

WEBSTER FINANCIAL CORP
Form 10-Q
May 08, 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 March 31, 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 April 30, 2009 was 52,838,930.

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<i>(In thousands, except share and per share amounts)</i>	March 31, 2009	December 31, 2008
Assets:		
Cash and due from depository institutions	\$ 208,862	\$ 259,208
Short-term investments	19,942	22,154
Investment securities:		
Trading, at fair value		77
Available for sale, at fair value	1,097,229	1,188,705
Held-to-maturity (fair value of \$2,479,636 and \$2,559,745)	2,429,887	2,522,511
Other securities	134,874	134,874
Total investment securities	3,661,990	3,846,167
Loans held for sale	48,876	24,524
Loans, net	11,824,530	11,952,262
Goodwill	529,887	529,887
Cash surrender value of life insurance	282,399	279,807
Premises and equipment	182,629	185,928
Assets held for disposition	5,571	5,571
Other intangible assets, net	32,575	34,039
Deferred tax asset, net	199,531	189,337
Accrued interest receivable and other assets	259,942	254,653
Total assets	\$ 17,256,734	\$ 17,583,537
Liabilities:		
Deposits	\$ 12,694,759	\$ 11,884,890
Federal Home Loan Bank advances	671,294	1,335,996
Securities sold under agreements to repurchase and other short-term debt	1,146,852	1,570,971
Long-term debt	661,968	687,797
Accrued expenses and other liabilities	216,734	220,145
Total liabilities	15,391,607	15,699,799
Equity:		
Shareholders' equity:		
Preferred stock, \$0.01 par value; Authorized - 3,000,000 shares;		
Series A issued and outstanding - 224,900 shares	224,900	224,900
Series B issued and outstanding - 400,000 shares (net of discount; \$8,138 and \$8,574)	391,862	391,426
Common stock, \$0.01 par value; authorized - 200,000,000 shares;		
Issued - 56,607,177 shares	566	566
Paid in capital:		
Warrant for common stock	8,719	8,719
Additional paid in capital	727,000	722,962
Retained earnings	759,020	781,106
Accumulated other comprehensive loss, net	(105,196)	(105,910)

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Less: Treasury stock, at cost; 3,776,766 and 3,723,527 shares	(151,376)	(149,650)
Total Webster Financial Corporation shareholders' equity	1,855,495	1,874,119
Noncontrolling interests	9,632	9,619
Total equity	1,865,127	1,883,738
Total liabilities and equity	\$ 17,256,734	\$ 17,583,537

See accompanying Notes to Consolidated Financial Statements.

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

<i>(In thousands, except per share amounts)</i>	Three months ended March 31,	
	2009	2008
Interest Income:		
Loans including fees	\$ 140,767	\$ 191,272
Investments securities	50,827	39,332
Loans held for sale	164	1,400
Total interest income	191,758	232,004
Interest Expense:		
Deposits	52,908	75,242
Borrowings	20,653	31,906
Total interest expense	73,561	107,148
Net interest income	118,197	124,856
Provision for credit losses	66,000	15,800
Net interest income after provision for credit losses	52,197	109,056
Non-Interest Income:		
Deposit service fees	27,959	28,433
Loan related fees	6,482	6,858
Wealth and investment services	5,750	6,956
Mortgage banking activities	606	740
Increase in cash surrender value of life insurance	2,592	2,581
Net gain on investment securities	4,457	124
Loss on write-down of investments to fair value		(1,254)
Gain on early extinguishment of subordinated notes	5,993	
Visa share redemption		1,625
Other income	276	1,784
Total non-interest income	54,115	47,847
Non-interest Expenses:		
Compensation and benefits	56,469	63,443
Occupancy	14,295	13,682
Furniture and equipment	15,140	15,160
Intangible assets amortization	1,464	1,548
Marketing	3,106	3,643
Outside services	3,784	4,153
FDIC deposit insurance assesment	4,590	354
Severance and other costs	240	(650)
Foreclosed and repossessed asset write-downs	3,450	233
Foreclosed and repossessed asset expenses	1,179	280
Other expenses	14,301	14,058
Total non-interest expenses	118,018	115,904

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(Loss) income from continuing operations before income tax (benefit) expense	(11,706)	40,999
Income tax (benefit) expense	(593)	14,303
(Loss) income from continuing operations	(11,113)	26,696
Loss from discontinued operations, net of tax		(2,124)
Consolidated net (loss) income	(11,113)	24,572
Less: Net income (loss) attributable to noncontrolling interests	13	(9)
Net (loss) income attributable to Webster Financial Corporation	(11,126)	24,581
Preferred stock dividends and accretion of preferred stock discount	(10,431)	(216)
Net (loss) income applicable to common shareholders	\$ (21,557)	\$ 24,365

See accompanying Notes to Consolidated Financial Statements.

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

<i>(In thousands, except per share amounts)</i>	Three months ended March 31,	
	2009	2008
Basic:		
(Loss) income from continuing operations, per common share	\$ (0.41)	\$ 0.50
(Loss) income from discontinued operations, net of tax per common share		(0.04)
Net (loss) income attributable to Webster Financial Corporation, per common share	\$ (0.41)	\$ 0.46
Diluted:		
(Loss) income from continuing operations, per common share	\$ (0.41)	\$ 0.50
(Loss) income from discontinued operations, net of tax per common share		(0.04)
Net (loss) income attributable to Webster Financial Corporation, per common share	\$ (0.41)	\$ 0.46
Dividends per share	\$ 0.01	\$ 0.30

See accompanying Notes to Consolidated Financial Statements.

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WEBSTER FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (Unaudited)

<i>(In thousands, except share and per share data)</i>	Three months ended March 31, 2008							
	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Noncontrolling interest	Total
Balance, December 31, 2007	\$ 566	\$ 734,604	\$ 1,183,621	\$ (166,263)	\$ (15,896)	\$ 9,615	\$ 1,746,247	
Comprehensive income:								
Net income			24,581			(9)	24,572	
Other comprehensive loss, net of taxes					(30,327)		(30,327)	
Comprehensive income							(5,755)	
Dividends paid on common stock of \$.30 per share				(15,747)				