WEBSTER FINANCIAL CORP Form 10-Q November 02, 2011 Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended 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. b Yes "No

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

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

Large accelerated filer b

Accelerated filer

Non-accelerated filer " (Do not check if a smaller reporting company) Smaller reporting company " Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No b

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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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	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:	ф <u>а 202</u> (72	¢ 0.017.007	
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.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Interest neome S 120.018 \$ 123.002 \$ 562.848 \$ 368.839 Taxable interest and dividends on securities 45.753 45.709 138.504 140.268 Taxable interest and dividends on securities 7.221 7.473 21.841 22.813 Total interest income 173.258 176.303 524.058 532.157 Interest Expense:	(In the man day, and man change date)	Three months ended September 30,		Nine months ended September 30,	
Interest and fies on loans and leases \$120.018 \$121.042 \$362.848 \$368.839 Taxable interest and dividends on securities 7.221 7.473 21.841 120.268 Tax exempt interest and dividends on securities 7.221 7.473 21.841 120.268 Total interest and dividends on securities 7.221 7.473 21.841 120.268 Total interest income 173.258 176.003 524.058 532.157 Interest Expense: 7.473 21.841 12.172 Federal Home Loan Bank advances 3.551 4.682 10.201 13.847 Cong-term debt 6.012 6.482 10.201 13.847 Total interest expense 32.877 41.569 104.111 133.697 Net interest income 140.381 144.734 41.949 398.460 Provision for loan and lease losses 5.000 25.000 20.000 100.000 Not interest income after provision for loan and lease losses 135.381 109.734 399.947 298.460 <th>(In thousands, except per share data)</th> <th>2011</th> <th>2010</th> <th>2011</th> <th>2010</th>	(In thousands, except per share data)	2011	2010	2011	2010
Taxable interest and dividends on securities 45,733 45,709 138,504 140,268 Tax-exempt interest and dividends on securities 7,221 7,473 21,841 22,513 Loams 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 Loam Bank advances 35,51 4,662 102,01 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<		\$ 120.018	\$ 122 042	\$ 267 949	\$ 268 820
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: 85.93 53.51 8.842 Securities sold under agreements to repurchase and other short-term borrowings 4.384 4.048 11.723 12.13,127 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 135.381 109,734 399.947 298.460 Non-interest Income: 20.000 100.000 Not-interest income after provision for loan and lease losses 135.381 109,734 399.947 298.460 Non-inter		. ,			
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Total interest income 173.258 176,303 524,058 532,157 Interest Expense: 2 2 2 63,540 88,842 Deposits Socurities 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: 2 2,074 26,822 78,509 83,951 Loan related fees 2,047 26,822 78,509 83,951 Loan related fees 6,486 6,220 20,662 18,273 Notinterest Incom	•	,			
Interest Expense: 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 Deposit scivice 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 Norietter and surgenderities 1.205 (1.799) 9.789 Net gain on sale of investinent services 6.486 <td< td=""><td>Loans neid for sale</td><td>200</td><td>19</td><td>805</td><td>557</td></td<>	Loans neid for sale	200	19	805	557
Deposits 18,30 26,409 63,540 88,842 Securities sold under agreements to repurchase and other short-term borrowings 4,334 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 135,381 109,734 399,947 298,460 Non-interest Income: 20,000 100,000 Non-interest Income: 298,460 Non-interest Income: 298,460 298,460 20,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000	Total interest income	173,258	176,303	524,058	532,157
Deposits 18,30 26,409 63,540 88,842 Securities sold under agreements to repurchase and other short-term borrowings 4,334 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 135,381 109,734 399,947 298,460 Non-interest Income: 20,000 100,000 Non-interest Income: 298,460 Non-interest Income: 298,460 298,460 20,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000 100,000	Interest Expense:				
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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:					
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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:			· · · · · · · · · · · · · · · · · · ·		
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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: 298,460 Non-interest Income: 298,460 Non-interest Income: 99,947 298,460 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 (oss) on trading securities 1,027 3,823 9,709 1021 3,823 9,709 Total other-than-temporary impairment loss on securities (5,314) (14,445) 14,457 Less: Portion of loss recognized in other comprehensive income 4,344 8,607 104 17,526	Total interest expense	32,877	41,569	104,111	133,697
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: 298,460 Non-interest Income: 298,460 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 (0.08) on trading securities 1,027 3,823 9,709 1027 3,823 9,709 Total other-than-temporary impairment loss on securities (5,314) (14,445) 14,445 14,445 Less: Portion of loss recognized in earnings (970) (5,838) 0 16,698 14,757 Total non-interest income 46,206 47,268 137,52	Net interest income	140.381	134.734	419.947	398.460
Net interest income after provision for loan and lease losses 135,381 109,734 399,947 298,460 Non-interest Income: 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 9,789 Net gain on sale of investment securities 1,027 3,823 9,709 70tal 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 1					
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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 $1,857$ $2,510$ $6,698$ Intancest Expense: $46,206$ $47,268$ $137,526$ Compensation and benefits $61,897$ $60,133$ $194,501$ Occupancy $13,150$ $13,777$ $40,741$ $41,763$ Technology and equipment $1,397$ $1,397$ $4,191$ Intangible assets amortization $1,397$ $1,397$ $4,191$ Marketing $4,144$ $4,634$ $13,916$ $14,651$ Professional and outside services $3,125$ $4,038$ $8,368$ $10,206$	Non-interest Income.				
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 insurace policies $2,642$ $2,677$ $7,751$ $7,867$ Net gain (loss) on trading 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: C C C $13,150$ $13,777$ $40,741$ $41,763$ Cocupancy $13,150$ $13,777$ $40,741$ $41,763$ $13,977$ $4,911$ $4,191$ Intangible assets amortization $1,397$ $1,397$ $4,911$ $4,191$ Marketing $4,144$ $4,634$ $13,916$ $14,651$ Professional and outside services $3,125$ $4,038$ $8,368$ $10,206$		27 074	26 822	78 509	83 951
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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 $1,397$ $1,397$ $4,191$ $4,191$ Marketing $4,144$ $4,634$ $13,916$ $14,651$ Professional and outside services $3,125$ $4,038$ $8,368$ $10,206$,		· · · · · · · · · · · · · · · · · · ·	
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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 15,141 15,886 45,667 46,811 Intangible assets amortization 1,397 1,397 4,191 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	Net impairment loss recognized in earnings		(970)		(5.838)
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Compensation and benefits61,89760,133194,501181,402Occupancy13,15013,77740,74141,763Technology and equipment15,14115,88645,66746,811Intangible assets amortization1,3971,3974,1914,191Marketing4,1444,63413,91614,651Professional and outside services3,1254,0388,36810,206	Total non-interest income	46,206	47,268	137,526	159,804
Compensation and benefits61,89760,133194,501181,402Occupancy13,15013,77740,74141,763Technology and equipment15,14115,88645,66746,811Intangible assets amortization1,3971,3974,1914,191Marketing4,1444,63413,91614,651Professional and outside services3,1254,0388,36810,206	Non-interest Expense:				
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Technology and equipment15,14115,88645,66746,811Intangible assets amortization1,3971,3974,1914,191Marketing4,1444,63413,91614,651Professional and outside services3,1254,0388,36810,206	Occupancy				
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Professional and outside services 3,125 4,038 8,368 10,206					
	Deposit insurance	4,472	,		.,