position:

<i>(Dollars in thousands)</i>	At September 30, 2011					Total	
	Less Than Twelve Months		Twelve Months or Longer		# of Holdings	Fair Value	Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses			
Available for Sale:							
Agency CMOs - GSE	\$ 175,165	\$ (383)	\$	\$	4	\$ 175,165	\$ (383)
Pooled trust preferred securities	7,812	(6,880)	22,972	(16,700)	8	30,784	(23,580)
Single issuer trust preferred securities	6,784	(1,436)	30,358	(12,397)	9	37,142	(13,833)
Equity securities	2,403	(245)			18	2,403	(245)
Commercial mortgage-backed securities (CMBS)	52,234	(7,926)	16,051	(8,195)	4	68,285	(16,121)
Total available for sale	\$ 244,398	\$ (16,870)	\$ 69,381	\$ (37,292)	43	\$ 313,779	\$ (54,162)

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Held-to-maturity:

Municipal bonds and notes	\$ 7,025	\$ (63)	\$ 27,632	\$ (387)	41	\$ 34,657	\$ (450)
Commercial mortgage-backed securities (CMBS)	36,352	(235)			4	36,352	(235)
Total held-to-maturity	\$ 43,377	\$ (298)	\$ 27,632	\$ (387)	45	\$ 71,009	\$ (685)
Total investment securities	\$ 287,775	\$ (17,168)	\$ 97,013	\$ (37,679)	88	\$ 384,788	\$ (54,847)

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	At December 31, 2010						
	Less Than Twelve Months		Twelve Months or Longer			Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	# of Holdings	Fair Value	Unrealized Losses
<i>(Dollars in thousands)</i>							
Available for Sale:							
Agency CMOs - GSE	\$ 450,099	\$ (6,307)	\$	\$	9	\$ 450,099	\$ (6,307)
Pooled trust preferred securities	8,126	(1,534)	40,147	(13,024)	9	48,273	(14,558)
Single issuer trust preferred securities			42,275	(8,577)	9	42,275	(8,577)
Equity securities	1,328	(222)	138	(11)	14	1,466	(233)
Mortgage-backed securities-GSE	28,391	(88)			1	28,391	(88)
Commercial mortgage-backed securities (CMBS)			55,817	(3,485)	3	55,817	(3,485)
Total available for sale	\$ 487,944	\$ (8,151)	\$ 138,377	\$ (25,097)	45	\$ 626,321	\$ (33,248)
Held-to-maturity:							
Municipal bonds and notes	\$ 357,771	\$ (23,621)	\$ 11,737	\$ (1,578)	410	\$ 369,508	\$ (25,199)
Agency CMOs - GSE	51,874	(515)			1	51,874	(515)
Mortgage-backed securities - GSE	301,305	(4,263)			11	301,305	(4,263)
Total held-to-maturity	\$ 710,950	\$ (28,399)	\$ 11,737	\$ (1,578)	422	\$ 722,687	\$ (29,977)
Total investment securities	\$ 1,198,894	\$ (36,550)	\$ 150,114	\$ (26,675)	467	\$ 1,349,008	\$ (63,225)

The following discussion summarizes, by investment security type, the basis for evaluating if the applicable investment securities within the Company's available for sale portfolio were other-than-temporarily impaired at September 30, 2011. Unless otherwise noted, under an investment security type, management does not intend to sell these investments and has determined, based upon available evidence, that it is more likely than not that the Company will not be required to sell the security before the recovery of its amortized cost.

Trust Preferred Securities Pooled Issuers At September 30, 2011, the fair value of the pooled trust preferred securities was \$30.8 million, a decrease of \$22.4 million from the fair value of \$53.2 million at December 31, 2010. The decrease in fair value is due to sales of two securities, principal pay downs on another, and wider credit and liquidity spreads. During the nine months ended September 30, 2011 the Company sold two securities with an amortized cost of \$5.0 million at a loss of \$3.3 million. The gross unrealized loss of \$23.6 million at September 30, 2011 is attributable to cumulative decreases in market interest rates, increases in liquidity spread premiums selected by management to reflect the inactive and illiquid nature of the trust preferred securities market at this time, and changes in the underlying credit profile of issuers in each trust over the holding period. Since the end of 2010, the 30 year swap rate has declined 141 basis points and credit spreads in general have increased. Over the course of 2011, the combination of these changes in interest rates and credit spreads, changes in the underlying securities cash flow projections, and a reduction in the overall size of the portfolio, account for the increase in unrealized losses of \$9.0 million from December 31, 2010. For the three and nine months ended September 30, 2011, the Company recognized no credit related OTTI for these securities. As a result, there was no additional non credit related OTTI recognized in OCI during the three and nine months ended September 30, 2011. The pooled trust preferred portfolio consists of collateralized debt obligations (CDOs) containing predominantly bank and insurance collateral that are investment grade and below investment grade. Based on the valuation analysis presented above, these securities were not deemed to be other-than-temporarily impaired as of September 30, 2011.

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The following table summarizes pertinent information that was considered by management in evaluating Trust Preferred Securities Pooled Issuers for OTTI in the current reporting period:

Deal Name ^{(c), (d)} <i>(Dollars in thousands)</i>	Class	Amortized Cost ^(b)	Unrealized		Fair Value	Lowest Credit Ratings as of September 30, 2011 ^(a)	Total Credit Related Other-Than- Temporary Impairment thru September 30, 2011	% of Performing Bank/ Insurance Issuers	Current Deferrals/ Defaults (As a % of Original Collateral)
			Gains	(Losses)					
Security H	B	\$ 3,483	\$	\$ (1,908)	\$ 1,575	B	\$ (352)	96.6	4.6
Security I	B	4,464		(2,453)	2,011	CCC	(365)	88.2	16.8
Security J	B	5,274		(3,050)	2,224	CCC	(806)	90.6	11.6
Security K	A	7,349		(2,259)	5,090	CCC	(2,040)	68.5	34.1
Security L	B	8,719		(4,865)	3,854	CCC	(867)	92.0	11.6
Security M	A	7,343		(4,621)	2,722	D	(4,926)	51.6	41.7
Security N	A	17,732		(4,424)	13,308	A	(1,104)	90.6	11.6
Total		\$ 54,364	\$	\$ (23,580)	\$ 30,784		\$ (10,460)		

(a) The Company utilized credit ratings provided by Moody's, S&P and Fitch in its evaluation of issuers.

(b) For the securities deemed impaired, the amortized cost reflects previous OTTI recognized in earnings.

(c) One security (Security G) with an amortized cost of \$2.0 million was sold during the three months ended March 31, 2011 for a loss of \$1.0 million.

(d) One security (Security F) with an amortized cost of \$3.0 million was sold during the three months ended June 30, 2011 for a loss of \$2.3 million.

Trust Preferred Securities - Single Issuers At September 30, 2011, the fair value of the single issuer trust preferred portfolio was \$37.1 million, a decrease of \$5.2 million from the fair value of \$42.3 million at December 31, 2010. The gross unrealized loss of \$13.8 million at September 30, 2011 is primarily attributable to changes in interest rates and wider credit spreads over the holding period of these securities. The single issuer portfolio consists of five investments issued by three large capitalization money center financial institutions, which continued to service debt and showed significantly improved capital levels in recent years and remain well above current regulatory standards. Based on the review of the qualitative and quantitative factors presented above, these securities were not deemed to be other-than-temporarily impaired at September 30, 2011.

The following table summarizes pertinent information that was considered by management in determining if OTTI existed within the single issuer trust preferred securities portfolio in the current reporting period:

Deal Name <i>(In thousands)</i>	Amortized Cost	Unrealized		Fair Value	Lowest Credit Ratings as of September 30, 2011	Total Other-Than- Temporary Impairment thru September 30, 2011
		Gains	Losses			
Security B	\$ 6,845	\$	\$ (2,211)	\$ 4,634	BB	\$
Security C	8,621		(1,507)	7,114	BBB	
Security D	9,540		(4,040)	5,500	BB	

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Security E	11,705	(2,555)	9,150	BBB
Security F	14,264	(3,520)	10,744	BBB
Total	\$ 50,975	\$ (13,833)	\$ 37,142	\$

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Agency CMOs GSE There were \$383 thousand in unrealized losses in the Company's investment in agency CMOs at September 30, 2011 compared to \$6.3 million at December 31, 2010. The improvement in unrealized losses at September 30, 2011 was the result of lower overall interest rates and tighter market spreads during the three and nine months ended 2011. The contractual cash flows for these investments are performing as expected. As such, the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2011.

Equity securities The unrealized losses on the Company's investment in equity securities were \$245 thousand at September 30, 2011 compared to \$233 thousand at December 31, 2010. This portfolio consists primarily of investments in the common stock of small capitalization financial institutions based in New England (\$6.7 million of the total fair value at September 30, 2011) and auction rate preferred securities (\$975 thousand of the total fair value at September 30, 2011). When estimating the recovery period for equity securities in an unrealized loss position, management utilizes analyst forecasts, earnings assumptions and other company-specific financial performance metrics. In addition, this assessment incorporates general market data, industry and sector cycles and related trends to determine a reasonable recovery period. The Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairment. The Company determined its holdings of equity securities were not deemed to be other-than-temporarily impaired at September 30, 2011.

Mortgage-backed securities GSE There were no unrealized losses in the Company's investment in residential mortgage-backed securities issued by the GSEs at September 30, 2011 compared to \$88 thousand in unrealized losses at December 31, 2010. The contractual cash flows for these investments are performing as expected. With tighter market spreads during the three and nine months ended September 30, 2011, these securities are all at unrealized gains.

Commercial mortgage backed securities The unrealized losses on the Company's investment in commercial mortgage-backed securities issued by entities other than GSEs increased to \$16.1 million at September 30, 2011 from \$3.5 million at December 31, 2010. This increase in unrealized loss is primarily the result of recent widening in credit spreads in the three and nine months ended September 30, 2011. The contractual cash flows for these investments are performing as expected. The decrease in market value is attributable to cumulative changes in interest rates and not due to underlying credit deterioration. The Company has determined that these investments were not other-than-temporarily impaired at September 30, 2011.

The following discussion summarizes, by investment security type, the basis for the conclusion that the applicable investment securities within the Company's held to maturity portfolio were not other-than-temporarily impaired at September 30, 2011. Unless otherwise noted, under an investment security type, management does not intend to sell these investments and has determined, based upon available evidence, that it is more likely than not that the Company will not be required to sell the securities before the recovery of its amortized cost. There were no significant credit downgrades on held to maturity securities during the three and nine months ended September 30, 2011.

Municipal bonds and notes There were unrealized losses on the Company's investment in municipal bonds and notes of \$450 thousand at September 30, 2011 compared to \$25.2 million at December 31, 2010. This decrease is primarily the result of a decline in market interest rates in 2011 compared to 2010. The municipal portfolio is comprised of bank qualified bonds, over 94% with credit ratings of A or better. In addition, the portfolio is comprised of 86.2% General Obligation bonds and 13.5% Revenue bonds and 0.3% other bonds.

Agency collateralized mortgage obligations GSE There were no unrealized losses on the Company's investment in agency CMOs at September 30, 2011 compared to \$515 thousand in unrealized losses at December 31, 2010. The contractual cash flows for this investment are performing as expected. With tighter market spreads and lower overall interest rates during the three and nine months ended September 30, 2011, the agency CMO securities are all at unrealized gains.

Mortgage-backed securities GSE There were no unrealized losses on the Company's investment in residential mortgage-backed securities issued by the GSEs at September 30, 2011 compared to \$4.3 million at December 31, 2010. The contractual cash flows for these investments are performing as expected. The increase in market value is attributable to lower overall interest rates during the three and nine months ended September 30, 2011.

CMBS and Private Label CMOs There were unrealized losses of \$235 thousand on the Company's investment in commercial and residential mortgage-backed securities issued by entities other than GSEs at September 30, 2011 compared to no unrealized losses at December 31, 2010. These securities carry AAA ratings and are currently performing as expected.

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The following tables summarize the impact of sale proceeds and net realized gains and losses on sales of securities and the impact of the recognition of other-than-temporary impairments for the three and nine months ended September 30, 2011 and 2010:

<i>(In thousands)</i>	Three months ended September 30,									
	2011					2010				
	Sale Proceeds	Gains	Losses	OTTI Charges	Net	Sale Proceeds	Gains	Losses	OTTI Charges	Net
Available for sale:										
Agency notes - GSE	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Agency CMOs - GSE						73,052	1,173			1,173
Pooled trust preferred securities						773		(146)	(970)	(1,116)
Single issuer trust preferred securities										
Equity securities										
Mortgage-backed securities-GSE										
Commercial mortgage-backed securities										
Total available for sale	\$	\$	\$	\$	\$	\$ 73,825	\$ 1,173	\$ (146)	\$ (970)	\$ 57

<i>(In thousands)</i>	Nine months ended September 30,									
	2011					2010				
	Sale Proceeds	Gains	Losses	OTTI Charges	Net	Sale Proceeds	Gains	Losses	OTTI Charges	Net
Available for sale:										
Agency notes - GSE	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Agency CMOs - GSE	94,335	1,959			1,959	73,052	1,173			1,173
Pooled trust preferred securities	1,456		(3,343)		(3,343)	1,853	340	(146)	(5,771)	(5,577)
Single issuer trust preferred securities										
Equity securities	2,353	374			374				(67)	(67)
Mortgage-backed securities-GSE	180,613	4,833			4,833	266,154	8,342			8,342
Commercial mortgage-backed securities										
Total available for sale	\$ 278,757	\$ 7,166	\$ (3,343)	\$	\$ 3,823	\$ 341,059	\$ 9,855	\$ (146)	\$ (5,838)	\$ 3,871

The following is a roll forward of the amount of credit related OTTI for the three and nine months ended September 30, 2011 and 2010:

<i>(In thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Balance of credit related OTTI, beginning of period	\$ 10,476	\$ 39,220	\$ 26,320	\$ 43,492
Additions for credit related OTTI not previously recognized		970		5,771
Reduction for payment of deferred interest	(16)		(16)	
Reduction for securities sold		(1,867)	(15,844)	(10,940)
Subtotal of additions and reductions, net	(16)	(897)	(15,860)	(5,169)
Balance of credit related OTTI, end of period	\$ 10,460	\$ 38,323	\$ 10,460	\$ 38,323

To the extent that changes in interest rates, credit movements and other factors that influence the fair value of investments occur, the Company may be required to record impairment charges for other-than-temporary impairment in future periods.

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There were no additions to credit related OTTI for the three and nine months ended September 30, 2011. There was a reduction in outstanding credit-related OTTI due to the sale of two securities during the nine months ended September 30, 2011.

Investments in Private Equity Funds

In addition to investment securities, the Company has investments in private equity funds. These investments, which totaled \$13.1 million at September 30, 2011, are included in other assets in the Condensed Consolidated Balance Sheets. The Company recognized a gain, net of OTTI charges on these investments, of \$0.1 million and \$1.5 million during the three and nine months ended September 30, 2011, respectively, and a \$0.7 million loss and a \$1.4 million gain, net of OTTI charges on these investments, during the three and nine months ended September 30, 2010, respectively. These amounts are included in other non-interest income on the Condensed Consolidated Statements of Operations.

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Allowance for Loan and Lease Losses. The following table summarizes the allowance for loan and lease losses by portfolio segment for the three months ending September 30, 2011 and 2010:

<i>(In thousands)</i>	For the Three Months Ended September 30, 2011						
	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Unallocated	Total
Allowance for loan and lease losses:							
Balance, beginning of period	\$ 28,476	\$ 82,369	\$ 65,842	\$ 66,286	\$ 18,270	\$ 20,000	\$ 281,243
Provision (benefit) charged to expense	7,551	282	9,595	(6,085)	(4,343)	(2,000)	5,000
Losses charged off	(2,652)	(12,609)	(14,628)	(3,376)	(551)		(33,816)
Recoveries	374	1,143	1,130	37	2,241		4,925
Balance, end of period	\$ 33,749	\$ 71,185	\$ 61,939	\$ 56,862	\$ 15,617	\$ 18,000	\$ 257,352
Ending balance: individually evaluated for impairment	\$ 18,301	\$ 4,908	\$ 13,781	\$ 11,236	\$ 5	\$	\$ 48,231
Ending balance: collectively evaluated for impairment	\$ 15,448	\$ 66,277	\$ 48,158	\$ 45,626	\$ 15,612	\$ 18,000	\$ 209,121

<i>(In thousands)</i>	For the Three Months Ended September 30, 2010						
	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Unallocated	Total
Allowance for loan and lease losses:							
Balance, beginning of period	\$ 31,003	\$ 104,313	\$ 85,769	\$ 74,875	\$ 26,127	\$ 22,000	\$ 344,087
Provision charged to expense	3,269	11,194	2,430	7,067	1,040		25,000
Losses charged off	(2,665)	(15,631)	(8,425)	(3,757)	(3,972)		(34,450)
Recoveries	453	1,619	1,544	616	1,472		5,704
Balance, end of period	\$ 32,060	\$ 101,495	\$ 81,318	\$ 78,801	\$ 24,667	\$ 22,000	\$ 340,341
Ending balance: individually evaluated for impairment	\$ 13,063	\$ 3,050	\$ 16,028	\$ 10,004	\$ 4	\$	\$ 42,149
Ending balance: collectively evaluated for impairment	\$ 18,997	\$ 98,445	\$ 65,290	\$ 68,797	\$ 24,663	\$ 22,000	\$ 298,192

The following table summarizes the allowance for loan and lease losses by portfolio segment for the nine months ending September 30, 2011 and 2010:

<i>(In thousands)</i>	For the Nine Months Ended September 30, 2011						
	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Unallocated	Total
Allowance for loan and lease losses:							
Balance, beginning of period	\$ 30,792	\$ 95,071	\$ 74,470	\$ 77,695	\$ 21,637	\$ 22,000	\$ 321,665
Provision (benefit) charged to expense	11,305	13,978	14,702	(6,775)	(9,210)	(4,000)	20,000
Losses charged off	(8,969)	(41,488)	(31,100)	(14,501)	(2,098)		(98,156)
Recoveries	621	3,624	3,867	443	5,288		13,843
Balance, end of period	\$ 33,749	\$ 71,185	\$ 61,939	\$ 56,862	\$ 15,617	\$ 18,000	\$ 257,352

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Ending balance: individually evaluated for impairment	\$ 18,301	\$ 4,908	\$ 13,781	\$ 11,236	\$ 5	\$	\$ 48,231
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Ending balance: collectively evaluated for impairment	\$ 15,448	\$ 66,277	\$ 48,158	\$ 45,626	\$ 15,612	\$ 18,000	\$ 209,121
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For the Nine Months Ended September 30, 2010

(In thousands)

	Residential	Consumer	Commercial	Commercial Real Estate	Equipment Financing	Unallocated	Total
Allowance for loan and lease losses:							
Balance, beginning of period	\$ 26,895	\$ 102,017	\$ 88,406	\$ 74,753	\$ 29,113	\$ 20,000	\$ 341,184
Provision charged to expense	15,400	47,374	14,558	15,958	4,710	2,000	100,000
Losses charged off	(11,427)	(51,477)	(25,220)	(12,698)	(12,681)		(113,503)
Recoveries	1,192	3,581	3,574	788	3,525		12,660

Balance, end of period	\$ 32,060	\$ 101,495	\$ 81,318	\$ 78,801	\$ 24,667	\$ 22,000	\$ 340,341
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Ending balance: individually evaluated for impairment	\$ 13,063	\$ 3,050	\$ 16,028	\$ 10,004	\$ 4	\$	\$ 42,149
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Ending balance: collectively evaluated for impairment	\$ 18,997	\$ 98,445	\$ 65,290	\$ 68,797	\$ 24,663	\$ 22,000	\$ 298,192
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Impaired Loans and Leases. At September 30, 2011, the recorded investment balance of impaired loans and leases totaled \$555.4 million and included \$354.6 million of loans and leases with \$48.2 million of established specific reserves and included \$481.1 million of TDRs. At December 31, 2010, the recorded investment of impaired loans and leases totaled \$569.1 million and included \$363.0 million of loans and leases with specific reserves of \$36.0 million and included \$450.2 million of TDRs.

The following table summarizes impaired loans and leases by class as of September 30, 2011 and December 31, 2010:

	At September 30, 2011					
	Unpaid Principal Balance	Total Recorded Investment	Recorded Investment No Allowance	Recorded Investment With Allowance	Related Valuation Allowance	Average Recorded Investment
<i>(In thousands)</i>						
Residential:						
1-4 family	\$ 132,045	\$ 123,909	\$	\$ 123,909	\$ 15,548	\$ 118,155
Permanent-NCLC	12,044	10,832		10,832	2,745	10,471
Construction	131	135		135	8	68
Liquidating portfolio-construction loans						1
Consumer:						
Home equity loans	34,427	30,729		30,729	3,851	28,696
Liquidating portfolio-home equity loans	7,496	5,585		5,585	1,056	5,535
Other consumer	7	7		7	1	8
Commercial:						
Commercial non-mortgage	128,072	116,809	37,151	79,658	13,299	125,876
Asset-based loans	14,749	10,055	7,857	2,198	482	11,931
Commercial real estate:						
Commercial real estate	211,804	208,069	125,275	82,794	8,358	194,103
Commercial construction	20,159	17,511		17,511	2,746	26,904
Residential development	28,328	27,125	26,482	643	132	29,444
Equipment Financing	12,593	4,656	4,069	587	5	11,068
Totals:						
Residential	144,220	134,876		134,876	18,301	128,695
Consumer	41,930	36,321		36,321	4,908	34,239
Commercial	142,821	126,864	45,008	81,856	13,781	137,807
Commercial real estate	260,291	252,705	151,757	100,948	11,236	250,451
Equipment Financing	12,593	4,656	4,069	587	5	11,068
Total	\$ 601,855	\$ 555,422	\$ 200,834	\$ 354,588	\$ 48,231	\$ 562,260

	At December 31, 2010					
	Unpaid Principal Balance	Total Recorded Investment	Recorded Investment No Allowance	Recorded Investment With Allowance	Related Valuation Allowance	Average Recorded Investment
<i>(In thousands)</i>						
Residential: (a)						
1-4 family	\$ 117,997	\$ 112,402	\$ 146	\$ 112,256	\$ 11,358	\$ 77,814
Permanent-NCLC	10,789	10,111		10,111	2,204	11,168
Construction						
Liquidating portfolio-construction loans	165	1	1			2
Consumer: (a)						
Home equity loans	31,174	26,664	95	26,569	2,577	16,613
Liquidating portfolio-home equity loans	9,707	5,485	39	5,446	888	3,797
Other consumer	8	8		8	1	4
Commercial:						
Commercial non-mortgage	140,284	134,944	52,772	82,172	10,589	123,480
Asset-based loans	15,731	13,807	10,382	3,425	133	13,847
Commercial real estate:						

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Commercial real estate	183,521	180,137	88,638	91,499	5,054	133,846
Commercial construction	39,468	36,296	17,823	18,473	2,015	37,669
Residential development	33,082	31,763	21,139	10,624	1,097	53,956
Equipment Financing	29,059	17,479	15,020	2,459	81	18,458
Totals:						
Residential	128,951	122,514	147	122,367	13,562	88,984
Consumer	40,889	32,157	134	32,023	3,466	20,414
Commercial	156,015	148,751	63,154	85,597	10,722	137,327
Commercial real estate	256,071	248,196	127,600	120,596	8,166	225,471
Equipment Financing	29,059	17,479	15,020	2,459	81	18,458
Total	\$ 610,985	\$ 569,097	\$ 206,055	\$ 363,042	\$ 35,997	\$ 490,654

- a) As permitted in accordance with applicable accounting guidance, non-TDR residential and consumer loans that are collectively evaluated for impairment on a pooled basis have been removed from the Residential and Consumer data with respect to impaired loans and leases with no valuation allowance as originally presented in the 2010 Form 10-K. Management believes that these changes are immaterial to Webster's financial statements and align reporting of such data more closely with peer banks.

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The following table summarizes interest income recognized by class of impaired loans and leases for the three and nine months ended September 30, 2011 and 2010:

	For the Three Months ended September 30,					
	2011			2010		
(In thousands)	Loans and Leases With No Allowance	Loans and Leases With Specific Allowance	Total Interest Income	Loans and Leases With No Allowance	Loans and Leases With Specific Allowance	Total Interest Income
Residential:						
1-4 family	\$	\$ 1,093	\$ 1,093	\$ 5	\$ 800	\$ 805
Permanent-NCLC		105	105		89	89
Construction		2	2		12	12
Liquidating portfolio-construction loans				2		2
Consumer:						
Home equity loans	1	313	314	9	154	163
Liquidating portfolio-home equity loans	6	58	64	10	35	45
Other consumer						
Commercial:						
Commercial non-mortgage	301	512	813	514	727	1,241
Asset-based loans	61		61	53		53
Commercial real estate:						
Commercial real estate	819	411	1,230	953	404	1,357
Commercial construction	63	51	114	171	77	248
Residential development	84		84	272	83	355
Equipment Financing	7	14	21	53	14	67
Totals:						
Residential		1,200	1,200	7	901	908
Consumer	7	371	378	19	189	208
Commercial	362	512	874	567	727	1,294
Commercial real estate	966	462	1,428	1,396	564	1,960
Equipment Financing	7	14	21	53	14	67
Total	\$ 1,342	\$ 2,559	\$ 3,901	\$ 2,042	\$ 2,395	\$ 4,437

	For the Nine Months ended September 30,					
	2011			2010		
(In thousands)	Loans and Leases With No Allowance	Loans and Leases With Specific Allowance	Total Interest Income	Loans and Leases With No Allowance	Loans and Leases With Specific Allowance	Total Interest Income
Residential:						
1-4 family	\$	\$ 3,535	\$ 3,535	\$ 16	\$ 1,555	\$ 1,571
Permanent-NCLC		310	310		150	150
Construction		7	7		23	23
Liquidating portfolio-construction loans				2		2
Consumer:						
Home equity loans	26	1,036	1,062	28	346	374
Liquidating portfolio-home equity loans	21	253	274	31	96	127
Other consumer						
Commercial:						
Commercial non-mortgage	1,385	1,945	3,330	1,018	1,963	2,981
Asset-based loans	251		251	53		53
Commercial real estate:						

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Commercial real estate	3,038	1,830	4,868	2,622	890	3,512
Commercial construction	517	201	718	171	162	333
Residential development	414		414	524	311	835
Equipment Financing	23	39	62	191	57	248
Totals:						
Residential		3,852	3,852	18	1,728	1,746
Consumer	47	1,289	1,336	59	442	501
Commercial	1,636	1,945	3,581	1,071	1,963	3,034
Commercial real estate	3,969	2,031	6,000	3,317	1,363	4,680
Equipment Financing	23	39	62	191	57	248
Total	\$ 5,675	\$ 9,156	\$ 14,831	\$ 4,656	\$ 5,553	\$ 10,209

Of the total interest income recognized for the three and nine months ended September 30, 2011 and 2010, \$431 thousand and \$1.5 million and \$443 thousand and \$1.3 million of interest income, respectively, was recognized on a cash basis method of accounting for the residential and consumer portfolio segments.

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Loans and Leases Portfolio Aging. The following table summarizes the recorded investment of the Company's loan and lease portfolio aging by class at September 30, 2011 and December 31, 2010:

At September 30, 2011

<i>(In thousands)</i>	30-59 Days	60-89 Days	> 90 Days		Total Past Due	Current	Total Loans and Leases
	Past Due and Accruing	Past Due and Accruing	Past Due and Accruing	Nonaccrual			
Residential:							
1-4 family	\$ 15,330	\$ 7,908	\$	\$ 72,277	\$ 95,515	\$ 3,021,563	\$ 3,117,078
Permanent-NCLC	449	360		6,117	6,926	14,723	21,649
Construction				777	777	21,860	22,637
Liquidating portfolio-construction loans				5	5	8	13
Consumer:							
Home equity loans	13,447	5,312		24,382	43,141	2,553,489	2,596,630
Liquidating portfolio-home equity loans	3,242	1,548		5,626	10,416	147,216	157,632
Other consumer	353	110		55	518	36,084	36,602
Commercial:							
Commercial non-mortgage	5,612	1,861	569	39,475	47,517	1,775,617	1,823,134
Asset-based loans				5,095	5,095	506,585	511,680
Commercial real estate:							
Commercial real estate	2,181	839		32,398	35,418	2,135,299	2,170,717
Commercial construction				10,100	10,100	52,253	62,353
Residential development	209	456	196	16,590	17,451	33,713	51,164
Equipment Financing	2,629	2,424		8,439	13,492	504,877	518,369
Total	\$ 43,452	\$ 20,818	\$ 765	\$ 221,336	\$ 286,371	\$ 10,803,287	\$ 11,089,658

At December 31, 2010

<i>(In thousands)</i>	30-59 Days	60-89 Days	> 90 Days		Total Past Due	Current	Total Loans and Leases
	Past Due and Accruing	Past Due and Accruing	Past Due and Accruing	Nonaccrual			
Residential:							
1-4 family	\$ 13,836	\$ 7,431	\$	\$ 91,711	\$ 112,978	\$ 2,997,718	\$ 3,110,696
Permanent-NCLC				6,805	6,805	18,235	25,040
Construction		541		855	1,396	21,443	22,839
Liquidating portfolio-construction loans				9	9	8	17
Consumer:							
Home equity loans	15,540	6,006		34,892	56,438	2,599,624	2,656,062
Liquidating portfolio-home equity loans	4,330	2,000		10,299	16,629	163,701	180,330
Other consumer	295	114		119	528	31,228	31,756
Commercial:							
Commercial non-mortgage	3,840	1,420	93	34,363	39,716	1,619,369	1,659,085
Asset-based loans				7,801	7,801	448,026	455,827
Commercial real estate:							
Commercial real estate	4,031	7,126		41,106	52,263	2,017,918	2,070,181
Commercial construction				10,856	10,856	63,987	74,843
Residential development	198			15,458	15,656	44,183	59,839
Equipment Financing	6,360	1,577		20,482	28,419	682,506	710,925
Total	\$ 48,430	\$ 26,215	\$ 93	\$ 274,756	\$ 349,494	\$ 10,707,946	\$ 11,057,440

Loans and Leases on Nonaccrual Status. Accrual of interest is discontinued if a loan or lease is placed on nonaccrual status. When placed on nonaccrual status, unpaid accrued interest is reversed and charged against interest income. Residential and consumer loans are placed on nonaccrual status after 90 days past due. All commercial and commercial real estate loans, and equipment financing leases are subject to a detailed review by the Company's credit risk team when 90 days past due or when payment is uncertain and a specific determination is made to put a loan or lease on non-accrual status.

Interest on nonaccrual loans and leases, at September 30, 2011 and 2010, that would have been recorded as additional interest income for the three and nine months ended September 30, 2011 and 2010, had the loans and leases been current in accordance with their original terms, totaled \$6.6 million and \$19.9 million and \$6.3 million and \$14.5 million, respectively.

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Troubled Debt Restructurings. The recorded investment balance of TDRs approximated \$481.1 million and \$450.2 million at September 30, 2011 and December 31, 2010, respectively. At September 30, 2011 and December 31, 2010, the majority of the Company's TDRs are on accrual status. TDRs on accrual status were \$380.7 million and \$352.9 million while TDRs on nonaccrual status were \$100.4 million and \$97.3 million at September 30, 2011 and December 31, 2010, respectively. Management has reviewed the potential TDR population from the beginning of 2011 under ASU No. 2011-02, to affirm the classification presented herewith. At September 30, 2011, approximately 67.6% of the accruing TDRs have been performing in accordance with the restructured terms for more than one year. At September 30, 2011 and December 31, 2010, the allowance for loan and lease losses included specific reserves of \$43.1 million and \$30.7 million related to TDRs, respectively. For the three and nine months ended September 30, 2011 and 2010, Webster charged off \$8.5 million and \$22.7 million and \$0.4 million and \$2.9 million, respectively, for the portion of TDRs deemed to be uncollectible. The amount of additional funds committed to borrowers in TDR status was \$9.3 million and \$18.4 million at September 30, 2011 and December 31, 2010, respectively. This amount may be limited by contractual rights and/or the underlying collateral supporting the loan or lease.

The following table provides information on loans and leases modified as TDRs, during the three and nine months ended September 30, 2011 and 2010:

	For the Three Months Ended September 30,					2010			
	2011		2010			2011		2010	
	Number of Loans and Leases	Pre- Modification Recorded Investment	Post- Modification Recorded Investment	Post- Modification Coupon Rate	Number of Loans and Leases	Pre- Modification Recorded Investment	Post- Modification Recorded Investment	Post- Modification Coupon Rate	
<i>(Dollars in thousands)</i>									
Residential:									
1-4 family	25	\$ 4,455	\$ 4,455	4.4%	70	\$ 17,283	\$ 17,283	4.7%	
Permanent-NCLC	3	1,053	1,053	3.8	3	1,285	1,285	4.4	
Construction									
Consumer:									
Home equity loans	20	1,004	1,004	4.6	72	4,608	4,608	5.8	
Liquidating portfolio-home equity loans	7	178	178	5.9	16	997	997	6.2	
Other consumer									
Commercial:									
Commercial non-mortgage	8	23,911	23,911	6.3	19	14,888	14,888	5.3	
Asset-based loans					3	10,462	10,462	7.1	
Commercial real estate:									
Commercial real estate	1	230	230	5.0	7	44,098	44,098	3.4	
Commercial construction					1	9,463	9,463	6.3	
Residential development									
Equipment Financing	1	200	200	8.0					
TOTAL TDRs	65	\$ 31,031	\$ 31,031	5.9%	191	\$ 103,084	\$ 103,084	4.7%	

	For the Nine Months Ended September 30,					2010			
	2011		2010			2011		2010	
	Number of Loans and Leases	Pre- Modification Recorded Investment	Post- Modification Recorded Investment	Post- Modification Coupon Rate	Number of Loans and Leases	Pre- Modification Recorded Investment	Post- Modification Recorded Investment	Post- Modification Coupon Rate	
<i>(Dollars in thousands)</i>									
Residential:									
1-4 family	110	\$ 25,219	\$ 25,219	4.1%	203	\$ 50,951	\$ 50,951	5.1%	
Permanent-NCLC	6	2,211	2,211	4.0	7	3,278	3,278	5.1	
Construction					5	1,013	1,013	6.4	
Consumer:									
Home equity loans	96	8,130	8,130	4.4	184	13,288	13,288	5.0	
Liquidating portfolio-home equity loans	23	1,367	1,367	5.5	50	2,616	2,616	5.6	
Other consumer									
Commercial:									
Commercial non-mortgage	43	41,337	41,337	6.2	45	34,831	34,831	5.9	

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Asset-based loans	3	2,563	2,563	5.2	3	10,462	10,462	7.1
Commercial real estate:								
Commercial real estate	17	41,395	41,395	4.0	24	102,401	102,401	4.2
Commercial construction					2	17,064	17,064	5.3
Residential development	2	719	719	5.3	3	9,387	9,387	3.5
Equipment Financing	1	200	200	8.0	8	1,444	1,444	7.2
TOTAL TDRs	301	\$ 123,141	\$ 123,141	4.9%	534	\$ 246,735	\$ 246,735	4.9%

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TDR loans may be modified by means of extended maturity below market adjusted interest rates, a combination of rate and maturity, or by other means including covenant modifications, forbearance and/or other concessions. The following table provides information on how loans and leases were modified as TDRs, during the three and nine months ended September 30, 2011 and 2010:

<i>(In thousands)</i>	For the Three Months Ended September 30,									
	Extended Maturity	Adjusted Interest Rates	2011 Combination of Rate and Maturity	Other ^(a)	Total	Extended Maturity	Adjusted Interest Rates	2010 Combination of Rate and Maturity	Other	Total
Residential:										
1-4 family	\$ 1,757	\$	\$ 2,698	\$	\$ 4,455	\$ 4,319	\$ 395	\$ 10,733	\$ 1,836	\$ 17,283
Permanent-NCLC			1,053		1,053			1,285		1,285
Construction										
Consumer:										
Home equity loans	321		683		1,004	1,909		2,699		4,608
Liquidating portfolio-home equity loans	54		124		178	262		735		997
Other consumer										
Commercial:										
Commercial non-mortgage			95	23,816	23,911			61	14,827	14,888
Asset-based loans									10,462	10,462
Commercial real estate:										
Commercial real estate			230		230	6,205		183	37,710	44,098
Commercial construction									9,463	9,463
Residential development										
Equipment Financing		200			200					
TOTAL TDRs	\$ 2,132	\$ 200	\$ 4,883	\$ 23,816	\$ 31,031	\$ 12,695	\$ 395	\$ 15,696	\$ 74,298	\$ 103,084

(a) Other includes covenant modifications, forbearance and/or other concessions.

<i>(In thousands)</i>	For the Nine Months Ended September 30,									
	Extended Maturity	Adjusted Interest Rates	2011 Combination of Rate and Maturity	Other ^(a)	Total	Extended Maturity	Adjusted Interest Rates	2010 Combination of Rate and Maturity	Other	Total
Residential:										
1-4 family	\$ 7,682	\$ 2,706	\$ 13,327	\$ 1,504	\$ 25,219	\$ 11,226	\$ 4,288	\$ 25,911	\$ 9,526	\$ 50,951
Permanent-NCLC			2,211		2,211		867	2,411		3,278
Construction								1,013		1,013
Consumer:										
Home equity loans	4,057		3,726	347	8,130	4,314	364	7,190	1,420	13,288
Liquidating portfolio-home equity loans	571		796		1,367	731		1,885		2,616
Other consumer										
Commercial:										
Commercial non-mortgage	5,607	3,217	301	32,212	41,337	17,874	826	593	15,538	34,831
Asset-based loans			2,563		2,563				10,462	10,462
Commercial real estate:										
Commercial real estate	17,029	5,996	539	17,831	41,395	23,865	1,239	182	77,115	102,401
Commercial construction						7,601			9,463	17,064
Residential development				719	719				9,387	9,387
Equipment Financing		200			200	428		195	821	1,444
TOTAL TDRs	\$ 34,946	\$ 12,119	\$ 23,463	\$ 52,613	\$ 123,141	\$ 66,039	\$ 7,584	\$ 39,380	\$ 133,732	\$ 246,735

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(a) Other includes covenant modifications, forbearance and/or other concessions.

The Company's loan and lease portfolio at September 30, 2011 included ten loans with an A Note/B Note structure, with a recorded investment of \$37.0 million. The loans were restructured into A Note/B Note structures as a result of evaluating the cash flow of the borrower to support repayment. Webster immediately charged off the balance of B Notes totaling \$11.8 million. TDR classification may be removed on A Notes if the borrower demonstrates compliance with the modified terms and the restructuring agreement specifies an interest rate equal to that which would be provided to a borrower with similar credit at the time of restructuring. The A Notes are paying under the terms of the modified loan agreements. Seven of the ten A Notes are on accrual status, as the borrower is paying under the terms of the loan agreement prior to and subsequent to the modification. The remaining A Note is on nonaccrual status due to the continuing financial difficulties of the borrower.

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The following table provides information on loans and leases modified as a TDR within the previous 12 months and for which there was a payment default during the three months ended September 30, 2011 and 2010:

	For the Three Months Ended September 30,			
	2011		2010	
(Dollars in thousands)	Number of Loans and Leases	Recorded Investment	Number of Loans and Leases	Recorded Investment
Residential:				
1-4 family	7	\$ 1,296	7	\$ 1,382
Permanent-NCLC				
Construction				
Consumer:				
Home equity loans	9	825	6	211
Liquidating portfolio-home equity loans			7	319
Other consumer				
Commercial:				
Commercial non-mortgage	1	91		
Asset based loans	1	381		
Commercial real estate:				
Commercial real estate	1	408		
Commercial construction				
Residential development				
Equipment Financing				
TOTAL	19	\$ 3,001	20	\$ 1,912

The following table provides information on loans and leases modified as a TDR within the previous 12 months and for which there was a payment default during the nine months ended September 30, 2011 and 2010:

	For the Nine Months Ended September 30,			
	2011		2010	
(Dollars in thousands)	Number of Loans and Leases	Recorded Investment	Number of Loans and Leases	Recorded Investment
Residential:				
1-4 family	9	\$ 1,833	27	\$ 4,996
Permanent-NCLC			1	143
Construction				
Consumer:				
Home equity loans	13	841	12	659
Liquidating portfolio-home equity loans	2	3	11	326
Other consumer				
Commercial:				
Commercial non-mortgage	2	182	2	40
Asset based loans	1	381		
Commercial real estate:				
Commercial real estate	2	677		
Commercial construction				
Residential development				
Equipment Financing				
TOTAL	29	\$ 3,917	53	\$ 6,164

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Credit Risk Management. The Company has certain credit policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. Management frequently reviews reports related to loan production, loan quality, concentration of credit, loan delinquencies and non-performing and potential problem loans.

Commercial and industrial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Underwriting standards are designed to promote relationships rather than transactional banking. Once it is determined that the borrower's management possesses sound ethics and solid business acumen, the Company's management examines current and projected cash flows to determine the ability of the borrower to repay obligations as agreed. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed and may incorporate a personal guarantee. However, some loans may be made on an unsecured basis.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans, in addition to those specific to real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is largely dependent on the successful operation of the property securing the loan, the market in which the property is located and the tenants that conduct business at the property securing the loan. Commercial real estate loans may be adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location, which helps reduce its exposure to adverse economic events that may affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. The Company also utilizes third-party experts to provide insight and guidance about economic conditions and trends affecting its loan portfolio.

Construction loans on commercial properties have unique risk characteristics and are provided to experienced developers/sponsors with strong track records of successful completion and sound financial condition and are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be subject to change as the construction project proceeds. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections by third party professionals and the internal staff.

To monitor and manage consumer loan risk, policies and procedures are developed and modified, as needed, jointly by line and Risk Management personnel. Policies and procedures, coupled with relatively small loan amounts, and predominately collateralized structures spread across many individual borrowers, minimize risk. Trend and outlook reports are reviewed by management on a regular basis. Underwriting factors for mortgage and home equity loans include the borrower's FICO score, the loan to property value and the borrower's debt to income level and are also influenced by statutory requirements.

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Credit Quality Indicators. To measure credit quality for loans and leases to businesses through the Commercial, Commercial Real Estate and Equipment Financing portfolios, the Company employs a credit risk grading system for estimating the probability of borrower default and the loss given default. The credit risk grade system is a dual grade system that assigns a rating to each borrower and to the facility, which together form the Composite Credit Risk Profile (CCRP). The credit risk grade system categorizes borrowers by common financial characteristics that measure the credit strength of a borrower and facilities by common structural characteristics. The CCRP has ten grades, with each grade corresponding to a progressively greater risk of default. Grades 1 through 6 are pass ratings and 7 through 10 are criticized as defined by the regulatory agencies. The rating model assumptions are actively reviewed and tested against industry data and actual experience. Risk ratings are assigned to differentiate risk within the portfolio and are reviewed on an ongoing basis and revised, if needed, to reflect changes in the borrowers current financial position and outlook, risk profiles and the related collateral and structural positions.

A special mention (7) credit has the potential weakness that if left uncorrected may result in deterioration of the repayment prospects for the asset. Substandard (8) assets have a well defined weakness that jeopardizes the full repayment of the debt. An asset rated doubtful (9) has all the same weaknesses as substandard credit with the added characteristic that the weakness makes collection or liquidation in full, given current facts, conditions, and values, improbable. Assets classified as loss (10) in accordance with regulatory guidelines are considered uncollectible and charged off.

At September 30, 2011 and December 31, 2010, the recorded investment of Commercial and Commercial Real Estate loans and Equipment Financing leases segregated by risk rating exposure are as follows:

(In thousands)	Commercial		Commercial Real Estate		Equipment Financing	
	At		At		At	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
(1) - (6) Pass	\$ 2,057,031	\$ 1,718,552	\$ 1,890,491	\$ 1,671,900	\$ 437,423	\$ 631,189
(7) Special Mention	28,330	59,162	62,121	71,919	25,037	30,745
(8) Substandard	245,050	329,017	331,622	460,209	55,909	48,991
(9) Doubtful	4,403	8,181		835		
(10) Loss						
Total	\$ 2,334,814	\$ 2,114,912	\$ 2,284,234	\$ 2,204,863	\$ 518,369	\$ 710,925

The Company utilizes the loan portfolio aging migration analysis to estimate reserves for the Consumer and Residential portfolios. Refer to loan portfolio aging analysis table included in this footnote.

The recorded investment of Commercial, Commercial Real Estate and Equipment Financing TDRs segregated by risk rating exposure at September 30, 2011 and December 31, 2010, are as follows:

(In thousands)	At	
	September 30, 2011	December 31, 2010
(1) - (6) Pass	\$ 55,997	\$ 5,173
(7) Special Mention	4,662	8,347
(8) Substandard	248,176	280,782
(9) Doubtful	1,071	1,177
(10) Loss		
Total	\$ 309,906	\$ 295,479

The increase in the Pass category from December 31, 2010 to September 30, 2011 is primarily due to \$38.4 million in risk rating upgrades from Substandard and the addition of two new Commercial Real Estate TDRs. The decrease in the Special Mention from December 31, 2010 to September 30, 2011 is due to the payoff of a Commercial Real Estate loan partially offset by the downgrade of one Commercial Non-Mortgage credit from Pass to Special Mention.

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The following tables set forth the carrying values of goodwill and other intangible assets, net of accumulated amortization, at:

<i>(In thousands)</i>	At September 30, 2011	At December 31, 2010
Balances not subject to amortization:		
Goodwill allocated to business segments:		
Retail Banking	\$ 516,560	\$ 516,560
Other	13,327	13,327
Total Goodwill	529,887	529,887
Balances subject to amortization:		
Core deposits allocated to business segments:		
Retail Banking	16,480	20,205
Other	607	1,072
Other intangible assets, net	17,087	21,277
Total goodwill and other intangible assets, net	\$ 546,974	\$ 551,164

The gross carrying value and accumulated amortization of other intangible assets and the reporting unit to which it relates are as follows:

<i>(In thousands)</i>	At September 30, 2011			At December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposits						
Retail	\$ 49,420	\$ (32,940)	\$ 16,480	\$ 49,420	\$ (29,215)	\$ 20,205
Other	4,699	(4,092)	607	4,699	(3,627)	1,072
Total	\$ 54,119	\$ (37,032)	\$ 17,087	\$ 54,119	\$ (32,842)	\$ 21,277

Webster tests its goodwill for impairment annually as of August 31 (the Measurement Date). In performing Step 1 of the goodwill impairment testing and measurement process to assess potential impairment, in accordance with the guidance provided by the FASB ASC Topic 350 - *Intangibles-Goodwill and Other*, the estimated fair values of Webster's two reporting units that carry goodwill, Retail Banking and Other, were estimated using discounted cash flow analysis and observable market data to the extent available. The discount rates utilized for the discounted cash flow analysis reflected market based estimates of capital costs and discount rates adjusted for management's assessment of a market participant's view with respect to execution, concentration and other risks associated with the projected cash flows of the applicable segment. There was no impairment indicated as a result of the Step 1 test performed at the 2011 Measurement Date, as the estimated fair value for those segments exceeded their corresponding carrying values. No impairment losses on goodwill or other intangible assets were incurred during the three and nine months ended September 30, 2011.

GAAP requires additional testing if events or circumstances indicate that impairment may exist. A continuing period of market disruption, or further market capitalization to book value deterioration, may result in the requirement to perform testing for impairment between annual assessments. Management will continue to monitor the relationship of the Company's market capitalization to its book value, which management attributes primarily to financial services industry-wide factors and to evaluate the carrying value of goodwill. To the extent that testing results in the identification of impairment, the Company may be required to record charges for the impairment of goodwill.

Amortization of intangible assets for each of the three and nine months ended September 30, 2011 and 2010 totaled \$1.4 million and \$4.2 million, respectively. Estimated annual amortization expense of current intangible assets with finite useful lives, absent any future impairment or change in estimated useful lives, is summarized below for the current full year and for each of the next five years:

(In thousands)

For years ending December 31,

2011	\$ 5,588
2012	5,420
2013	4,919
2014	2,685
Thereafter	2,665

Table of Contents**NOTE 5: Deposits**

A summary of deposits by type follows:

<i>(In thousands)</i>	At September 30, 2011	At December 31, 2010
Non-interest bearing:		
Demand	\$ 2,292,673	\$ 2,216,987
Interest bearing:		
Interest bearing checking	1,437,968	1,350,929
Health savings accounts	1,002,496	843,310
Money market	2,225,841	2,460,918
Savings	3,689,377	3,586,732
Time deposits	2,937,579	3,149,909
Total interest bearing	11,293,261	11,391,798
Total	\$ 13,585,934	\$ 13,608,785

The following table presents additional information about the Company's deposits:

<i>(In thousands)</i>	At September 30, 2011	At December 31, 2010
Money market deposits obtained through brokers	\$ 26,051	\$ 24,644
Certificates of deposits obtained through brokers	119,052	78,879

The scheduled maturities of time deposits (certificates of deposit and brokered deposits) at September 30, 2011 are as follows:

<i>(In thousands)</i>	
Maturing in the years ending December 31:	
2011	\$ 677,357
2012	1,132,878
2013	496,288
2014	184,857
2015	301,523
Thereafter	144,676
Total	\$ 2,937,579

NOTE 6: Securities Sold Under Agreements to Repurchase and Other Short-term Borrowings

The following table summarizes securities sold under agreements to repurchase (repurchase agreements) and other short-term borrowings at:

<i>(In thousands)</i>	At September 30, 2011	At December 31, 2010
Securities sold under agreements to repurchase:		
Original maturity of one year or less	\$ 342,795	\$ 289,144
Callable at the option of the counterparty	400,000	400,000

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Non-callable	250,850	150,000
	993,645	839,144
Other short-term borrowings:		
Federal funds purchased	217,000	236,500
Treasury, tax and loan	10,260	15,833
	227,260	252,333
Total	\$ 1,220,905	\$ 1,091,477

At September 30, 2011 and December 31, 2010, securities sold under agreements to repurchase were also used as a primary source of borrowed funds in addition to FHLB advances. Repurchase agreements are primarily collateralized by U.S. Government agency mortgage-backed securities. The collateral for these repurchase agreements is delivered to broker/dealers. Repurchase agreements with broker/dealers are limited to primary dealers in government securities or commercial and municipal customers through Webster's Treasury Sales desk.

Table of Contents**NOTE 7: Federal Home Loan Bank Advances**

Advances payable to the Federal Home Loan Bank are summarized as follows:

<i>(In thousands)</i>	At September 30, 2011		At December 31, 2010	
	Total Outstanding	Callable	Total Outstanding	Callable
Fixed Rate:				
0.15 % to 6.60 % due in 2011	\$ 258,000	\$	\$ 410,104	\$
4.00 % to 4.00 % due in 2012	51,400		51,400	
0.28 % to 5.49 % due in 2013	299,000	49,000	299,000	49,000
0.00 % to 6.00 % due after 2015	151,437		5,886	
	759,837	49,000	766,390	49,000
Unamortized premiums	916		1,249	
Hedge accounting adjustments	211		366	
Total advances	\$ 760,964	\$ 49,000	\$ 768,005	\$ 49,000

At September 30, 2011 and December 31, 2010, Webster Bank was in compliance with FHLB collateral requirements and had additional borrowing capacity from the FHLB of approximately \$1.6 billion and \$1.3 billion, respectively.

NOTE 8: Long-Term Debt

Long-term debt consists of the following at September 30, 2011 and December 31, 2010:

<i>(In thousands)</i>	Maturity date	Stated interest rate	At September 30, 2011	At December 31, 2010
Senior fixed-rate notes	2014	5.125%	\$ 150,000	\$ 150,000
Subordinated fixed-rate notes	2013	5.875%	177,480	177,480
Junior subordinated debt related to capital trusts (a):				
Webster Capital Trust IV, fixed to floating-rate trust preferred securities	2037	7.650%	136,070	136,070
Webster Statutory Trust I, floating-rate notes (b)	2033	3.300%	77,320	77,320
People s Bancshares Capital Trust II, fixed-rate notes (c)				10,309
Eastern Wisconsin Bancshares Capital Trust II, floating-rate notes (c)				2,070
NewMil Statutory Trust I, floating-rate notes (c)				10,310
Total junior subordinated debt related to capital trusts			213,390	236,079
Total notes			540,870	563,559
Unamortized premiums, net			(191)	(188)
Hedge accounting adjustments			13,799	19,466
				