

WEBSTER FINANCIAL CORP

Form 10-Q

November 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2009.

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.)

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

06702
(Zip Code)

(203) 465-4364

(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 20, 2009 was 71,168,321.

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

<i>(Dollars in thousands, except share and per share data)</i>	September 30, 2009 (unaudited)	December 31, 2008
Assets:		
Cash and due from depository institutions	\$ 173,437	\$ 259,208
Short-term investments	360,618	22,154
Investment securities:		
Trading, at fair value		77
Available for sale, at fair value (amortized cost of \$1,916,464 and \$1,298,670, respectively)	1,912,283	1,188,705
Held-to-maturity, at amortized cost (fair value of \$2,806,276 and \$2,559,745, respectively)	2,702,881	2,522,511
Total investment securities	4,615,164	3,711,293
Loans held for sale	37,005	24,524
Loans, net	10,995,953	11,952,262
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	140,874	134,874
Goodwill	529,887	529,887
Other intangible assets, net	29,705	34,039
Cash surrender value of life insurance policies	286,806	279,807
Premises and equipment, net	179,353	185,928
Deferred tax asset, net	139,458	189,337
Accrued interest receivable and other assets	320,026	260,224
Total assets	\$ 17,808,286	\$ 17,583,537
Liabilities:		
Deposits	\$ 13,600,730	\$ 11,884,890
Federal Home Loan Bank advances	663,210	1,335,996
Securities sold under agreements to repurchase and other short-term debt	872,030	1,570,971
Long-term debt	589,600	687,797
Accrued expenses and other liabilities	185,342	220,145
Total liabilities	15,910,912	15,699,799
Equity:		
Shareholders' equity:		
Preferred stock, \$0.01 par value; Authorized - 3,000,000 shares;		
Series A issued and outstanding - 56,400 and 224,900 shares	56,400	224,900
Series B issued and outstanding - 400,000 shares (net of discount; \$7,266 and \$8,574)	392,734	391,426
Common stock, \$0.01 par value; authorized - 200,000,000 shares;		
Issued - 71,936,357 and 56,607,177 shares	719	566
Paid in capital:		
Warrants	13,002	8,719
Additional paid in capital	851,573	722,962
Retained earnings	759,683	781,106
Accumulated other comprehensive loss, net of taxes	(34,141)	(105,910)

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Less: Treasury stock, at cost; 3,796,701 and 3,723,527 shares	(152,236)	(149,650)
Total Webster Financial Corporation shareholders' equity	1,887,734	1,874,119
Noncontrolling interests	9,640	9,619
Total equity	1,897,374	1,883,738
Total liabilities and equity	\$ 17,808,286	\$ 17,583,537

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In thousands, except per share data)</i>	Three months ended September 30, 2009		Nine months ended September 30, 2008	
	2009	2008	2009	2008
Interest Income:				
Loans including fees	\$ 131,266	\$ 175,363	\$ 409,566	\$ 542,421
Investments securities	52,975	39,210	152,601	116,657
Loans held for sale	716	54	1,713	1,546
Total interest income	184,957	214,627	563,880	660,624
Interest Expense:				
Deposits	41,977	57,731	144,867	193,028
Borrowings	16,308	27,715	54,856	87,873
Total interest expense	58,285	85,446	199,723	280,901
Net interest income	126,672	129,181	364,157	379,723
Provision for credit losses	85,000	45,500	236,000	86,300
Net interest income after provision for credit losses	41,672	83,681	128,157	293,423
Non-interest Income:				
Deposit service fees	30,844	31,738	88,787	90,114
Loan related fees	5,557	7,171	18,389	21,920
Wealth and investment services	6,160	7,070	17,991	21,660
Mortgage banking activities	1,406	50	5,445	894
Increase in cash surrender value of life insurance	2,692	2,606	7,949	7,810
Impairment losses on investment securities	(1,290)	(33,507)	(28,400)	(89,684)
Net loss on the sale of investment securities	(4,728)	(2,110)	(13,863)	(1,861)
Gain on the exchange of trust preferred securities for common stock			24,336	
Gain on early extinguishment of subordinated notes			5,993	
Gain on Visa share redemption			1,907	1,625
Other income	3,517	2,731	5,117	5,369
Total non-interest income	44,158	15,749	133,651	57,847
Non-interest Expenses:				
Compensation and benefits	59,772	61,314	175,430	187,623
Occupancy	13,572	12,827	41,461	39,637
Furniture and equipment	15,199	14,892	45,627	45,686
Intangible assets amortization	1,421	1,464	4,334	4,476
Marketing	3,802	2,478	10,104	11,061
Outside services	3,628	3,798	10,806	11,657
FDIC deposit insurance assesment	5,942	532	16,491	1,230
FDIC special deposit insurance assesment			8,000	
Goodwill impairment		1,013		9,513
Severance and other costs	4,169	1,535	5,722	10,253
Foreclosed and repossessed asset write-downs	2,232	1,968	8,354	2,685
Foreclosed and repossessed asset expenses	1,733	1,496	4,868	2,844
Other expenses	15,616	13,998	43,982	44,061

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Total non-interest expenses	127,086	117,315	375,179	370,726
Loss from continuing operations before income tax benefit	(41,256)	(17,885)	(113,371)	(19,456)
Income tax benefit	(22,014)	(1,878)	(51,143)	(1,860)
Loss from continuing operations	(19,242)	(16,007)	(62,228)	(17,596)
Income (loss) from discontinued operations, net of tax		(518)	313	(3,081)
Consolidated net loss	(19,242)	(16,525)	(61,915)	(20,677)
Less: Net income attributable to noncontrolling interests	8	14	21	6
Net loss attributable to Webster Financial Corporation	(19,250)	(16,539)	(61,936)	(20,683)
Preferred stock dividends, accretion of preferred stock discount and excess carrying value over fair value of consideration upon redemption	(6,850)	(5,209)	31,082	(5,640)
Net loss applicable to common shareholders	\$ (26,100)	\$ (21,748)	\$ (30,854)	\$ (26,323)

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS, continued

<i>(In thousands, except per share data)</i>	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Basic:				
Loss from continuing operations, per common share	\$ (0.39)	\$ (0.41)	\$ (0.55)	\$ (0.45)
Loss income from discontinued operations, net of tax per common share		(0.01)	0.01	(0.06)
Net loss attributable to Webster Financial Corporation, per common share	\$ (0.39)	\$ (0.42)	\$ (0.54)	\$ (0.51)
Diluted:				
Loss from continuing operations, per common share	\$ (0.39)	\$ (0.41)	\$ (1.36)	\$ (0.45)
Loss income from discontinued operations, net of tax per common share		(0.01)	0.01	(0.06)
Net loss attributable to Webster Financial Corporation, per common share	\$ (0.39)	\$ (0.42)	\$ (1.35)	\$ (0.51)
Dividends per common share	\$ 0.01	\$ 0.30	\$ 0.03	\$ 0.90

See accompanying Notes to Condensed Consolidated Financial Statements.

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<i>(In thousands, except share and per share data)</i>	Nine months ended September 30, 2009							Non controlling interests	Total
	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss			
Balance, December 31, 2008	\$ 616,326	\$ 566	\$ 731,681	\$ 781,106	\$ (149,650)	\$ (105,910)	\$ 9,619	\$ 1,883,738	
Cumulative effect of change in accounting principle				11,431		(11,431)			
Comprehensive (loss) income:									
Net (loss) income				(61,936)			21	(61,915)	
Other comprehensive income, net of taxes						83,200		83,200	
Comprehensive income								21,285	
Dividends paid on common stock of \$.03 per share				(1,736)				(1,736)	
Dividends paid on Series A preferred stock \$63.75 per share				(10,757)				(10,757)	
Dividends incurred on Series B preferred stock \$37.50 per share				(15,006)				(15,006)	
Subsidiary preferred stock dividends \$0.65 per share				(646)				(646)	
Repurchase of 17,774 common shares					(152)			(152)	
Accretion of preferred stock discount	1,308			(1,308)					
Stock-based compensation expense			1,612					1,612	
Restricted stock grants and expense			7,414	222	(3,129)			4,507	
Conversion of Series A preferred stock	(168,500)	60	48,906	58,792				(60,742)	
Extinguishment of Trust Preferred Securities		53	36,780					36,833	
Issuance of common stock and warrants		40	38,206	(479)	695			38,462	
Series B preferred stock and warrant issuance costs			(24)					(24)	
Balance, September 30, 2009	\$ 449,134	\$ 719	\$ 864,575	\$ 759,683	\$ (152,236)	\$ (34,141)	\$ 9,640	\$ 1,897,374	

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Nine months ended September 30, 2008

(In thousands, except share and per

<i>share data)</i>	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non controlling interests	Total
Balance, December 31, 2007	\$	\$ 566	\$ 734,604	\$ 1,183,621	\$ (166,263)	\$ (15,896)	\$ 9,615	\$ 1,746,247
Comprehensive (loss) income:								
Net (loss) income				(20,683)			6	(20,677)
Other comprehensive loss, net of taxes						(70,285)		(70,285)
Comprehensive loss								(90,962)
Dividends paid on common stock of \$.90 per share				(47,261)				(47,261)
Dividends paid on Series A Preferred stock \$22.19 per share				(4,994)				(4,994)
Subsidiary preferred stock dividends \$0.65 per share				(646)				(646)
Exercise of stock options, including excess tax benefits			(228)		760			532
Repurchase of 13,142 common shares					(382)			(382)
Stock-based compensation expense			1,989					