

WEBSTER FINANCIAL CORP

Form 10-Q

May 05, 2011

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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 March 31, 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 April 29, 2011 was 87,537,448.

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<i>(In thousands, except share and per share data)</i>	March 31, 2011 (Unaudited)	December 31, 2010
Assets:		
Cash and due from banks	\$ 170,691	\$ 159,849
Interest-bearing deposits	104,982	52,811
Trading securities, at fair value		11,554
Securities available for sale, at fair value	2,195,109	2,413,776
Securities held-to-maturity (fair value of \$3,284,722 and \$3,141,775)	3,211,047	3,072,453
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	143,874	143,874
Loans held for sale	10,809	52,224
Loans	11,014,050	11,024,639
Allowance for loan losses	(297,948)	(321,665)
Loans, net	10,716,102	10,702,974
Deferred tax asset, net	95,209	104,774
Premises and equipment, net	155,464	157,724
Goodwill	529,887	529,887
Other intangible assets, net	19,880	21,277
Cash surrender value of life insurance policies	300,683	298,149
Prepaid FDIC premiums	52,121	57,548
Accrued interest receivable and other assets	259,088	259,194
Total assets	\$ 17,964,946	\$ 18,038,068
Liabilities and Equity:		
Deposits:		
Non-interest bearing	\$ 2,183,665	\$ 2,216,987
Interest bearing	11,941,003	11,391,798
Total deposits	14,124,668	13,608,785
Federal Home Loan Bank advances	403,297	768,005
Securities sold under agreements to repurchase and other short-term borrowings	857,394	1,091,477
Long-term debt	570,637	582,837
Accrued expenses and other liabilities	184,320	203,898
Total liabilities	16,140,316	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 - 90,694,337 shares and 90,688,879 shares	907	907
Paid-in capital	1,160,929	1,160,690
Retained earnings	776,968	746,057

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Less: Treasury stock, (at cost; 3,764,429 shares and 3,830,050 shares)	(146,711)	(149,462)
Accumulated other comprehensive loss, net	(5,979)	(13,709)
Total Webster Financial Corporation shareholders equity	1,815,053	1,773,422
Non controlling interests	9,577	9,644
Total equity	1,824,630	1,783,066
Total liabilities and equity	\$ 17,964,946	\$ 18,038,068

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

<i>(In thousands, except per share data)</i>	Three months ended March 31,	
	2011	2010
Interest Income:		
Interest and fees on loans and leases	\$ 121,231	\$ 123,350
Taxable interest and dividends on securities	46,493	46,625
Non-taxable interest and dividends on securities	7,351	7,531
Loans held for sale	422	314
 Total interest income	 175,497	 177,820
Interest Expense:		
Deposits	22,769	31,951
Repurchase agreements and other short-term borrowings	3,562	4,003
Federal Home Loan Bank advances	3,355	4,418
Long-term debt	6,362	6,064
 Total interest expense	 36,048	 46,436
Net interest income	139,449	131,384
Provision for loan losses	10,000	43,000
 Net interest income after provision for loan losses	 129,449	 88,384
Non-interest Income:		
Deposit service fees	25,340	27,784
Loan related fees	4,829	6,005
Wealth and investment services	6,722	5,835
Mortgage banking activities	1,253	(138)
Increase in cash surrender value of life insurance policies	2,533	2,578
Net loss on trading securities	(1,799)	
Net gain on sale of investment securities	2,176	4,318
Total other-than-temporary impairment losses on securities		(8,214)
Portion of the loss recognized in other comprehensive income		4,534
 Net impairment losses recognized in earnings		 (3,680)
Other income	3,248	4,314
 Total non-interest income	 44,302	 47,016
Non-interest Expense:		
Compensation and benefits	67,071	60,956
Occupancy	14,735	14,440
Technology and equipment expense	15,392	15,268
Intangible assets amortization	1,397	1,397
Marketing	5,520	4,791
Professional and outside services	2,430	2,602
Deposit insurance	5,781	6,085
Other expenses	16,799	28,085

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Total non-interest expense	129,125	133,624
Income from continuing operations before income tax expense	44,626	1,776
Income tax expense	12,326	355
Income from continuing operations	32,300	1,421
Income from discontinued operations, net of tax	1,995	
Consolidated net income	34,295	1,421
Less: Net loss attributable to non controlling interests	(1)	
Net income attributable to Webster Financial Corporation	34,296	1,421
Preferred stock dividends	(831)	(5,455)
Accretion of preferred stock discount and gain on extinguishment		(2,035)
Net income (loss) available to common shareholders	\$ 33,465	\$ (6,069)
Net income (loss) per common share:		
Basic		
Income (loss) from continuing operations	\$ 0.36	\$ (0.08)
Net income (loss) available to common shareholders	0.38	(0.08)
Diluted		
Income (loss) from continuing operations	0.34	(0.08)
Net income (loss) available to common shareholders	0.36	(0.08)

See accompanying Notes to Condensed Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Unaudited)

<i>(In thousands, except share and per share data)</i>	Three months ended March 31, 2010							Total
	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Non Controlling Interests	
Balance, December 31, 2009	\$ 422,109	\$ 820	\$ 1,007,740	\$ 708,024	\$ (161,911)	\$ (28,389)	\$ 9,641	\$ 1,958,034